Internet

The genesis of retail formats; QCom wins in India

In our quick commerce (QCom) deep dive, we study the emergence of various retail formats across 11 geographies. Our conclusion is that the dominant retail format in a particular geography is determined by how societies are organized. By mapping variables on the demand-side (dwelling size, mobility profile, and population density) and the supply-side (gig rider wages and retail real estate costs), we identify the most suitable retail formats. We believe the confluence of such demand and supply dynamics positions QCom as a dominant format in India. We see strong growth potential of QCom in tier 2/3 cities, which are expected to be key drivers of future growth. In our view, Swiggy and Eternal are well placed to capitalize on this opportunity. We initiate coverage on Swiggy with BUY and DCF-based TP of Rs350. We maintain BUY on Eternal with DCF-based TP of Rs370.

Demand-side variables structurally favor QCom in India

On the demand front, three variables define the boundaries where retail spending occurs: 1) the urban dwelling size per person determines storage capacity and, therefore, minimum purchase frequency; 2) the urban mobility profile determines carrying capacity per trip, which sets the floor on purchase frequency and the ceiling on basket size; 3) urbanization and population-weighted density (PWD) determine whether delivery economics are viable. When these variables align, a single format dominates decisively, and when they diverge, multiple formats coexist. With smaller dwelling sizes, limited mobility, and high PWD, QCom and kirana emerge as dominant retail formats.

Supply-side economics reinforce QCom's structural advantage

On the supply front, two factors—gig delivery rider wages and urban real estate costs—determine format viability. Gig delivery rider wages set the floor price of last-mile fulfilment and determine if an average grocery basket can be delivered profitably. Urban retail real estate costs, in turn, set the price of the customer-facing space, with the retail-to-warehouse rent gap indicating the cost advantage of shifting fulfilment from prime retail real estate locations to dark stores in off-prime areas. India, with relatively high real estate costs and low gig worker wages, combined with constrained consumer mobility and high PWD, presents a favorable case for QCom.

Eternal: Execution excellence to capitalize on the lucrative QCom opportunity

Our view rests on three pillars: the long-term QCom opportunity in India, strong underlying unit economics at maturity, and Blinkit's superior execution vs peers. Blinkit has already reached adjusted EBITDA breakeven, while competitors are still struggling to achieve contribution margin profitability. A robust cash balance (Rs178.2bn as of Q3FY26), higher profitability in the food delivery business, and the largest dark store network in India ensure Blinkit faces no capital or operational constraints to expansion. The company is, therefore, expanding into tier 2/3 cities, which will continue to drive long-term growth. Sustained competitive intensity in QCom remains the key risk. We maintain BUY on Eternal with DCF-based target price of Rs370 which implies a 30.2x multiple for FY28E adj EBITDA food delivery and 1.71x multiple for FY28E QCom NOV. Eternal remains our preferred pick in the sector given superior execution.

Swiggy: Strong Food delivery and QCom play with high leverage

We initiate coverage on Swiggy with BUY and DCF-based target price of Rs350, which implies a 34.1x multiple for FY28E adj EBITDA food delivery and a 0.39x multiple for FY28E QCom NOV. Swiggy is one of the largest players in India's promising QCom space, with a large footprint, a broad customer base, and scale. While Swiggy's Instamart trails Eternal's Blinkit in overall unit economics, it demonstrates stronger profitability than the broader challenger pack. Its expansion into MegaPods—larger-format dark stores with a wider SKU assortment—positions it to drive SSSG without proportional store additions. The food delivery business provides a stable profit engine that cross-subsidizes QCom investments. On valuations, Swiggy's enterprise value sits at~28% of Eternal's despite operating at 41% and 75% of Eternal's scale in QCom Net Order Value (NOV) and food delivery Gross Order Value (GOV), respectively. The valuation discount is largely explained by the profitability gap in both—the QCom and food delivery businesses.

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Summary

This report presents a first-principles framework for understanding why specific retail formats dominate in specific markets. The central argument is that retail format dominance is not a function of consumer preference, retailer vision, or capital allocation. It is structurally determined by a measurable set of demand-side and supply-side variables that constrain what is physically possible and economically rational in each geography. Walmart's 179,000sqft supercenter, Japan's 1,100sqft konbini, and Blinkit's 2,500sqft dark store are not fungible business models. They are structurally inevitable outcomes of the constraints of the geographies they serve.

On the demand side, three variables set the boundaries before the money is spent. Urban dwelling size per person determines storage capacity, and, in turn, minimum purchase frequency—India's 117sqft per person drives more frequent shopping, while Germany's 508sqft enables less frequent purchases. Urban mobility profile determines carrying capacity per trip—a consumer on a two-wheeler in Bengaluru can carry 3–5 kg, whereas a consumer in a Toyota Camry in suburban Houston can carry >25kg. This single physical constraint sets the floor for purchase frequency and the ceiling for basket size. Urbanization and PWD determine whether delivery economics are viable or punishing. When all three variables align, a single format dominates decisively, and when they diverge, multiple formats coexist. India and the US sit at opposite extremes, wherein the dominant model is decisively QCom/kirana and large format retail, respectively. A country like South Korea, where all three diverge, hosts the most competitive multi-format landscape in the sample.

On the supply side, two costs and their interaction determine format viability. Gig delivery rider wages set the floor price of last-mile fulfilment – ranging from USD1.20/hr in India to USD18.50/hr in the US, a 15x spread on nominal terms and 3.4x difference on PPP terms determines whether an average grocery basket can be profitably delivered. Urban retail real estate costs set the price of customer-facing space – from USD0.45/sqft/month in Malaysia to USD4.75 in Japan, a 10.6x spread, with the retail-to-warehouse rent gap signaling how much a retailer saves by moving fulfilment from a prime retail real estate to a dark store in an off-prime location.

The interaction between demand and supply is where the framework earns its explanatory power. India's QCom is not merely a cheap-rider story; it is an expensive-real-estate-relative-to-cheap-riders story layered on top of a population that cannot carry and store and lives at densities that make a 10-minute delivery viable. The US Supercenter is not merely a cultural artefact; it is the rational equilibrium of a market where rider wages are USD3,700/month, retail space costs only ~USD1.6/sqft/month, consumers have 698sqft of living space per person, and every household owns a car. Every format across every geography in this report can be reverse-engineered from these structural parameters.

The conclusion is clear: the companies best positioned are not those with the best strategy, but those with formats most aligned with the structural grain of their geography. This alignment is a necessary albeit not sufficient condition for success in retail markets. Ultimately, retail is won through execution rigor, combined with an understanding of the most efficient format for each geography.

The QCom channel has consistently outrun every market-size forecast published over the past three years, and the pattern of underestimation shows no sign of abating. Redseer's CY22 bull-case scenario projected the QCom market at USD5.3bn by CY25; we estimate the actual outcome at ~USD12.5bn, roughly 136% above that ceiling. The forecasting miss is not confined to third-party research agencies—sell-side consensus for Eternal and Swiggy has been revised upward quarter after quarter, as QCom growth has remained strong. Even recent industry estimates appear conservative: one market analytics firm pegs QCom GOV at Rs2trn by FY28, implying 38% CAGR from the current annualized base of Blinkit and Instamart combined—below the +100% growth sustained over the last eight quarters.

The street's caution is understandable, given that QCom has moved past a niche base and already represents an estimated 1.2% of India's retail market. However, we believe this is precisely where the next forecast error will emerge. Redseer's projections, cited in Swiggy's QIP document, estimate QCom reaching 4% of India's retail by FY30, implying Rs5.16trn in GOV—a 60% CAGR from the FY25 base of Rs500bn and a 36% CAGR from our current run-

rate estimate of Rs1.1trn. For context, the Indian e-commerce scaled up, from Rs1.86trn in FY20 to Rs5.81trn in FY25 – at 25.6% CAGR, off a materially larger base at 1.7x QCom's current run-rate.

We believe one of the less understood points is the concentration of dark stores in the top-8 cities which is often misconstrued as a lack of demand in tier-2/3 cities. In reality, this concentration reflects strong growth seen in these geographies. Once a dark store reaches ~2,000 orders per day (OPD), companies actively split the polygon to maintain operational quality. Hence, the stores follow demand, rather than lead it. We believe that the tier 2+ opportunity remains largely untapped—metros and tier 1 cities house only ~8% of India's population, yet account for ~70% of dark stores—and our bottom-up unit economics analysis shows that even tier 3 and tier 4 cities are contribution-margin positive at today's operating parameters, with breakeven timelines of 3–6 months for first movers, per our channel checks.

QCom has increasingly matched modern trade's scale in GOV/NOV throughput, and while the incremental cost stack (delivery, mid-mile, and dark-store overheads) compresses contribution margins relative to DMart, its gross margin advantage—aided by ~5% of NOV from advertising income—is structural and widening as assortment extends into higher-margin discretionary categories. We believe the combination of SSSG-led growth in mature clusters, tier 2+ geographic expansion underpinned by India's population-weighted density of ~10,000/km², category expansion beyond core grocery into general merchandise and beauty, and a growing advertising and data-insights monetization lever makes the 30–40% CAGR consensus a floor rather than a ceiling.

Swiggy: #2 player in food delivery and strong player in QCom

Swiggy is one of the largest players in India's promising QCom space, with a large footprint (1,136 dark stores), customer base (12.8mn MTUs), and scale (Rs207.1bn FY26E NOV). While Instamart trails Blinkit in scale and profitability, it remains ahead of the broader competition, and its expansion into MegaPods—larger-format dark stores with a wider SKU assortment—positions it to drive SSSG without proportional store additions. The management believes that the existing network is capable of supporting over 2x current GOV. The contribution margin gap with Blinkit has already compressed from 11.3% at its peak in Q4FY25 to ~910bps by Q3FY26, driven by NAOV expansion (up Rs115 over three quarters via Maxxsaver), take-rate improvements (from 13.5% to 20.5% between Q1FY24 and Q1FY26), and operating leverage as burst-phase dark stores ramp toward maturity. We model Instamart's contribution margins improving from -3.4% in FY26E to +5.0% by FY30E, tracking Blinkit's own trajectory with ~2-year lag.

The food delivery business, now a near-duopoly cash cow with ~18mn MTUs, provides a stable profit engine that cross-subsidizes QCom investments, while exhibiting its own margin expansion trajectory. Swiggy's FD-adjusted EBITDA margin of 3.0% in Q3FY26 trails Zomato's 4.4% by 140bps—explained by a scale-driven direct and indirect cost per order gap—but this gap has compressed steadily from 4.0% in FY22 and should narrow further to ~130bps by FY28E. We see a strong entry moat in food delivery as replicating incumbents' network in today's duopoly would require significant cash burn and the operational burden of matching sub-30-minute service level agreements (SLAs) with an oversized fleet. The business model exhibits highly efficient economics—negative working capital from upfront digital collections, capex-light geographic expansion, and strong operating leverage on fixed corporate overheads.

On valuations, Swiggy's enterprise value sits at ~28% of Eternal's, despite operating at 41% and 74.5% of Eternal's scale in QCom (NOV) and food delivery (GOV), respectively. The valuation discount is primarily driven by the profitability gap—Instamart at -3.6% contribution margin (on NOV) vs Blinkit's +5.5%, and Swiggy FD at 3.0% adjusted EBITDA margin (on GOV, as Swiggy does not report NOV for FD) vs Eternal's 4.4%. However, Swiggy has already demonstrated its ability to close this gap in food delivery, compressing the EBITDA margin differential from 4.0% in FY22 to 1.7% in Q3FY26 through contribution margin improvement and operating leverage. In QCom, the same convergence is underway, with consistent improvement in contribution margins as the store network matures, offering a clear re-rating path as profitability narrows the gap with Eternal. We believe the current valuation discount presents an attractive entry point for investors willing to underwrite a 2–3-year margin convergence thesis.

We initiate coverage on Swiggy with BUY and a DCF-based target price of Rs350. We value its food delivery business at Rs577bn (Rs209/sh) implying 34.1x EV multiple to the FY28E adj food delivery EBITDA. Our valuation for the QCom business is at Rs195bn (Rs71/sh) implying 0.39x EV multiple to the FY28E QCom NOV. The remaining value is contributed by cash on the books and other businesses. Key risks: 1) increase in competitive intensity in QCom and food delivery businesses; 2) execution risk in dark-store rollout and maturation; 3) regulatory and compliance risk across overlapping frameworks; and 4) gig worker availability and cost inflation.

Eternal: Execution excellence to capitalize on the lucrative QCom opportunity

Our view rests on three pillars: the long-term QCom opportunity in India, strong underlying unit economics at maturity, and Blinkit's superior execution vs peers. Blinkit has already reached adj. EBITDA breakeven, while competitors continue to struggle to achieve contribution margin profitability. A robust cash balance (Rs178.2bn as of Q3FY26), food delivery profitability, and the largest dark store network in India leave Blinkit without capital or operational constraints to further expansion. Blinkit has also demonstrated first-mover aggression in Tier 2 and Tier 3 cities—we estimate ~40 new cities were added in Q4FY26 alone. We believe Blinkit's migration to Indian Owned and Controlled Company (IOCC) status materially de-risks the regulatory overhang, while improving margins through disintermediation and tighter operational control. In our view, the first entrant in a new geography enjoys durable advantages, given high customer stickiness and supply-chain lock-in. Strong supply chain infrastructure, aggressive dark store rollout, and execution excellence — all underpinned by a fortress balance sheet — position Eternal to dominate this space.

Eternal's food delivery business (Zomato) is the undisputed market leader with a structurally superior margin profile vs Swiggy. Zomato’s Q3FY26 adj EBITDA margin was 4.4% vs 3.0% for Swiggy’s food delivery business. Zomato consistently delivers higher adj EBITDA margin, driven by better cost discipline in the delivery fleet and higher scale of orders resulting in higher operational leverage. We observe that Swiggy's persistent margin gap is not merely a scale disadvantage but reflects a structural cost burden driven by weaker fleet efficiency and higher customer acquisition spend. With the food delivery segment already a profitable cash engine, Eternal is able to redeploy surplus cash flows into high-growth adjacencies like Blinkit—a strategic optionality that Swiggy cannot currently replicate. We expect the margin gap to narrow, if not widen, as Zomato's operating leverage compounds with scale.

We maintain BUY on Eternal with a DCF-based TP of Rs370. We value the food delivery business at Rs935bn (Rs97/sh), which implies 30.2x EV multiple to the FY28E adj food delivery EBITDA. Our valuation for the QCom business is at Rs2.2.3trn (Rs235/sh), which implies a 1.71x EV multiple to the FY28E QCom NOV. The remaining value is contributed by cash-on-books and other businesses. Key risks: 1) increase in competitive intensity in both QCom and food delivery businesses; 2) execution risk on dark-store rollout and maturity; 3) regulatory and compliance risk across overlapping frameworks; and 4) gig worker availability and cost inflation.

Demand-side framework

Retail format dominance—whether a market is served primarily by hypermarkets, convenience stores, dark-store quick commerce, or traditional neighborhood shops—is not a function of consumer preference or retailer strategy. It is structurally determined by three demand-side variables that define the physical constraints within which consumers shop. These three variables are: how the consumer moves (mobility), where the consumer lives (urbanization and density), and how much the consumer can store (dwelling size). Together, they set the boundaries of what is possible before money is spent.

- **Urban dwelling size:** It determines storage capacity per person, and therefore minimum purchase frequency. Average refrigerator size would be a better proxy, but in the absence of data, we use urban dwelling size as the proxy. The retail-relevant metric is not dwelling size alone, but also space per person, defined as dwelling size divided by household size. India's 504sqft urban home shared by 4.3 people yields 117sqft per person; Germany's 1,015sqft home shared by 2.0 people yields 508sqft per person. The 4.3x gap in per-person space translates directly into purchase frequency: Indian households must shop frequently because they physically cannot store more than 2-3 days of perishables, while German households shop less frequently because they have the space and refrigeration capacity for 7-10 days. Three buckets on a scale of 1 to 3: 1 = constrained (India, Indonesia, Malaysia); 2 = adequate (Thailand, China, Japan, South Korea, UK); 3 = spacious (France, Germany, US).
- **Urban mobility profile:** It determines carrying capacity per trip, as well as how far a consumer can travel to fetch goods. A consumer on a two-wheeler in Bangalore can carry 3-5kg per trip, while a consumer in a Toyota Camry in suburban Houston can carry 25+kg. Thus, kilograms per trip determines the floor for purchase frequency and the ceiling for basket size. Markets with constrained mobility, driven by car ownership, traffic conditions, and public transport quality, become structurally high-frequency markets. Conversely, markets with higher mobility are structurally low-frequency markets. Five buckets on a scale of 1 to 5: 1 = mobility constrained (India, Indonesia); 2 = congested but motorizing (Thailand, China); 3 = transit-rich, full choice (Japan, South Korea); 4 = bifurcated (UK, France); 5 = car-efficient, frictionless (Germany, Malaysia, US).
- **Urbanization and population-weighted density:** This determines the size and concentration of the addressable market. Urbanization rate determines the share of the population living in cities—the addressable universe for modern retail. PWD, measured by the European Commission's Global Human Settlement Layer, reveals how concentrated that urban population is. High density aids viable delivery economics, while low density makes it more challenging. Four buckets on a scale of 1 to 4: 1 = high urbanization, high density (South Korea, China, Japan); 2 = low–moderate urbanization, high density (India, Indonesia, Thailand); 3 = high urbanization, moderate density (Malaysia, UK, France); 4 = high urbanization, low density (Germany, US).

Exhibit 1: Summary of demand-side parameters across geographies under consideration

Country	Mobility bucket	Urbanization bucket	Dwelling bucket	Structural retail implication
India	A: Mobility constrained	2: Low urbanization, very high density	1: Constrained (117sqft/person)	All variables align → daily, small-basket, delivery-led; QCom and kirana structurally favored
Indonesia	A: Mobility constrained	2: Moderately urban, high density	1: Constrained (184sqft/person)	Similar to India but less extreme; traditional warung + emerging QCom
Thailand	B: Congested but motorizing	2: Low-to-moderately urbanized, moderate density	2: Adequate (307sqft/person)	Mobility constrained but dwelling adequate; convenience stores thrive by choice, not necessity
China	B: Congested but motorizing	1: Highly urbanized, high density	2: Adequate (344sqft/person)	Format coexistence; congestion favors delivery; dwelling permits weekly; density supports all retail formats
Japan	C: Transit-rich, full choice	1: Very highly urbanized, moderate-to-high density	2: Adequate (320sqft/person)	No format structurally dominant; convenience store thrives on density + transit, not constraint
South Korea	C: Transit-rich, full choice	1: Highly urbanized, very high density	2: Adequate (377sqft/person)	Most competitive multi-format market; density favors delivery; dwelling + transit sustain physical
Malaysia	E: Car-efficient, frictionless	3: Highly urbanized, moderate Density	1: Constrained (238sqft/person)	Variables diverge: car mobility favors large stores, but dwelling constrains storage; hybrid outcome
UK	D: Bifurcated	3: Highly urbanized, moderate Density	2: Adequate (374sqft/person)	Capital vs. rest. London = delivery-viable; suburban = weekly car based; segmented fulfillment
France	D: Bifurcated	3: Highly urbanized, moderate density	3: Spacious (430sqft/person)	Paris = high-frequency; provincial = drive click-and-collect; bifurcation amplified by dwelling space
Germany	E: Car-Efficient, Frictionless	4: Highly urbanized, low density	3: Spacious (508sqft/person)	All variables align → weekly, large-basket, car-based; discounters are the structural format
US	E: Car-Efficient, Frictionless	4: Highly urbanized, very low density	3: Spacious (698sqft/person)	All variables align → weekly/biweekly, very large basket; supercenter/warehouse club inevitable

Source: Emkay Research

How the three variables interact

The most powerful insight is not any single variable but the interaction between all three. When all three point in the same direction, a single retail format dominates decisively. When they diverge, multiple formats coexist.

All three aligned – delivery/small-format: India scores Mobility Constrained on mobility, Low Urbanization but Very High Density on urbanization, and Constrained on dwelling size. Each variable points toward daily, small-basket, delivery-led retail. This is why QCom has scaled faster in India than anywhere else in the world.

All three aligned – large-format physical: The US scores Car-Efficient on mobility, High Urbanization but Very Low Density on urbanization, and Spacious on dwelling size. Each variable points toward weekly, large-basket, car-based retail. The 180k sqft Walmart Supercenter is not a strategic choice, but a structural inevitability.

Variables diverge – format coexistence: South Korea scores Transit-Rich on mobility, High Urbanization with Very High Density on urbanization, and Adequate on dwelling size. Density supports delivery economics (Coupang), while transit gives access to physical stores (E-Mart). Adequate dwelling space allows both daily and weekly shopping. No single format is structurally dominant, and this is why South Korea has the most competitive, multi-format retail landscape in our sample.

Urban dwelling size

Space per person, rather than dwelling size alone, determines how much a household can store between shopping trips. A four-person Indian household in a 504 sqft urban flat has 117 sqft per person, while a two-person German household in a 1,015 sqft apartment has 508 sqft per person. The gap is 4.3x. This ratio, combined with refrigerator capacity, sets the minimum purchase frequency for a household — and minimum purchase frequency dictates which retail formats are structurally viable.

Exhibit 2: Urban dwelling size, household size, and space per person

Country	Urban dwelling size (sqft)	Urban HH size (persons)	Space per person (sqft)	Bucket
India	504	4.3	117	1: Constrained
Indonesia	700	3.8	184	1: Constrained
Malaysia	1,000	4.2	238	1: Constrained
Thailand	860	2.8	307	2: Adequate
Japan	705	2.2	320	2: Adequate
China	895	2.6	344	2: Adequate
UK	861	2.3	374	2: Adequate
S. Korea	867	2.3	377	2: Adequate
France	947	2.2	430	3: Spacious
Germany	1,015	2.0	508	3: Spacious
US	1,745	2.5	698	3: Spacious

Source: India — NSSO/Census. China — Ministry of Housing & Urban-Rural Development. Japan — E-Housing/Japan Statistical Yearbook. S. Korea — Statista/Korea Statistics. UK — English Housing Survey. France — INSEE/Eurostat. Germany — Statistisches Bundesamt. US — US Census. Indonesia — property surveys and housing research. Malaysia — NAPIC/property surveys. Thailand — property surveys. Household size from UN Population Division Database on Household Size and Composition 2022; Emkay research

Urban dwelling size and its retail format implications

Bucket 1 – Constrained (<250 sqft per person): India, Indonesia, Malaysia

Large household sizes are the defining feature of this bucket. All three countries have average urban households of 3.8-4.3 persons, which is roughly double the developed-world norm. Even where absolute dwelling sizes are moderate (Malaysia at ~1,000 sqft), division by 4.2 persons compresses per-person space to just 238 sqft. The storage window is 1-3 days, and refrigerators are typically smaller at 180-350 liters. Traditional high-frequency retail—kirana (India), warungs (Indonesia), kedai runcit (Malaysia), wet markets—is a structural response to this physical constraint.

India is the extreme case within this bucket. At 117 sqft per person, it is the most space-constrained market in the sample by a wide margin—36% below Indonesia, the next most constrained. Single-door refrigerators of 180-250 liters dominate the installed base. A typical Indian urban kitchen can hold limited perishable food, making frequent purchase a necessity. This is the structural foundation of India's QCom model. Dark stores succeed in India not only because consumers prefer 10-minute delivery, but also because 504 sqft homes shared by 4.3 people cannot store weekly groceries.

Indonesia and Malaysia sit above India but share the same structural characteristic: large households compress per-person space below the threshold where weekly shopping is practical. Indonesia's 700 sqft urban home yields 184 sqft per person. As of 2023, over 14% of Indonesian households had per capita living space below 100-120 sqft—a threshold the government itself considers substandard. Malaysia presents a paradox: dwelling sizes are moderate-to-large (1,000 sqft) but household sizes of 4.2 bring per-person space down to 238 sqft, placing Malaysia closer to Indonesia than to Thailand in effective storage capacity, despite much higher per capita GDP. The typical purchase cycle in both markets is 2-3 days, and double-door refrigerators of 250-350 liters are standard. Traditional wet markets and neighborhood shops thrive because they perform the same function as Indian kirana stores—high-frequency, small-basket, proximate retail.

Bucket 2 – Adequate (250-400 sqft per person): Thailand, Japan, China, UK, South Korea

Five countries cluster in the 307-377 sqft per person range. This is the band where weekly shopping becomes feasible and format choice becomes elective rather than forced. Refrigerators are 300-500 liters. The common thread is that household sizes have fallen to 2.2-2.8 persons, which—regardless of absolute dwelling size—creates adequate per-person storage.

The mechanics differ by country. Thailand's moderate homes (860sqft) are offset by small households (2.8 persons, having fallen from 5.7 in 1970). Japan's compact Tokyo apartments (705 sqft) are offset by the smallest household sizes in Asia (2.2 persons). The UK sits at 374 sqft per person nationally, however, London's typical flat (580-700sqft) places its residents closer to Bucket 1 when shared.

South Korea deserves specific attention. Its 377sqft per person understates actual storage capacity. Korean households routinely operate both a conventional refrigerator (500-700 liters) and a dedicated kimchi refrigerator (200-300 liters), giving total household refrigeration capacity of 800-1,000 liters—the highest effective food storage capacity in the sample, exceeding even the US on a per-capita basis. Korean purchase frequency is lower than dwelling size alone would predict, because refrigeration significantly expands storage beyond what physical space suggests.

Within this bucket, the UK shows a capital-versus-rest bifurcation: London flats place residents closer to Bucket 1, while suburban and provincial homes are firmly in Bucket 2 or even Bucket 3. This creates a bifurcated retail structure: London supports high-frequency, small-basket formats (Tesco Express, Sainsbury's Local, Deliveroo), while suburban Britain supports the weekly big-shop at Tesco Extra or Asda.

Bucket 3 – Spacious (>400sqft per person): France, Germany, US

France, Germany, and the US represent high per-person residential space—430, 508, and 698sqft, respectively. Germany achieves this primarily through the world's smallest average household size (2.0 persons) rather than through large homes. The US achieves it through both large homes and moderate household sizes. France sits at the entry point of this bucket, driven by small households (2.2 persons) and a national housing stock averaging 947sqft.

Refrigerators exceed 300 liters in France, 350 liters in Germany, and approach 500 liters in the US—often supplemented by basement or cellar storage in Germany and garage freezers in the US. The purchase cycle is 1-2 weeks. Pantries are common. This level of storage capacity makes large-format retail including hypermarkets, discounters, and warehouse clubs, structurally inevitable.

Paris is the exception within France, as London is within the UK. The typical Parisian home measures just 560 sqft—among the smallest capital-city averages in Europe. This places Paris functionally in Bucket 2 and explains why Parisian consumers shop frequently at Monoprix, Franprix, and Carrefour City, while provincial consumers drive to Leclerc hypermarkets and Intermarché.

Delivery supplements this bucket on convenience (eliminating the car trip), not on frequency, (households do not need daily replenishment). This is why US grocery delivery penetration remains below 15% despite decades of investment, and why Germany's QCom experiments (Gorillas, Flink) scaled back aggressively, as the demand-side case was structurally weak. Consumers in this bucket have the space to store, the cars to carry, and the prices (via discounters in Germany and Walmart/Costco in the US) that make delivery premiums unappealing.

Urban mobility profile

Carrying capacity per trip, measured as the kilogram of groceries a consumer can transport from store to home, is an underappreciated structural determinant of retail format. A consumer on a two-wheeler in Bangalore can carry ~5 kg per trip, mandating 3-4 purchases per week. A consumer in a car in suburban Houston can carry 25+ kg, permitting a single weekly/fortnightly trip. This physical constraint, combined with congestion friction and public transit quality, produces five distinct mobility archetypes across our 11 geographies. The Numbeo Traffic Inefficiency Index, which measures the combination of commute time, congestion, and CO2 emissions, serves as a proxy for how much friction the urban road network imposes on a car-based shopping trip.

Exhibit 3: Urban mobility profiles across 11 geographies

Country	Cars/1,000	2Ws/1,000	Numbeo Inefficiency Index	Transit commute	Average carrying capacity/trip	Implied purchase frequency	Mobility bucket
India	33	~190	245.7 (very high)	30-40% (overcrowded)	~3-5kg	3-4x/week	A: Mobility constrained
Indonesia	99	~410	235.2 (very high)	10-15% (poor)	~5-8kg	2-3x/week	A: Mobility constrained
China	223	~150 + 350M e-bikes	170.1 (moderate)	40-50% (tier-1 strong)	~5-10kg	2-3x/week	B: Congested but motorizing
Thailand	275	~310	219.9 (high)	20-30% (limited)	~6-10kg	2-3x/week	B: Congested but motorizing
S. Korea	530	~35	163.3 (low-moderate)	~41% (world-class)	~15-25kg	1.5-2x/week	C: Transit-rich, full choice
Japan	612	~55	180.3 (moderate)	50-60% (world-class)	~4-8kg	2-3x/week (convenience culture)	C: Transit-rich, full choice
UK	480	~18	156.8 (moderate)	35-45% (London-skewed)	~10-20kg	1-2x/week	D: Bifurcated (urban transit + suburban car)
France	570	~25	136.3 (low)	35-45% (Paris-skewed)	~15-25kg	1.5-2x/week	D: Bifurcated (Paris transit + provincial car)
Germany	580	~35	118.4 (very low)	25-35% (good, but car preferred)	~20-25kg	1.5-2x/week	E: Car-efficient, frictionless
Malaysia	490	~210	186.1 (moderate)	15-20% (poor)	~18-25kg	1.5-2x/week	E: Car-efficient, frictionless
US	860	~20	251.7 (very high, but suburban)	5-8% (near-absent)	~25+kg	1-1.5x/week	E: Car-efficient, frictionless

Source: OICA, WHO, Numbeo Traffic Inefficiency Index 2026, national transit authorities, Industry estimate, Two-wheeler data from WHO Global Status Report on Road Safety and national registries, Emkay Research

Five mobility buckets and their retail format implications

Bucket A – Mobility constrained (India, Indonesia): Low car ownership + high congestion + limited carrying capacity = structurally captive delivery demand. These markets have fewer than 100 cars per 1,000 people. Two-wheelers are the primary private vehicle, capping per-trip carrying capacity at 5-8kg. Public transit exists but is either overcrowded (Mumbai locals), coverage-limited (Jakarta MRT), or both. Congestion is severe (Numbeo Inefficiency Index above 230), eroding the utility of even existing cars. Consumers cannot self-transport a week's groceries in practice. This produces the highest purchase frequencies in our sample (3-4x/week in India) and the smallest baskets (Rs300-700 in India, IDR30,000-80,000 in Indonesia). The retail format implication is decisive: large-format stores that require car access or higher catchment area are less viable as the primary format. Small-format walkable stores (kirana, warung), dark-store QCom, and two-wheeler-accessible mini-markets are the formats that match consumers' mobility constraint. Even affluent consumers with cars increasingly choose delivery over driving, as congestion makes driving slower than QCom.

Bucket B – Congested but motorizing (China, Thailand): Rising car ownership is increasingly undermined by urban congestion, creating a growing delivery opportunity. These markets have 200-300 cars per 1,000 people, enough for a meaningful share of households to drive to stores, but urban congestion (Numbeo 170-220) erodes the practical value of that car ownership. China's Tier-1 cities have deliberately restricted car usage through license plate lotteries and congestion controls, pushing commuters toward metro and e-bikes. Bangkok in Thailand is heavily gridlocked that a 10 km drive can take up to 60 minutes. Two-wheeler ownership is substantial in both markets (310/1,000 in Thailand and +350mn e-bikes in China), providing last-mile mobility, but with limited carrying capacity. The result is a market in transition: while cars enable occasional hypermarket visits (weekend trips to

Makro in Bangkok, to Sam's Club in Shanghai), daily and mid-week purchases are increasingly migrating to delivery (Meituan instant, 7-Eleven walk-in). Purchase frequency is moderate at 2-3x/week. The retail implication is format coexistence: hypermarkets serve planned bulk trips, convenience stores meet daily needs, and e-commerce/instant delivery is the fastest-growing channel. The congestion trajectory in both countries favors delivery over time; as more cars enter already-saturated road networks, the friction cost of each car-based trip increases, shifting more shopping occasions toward delivery or walkable retail.

Bucket C — Transit-rich, full choice (South Korea, Japan): World-class public transit provides consumers access to all retail formats without requiring a car, while also limiting the need for delivery. These markets have 500+ cars per 1,000 people and 40-60% public transit commute shares — the combination means consumers have genuine multimodal choice. In Seoul, consumers can drive to E-Mart, take the metro to Lotte, walk to GS25, or order from Coupang for next-morning delivery. In Tokyo, multiple convenience stores lie along the typical commute from station to apartment. Congestion is manageable (Numbeo 140-180) and transit systems are clean, punctual, and affordable. Two-wheeler ownership is negligible (<55/1,000) because the rail network makes them unnecessary. The retail implication is that no single channel is structurally dominant, as format competition is driven by value proposition and service quality rather than mobility constraints. Japan's outcome is the convenience store (walkable, station-adjacent, no delivery needed), while South Korea's outcome is omnichannel (Coupang overnight delivery competes on time savings for busy professionals rather than mobility access). Delivery demand in these markets is elective, not captive, which means consumers choose delivery to save time, not because they cannot access a store. This makes delivery demand more price-elastic and harder to monetize than in Bucket A.

Bucket D — Bifurcated (UK, France): Dense urban cores with strong transit coexist with car-dependent suburbs, producing hybrid retail models. These markets have 480-570 cars per 1,000 and transit commute shares of 35-45%; however, these national averages mask extreme internal variation. Inner London and central Paris have sub-50% car ownership and world-class metro systems; outer London, suburban Paris, and provincial cities are 60-70% car reliant. Congestion is moderate (Numbeo 130-157). The retail implication is that different formats dominate in different zones within the same country. In London, delivery is possible (Tesco Whoosh, Deliveroo) because transit-dependent consumers cannot easily drive to a large Tesco Superstore. In suburban Surrey or provincial Lyon, the car-based supermarket trip is frictionless and delivery adds no value. France's Drive click-and-collect model is the signature innovation of this bucket: it bridges both zones by enabling suburban car-owning consumers to order online (saving browsing time) and collect by car (eliminating delivery costs). The UK equivalent is Sainsbury's Click & Collect + Argos same-day, supplemented by Whoosh rapid delivery in dense urban areas. The key takeaway is that bifurcated markets require retailers to operate multiple fulfillment models simultaneously, for instance, the same Tesco runs Whoosh (a dark-store-style rapid delivery service from Express stores) and scheduled Click & Collect from superstores.

Bucket E — Car-efficient, frictionless (Germany, Malaysia, US): High car ownership + low congestion friction + poor or unnecessary transit = drive-to-store as the structural default. These markets have 490-860 cars per 1,000 people, and the usability of those cars for grocery shopping is high. Germany's Numbeo Inefficiency Index of 118.4 is the lowest in our sample; a German consumer drives to Aldi in ~10 minutes and parks for free. Malaysia's suburban malls have abundant free parking. The American suburban Walmart trip is 5-15 minutes, with 1,000+ parking spaces. Public transit is either poor (Malaysia at 15-20%, US at 5-8%) or good but not preferred for grocery (Germany at 25-35%; Germans use trams for commuting but cars for shopping). Two-wheeler ownership is negligible in Germany and the US. The retail implication is that large physical stores with ample parking are the structurally inevitable format. Store sizes are the largest in the world in this bucket: 180k sqft Walmart Supercenters, 150k sqft Costco warehouses, 160k sqft AEON malls, 15k sqft Lidl stores (small by US standards but large relative to Indian or Japanese formats). Delivery is economically irrational for typical baskets because the car trip is economical and frictionless; delivery only works for very large baskets where the convenience premium is justified (Walmart Express at USD80-110 AOV) or for time-pressed affluent consumers (Amazon Fresh in select metros). The structural prediction for this bucket is that physical retail will remain dominant, with online penetration growing only in non-grocery general merchandise where delivery competes on selection rather than speed.

Urbanization rate and population-weighted density

Urbanization rate and PWD answer two distinct but inseparable questions: how large the addressable market for modern retail is, and how concentrated that market is within the urban footprint. Neither variable alone is sufficient. PWD, measured by the European Commission's Global Human Settlement Layer (GHSL 2023), is a far superior metric to national density for retail analysis. National density divides total population by total land area, producing figures that are distorted by uninhabited deserts, forests, and mountain ranges. PWD instead weights each 1 km² grid cell by its population, so that dense urban cells where millions live dominate the average, while empty cells contribute nothing. The result is a measure of the density the typical resident experiences. India's national density of 488/km² becomes a PWD of 9,900/km², a 20x multiple. The US national density of 36/km² becomes a PWD of 2,200/km², a 61x multiple. The PWD multiple itself is analytically revealing: it measures how concentrated a country's population is relative to its geography. A high multiple means the population is clustered in a few dense corridors surrounded by near-empty territory. A low multiple means the population is more evenly distributed. Both patterns have distinct retail format implications.

India at 36% urban has the lowest urbanization rate in our sample, however, its PWD of 9,900/km² means that the roughly 520mn Indians living in cities experience some of the densest urban environments on earth. The US, at 83% urban, has a vast addressable market however, its PWD of 2,200/km² means that the 280mn urban Americans are spread across low-density suburbia where delivery economics are structurally punishing. South Korea at 81% urban and 12,700/km² PWD is the gold standard for modern retail addressability: a large urban population that is also extremely concentrated. Germany at 78% urban but only 2,700/km² PWD indicates that high urbanization does not guarantee density; Germany's polycentric city structure disperses the urban population across dozens of mid-sized metros rather than concentrating it in a single megacity. The combination of both variables is what determines whether a country can support density-dependent retail formats like dark-store quick commerce, or whether it defaults to space-intensive formats like hypermarkets and discount stores.

Exhibit 4: Urbanization rate, population weighted-density across 11 geographies under consideration

Country	Total population (mn)	Urban	Urban population (mn)	National density (/km²)	PWD (/km²)	PWD multiple	key city PWD (/km²)	Bucket
S Korea	52	81%	42	531	12,700	24x	Seoul: 19,800	1: High urbanization, very high density
India	1,440	36%	518	488	9,900	20x	Mumbai: 52,400	2: Low urbanization, very high density
China	1,425	67%	955	151	8,900	59x	Shanghai: 27,900	1: High urbanization, high density
Indonesia	280	58%	162	151	6,500	43x	Jakarta: 13,400	2: Moderate urbanization, high density
Japan	124	92%	114	338	5,600	17x	Tokyo: 10,200	1: Very high urbanization, moderate-high Density
Malaysia	34	78%	27	100	4,500	45x	KL: 8,700	3: High urbanization, moderate density
UK	68	84%	57	281	4,100	15x	London: 9,200	3: High urbanization, moderate density
Thailand	72	53%	38	137	3,900	28x	Bangkok: 11,600	2: Low-moderate urbanization, moderate density
France	66	82%	54	119	3,700	31x	Paris: 13,200	3: High urbanization, moderate density
Germany	84	78%	66	240	2,700	11x	Berlin: 7,300	4: High urbanization, low density
US	340	83%	282	36	2,200	61x	LA: 4,600	4: High urbanization, very low density

Source: UN World Urbanization Prospects 2025 / World Bank, national definitions, European Commission JRC Global Human Settlement Layer (GHSL) 2023, via luminocity3d.org, 2020 data, Emkay research

Urbanization, population-weighted density, and their retail format implications

Bucket 1 — High urbanization, high density (South Korea, China, Japan): It includes large addressable urban populations at high lived density. All retail formats are viable. Supply-side costs and mobility determine which format wins, not density. South Korea leads with 81% urbanization and the highest PWD at 12,700/km². Seoul's metro area of 22.7mn concentrates nearly half the national population at a city PWD of 19,800/km². This single metro supports Coupang's overnight delivery, E-Mart's hypermarkets, and 50,000+ convenience stores simultaneously. China at 67% urbanization has the world's largest urban population in absolute terms at 955mn. Its PWD of 8,900/km² is driven by extreme Tier 1 concentration but tempered by a large population in lower-density Tier 3 and Tier 4 cities. Japan at 92% urbanization has the highest urban share in our sample. Its PWD of 5,600/km² is lower than China's or Korea's, reflecting Japan's multiple mid-density metros rather than a single ultra-dense megacity. Japan's moderate PWD, combined with world-class transit, makes it the market where the convenience store, not dark-store delivery, emerged as the density-optimal format.

Bucket 2 — Low-to-moderate urbanization, high density (India, Thailand, Indonesia): The urban share is smaller, but where urbanization has occurred, it has produced extreme concentration. Intense pockets of QCom viability are surrounded by vast traditional retail hinterlands. India at 36% urbanization has the lowest urban share. Yet its 518mn urban residents live at a PWD of 9,900/km², and the top 8-10 metros account for a disproportionate share of organized retail. Mumbai's PWD of 52,400/km² is the highest of any megacity globally. Indonesia at 58% urban and 6,500/km² PWD is dominated by Java. Thailand at 53% urban and 3,900/km² PWD is Bangkok-centric. In all three, the growth trajectory favors modern retail; India alone will add 250+mn urban residents by 2050.

Bucket 3 — High urbanization, moderate density (UK, France, Malaysia): It comprises large urban populations at moderate concentration. Sharp internal variation between a dominant capital and the rest of the country creates bifurcated retail models. The UK at 84% urban and 4,100/km² PWD is dominated by London. France at 82% urban and 3,700/km² PWD has the most extreme capital-vs-country gap. Malaysia, with 78% urban and 4,500/km² PWD, is the surprise of this bucket; its density is higher than both the UK and France, but car dominance overrides the density advantage. The shared characteristic is that national-level retail strategies are insufficient. Retailers must segment fulfillment by geography—rapid delivery in the capital, click-and-collect or scheduled delivery elsewhere.

Bucket 4 — High urbanization, low density (Germany, US): It includes large urban populations dispersed at low density. Delivery economics are structurally difficult at scale. Large-format physical stores with car access are the equilibrium format. The US at 83% urban but 2,200/km² PWD is the defining example. Even US cities are low-density by global standards; LA's city PWD of 4,600/km² is below Malaysia's national PWD of 4,500. Germany at 78% urban and 2,700/km² PWD is dispersed due to its polycentric city network. In both markets, the cost per delivery drop increases sharply at these density levels. The structurally rational response is large physical stores—179,000 sqft Walmart Supercenters, 146,000 sqft Costco warehouses, 10,000+ Aldi/Lidl stores—which serve as both retail destinations and fulfillment nodes for the low-density catchment around them.

Supply-side framework

The supply side of retail format determination rests on two measurable costs—the cost of customer-facing space and the cost of last-mile delivery labour—and a structural gap between customer-facing and non-customer-facing real estate. These parameters, measured independently across all 11 geographies, explain why India produces dark-store QCom, why the US produces 180k sqft supercenters, and why Japan produces 1,100 sqft konbini. No single parameter is sufficient. Japan has the most expensive retail rent in the sample (USD4.75/sqft) but no QCom because its riders are also expensive at USD10/hr. Indonesia has cheap riders (USD1.75/hr) but no dark-store model because its retail space is also cheap (USD0.65/sqft). The US has cheap retail space (USD1.60/sqft) and most expensive riders (USD18.50/hr), leading to the world's largest physical stores. Each parameter contributes a distinct analytical lens; the format outcome is the product of parameters acting simultaneously with demand-side parameters.

The supply-side framework consists of two parameters:

- **Gig delivery rider wages** — it is the cost of last-mile labor, measured as the nominal hourly wage of a platform delivery rider and ranges from USD1.20/hr (India) to USD18.50/hr (the US), a 15x nominal spread that compresses to 3.4x after PPP adjustment. It is bucketed into low cost (PPP <USD7/hr: India, Indonesia, Thailand), mid-cost (USD7-11: China, Malaysia, South Korea), and high cost (>USD11: Japan, France, Germany, UK, US). The rider wage sets the floor price of delivery, and that floor price determines which basket sizes can sustain delivery-first retail.
- **Urban retail real estate costs** — it refers to the cost of customer-facing space, measured as neighborhood commercial rent per sqft/month in 2-3 cities per country. It ranges from USD0.45 (Malaysia) to USD4.75 (Japan), a 10.6x spread and bucketed into low cost (<USD1.00: Malaysia, Indonesia, Thailand), mid-cost (USD1.00-2.50: India, China, US, South Korea), and high cost (>USD2.50: France, Germany, UK, Japan). The absolute level of retail rent determines the maximum viable store size and the rent burden per consumer served. The cost differential between customer-facing and non-customer-facing space in the same metro also plays a role. This gap determines the economic incentive to substitute high-street physical stores with dark stores or fulfilment centers. A wide gap means a dark-store operator pays a fraction of the rent that a physical store pays for the same catchment. A narrow gap means there is no real estate arbitrage and the warehouse costs are nearly as much as the store.

Exhibit 5: Supply-Side scenario – Summary

Country	Rider wage (USD/hr)	Wage bucket	Nbhd rent (USD/ sqft/month)	Rent bucket	Dominant format
India	1.20	1: Low Cost	1.25	2: Mid Cost	Dark-store QCom
Japan	10.00	3: High Cost	4.75	3: High Cost	Convenience store (konbini)
China	3.50	2: Mid Cost	1.60	2: Mid Cost	Instant delivery + convenience
Thailand	2.25	1: Low Cost	0.85	1: Low Cost	Convenience store (7-Eleven)
Indonesia	1.75	1: Low Cost	0.65	1: Low Cost	Micro-format ruko (Indomaret)
UK	14.00	3: High Cost	4.00	3: High Cost	Store-based delivery hybrid
S. Korea	8.00	2: Mid Cost	2.00	2: Mid Cost	Logistics-first (Coupang FC)
Germany	13.00	3: High Cost	3.25	3: High Cost	Discount store (Aldi/Lidl)
France	12.00	3: High Cost	2.75	3: High Cost	Drive click-and-collect
Malaysia	3.25	2: Mid Cost	0.45	1: Low Cost	Hypermarket (AEON)
US	18.50	3: High Cost	1.60	2: Mid Cost	Big-box supercenter (Walmart)

Source: Emkay Research; Note: Per-delivery cost assumes 2-3 deliveries per active hour in most markets (1.5-2.5 in low-density US suburbs, 3-4 in hyper-dense Chinese tier-1 cities) based on platform-level unit economics data

Key observations

India's uniqueness is the combination of the aforementioned buckets, not any single parameter. India sits in Wage Bucket 1 (Low Cost riders), alongside Indonesia and Thailand. India also sits in Rent Bucket 2 (Mid Cost space), alongside China, the US, and South Korea. Neither bucket alone is unusual. What is unique is the combination: Low Cost riders + Mid Cost space that can be further optimized by moving to dark stores from high street retail. Indonesia and Thailand have similarly inexpensive riders and affordable floor space. Only India combines cheap riders with relatively expensive space, producing the structural conditions for dark-store QCom that exists at a scale higher than in other countries.

We note that in densely packed countries like India, dark stores optimize space by 1) densely stacking SKUs in a small space with tall shelves and narrow aisles, and 2) setting up away from the main street at the back side of a building, or in a narrow lane, further reducing costs. Moreover, dark stores do not require 4-wheeler parking for its customers and other ancillary facilities, which further optimizes space. Also, as dark stores are non-customer-facing, the facilities can cut costs for décor, air conditioning, etc.

India (USD1.25/sqft) and the US (USD1.60/sqft) have reasonably similar neighborhood commercial rents. In India, a dark store rent is much lower than for a physical store with similar throughput. In the US, dark store rents are roughly at parity to those of physical stores. The gap between dark store and physical store rent determines whether non-customer-facing formats have a cost advantage. Germany and the UK illustrate the same principle at higher rent levels: Germany's wider gap should favor dark stores, but its expensive riders (Wage Bucket 3) offset real estate savings.

The US and India are structural mirror images across all three parameters. India: cheap riders (USD1.20/hr), moderate space (USD1.25/sqft), wide gap in rent of physical store and dark store → delivery replaces the store. US: expensive riders (USD18.50/hr), moderate space (USD1.60/sqft), narrow gap → the store replaces the rider. Both are outliers. Both produce outlier-format outcomes. Every other market sits between these two structural extremes, and the format for each is a compromise between physical and delivery models.

Gig worker wages and labor pool

The cost and availability of gig delivery labor set the floor price of last-mile fulfilment. This determines the basket sizes, formats, and markets that can sustain delivery-first retail. Per our calculations, a market where delivery costs Rs30-50 per order (India) can profitably deliver a Rs600 grocery basket. Meanwhile, a market where delivery costs USD8-12 per order (US) cannot profitably deliver anything below USD80. Thus, the variable per-delivery labor cost determines whether dark-store QCom is structurally rational or economically challenging in a particular market. However, nominal dollar wages are misleading for cross-country comparison because USD1.20/hr in India commands different purchasing power than that in the US. We, therefore, present both nominal and PPP-adjusted wages, and introduce the concept of the gig labor pool depth—the structural availability of delivery workers—as a second dimension that determines whether low wages can scale.

Exhibit 6: Gig delivery rider wages across 11 geographies

Country	Nominal Wage (USD/hr)	PPP Multiplier	PPP-Adj. Wage (USD/hr)	Deliveries (per hr)	Per-delivery Cost (USD)	Labor Pool Depth	Bucket
India	1.20	4.5x	5.40	2-3	0.40-0.60	Very Deep (~15M gig workers)	1: Low Cost
Indonesia	1.75	3.3x	5.80	2-3	0.60-0.90	Very Deep (GoJek/Grab)	1: Low Cost
Thailand	2.25	2.8x	6.30	2-3	0.75-1.15	Deep (large informal economy)	1: Low Cost
China	3.50	2.0x	7.00	3-4	0.90-1.20	Very Deep (7M+ Meituan)	2: Mid Cost
Malaysia	3.25	2.2x	7.15	2-3	1.10-1.65	Moderate (Grab dominant)	2: Mid Cost
S Korea	8.00	1.3x	10.40	2-3	2.70-4.00	Moderate (tight market)	2: Mid Cost
France	12.00	1.1x	13.20	2-3	4.00-6.00	Constrained (regulatory)	3: High Cost
Japan	10.00	1.4x	14.00	2-3	3.30-5.00	Constrained (aging)	3: High Cost
Germany	13.00	1.1x	14.30	2-3	4.30-6.50	Constrained (strict law)	3: High Cost
UK	14.00	1.1x	15.40	2-3	4.70-7.00	Moderate (rising pressure)	3: High Cost
US	18.50	1.0x	18.50	1.5-2.5	7.40-12.30	Moderate (but expensive)	3: High Cost

Source: Eternal disclosures, Glassdoor, National labor surveys, ILO, IMF PPP conversion factors (2024), Emkay Research; Note: Per-delivery cost assumes 2-3 deliveries per active hour in most markets (1.5-2.5 in low-density US suburbs, 3-4 in hyper-dense Chinese tier-1 cities), based on platform-level unit economics data

Wage buckets and their implications

Bucket 1 — Low cost (PPP-adjusted wage <USD7/hr): India, Indonesia, Thailand

Delivery labor in these three markets is priced below the threshold, where per-delivery cost becomes a meaningful share of the grocery basket. India's per-delivery cost of Rs30-50 (USD0.4-0.6) on a Rs600-700 basket represents just 5-8% of order value. Indonesia's per-delivery cost of IDR10,000-15,000 (USD0.6-0.9) on a typical IDR50,000-80,000 basket is 12-18%. Thailand's is similar. At these levels, delivery is cheaper than the consumer's own transportation cost – a Rs100-200 auto-rickshaw ride in Mumbai or an IDR10,000 ojek fare in Jakarta. The rider is not merely affordable, but is the lowest-cost last-mile option available.

The labor pool in all three markets is structurally deep. India has an estimated 12mn gig workers (per The Economic Survey 2025-26 conducted by the Ministry of Finance), drawn from a massive pool of young, low-skilled workers for whom Rs20,000-25,000/month represents meaningful income. Indonesia's GoJek and Grab platforms have created a gig economy encompassing millions of motorcycle riders. Over 80% of Indonesian households own a motorcycle, providing a ready-made delivery fleet. Thailand's large informal economy ensures a continuous supply of riders, though recent reports indicate rider incomes are declining as platforms reduce per-delivery fees. The critical feature of Bucket 1 is that labor supply is not a binding constraint. Platforms can scale delivery volume without triggering wage inflation, because alternative employment options for these workers (construction labor, factory work, informal retail) pay similar or lower wages.

The regulatory environment in Bucket 1 is permissive. This becomes a structural enabler of low-cost delivery as well as a structural risk, as any future reclassification of gig workers as employees would immediately raise costs through mandatory benefits, insurance, and social contributions.

Bucket 2 — Mid cost (PPP-adjusted wage USD7-11/hr): China, Malaysia, South Korea

China, Malaysia, and South Korea share a common structural characteristic: delivery is viable but not cheap enough to be the default channel for small baskets. Per-delivery costs of USD0.9-4 mean that delivery works for mid-to-large baskets but becomes uneconomical for the USD5-6 impulse orders that Bucket 1 enables.

China's delivery ecosystem is the world's largest by volume. Meituan alone has over 7mn registered riders. Ele.me (Alibaba) adds several million more. Gross earnings of CNY20-35/hr (USD2.8-4.8) translate to net take-home of CNY15-25/hr (USD2.1-3.5) after e-bike charging and equipment costs. Per-delivery cost is CNY7-9 (USD0.9-1.2) – low enough to make instant delivery viable even for a CNY30 (USD4) convenience order on Meituan. However, Chinese

rider wages have been rising. Regulatory attention on rider welfare—minimum earnings guarantees, social insurance mandates, heat/cold weather protections—is gradually increasing labor cost. The Chinese government's push for 'common prosperity' has made gig worker conditions a politically sensitive issue. As a result, China is transitioning from the lower end of Bucket 2 toward its upper end.

Malaysia's rider economics are shaped by Grab's near-monopoly in ride-hailing and delivery. Riders earn MYR8-15/hr (USD1.8-3.4) nominally, translating to PPP of ~USD7.2. The labor pool is moderate – Malaysia's relatively low unemployment (3.3%) and higher per-capita income mean that gig delivery competes with better-paid alternatives in manufacturing and services. The minimum wage of MYR1,500/month (~MYR7.21/hr) sets a hard floor, but Grab riders typically earn above this. Wage compression below MYR8/hr would cause riders to exit for formal employment, constraining delivery supply.

South Korea marks the upper boundary of Bucket 2. The average delivery driver salary is ~SKW42.5mn/year (~USD31,000), or SKW20,400/hr (~USD14.9) for salaried drivers. Gig platform riders on Baemin and Coupang Eats earn less—SKW10,000-13,000/hr (USD7.30-9.5)—due to piece-rate structures and idle time between orders. South Korea's minimum wage of SKW10,030/hr sets a hard floor at ~USD7.30. The per-delivery cost of USD2.7-4.0 is manageable for Coupang's large-basket overnight delivery model (where route optimization drives down costs) but prohibitive for 10-minute QCom with small baskets. Hence, Coupang chose salaried drivers and next-morning delivery over gig riders and instant delivery, as wage economics favor batching and route density over speed. South Korea's low unemployment (2.7%) and aging demographics constrain the gig pool. Here delivery is not a fallback for surplus labor but a competitive job market where platforms must offer adequate pay to attract riders.

Bucket 3 — High cost (PPP-adjusted wage >USD11/hr): Japan, France, Germany, UK, US

Five markets face a dual constraint: high wages and structural limitations on labor supply. Per-delivery costs range from USD3.3 in Japan to USD12.3 in the US. In all five, delivery is either a premium service affordable only for large baskets or a feature layered on top of an existing store P&L – never a standalone mass-market channel built on dark stores.

Japan has the tightest delivery labor market in the sample. Uber Eats drivers in Tokyo earn JPY1,351/hr (~USD9) on average, with experienced peak-time riders earning over JPY1,800/hr (~USD12). Japan's aging demographics and cultural preference for full-time employment with benefits shrink the available gig pool. The working-age population is declining by ~500,000 per year. Unemployment rate is 2.5%, effectively implying full employment. Japan's new regulations cap truck driver overtime at 960 hours/year, further constraining logistics labor availability. This structural labor scarcity explains the dominance of the convenience-store format in Japan, as consumers walk to the store, eliminating the need for a JPY1,500/hr rider. Japan's 56,000 konbini are, in economic terms, a labor-saving innovation – substituting expensive delivery labor with a dense, walkable store network.

France negotiated an industry-wide minimum wage for delivery riders in 2023 – platforms must pay at least EUR11.75/hr. At EUR11-14/hr net earnings, per-delivery cost is EUR4-6. This works for a EUR50 weekly grocery order but destroys unit economics on a EUR30 Carrefour City basket. Thus, France innovated the 'drive click-and-collect' model, which eliminates the rider entirely. E.Leclerc's ~700 drive points handle ~12% of sales without incurring last-mile delivery labor cost.

Germany enforces some of the strictest labor protection laws in Europe. The minimum wage of EUR12.82/hr (2025) sets a hard floor. Germany's strong works council culture further constrains platform flexibility. The per-delivery cost of EUR4-7 means a rider delivering a typical basket consumes a large part of the order value in labor cost alone, before accounting for picking, packing, or any margin for the platform. Hence, Gorillas and Flink scaled back aggressively, as the wage floor made the business model arithmetically unviable for typical German grocery baskets.

The UK sits in the middle of this bucket. Deliveroo's 'pay floor guarantee' is GBP12.3/hr plus vehicle costs, and average earnings are GBP10-15/hr (USD13-19). However, the UK's Employment Rights Bill and ongoing legal challenges to gig worker classification are gradually pushing costs upward. At GBP12-15/hr, per-delivery cost is GBP3.5-5.0 (USD4.7-7.0). The

UK has found a middle path – store-based delivery (Tesco Whoosh, Sainsbury's Chop Chop) where pick-pack happens in an already-profitable store, adding delivery as incremental revenue with rider cost as the only new variable. This model works because it avoids the need to justify dark-store rent from delivery revenue alone. Getir, Gorillas, and other pure-play dark-store operators exited the UK market in 2023-24, unable to make the unit economics work at British wage levels.

The US occupies the structural extreme of this bucket. The average delivery driver earns USD18.45/hr across the country, with earnings in major metros significantly higher. New York City mandates USD21.44/hr for app-based delivery workers as of Apr-25. Seattle, Chicago, and several California cities have enacted or proposed similar minimums. At USD18-22/hr, per-delivery cost is USD7.40-12.30. The arithmetic is unforgiving: a USD20 dark-store basket delivers ~USD5 in gross margin at 25% gross margin; the rider alone costs USD8-12, creating a loss per order before any other costs. This gap is unbridgeable through operational efficiency. Gopuff lost USD400mn in 2023. No standalone grocery delivery startup has achieved sustained profitability at small basket sizes.

The only delivery models that work in the US are those that either eliminate the rider (click-and-collect, locker pickup) or amortize the rider over large baskets. Walmart's Express Delivery works because the average basket is USD80-110 (generating USD20-28 in gross margin). Established stores (zero incremental real estate cost) and route densification mean one driver drops off 3-5 orders per trip, compressing effective per-delivery cost to USD5-7 per drop. Instacart turned profitable in 2024 with USD457mn net income, but it is a marketplace model where the consumer pays USD5-10 in fees plus tip, effectively making it a premium service rather than a mass-market channel.

The PPP compression

The nominal wage spread across the 11 countries in our study is 15x (India's USD1.20/hr to US's USD18.50/hr). However, the PPP-adjusted spread is just 3.4x (USD5.40 to USD18.50). This compression has a profound implication for retail format analysis. In purchasing power terms, an Indian rider's wage is not materially different from a Thai or Indonesian rider's wage – the USD5.40-6.30 PPP range covers all three Low Cost markets. The real discontinuity occurs between this group and the developed-world cluster at USD13-18.50 PPP, with China, Malaysia, and South Korea occupying the transitional middle ground at USD7-10.40.

This means the cost advantage of delivery in India is not primarily about cheap riders in absolute terms, but cheap riders relative to expensive real estate. Conversely, the US has unusually expensive riders in PPP terms (USD18.50/hr vs Japan's USD14.00 or Germany's USD14.30 – a modest gap within Bucket 3). However, the suburban American retail-space cost at USD1.25-3/sqft is 3-10x cheaper than that in any other market in the sample. Real estate is the variable that makes the US an outlier, not the rider wage.

The Mid Cost bucket—China, Malaysia, South Korea—is where our analysis is most nuanced. All three have rider costs that are affordable for delivery but not so cheap that delivery is the default mode. China at USD0.90-1.20 per delivery can support instant commerce on small baskets. However, South Korea at USD2.70-4.00 cannot; hence, Coupang chose next-morning batch delivery over 10-minute QCom. Malaysia at USD1.10-1.65 per delivery could theoretically support delivery, but high car ownership and cheap real estate mean there is lack of demand. Overall, the wage bucket, combined with other supply-side (real estate) and demand-side (mobility, density, dwelling size) variables, determines the dominant retail format in a particular market.

Urban retail real estate costs

The cost of neighborhood commercial real estate determines the maximum viable store size in any market. Moreover, the gap between customer-facing rent and the cost of a non-customer-facing warehouse or dark-store space determines the economic incentive to substitute physical retail with delivery-first formats. Dark stores optimize the space by: densely stacking SKUs in a small space with tall shelves and narrow aisles, and setting up away from the main street to the backside of a building, or a narrow lane, further reducing the cost. Also, dark stores do not require 4-wheeler parking for its customers and other ancillary facilities, which further helps in optimizing space. In addition, as dark stores are non-customer-facing, the facilities can save on costs for décor, air conditioning, etc.

Exhibit 7: Narrow aisles and tall racks of dark stores enable denser storage

Source: Bloomberg News, Emkay Research

Exhibit 8: Physical retail requires wider aisles and shorter racks for consumer convenience

Source: Ozone Galleria Mall, Emkay Research

Exhibit 9: Dark stores can be set up away from the main street in a grade-2/3 real estate to save costs

Source: India Today, Emkay Research

Exhibit 10: Physical stores require main-street frontage for customer access and visibility

Source: Just Dial, Emkay Research

Exhibit 11: Dark stores require access for a 2-wheeler and a loading/unloading bay for goods movement

Source: The Secretariat, Emkay Research

Exhibit 12: Physical stores require 4-wheeler parking and other ancillary space

Source: Finshiksha, Emkay Research

Exhibit 13: Indicative neighborhood commercial rent (USD/sqft/month)

Country	City 1	City 2	City 3	Central estimate	Rent bucket
Malaysia	Kuala Lumpur suburban: 0.44-0.56	Johor Bahru: 0.29-0.46	Penang: 0.40-0.55	0.45	1: Low Cost
Indonesia	Jakarta ruko: 0.52-0.86	Surabaya: est – 0.30-0.50	Bandung: est 0.25-0.40	0.65	1: Low Cost
Thailand	Bangkok soi: 0.55-1.10	Outer Bangkok: 0.35-0.47	Chiang Mai: est – 0.30-0.50	0.85	1: Low Cost
India	Bangalore: 0.60-0.90	Mumbai: 1.20-1.80	Delhi: 1.80-2.40	1.25	2: Mid Cost
China	Tier-2: 0.75-1.50	Shanghai nbhd: 1.30-2.50	Beijing nbhd: 1.50-2.80	1.60	2: Mid Cost
US	Walmart implied: 0.83-1.04	Houston: 1.40-1.70	Dallas/Atlanta: 1.50-2.10	1.60	2: Mid Cost
S. Korea	Busan/Daegu: 1.00-1.70	Seoul avg: 2.40-3.35	National avg: 1.33-1.85	2.00	2: Mid Cost
France	Lyon: 2.05	Bordeaux: 2.05	Paris 12th arrondissement.: 4.10	2.75	3: High Cost
Germany	Berlin: est 2.05-3.60	Hamburg: est – 2.60-4.10	Munich: est – 3.10-5.10	3.25	3: High Cost
UK	Birmingham: 2.75	Manchester: 3.10-4.20	London Z2-3: 6.30-9.50	4.00	3: High Cost
Japan	Nagoya 1F: 4.93	Osaka 1F: 4.50-5.40	Tokyo 1F: 6.70	4.75	3: High Cost

Source: Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Korea Real Estate Board (KREB), CBRE, Cushman & Wakefield, Savills, JLL Company, Emkay Research

Rent buckets and their implications on retail formats

Bucket 1 — Low Cost (Central estimate <USD1.00/sqft/month): Malaysia, Indonesia, Thailand

Neighborhood commercial space in these three markets is cheap enough to support any retail format at any scale. A 10,000sqft hypermarket floor in suburban Kuala Lumpur costs ~USD4,500/month. A 1,000sqft Indomaret in a Jakarta residential lane costs ~USD650/month. A 1,200sqft 7-Eleven on a Bangkok soi costs ~USD1,000/month. At these levels, real estate is not a binding constraint on format choice. The retailer's format decision is driven by demand-side factors—density, mobility, dwelling size—not by rent economics alone.

Malaysia is the cheapest in the sample at USD0.45/sqft central estimate. Suburban Kuala Lumpur shop-lots list at RM1.50-2.50/sqft/month (USD0.33-0.56) on PropertyGuru, iProperty, and EdgeProp. This is broadly comparable to secondary-city US strip mall rents. Hence, Malaysia, like the US, supports hypermarket-dominated grocery retail. AEON and Lotus operate large-format stores at rents that would be unfeasible in Mumbai or Tokyo.

Indonesia sits at USD0.65/sqft. Lamudi's listing data shows Jakarta's secondary ruko shop-houses list at IDR7,400-14,000/sqft/month (USD0.45-0.86/sqft). A typical Indomaret at 650-1,100 sqft costs USD300-700/month.

Thailand at USD0.85/sqft is the most expensive in this bucket, yet firmly in the Low Cost range. Bangkok's secondary soi shop-houses list at THB20-40/sqft/month (USD0.55-

1.10/sqft) on Thailand-Property.com. CP ALL's 7-Eleven model requires only 900-1,300 sqft at secondary-location rents, making per-store real estate cost THB16,000-48,000/month (USD450-1,350). The model works because 7-Eleven's revenue density per sqft is high enough to amortize these modest rents with substantial margin.

Bucket 2 — Mid cost (Central estimate USD1.0-2.5/sqft/month): India, China, US, South Korea

Four countries occupy the transitional middle band, where real estate is expensive enough to constrain large-format stores in prime urban areas, but secondary or suburban locations remain affordable.

India at USD1.25/sqft presents the sample's most important structural story – not because of the absolute rent level (comparable to that in the US), but due to the retail-to-warehouse gap. A Blinkit dark store in Delhi at Rs150-200/sqft on 2,500 sqft costs Rs375-500k/month (USD4,500-6,000). A physical grocery store serving the same catchment would need the same or more expensive space at 2-3x the floor area, raising the rent burden by 5-8x. India's QCom is fundamentally a real estate arbitrage story: the dark store shrinks the space (2,500 sqft instead of 10,000) and multiplies the throughput (2,000 orders/day instead of 200 walk-in customers), exploiting the gap between customer-facing and non-customer-facing formats. The cost of bridging the distance to the consumer—the delivery labor cost—determines whether this real estate arbitrage can be captured profitably.

China at USD1.60/sqft is in structural deflation. Cushman & Wakefield reports Shanghai prime retail at RMB70-75/sqft/month (H124), but neighborhood commercial areas where convenience stores operate are substantially cheaper, at an estimated RMB9-19/sqft (USD1.30-2.50/sqft). The retail-to-dark store gap provides a meaningful real estate incentive for non-customer-facing formats, exploited by Meituan's instant retail and community group-buying models. China's falling rents are narrowing the gap marginally, as retail rents decline faster than logistics rents.

The US at USD1.60/sqft is the sample's most surprising finding, in our view. The world's largest economy has retail rents comparable to those in India and cheaper than in any European or East Asian market. Walmart's 10-K implies USD0.83-1.04/sqft/month spent on leased Supercenter space. Market-rate suburban strip mall rents as per CBRE's 2025 report are USD1.25-2.08/sqft. However, the retail-to-warehouse gap is small, with suburban retail space and suburban warehouse space costing nearly the same. Thus, there is no real estate arbitrage. The US is the only market where cheap suburban land simultaneously enables 180k sqft big-box stores and eliminates any cost advantage for non-customer-facing formats.

South Korea at USD2.00/sqft is anchored by KREB government data. Seoul's small-scale retail at KRW4,500-4,600/sqft (USD3.35/sqft) is expensive by Asian standards. The retail-to-warehouse gap is moderate – enough for Coupang's fulfilment-center model (which avoids Seoul retail rents entirely by building on peri-urban land at USD0.50-0.90/sqft) but insufficient to incentivize small-format dark stores in Seoul. The rent saving per sqft of USD2.50-3.00 vs Seoul's retail real estate rent is Coupang's structural cost advantage over E-Mart and Lotte, which hold expensive urban retail real estate.

Bucket 3 — High cost (Central estimate >USD2.50/sqft/month): France, Germany, UK, Japan

Four markets have expensive neighborhood commercial space. The dominant grocery formats are small and intensively monetized.

France at USD2.75/sqft shows divergence across cities. Valoris Real Estate reports commercial rents at Paris' 12th Arrondissement at EUR3-4/sqft/month (~USD4.10/sqft), while provincial cities (Lyon, Bordeaux, Toulouse) cluster at EUR1.5-2/sqft (~USD2.05/sqft). France's structural innovation—the drive click-and-collect model—sidesteps the rent problem. E.Leclerc's ~700 drive points use existing hypermarket parking lots and inventory. The customer drives to the store, so no incremental real estate is required. The drive model is capital-efficient online grocery model globally: low incremental real estate cost, served from existing inventory and existing store footprint.

Germany at USD3.25/sqft has a wide retail-to-warehouse gap in Western Europe. On paper, this gap provides a strong real estate incentive for dark stores. In practice, Gorillas and Flink exploited the rent gap by operating dark stores on secondary rents, but the gap alone did not

determine viability. The discount format (Aldi, Lidl at 9,000-13,000 sqft) is Germany's structural answer to expensive real estate: it minimizes rent exposure through small footprint and ultra-efficient use of space (~1,500 SKUs, zero fresh-counter service), achieving among the highest revenue per sqft in European grocery.

The UK at USD4.00/sqft is dominated by the London effect. Langham Estate reports London neighborhood rents at USD6.30-9.50/sqft/month, while Birmingham lists at USD2.75/sqft/month – a 2-3x internal gap. The retail-to-warehouse gap is moderate. Tesco's format portfolio reflects the internal rent gradient: Tesco Extra superstores (>60,000 sqft) at cheap provincial rents and Tesco Express (2,000-3,000 sqft) at expensive London rents with per-sqft cost justified by only high-revenue-density small formats.

Japan is the most expensive market in the sample at USD4.75/sqft, as per MLIT government data. Tokyo store rent averages ~JPY1,000sqft (~USD6.70/sqft). The retail-to-warehouse gap is substantial – a dark store on logistics-grade rent would cost a lot lesser than a customer-facing store. Japan's structural response, however, was not the dark store but the konbini – a 1,000 sqft store paying JPY800,000-1,100,000/month in rent, generating JPY18-27mn/month in revenue (800-1,200 transactions/day × JPY750 average ticket). The rent-to-revenue ratio of 3-6% is tight but viable due to high revenue density per sqft – among the highest in global retail. The convenience store format accepts high per-sqft rent as revenue per sqft is equally high, and it eliminates the need for any last-mile fulfilment infrastructure.

Key insight — India's paradox and the US surprise

India at USD1.25/sqft sits in Bucket 2, alongside the US (USD1.60) and South Korea (USD2.00). In absolute dollar terms, Indian neighborhood commercial rent is comparable to American suburban mall rent. This is extraordinary for a country with 1/25th the per-capita income. An Indian grocery consumer earning Rs30,000/month (USD360) is being served from retail space that costs the same per sqft as space serving an American consumer earning USD5,000/month. The rent-to-consumer-income ratio in India is 10-15x the US ratio. Thus, Indian grocery retail cannot support large-format stores – the real estate cost per consumer served is structurally much higher than the spending power of that consumer. Dark stores solve this by shrinking the space and multiplying throughput, exploiting the retail-to-warehouse gap – the widest in the sample.

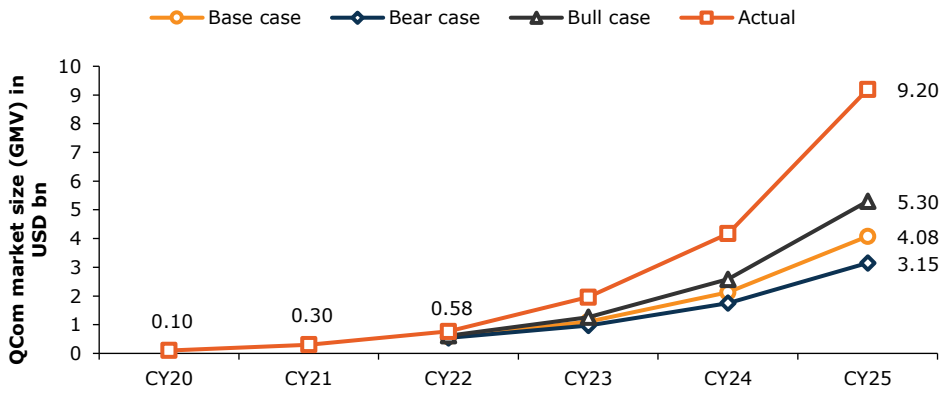
The US at USD1.60/sqft is the other anomaly. The world's largest economy has retail rents comparable to those in India and cheaper than in Japan, the UK, France, or Germany. Walmart's quarterly filing implies USD0.83-1.04/sqft/month on leased Supercenter space. The explanation is structural: American retail was built on cheap suburban land, enabled by low-density zoning and interstate highway construction, producing 23.5 sqft of retail per capita – the highest in the world. This oversupply keeps rents low. Combined with the low retail-to-warehouse gap (the narrowest in the sample), there is no real estate arbitrage available for non-customer-facing formats.

QCom TAM is still being underestimated

As QCom demand-side and supply-side factors have converged, growth of the QCom industry has significantly outstripped expectations of market participants – a trend that continues till date. We have seen market research agencies underestimating QCom's growth potential as well as the consistent increase in the expectations of the street.

Redseer published a set of QCom market-size scenarios in CY22, with bull and bear case forecasts. The actual outcome was significantly higher than the bull case estimates (Exhibit 14). Redseer's bull case, base case, and bear case estimate for CY25 was USD5.3bn, USD4.08bn, and USD3.15bn, respectively. We estimate CY25 actual market size to be USD12.5bn – 136% higher than Redseer's bull case estimate.

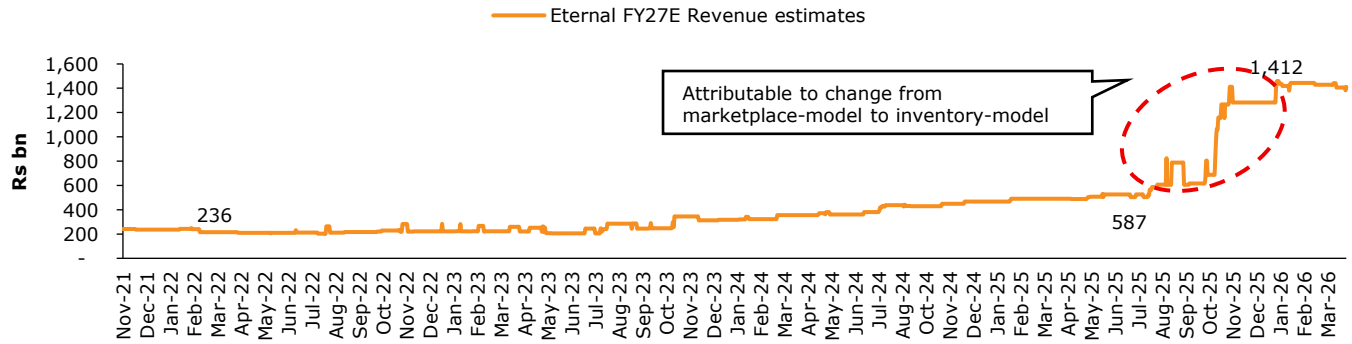
Exhibit 14: Redseer's market size predictions in 2022 were significantly exceeded by the QCom space



Source: Redseer, Company, Emkay Research; Note: Actual data is plotted as the sum of GOV of Blinkit and Swiggy Instamart

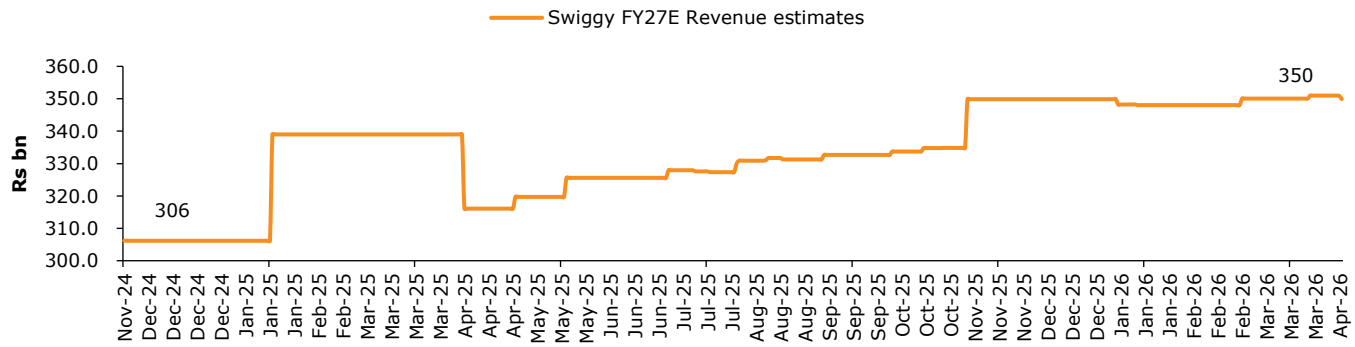
This forecasting gap is not limited to third-party market sizing; it is equally visible in listed coverage. As the charts below illustrate, analysts tracking Swiggy and Eternal have had to repeatedly revise revenue expectations upward, following a series of outsized beats largely driven by QCom's acceleration. QCom segments have now surpassed the size of food delivery for these platforms, while still compounding at >100% YoY vs food delivery's contemporaneous growth of 15-20%. Put simply, QCom has consistently expanded faster than the street's estimates, forcing successive step-ups in both near-term revenue estimates and long-term TAM frameworks.

Exhibit 15: Eternal revenue estimates have consistently seen upward revisions every quarter



Source: Company, Bloomberg, Emkay Research

Exhibit 16: Swiggy revenue estimates have consistently seen upward revisions every quarter since its listing



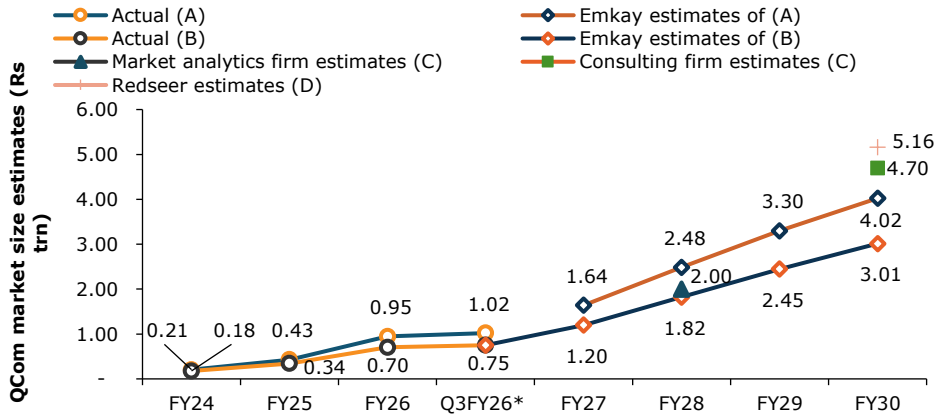
Source: Company, Bloomberg, Emkay Research

The trend of underestimating market size continues

We observe that even recently published reports appear conservative vs realized growth. A market analytics firm, in its Jul-25 report, estimated the QCom market size (GOV) to reach Rs2trn by FY28. However, Blinkit and Instamart's combined Q3FY26 annualized GOV of Rs1tn implies only 56% CAGR till FY28. On our conservative market-size estimate, the annualized GOV of the QCom market sits at Rs1.58trn (annualized NOV at Rs1.17trn). The Rs2trn GOV/NOV target implies only a 12.5%/31% CAGR till FY28. This sits well below the realized growth trajectory, with sustained growth of over 100% YoY for the past 8 quarters, even as absolute scale has become large. A consulting firm pegs the QCom market CAGR at 40% over FY24-30, implying QCom market size of Rs4.7trn in FY30. However, street estimates for Blinkit alone already point to Rs2.6trn FY30 GOV. Even assuming Blinkit stabilizes at 50% share, a reasonable simplifying assumption in a category with low consumer switching costs implies an industry GOV of Rs5.2trn – significantly ahead of the implied market size. In our view, these forecasts may remain below where the channel ultimately lands. We outline growth vectors that can drive this outcome in the sections ahead.

The street's caution is understandable. After a rapid rollout, QCom has moved beyond a niche base, and now represents a meaningful share of retail. On our conservative estimates, the channel is already 1.2% of India retail, which leads consensus to assume growth tapering off as the base expands. Hence, market research firms' and street expectations over FY25-30 have converged at 30-40% CAGR. Our contention is that this is the next point of potential forecast error. We believe we are entering another cycle where the next five years' realized market size again exceeds the implied current 'reasonable' estimates, and we lay out both the prevailing cautious view and our counter-thesis in the next section.

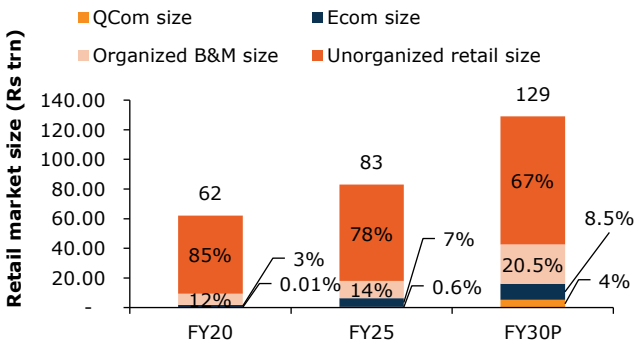
Exhibit 17: Emkay estimates and actual curves are based on the total GOV of listed QCom players, while other market research estimates project the QCom market size



Source: Company, Industry, Emkay Research; Note: A – Combined GOV of Blinkit and Instamart; B – Combined NOV of Blinkit and Instamart; C – Combined GOV of the QCom market; D – Combined NOV of the QCom market

Importantly, the long-term penetration runway remains large even after the past five years of compounding. Redseer, cited in Swiggy's QIP document, indicates QCom was 7.9% of online sales, and grew from Rs6bn in FY20 (or 0.01% of India retail) to Rs500bn in FY25 (or 0.6% of India retail). This implies a 140% CAGR for QCom over FY20-25 vs 6% for overall retail. Redseer further projects QCom to reach 4% of the Indian retail market by FY30, with total retail sales expanding at 9.2% CAGR over FY25-30 to Rs129trn. A 4% share on Rs129trn implies Rs5.16trn of QCom NOV in FY30. This equates to 60% CAGR from the FY25 base of Rs500bn, and 45% CAGR from our conservative current NOV run-rate estimate of Rs1.17trn for FY26. Put differently, even the 'aspirational' penetration path factors in a significant tapering of growth from the current >100% levels to 40-50%. Our estimate for the combined FY30 NOV for the currently listed QCom players is Rs3.01trn. Our NOV estimates of Blinkit and Swiggy imply a combined 58.4% market share on Redseer's FY30 total QCom NOV estimate of Rs5.16trn. Currently, on our conservative estimates, Blinkit and Instamart command a combined 63.8% market share.

Exhibit 18: Indian retail market – Absolute channel split



Source: Redseer, Emkay Research

Exhibit 19: Indian retail market – Channel-wise rate of growth

CAGR	FY20-25	FY25-30E
Total retail market	**6.0%**	**9.2%**
Unorganized	4.3%	5.8%
Organized B&M	9.3%	17.9%
Ecom	25.6%	13.5%
QCom	**140.4%**	**59.6%**

Source: Redseer, Emkay Research

For perspective, the Indian e-commerce (Ecom) industry scaled by 3.1x from Rs1.86trn in FY20 to Rs5.81trn in FY25, implying 25.6% CAGR over FY20-25. This was not an early-adoption phase. By FY20, both Amazon and Flipkart had already been operating for more than half a decade, and the category had achieved meaningful scale. Notably, the FY20 Ecom base of Rs1.86trn was also materially larger than QCom's current scale – at 1.6x QCom's current run-rate estimate of Rs1.17trn. Against this backdrop, growth required for QCom to reach Rs5.16trn by FY30 appears far from aggressive. We discuss the QCom vs Ecom comparison in detail in the sections ahead.

Finally, to anchor the discussion in a defensive thesis, we provide a conservative estimate for the current QCom channel revenue run-rate using public disclosures for listed players and deliberately conservative assumptions for the rest of the ecosystem, as outlined below.

Exhibit 20: QCom market size and implied CAGR for projections

Rs bn	GOV	NOV
Q3FY26 annualized QCom market size	1,580	1,165
Indian retail market size (FY26)		90,653
QCom's current share in retail market		1.29%
Indian retail market size (FY30)		129,000
Redseer-projected Qcom market share		5,160
Implied CAGR		*45%*

Source: Redseer, Emkay Research

Multiple drivers for long-term growth

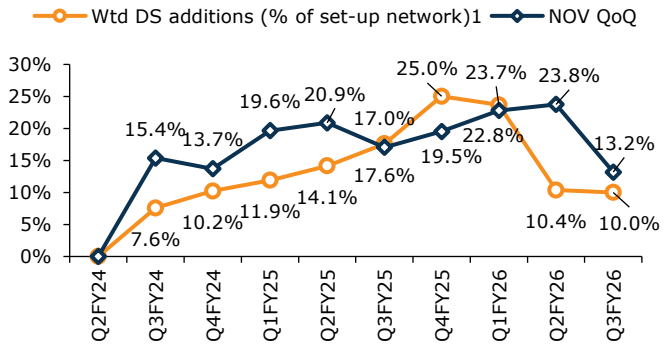
Industry participants expect QCom growth to moderate to 30–45% CAGR over FY25–30, despite the category compounding at above 100% YoY in recent quarters. The tapering thesis is typically anchored in three arguments: 1) dark-store saturation in the current serviceable addressable market (SAM) and small base effect; 2) structural pricing disadvantage vs discount retail; and 3) competitive intensity with a prolonged 'land-grab' phase. However, we believe that dark store growth will continue, considering India has high population weighted density that will result in continued increase in share of QCom in the overall retail business.

QCom market is expandable beyond tier-1 cities

One of the key arguments for slower QCom growth is dark-store saturation in the current serviceable addressable market. This view is based on two hypotheses: 1) economically viable dark-store footprint in these core markets is already approaching saturation, and 2) order density beyond tier-1 cities is not viable.

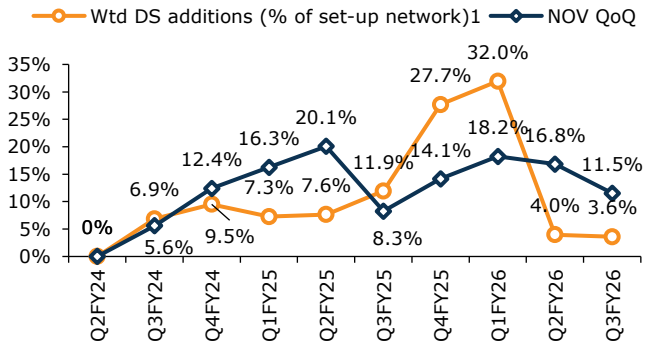
The tapering view argues QCom is moving past its dark store rollout-driven growth phase. The initial >100% GOV growth phase was driven largely by volume-led expansion through rapid dark-store additions off a small base, rather than being led by SSSG/LFL growth. Given the large installed base, new additions relative to the installed base will start to decline going ahead, leading to slower GOV/NOV growth.

Exhibit 21: Quarterly NOV growth has led to growth in weighted dark store additions (proxy for volume-weighted additions), confirming SSSG-led growth with a lagged volume effect



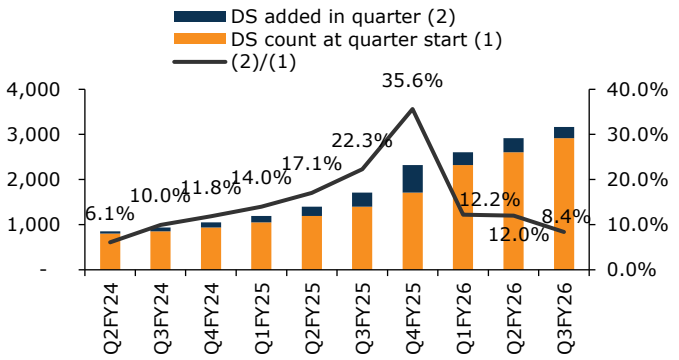
*Source: Company, Emkay Research; Note: Q3FY26 data attributed to heightened competitive intensity, with peers resorting to deeper discounting and lower minimum order value (MOV); 1: Weighted DS additions calculated = (0.33*ΔDS in current quarter Q_0+0.67*ΔDS in previous quarter Q_1)/DS count two quarters back Q_2, to adjust the lag between DS set up and DS maturity*

Exhibit 22: Instamart's drastic slow-down in weighted DS addition has not impacted NOV growth with SSSG covering for growth



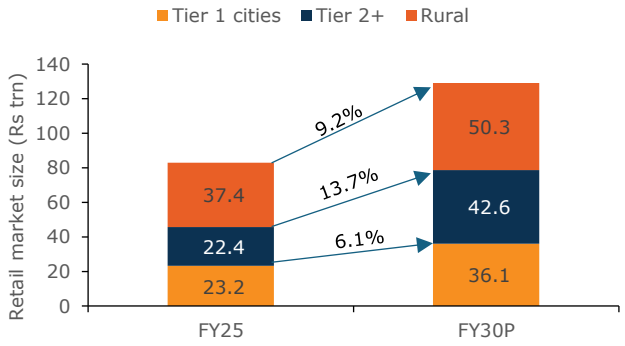
Source: Company, Emkay; Note: Q3FY26 data attributed to heightened competitive intensity, with peers resorting to deeper discounting and lower minimum order values (MOV); 1: Weighted DS additions as calculated in exhibit 21

Exhibit 23: Dark store (DS) additions as a % of already set up network has been declining



Source: Company, Emkay Research; Note: Blinkit and Instamart data used

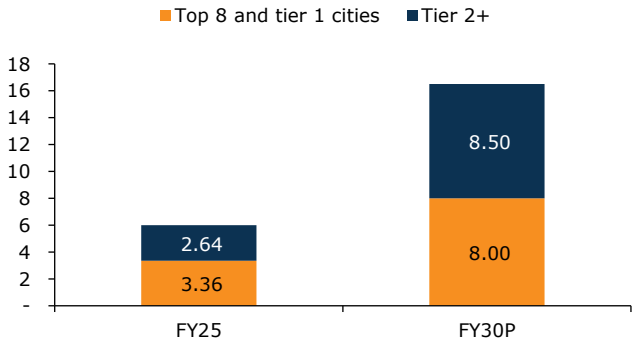
Exhibit 24: Indian retail market size



Source: Redseer, Emkay Research; Note: Tier 1 cities defined as cities with a population of over 1mn as of FY25; Tier 2 cities defined as cities with a population of less than 1mn as of FY25

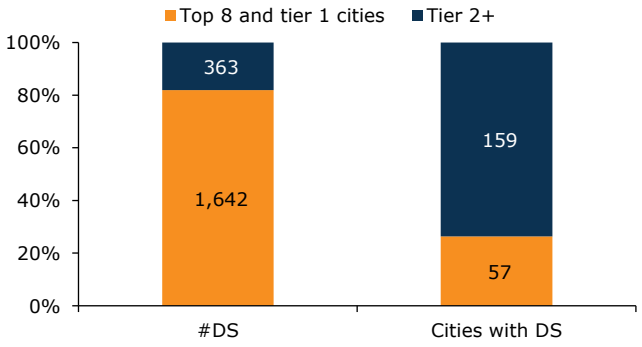
The current network concentration is cited as evidence: metros and Tier-1 cities house ~8% of India's population, yet account for ~70% of India's dark stores. The implied conclusion is two-fold. First, the model has not been proven at scale beyond top cities. Second, as incremental dark-store additions slow from here, volume-led GOV growth should mechanically converge toward the lower network-expansion rate, driving a natural taper in growth.

Exhibit 25: Ecom is expected to be larger in Tier 2 cities by FY30



Source: Redseer, Emkay Research

Exhibit 26: DS footprint suggests QCom is still concentrated in Tier-1 cities

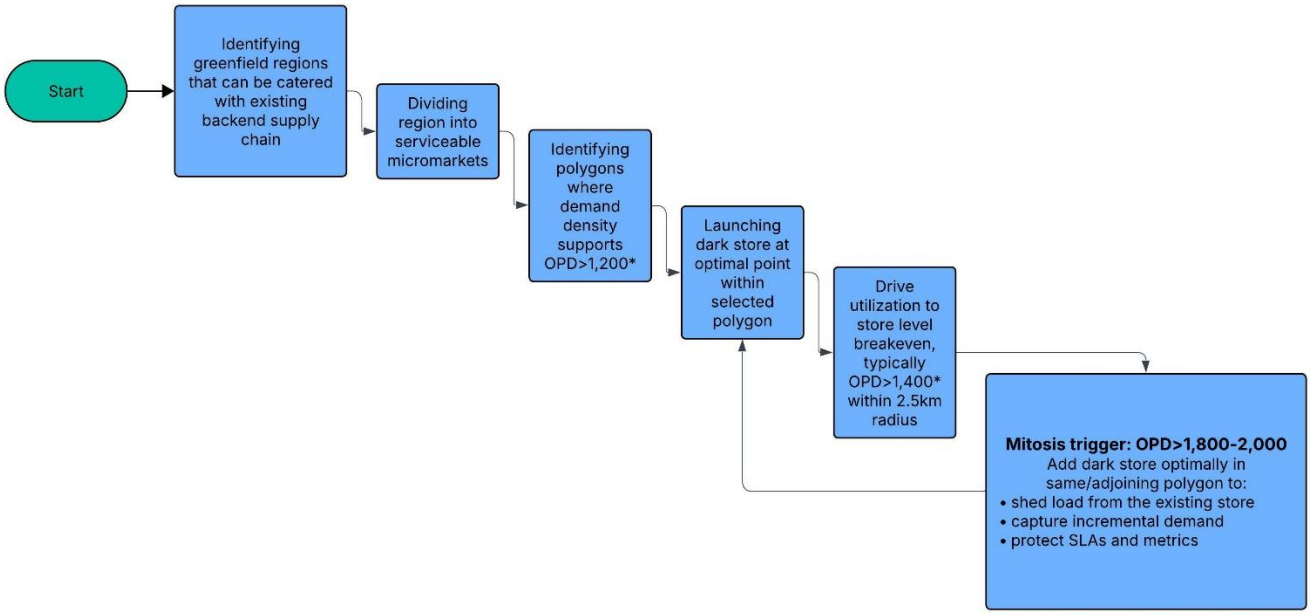


Source: Company, Emkay Research

Causality is reversed; stores follow demand, not vice versa

We believe that the dark store network growth will continue over the long term as growth continues in tier-1 cities and will expand to tier-2 cities. In our view, stores follow demand, not vice versa. The consensus treats NOV/GOV growth as store-led or volume-led, ie dark-store rollouts create growth, and once rollouts slow, growth must taper. In practice, SSSG and LFL are lead variables. When order density for an existing dark store rises beyond a threshold, dark-store operations start getting impacted, pick-up rates fall, rider batching worsens, and SLAs slip. The response is dark store mitosis: adding a new store in the same/adjoining polygon, splitting the catchment, offloading demand, and restoring service quality. The readthrough is that demand intensity in already penetrated markets remains strong enough to warrant continued capacity additions even in mature geographies. Put simply, store expansion is being pulled by demand, not pushing it.

Exhibit 27: Dark store expansion logic from greenfield addition to brownfield store mitosis

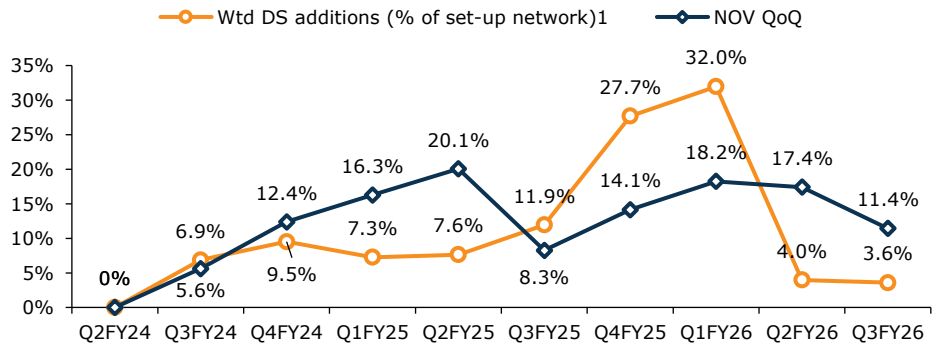


*Source: Emkay Research; Note: * depends on city tier*

Swiggy Instamart reported over 10% QoQ NOV growth, despite only 3% growth in the dark store network

This dynamic is also evident in Swiggy Instamart's recent trajectory. Quarterly store additions have moderated to sub-5% of the installed network, with fewer than 40 dark stores added per quarter in 9MFY26. This slowdown is itself explained by the evolving network design. Instamart's newer dark stores are large-format ones, which can absorb higher volumes before hitting capacity constraints. The management has indicated that the network remains under-utilized, with sufficient capacity to support over 2x current GOV and accommodate further assortment expansion within the existing footprint. Despite moderation in store rollout, NOV has continued to grow well above 10% QoQ, underscoring that SSSG and utilization ramp-ups are now doing the heavy lifting. In other words, NOV growth is not mechanically contingent on network expansion; store additions increasingly serve as a capacity and service-level response, rather than being the primary driver of demand.

Exhibit 28: Instamart's drastic slowdown in DS addition has not impacted NOV growth



Source: Company, Emkay Research; Note: Q3FY26 data attributed to heightened competitive intensity, with peers resorting to deeper discounting and lower minimum order values (MOV); 1: Weighted DS additions calculated = (0.33ΔDS in current quarter Q_0+0.67*ΔDS in previous quarter Q_1)/DS count two quarters back Q_2, to adjust the lag between DS set up and DS maturity*

Blinkit's Q3FY26 shareholder letter also highlights that mature markets have strong growth potential. Delhi NCR, its most mature market and densest in terms of dark-store footprint, is still compounding at ~55% YoY, while the next seven metros are growing at >100% YoY. Importantly, those seven metros combined account for only ~1.5x Delhi NCR's NOV currently, implying meaningful catch-up runway even within the top eight cities. Blinkit also flags that newer cities are growing faster off smaller bases.

A key point is the divergence between capacity addition and demand growth in mature markets. Even in the most penetrated clusters, where incremental dark-store additions have moderated to sub-20% YoY (derived using management's commentary of 70% of incremental store additions in top 8 cities), NOV growth remains materially higher, at ~55–100% YoY. This is a direct indicator that the MTU base is still being captured and monetised and far from reaching the settled stable state, with growth increasingly driven by new MTU additions and wallet-share gains within the existing base.

Exhibit 29: Blinkit's dark store footprint by city

City	#DS	DS distribution	# of cities	# of DS/city	NOV share	Growth rate*
Delhi NCR	455	22.7%	17	26.8	30%	55%
Next 7 metros	779	38.9%	7	111.3	45%	100%
Rest of the cities	771	38.5%	192	4.0	25%	120%
Total footprint	**2,005**	**100%**	**216**	**9.3**	**100%**	**91.5%**

*Source: Company, Emkay Research; Note: Count as of 20th December 2025; * mentioned in Q3FY26 shareholders' letter*

QCom in tier-2+ can be catered profitably

The tier-2+ debate is often built on a pejorative stereotype that these consumers are 'value maximizers' with time to spare, who prefer going out to shop. We do not give credence to this framing, and believe the 10-to-20-minute promise is a novel retail experience with broad appeal. Tier-2+ consumers adopt what works fast, once it is available.

The underlying economics of the model remains strong even outside tier-2/3 cities. QCom can deliver a compelling price-value equation, given its incremental cost stack vs big-box modern trade. To test the model viability quantitatively, we build geography-wise store level unit economics across different tiers of cities. A key takeaway from this analysis is that tier-2+ cities are profitable on a contribution margin basis at current unit economics. With India's PWD of ~10k/km^2, we believe that it is possible to find requisite order density in Tier-2+ cities. The table below highlights our estimates of the profitability of QCom operations in corresponding cities.

Exhibit 30: City-tier wise store-level contribution margin estimates

	Tier 1		Tier 2		Tier 3		Tier 4	
	Per store	Per order (Rs)	Per store	Per order (Rs)	Per store	Per order (Rs)	Per store	Per order (Rs)
Orders delivered per day (no of)	1,285		1,211		1,016		829	
NOV per month (Rs '000)	21,582	560	18,898	520	14,938	490	11,446	460
Gross margin	27%		26%		25%		24%	
Gross profit (Rs '000)	5,881	153	4,913	135	3,734	123	2,747	110
Delivery charges paid to rider (Rs '000)	1,527	40	1,460	40	1,243	41	1,031	41
Store costs (Rs '000)	3,103	81	2,422	67	1,741	57	1,295	52
Contribution profit (Rs '000)	**1,251**	**32**	**1,031**	**28**	**751**	**25**	**421**	**17**
Contribution margin	***5.8%***	***5.8%***	***5.5%***	***5.5%***	***5.0%***	***5.0%***	***3.7%***	***3.7%***

Source: Emkay Research

Methodology of evaluation

Define city tiers using observed dark store depth: We begin by classifying all cities with dark-store presence into buckets based on network depth, using the number of dark stores in each city. For example, cities with over 60 dark stores are grouped as the most mature cluster (Tier 1), while those with 25–60 dark stores form the next maturity bucket (Tier 2), and so on for lower-depth categories. For each city in every bucket, we compile population and city area to compute population density. We then aggregate these densities at the bucket level to arrive at a representative population-density profile for each network-depth category.

Exhibit 31: Defining city tiers based on dark store count to arrive at representative population density profiles

City tier	Cities with no of DS between	No of DS	DS contribution	No of Cities	Average no of DS per city	Total population (mn)	Population average (mn)	Total area ('000 sqkm)	Density (per sqkm)
1	61-300	1069	53%	9	118.8	79.7	8.9	2.4	33,640
2	26-60	258	13%	5	51.6	19.3	3.9	0.9	22,029
3	6-25	390	19%	32	12.2	53.8	1.7	2.6	20,365
4	1-5	288	14%	170	1.7	78.3	0.5	6.2	12,727
Aggregated statistics		**2005**		**216**	**9.3**	**231.0**	**1.1**	**12.0**	**19,195**

Source: Company, Emkay Research; Note: Count conducted on 20th December 2025

Determining the city-tier wise OPD: We use the city tier population density from Step 1 and the respective delivery radius (estimated in next step) to estimate how many people and, therefore, households, sit within a typical dark-store catchment for each city tier. We then split these households using India's income distribution into high-income (>Rs1.1mn pa) and middle-income (Rs0.8–1.1mn pa) cohorts. We assume 60% adoption for high-income households and 30% for middle-income households. Each adopting household is treated as one MTU.

Exhibit 32: OPD and QCom MTU base bottom-up guesstimate

City category	1	2	3	4
Population density (per sqft)	33,640	22,029	20,365	12,727
Population	660,182	622,547	783,348	639,387
Households (no of)	165,045	155,637	195,837	159,847
High-income households (no of)	20,151	19,002	23,910	19,516
Adoption rate of high-income households	*30%*	*30%*	*20%*	*20%*
Upper middle-class households (no of)	33,105	31,218	39,281	32,062
Adoption rate of upper middle-class households	*15%*	*15%*	*10%*	*10%*
Total Qcom-using households (no of)	11,011	10,383	8,710	7,109
Monthly frequency (no of)	3.50	3.50	3.50	3.50
Orders per day (no of)	1,285	1,211	1,016	829
Radius covered per dark store (km)	2.5	3	3.5	4
Average distance covered per delivery (km)	4.0	4.8	5.6	6.5
City tier Qcom households (no of)	**11.8**	**2.7**	**3.4**	**2.0**

Source: Emkay Research; Note: Numbers in red denote assumptions

This produces an estimated MTU base of 20.4mn, which broadly matches the disclosed MTU scale for listed players (Blinkit: ~23.6mn; Swiggy Instamart: ~12.8mn). We then apply an assumed monthly frequency of 3.5 orders per MTU and convert this into orders per day, yielding an implied OPD for each city tier.

Delivery radius is constrained by rider economics: We anchor the feasible delivery radius for each city bucket using delivery rider economics. Delivery partner payouts are linked to the number of deliveries completed (Rs25 per order on weekdays and Rs30 per order on weekends), with non-linearly designed daily and weekly incentives to reward sustained high throughput. A representative rate card highlighting the incentive structure is provided in the exhibit below.

Exhibit 33: Incentive rate card of one of the QCom players

Daily incentives		Weekly incentives		
Target orders	Rate (Rs)	Target days	Target orders	Rate (Rs)
14	84	8	112	448
18	135	8	144	720
22	198	8	176	1,056
26	273	8	208	1,456
30	360	8	240	1,920
34	459	8	272	2,448
38	570	8	304	3,040
42	693	8	336	3,696
46	828	8	368	4,416
50	975	8	400	5,200

Source: Company, Emkay Research

Importantly, fuel and transportation costs are borne by the rider. This makes net take-home pay the binding constraint on distance. Delivery distances cannot expand to a point where, after fuel and running costs, earnings become uneconomical. As the required net income is a function of local cost of living, the same rate card can support larger delivery radii in Tier-3/4 cities where riders can accept lower net earnings, consistent with local living costs. Lower congestion in smaller cities also helps maintain the time promise even at slightly larger radii.

Exhibit 34: Rider compensation derived by adjusting the radius catered city-wise

	Tier 1	Tier 2	Tier 3	Tier 4
Radius (km)	2.5	3	3.5	4
Average distance covered per delivery* (km)	4.0	4.8	5.6	6.5
Mileage (kmpl)	55	55	55	55
Fuel cost (Rs per ltr)	100	100	100	100
Number of riders at dark store	51	50	44	38
Deliveries per rider per day	25	24	23	22
Per order earnings (Rs)	26.4	26.4	26.4	26.4
Gross earnings per day (Rs)	991	964	938	911
Fuel cost per day (Rs)	229	264	295	323
Earnings ex fuel costs per day (Rs)	762	700	643	589
Monthly earnings (Rs)	22,846	21,009	19,281	17,663

*Source: Emkay Research; Note: *calculated considering Manhattan grid assumption for road network*

Delivery radius catered by dark stores for each city tier is derived by working backwards from reasonable rider take-home earnings.

Store-level cost stack needed to estimate breakeven by city tier: Costs above the contribution line include rent, mid-mile logistics, packaging, picker wages, and dark-store operating overheads such as utilities, wastage, repairs and maintenance, security, and housekeeping. Last-mile cost is already captured via the rider payout assumptions used to derive delivery radius. All cost assumptions are anchored in our channel checks.

Exhibit 35: Cost matrix for costs above contribution line (Rs)

City tier	Rental per month	Mid-mile logistics costs per SKU	Admin costs	Storage costs per SKU	SKUs	Packaging cost per order	Picker wages	# of pickers
1	500,000	22.5	800,000	30.0	25,000	6.5	24,000	10
2	350,000	25.0	600,000	28.0	20,000	6.5	22,000	8
3	200,000	27.5	400,000	26.0	15,000	6.5	20,000	7
4	100,000	32.5	350,000	25.0	10,000	6.5	18,000	6

Source: Emkay Research

Most costs decline on moving down city tiers. Rent is the highest in Tier-1 cities, owing to higher property costs. Labour and operating services also cost more in upper tiers, so picker wages and store overheads (listed as admin costs in the exhibit below) trend down in smaller cities. Storage cost is driven by assortment depth. Upper-tier cities typically carry a longer-tail assortment, which increases storage and handling costs per store, while Tier-3/4 stores can run a tighter SKU set at lower cost. The implication is straightforward: lower opex in smaller cities reduces the OPD and NAOV required for store breakeven.

Exhibit 36: Estimate of monthly store-level Direct costs

	Tier 1		Tier 2		Tier 3		Tier 4	
Store Level Costs	**Per Store**	**Per order (Rs)**	**Per Store**	**Per order (Rs)**	**Per Store**	**Per order (Rs)**	**Per Store**	**Per order (Rs)**
Picker der dark store (#)	10		8		7		6	
Total picker cost (Rs '000)	240	6.2	176	4.8	140	4.6	108	4.3
Rental (Rs '000)	500	13.0	350	9.6	200	6.6	100	4.0
Mid-mile logistics costs (Rs '000)	563	14.6	500	13.8	413	13.5	325	13.1
Admin (Rs '000)	800	20.8	600	16.5	400	13.1	350	14.1
Storage costs (Rs '000)	750	19.5	560	15.4	390	12.8	250	10.0
Packaging cost (Rs '000)	251	6.5	236	6.5	198	6.5	162	6.5
Total store costs	**3,103**	**80.5**	**2,422**	**66.7**	**1,741**	**57.1**	**1,295**	**52.0**

Source: Emkay Research

The exception is mid-mile logistics, which tends to be higher in lower-tier cities. Mid-mile is the cost of moving inventory from warehouses (distribution centres) to dark stores (fulfilment centres). For many Tier-3/4 cities, demand is initially served from the same regional backend that supplies Tier-1/2 markets, because duplicating warehouses for smaller demand pools is uneconomical. Warehouses are typically located on the outskirts of larger cities due to space requirements and land costs. As a result, replenishment distances are longer for smaller towns, making mid-mile costs higher and inventory replenishment more operationally challenging as expansion moves into the long tail.

Tier-1/2 cities typically carry a wider assortment, and that mix is structurally higher-margin than a core grocery-heavy basket. As the mix shifts toward categories like general merchandise, beauty and personal care, pet care, and other discretionary items, the blended gross margin improves as these categories generally have higher trade margins with more scope for private labels and ad-led monetization. The same mix also pulls up NAOV, as discretionary and non-food purchases are typically higher-ticket than staples, and are more often bought in 'add-on' baskets.

Tier-3/4 cities tend to start with a more essentials-led assortment and more price-sensitive demand, which keeps the basket skewed toward lower-margin staples and smaller tickets. With fewer high-margin discretionary categories in the mix, both gross margin and NAOV are typically lower. With all our estimates in place, we can now calculate contribution margins for city tiers and aggregate the data for country-level economics.

Exhibit 37: City-tier wise store-level contribution margin estimates

	Tier 1		Tier 2		Tier 3		Tier 4	
	Per Store	**Per order (Rs)**	**Per Store**	**Per order (Rs)**	**Per Store**	**Per order (Rs)**	**Per Store**	**Per order (Rs)**
Orders delivered per day (no of)	1,285		1,211		1,016		829	
NOV per month (Rs '000)	21,582	560	18,898	520	14,938	490	11,446	460
Gross margin	27%		26%		25%		24%	
Gross profit (Rs '000)	5,881	153	4,913	135	3,734	123	2,747	110
Delivery charges paid to rider (Rs '000)	1,527	40	1,460	40	1,243	41	1,031	41
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Contribution profit (Rs '000)	**1,251**	**32**	**1,031**	**28**	**751**	**25**	**421**	**17**
Contribution margin	***5.8%***	***5.8%***	***5.5%***	***5.5%***	***5.0%***	***5.0%***	***3.7%***	***3.7%***

Source: Emkay Research

We then aggregate the city-tier estimates to arrive at an all-India NOV and contribution margin profile. The output clears a basic sanity check, broadly aligning with Blinkit's reported national operating profile.

Exhibit 38: Results obtained from guesstimates by mimicing the industry leader's operating profile

Monthly estimates	NOV (Rs '000)	NOV share	Contribution profit (CP; Rs '000)	Contribution margin	CP share	DS share	Cities
Tier 1	23,071	62%	1,337	5.8%	66%	53%	9
Tier 2	4,876	13%	266	5.5%	13%	13%	5
Tier 3	5,826	16%	293	5.0%	15%	19%	32
Tier 4	3,297	9%	121	3.7%	6%	14%	170
Aggregate	**37,069**		**2,017**	**5.4%**			
Annualized aggregate							
Estimate	444,824		24,207	5.4%			
Blinkit	532,000		29,440	5.5%			
Swiggy Instamart	218,252		-7,915	-3.6%			

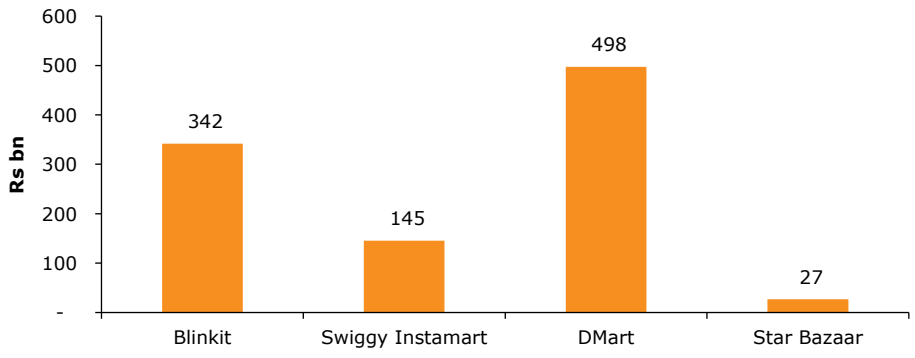
Source: Company, Emkay Research

The dark store footprint in Tier 3/4 cities accounts for 33% of the dark store footprint spread over 202 cities. Dark store count averages 12.2/city in Tier 3 and 1.7/city in Tier 4 cities. The dark store footprint in Tier 1/2 cities is concentrated, with 66% spread across 14 cities and dark store count averaging 119/city for Tier 1 and 52/city for Tier 2 cities. QCom's model of store expansion is based on the OPD metric crossing a threshold OPD. Dark store footprint expanding beyond the current footprint would signify the retail model exhibiting market fitness for Tier 3/4 cities. We investigated the traction of the QCom retail model in Tier 2/3/4 cities. Our findings surprised us, with industry insiders suggesting breakeven times of 3-6 months for first-movers in these cities and 9-12 months for late movers. Hence, the first-mover advantage is bigger in these cities.

QCom pricing can match large-format retail

One of the key arguments against QCom, especially in Tier-2+ cities, is it cannot sustainably match the pricing of big-box retailers as discounts are afforded by a retail model's working-capital management. Working-capital terms are ultimately a function of a retailer's scale and unit economics. QCom has increasingly closed the scale gap vs modern trade in terms of GOV/NOV throughput which, in principle, should allow it to negotiate comparable trade terms. However, on the demand fulfilment side, QCom is structurally burdened with incremental cost lines that big-box retailers do not bear or carry at materially lower unit costs. These include the need to operate many small catchment polygons through dense dark-store networks and fund the operating stack required to meet short SLAs. The cost burden spans store-level overheads such as storage, admin, and pickers, as well as last-mile delivery and incremental mid-mile replenishment logistics.

Exhibit 39: 9MFY26 NOV highlighting QCom players have matched scale of leading retailers



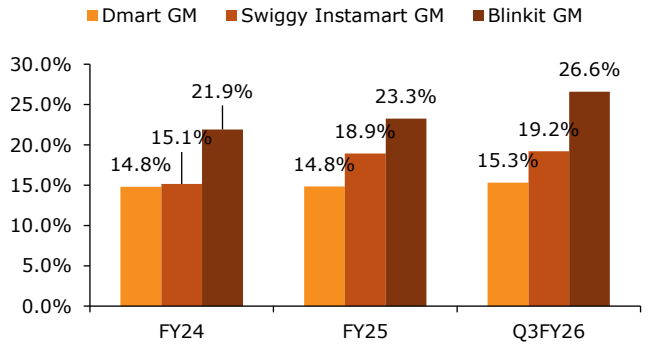
Source: Company, Emkay Research

This is visible in the margin bridge. In Q3FY26, Blinkit reported gross margin of 26.6%, materially higher than DMart's Q3FY26 gross margin of 15.3%. The gap is supported by two drivers: i) advertising income of ~5% of NOV, and ii) QCom platforms operating at higher product gross margin on a similar basket, implying lower realized margins for upstream participants via lower effective purchase prices. Despite this gross-margin advantage, profitability at the contribution level is lower. Blinkit's reported contribution margin was 5.5%

in Q3FY26, vs DMart's 10% in Q3FY26 on a comparable contribution definition (DMart's contribution margin is calculated as revenue from operations minus COGS, D&A, contract labour, rent, utilities, repairs and maintenance, communication, and travelling and conveyance – aligned to Blinkit's presentation where rent is expensed within contribution). We attribute the 450bps gap in contribution margin, despite the 1,130bps gross margin advantage, to QCom's incremental cost stack relative to modern trade and suboptimal scale due to the relatively less mature stage of the business. By FY31, we expect Blinkit's contribution margin to improve to 8%, significantly narrowing the gap.

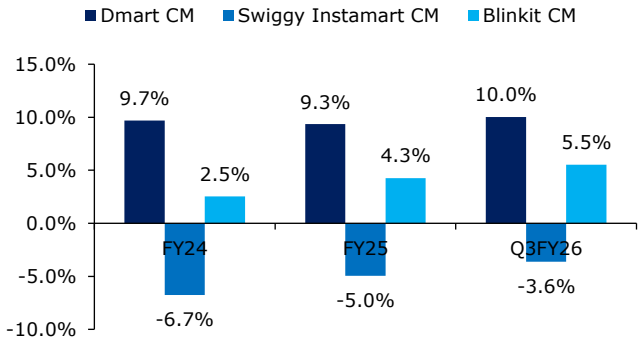
With better space utilization and use of technology for demand forecasting/replenishment, Blinkit currently operates at ~20x WC turn vs ~12x for DMART. The invested capital turnover (including capex per store) for Blinkit is closer to ~10x, while it is closer to ~2x for DMART. Steady-state RoIC for Blinkit is ~40% at the store level vs high-teens for DMART, assuming a steady-state EBITDA margin of ~5% for Blinkit.

Exhibit 40: QCom operates on higher GM than modern trade…



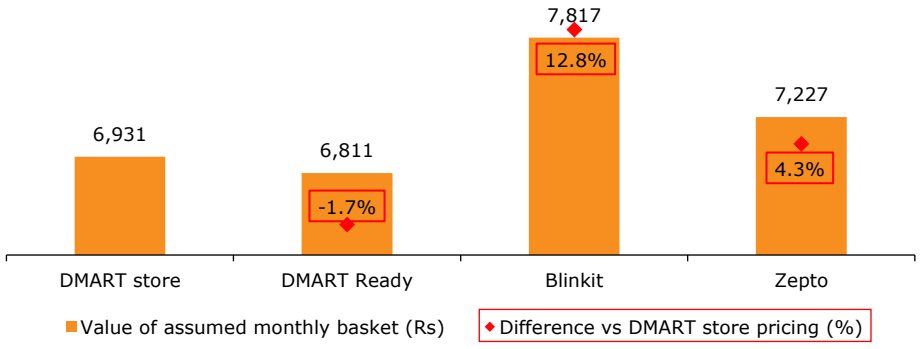
Source: Company, Emkay Research; Note: GM: gross margin

Exhibit 41: …yet cost burdens yield lower CMs



Source: Company, Emkay Research; Note: CM: contribution margin; Take rate represented as gross margin for QCom players

Exhibit 42: Net pricing for a monthly basket is now only 4-13% higher at QC apps vs DMART; cheaper after including discounts and cashbacks



Source: Emkay Research, Company

FDI policy for e-commerce retail

Recognition of revenue differs from the general retail model

Modern retailers report NOV as revenue in their financial statements. However, this is not the case with QCom platforms, except Blinkit, BigBasket, JioMart, and DMart Ready. These entities are Indian Owned and Controlled Companies (IOCC), which are defined as entities with more 50% Indian shareholding, for whom resident Indian citizens possess the right to appoint a majority of the board of directors or control the management and policy decisions.

Indian government's FDI policy for e-commerce retail

The Indian government's policy on Foreign Direct Investment (FDI) in e-commerce restricts FDI in inventory-based e-commerce, where platforms hold inventory of vendors and sellers and directly sell products to customers. Up to 100% FDI is allowed in the marketplace model of e-commerce only, where platforms act as intermediaries connecting buyers and sellers. Thus, e-commerce retailers with less than 50% Indian shareholding operate in India not as retailers but as marketplace providers. These marketplace platform providers are prohibited from exercising ownership or control over inventory.

There was an evident loophole in the policy: FDI e-commerce entities can establish their own vendor/seller parties who can hold and sell inventory to their B2C arms (as FDI is allowed for B2B e-commerce entities). Foreign owned and controlled B2B entities could then be listed as sellers on B2C FDI e-commerce marketplace platforms, thus bypassing the FDI policy by acting as a pseudo B2B seller. This loophole was plugged by the government by deeming any B2B vendor to be controlled by an e-commerce entity if more than 25% of purchases of such a vendor are from an e-commerce entity or its group entities.

Exhibit 43: Business Standard's article when the FDI policy was rolled out in 2016

Source: Business Standard, Emkay Research

Further, as per clause (ix) of Press Note 2(2018), e-commerce entities providing marketplace services will not directly or indirectly influence the sale price of goods or services and shall maintain a level-playing field. Services should be provided by e-commerce marketplace entities or other entities in which the e-commerce marketplace entity has direct or indirect equity participation or common control to vendors on the platform at arm's length and in a fair and non-discriminatory manner. Such services shall include but not be limited to fulfilment, logistics, warehousing, advertisement/marketing, payments, financing, etc. Cashback provided by group companies of a marketplace entity to buyers shall be fair and non-discriminatory. For the purposes of this clause, the provision of services to any vendor on such terms that are not made available to other vendors in similar circumstances will be deemed unfair and discriminatory.

Adherence to the FDI policy by QCom platforms

In accordance with the FDI policy, foreign owned and controlled companies (FOCC) like Amazon, Flipkart, Swiggy, and Zepto do not own any inventory sold on their platform and recognize the commission income earned for business enablement services provided to sellers/vendors as revenue. By law, they are restricted to influence pricing of products on their platforms. However, in context of QCom, the 'arm's length' contract between sellers/vendors and platforms is somewhat optical.

SLAs in QCom demand a level of precision that makes a pure third-party (3P) seller model unviable. Fast deliveries at scale requires the platform to exercise absolute control over the Warehouse Management System (WMS) and store-level inventory. Operating this system through independent decision-making sellers is like expecting DMart to function while its entire store inventory is independently owned and managed by third-party vendors.

Because platforms cannot leave procurement and hyper-local inventory management to independent vendors, the 'seller' in the FOCC marketplace model is strictly a legal placeholder. Although purchase orders (POs) are signed in the vendor's name, the platform dictates the procurement and sets the end-consumer pricing to optimize clearance. IOCCs like Blinkit avoid this legal friction entirely by operating a straightforward inventory-led model where they directly own and price the goods.

The government-mandated marketplace model is fundamentally incompatible with QCom due to the following complexities of the QCom retail model.

Finite shelf space and strict curation: Unlike the endless aisles of traditional e-commerce, a dark store's shelf space is highly constrained. Platforms must enforce rigorous curation, typically rejecting eight brands for every one they list. For example, Swiggy Instamart evaluates over 500 D2C brand inquiries monthly, but onboards only ~60. Category managers assess products strictly on volume and gross margin. They balance the reliable throughput of large FMCG incumbents with the higher margins of select D2C brands. The platform must ensure that the product generates enough localized demand to justify the inventory holding cost; otherwise, that space is allocated to a faster-moving item.

Hyper-local inventory dynamics: Traditional e-commerce relies on centralized warehouses where slow demand in one region is offset by buffer stock in another. QCom lacks this safety net. Each dark store operates as an isolated inventory unit; if a product is out of stock locally, the sale is permanently lost.

Deploying a product pan-India—stocking just 6 units across 3 SKUs in 500 pods—requires an upfront commitment of 9,000 units. Because QCom platforms cannot afford to hold slow-moving items, they must critically assess a product's market depth before issuing purchase orders (POs). The platform takes on the heavy burden of ensuring there is sufficient localized demand to clear this volume rapidly – a task too complex to be left to independent sellers deciding what and where to sell.

Velocity, feedback, and on-shelf availability (OSA): For platforms, the model mirrors pure kirana dynamics: inventory must turn rapidly, or it is delisted. E-commerce accommodates slow-movers, but QCom evaluates velocity in weeks. Rate-of-sale feedback is immediate; if velocity targets are missed, the platform cuts POs in the next cycle.

Platforms must rigorously track On-Shelf Availability (OSA – the percentage of pods where an SKU is actively visible to consumers). Anything below 80–85% OSA severely handicaps category revenue due to potential sales loss on the platform. Furthermore, as demand is hyper-local, platforms must analyze data by micro-markets. A product may have adequate stock in Bangalore, but will suffer severe availability gaps in high-velocity Delhi neighbourhoods. Tracking and rectifying such micro-market gaps requires centralized platform control.

Platform-borne inventory liability: In a genuine arm's length transaction, independent sellers absorb their own inventory wastage and shrinkage. However, QCom platforms cannot risk the insolvency of their high-volume third-party sellers, which would instantly paralyze dark store operations. Consequently, the platform ultimately bears inventory risk, passing these losses back to its own P&L through financial engineering. The platform dynamically adjusts take rates downward to guarantee a fixed net margin for the seller. It also funds discounts on expiring inventory, remitting the full product value to the seller while booking

the discount internally as a promotional expense. This structure enables the platform to absorb the economic realities of an inventory-led model while legally operating within an FOCC marketplace framework.

Fill rates and inbound logistics: As the platform holds this shadow risk, inbound supply chain control is absolute. Platforms strictly monitor vendor fill rates (the percentage of a PO successfully delivered). Missed or partial deliveries choke the highly synchronized warehouse appointment schedule. To maintain inbound velocity, platforms strongly prefer vendors who utilize local distributors rather than standard courier partners. Distributors are specialized in operations. They physically verify stock handovers and clear the docks, preventing bottlenecks at the dark-store level.

Backend sync and stock-out management: Inventory synchronization dictates platform revenue. Platforms battle both permanent stock-outs (delisted items) and temporary stock-outs (sinusoidal availability). Temporary stock-outs are actively damaging: if algorithmic PO generation is too low, high-velocity items vanish mid-week. This not only degrades user experience but burns the platform's monetized ad real estate, as brands pay for visibility on out-of-stock items that do not offer conversion revenue. Further, platforms must aggressively monitor integration architecture to ensure that back-end warehouse inventory flushes accurately to the front-end consumer app; undiscovered stock sitting in a dark store is functionally dead inventory.

SKU rationalization and ad monetization: Platforms manage finite shelf space by ruthlessly classifying SKUs. 'Movers and shakers' are high-velocity items with strong OSA that earns expanded shelf space. 'Drainers' are underperforming SKUs that consume working capital and are swiftly delisted.

Fundamentally, the platform is a fulfillment channel; it relies on the brand's external marketing (eg Meta ad spend) to generate baseline demand. Once external demand routes to the app, the platform heavily monetizes its digital real estate. Ad inventory is segmented into brand keywords, competitor conquest, and generic category searches. Platforms generate the highest return on ad spend (RoAS) and, therefore, the stickiest B2B revenue via product boosters and in-cart recommendations. Platforms also monetize targeted product sampling, extracting revenue from brands by offering a high-conversion alternative to offline retail sampling.

Data-driven pricing and pack-size optimization: Platform algorithms continuously track three variables: market share, share of voice (ad impressions), and effective price. This dashboarding allows the platform to instantly detect if a brand's market share gain is ad-driven or price-led, triggering automated algorithmic countermeasures.

Pricing interventions are hyper-local and episodic. Platforms deploy targeted levers such as weekend price drops for personal care SKUs rather than flat country-wide discounts. This is engineered specifically to capture share from local incumbents in micro-markets.

Platforms also aggressively shape category pack sizes to optimize unit economics. Algorithms identify gaps across trial, regular, and upsized pack bands. To drive higher average order value (AOV) and secure longer customer retention, platforms actively push brands to list 'pantry-loading' (upsized) SKUs to fill identified assortment gaps.

Working capital and payment terms: To protect cash flow, the operational model functions on a sale-or-return (SOR) basis for selective inventory, insulating the platform from dead stock liability. Platforms optimize their working capital by enforcing extended payment cycles—typically 15 days for Blinkit and up to 30 days for Swiggy and Zepto.

BUY Swiggy

Disappointment priced in; room for margin improvement

Internet ▸ Initiating Coverage ▸ **April 23, 2026**

CMP (Rs): 295 | TP (Rs): 350

We initiate coverage on Swiggy with BUY and DCF-based TP of Rs350. Swiggy is one of the largest players in India's promising QCom space, with a large footprint (1,136 dark stores), customer base (12.8mn MTUs), and scale (Rs207.1bn FY26E NOV). While Swiggy's Instamart trails Eternal's Blinkit in overall unit economics, it remains a clear frontrunner in the QCom space, demonstrating stronger profitability than the broader challenger pack. Its expansion into MegaPods—larger-format dark stores with wider SKU assortment—positions it to drive SSSG without proportional store additions. The food delivery business, now a near-duopoly cash cow with 18.1mn MTUs, provides a stable profit engine that cross-subsidizes QCom investments while exhibiting its own margin expansion trajectory. Swiggy's enterprise value sits at ~28% of Eternal's despite operating at 41.0% and 74.5% of Eternal's scale in QCom (NOV) and food delivery (GOV), respectively. The valuation discount emerges from the profitability gap between QCom and food delivery business. While we acknowledge the opportunity and relative valuation for Swiggy, significant improvement in execution is necessary for driving margin expansion.

QCom margin expansion key KPI to track

While Swiggy has attractive scale in QCom, its sub-par margins raise questions on the long-term sustainability of the business, especially considering Blinkit has already achieved adjusted EBITDA breakeven. Swiggy has narrowed the gap with Blinkit, on the back of net average order value (NAOV) expansion via Maxxsaver and take rate improvement. The management believes that the existing network can support over 2x current GOV. Hence, the maturity of dark stores should drive margins.

Food delivery business continues to see profitability improvement

In the food delivery business as well, Swiggy has improved its margins and is closing the gap with Eternal. We build in 31.9% adjusted EBITDA CAGR over FY26E-28E, on the back of 16.2% GOV CAGR and 80bps adjusted EBITDA margin expansion. We believe that the company will continue to generate cash from the food delivery business which can be used for expanding the QCom business.

Outlook and valuations: Valuation attractive considering scale

We initiate coverage on Swiggy with BUY and DCF-based TP of Rs350. We value its food delivery business at Rs577bn (Rs209 per share), which implies 34.1x EV/adjusted EBITDA to the FY28E food delivery adjusted EBITDA. Our valuation for the QCom business is Rs195bn (Rs71 per share), which implies 0.39x EV/NOV to the FY28E QCom NOV. The remaining value is contributed by cash-on-books and other businesses. Key risks: 1) increase in competitive intensity in the QCom and food delivery businesses; 2) execution risk on dark-store rollout and maturation; 3) regulatory and compliance risk across overlapping frameworks; and 4) gig worker availability and cost inflation.

Target Price – 12M	Mar-27
Change in TP (%)	**NA**
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	18.6

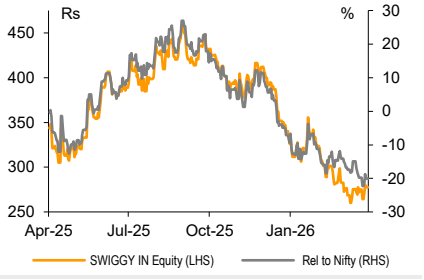
Stock Data	**SWIGGY IN**
52-week High (Rs)	474
52-week Low (Rs)	256
Shares outstanding (mn)	2,760.3
Market-cap (Rs bn)	813
Market-cap (USD mn)	8,672
Net-debt, FY26E (Rs mn)	(73,863.0)
ADTV-3M (mn shares)	11.5
ADTV-3M (Rs mn)	3,861.9
ADTV-3M (USD mn)	41.2
Free float (%)	0.5
Nifty-50	24,378.1
INR/USD	93.8

Shareholding,Mar-26	
Promoters (%)	0.0
FPIs/MFs (%)	14.6/25.5

Price Performance

(%)	1M	3M	12M
Absolute	4.2	(8.0)	(14.2)
Rel. to Nifty	(1.2)	(4.6)	(14.9)

1-Year share price trend (Rs)



Swiggy: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	112,474	152,268	233,362	340,639	454,271
EBITDA	(22,080)	(27,856)	(31,863)	(16,614)	(1,875)
Adj. PAT	(23,196)	(31,049)	(42,371)	(30,259)	(20,846)
Adj. EPS (Rs)	(10.6)	(13.7)	(15.4)	(11.0)	(7.6)
EBITDA margin (%)	(19.6)	(18.3)	(13.7)	(4.9)	(0.4)
EBITDA growth (%)	0	0	0	0	0
Adj. EPS growth (%)	0	0	0	0	0
RoE (%)	(27.5)	(34.5)	(30.0)	(18.3)	(15.0)
RoIC (%)	(44.6)	(67.9)	(58.4)	(28.6)	(17.2)
P/E (x)	(27.5)	(21.5)	(19.2)	(26.9)	(39.0)
EV/EBITDA (x)	(28.3)	(22.4)	(19.6)	(37.6)	(333.5)
P/B (x)	8.3	6.5	4.5	5.4	6.3
FCFF yield (%)	(2.7)	(4.7)	(5.1)	(4.2)	(1.7)

Source: Company, Emkay Research

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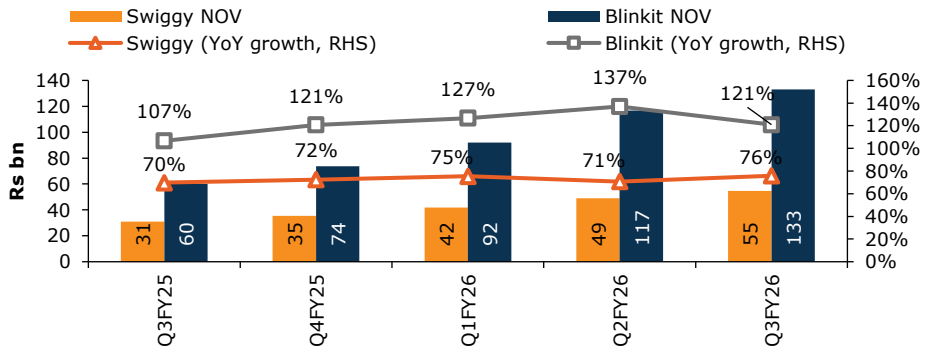
Investment thesis

One of the largest players in the lucrative QCom space

Swiggy is one of the largest players in India's structurally booming quick commerce (QCom) market, where the confluence of constrained urban dwelling sizes, low car ownership, high population-weighted density, high availability of gig workers, and high real estate cost makes high-frequency, delivery-led retail the dominant format. The QCom channel has expanded at 140% CAGR over FY20-25 in terms of gross order value (GOV), from Rs6bn to ~Rs500bn. Thus, it consistently outpaced street and industry forecasts, with revenue estimates for both Swiggy and Eternal seeing repeated upward revisions.

Exhibit 44: QCom NOV for Blinkit and Swiggy



Source: Company, Emkay Research

Swiggy was among the earliest entrants in QCom, launching Instamart in Gurugram in Aug-20. It has since scaled to 1,136 dark stores, serving 12.8mn monthly transaction users (MTUs) and delivering 1.16mn orders per day.

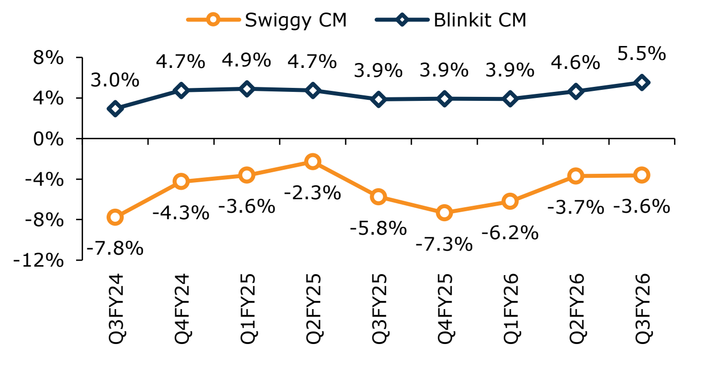
Swiggy's expansion into MegaPods—larger-format dark stores with wider SKU assortment and greater catchment coverage—positions it to drive same-store sales growth (SSSG) without proportional store additions. The MegaPod format is designed to drive higher net average order value (NAOV) through Swiggy's Maxxsaver program, which incentivizes larger cart sizes by leveraging the deeper assortment. This means Swiggy can extract more net order value (NOV) per dark store. We believe that successful execution would allow the company to offer a more comprehensive retail platform to users, thus driving profitability.

The management has indicated that the existing network can support over 2x current GOV. The food delivery business is now a near-duopoly cash cow (with 18.1mn MTUs), cross-subsidizing QCom investments. Also, Instamart has one of the largest customer bases among pure-play platforms. Hence, Swiggy is well-positioned to capture a disproportionate share of what we believe will be a larger-than-consensus QCom market.

Improving operations, maturing dark store network to aid QCom profitability

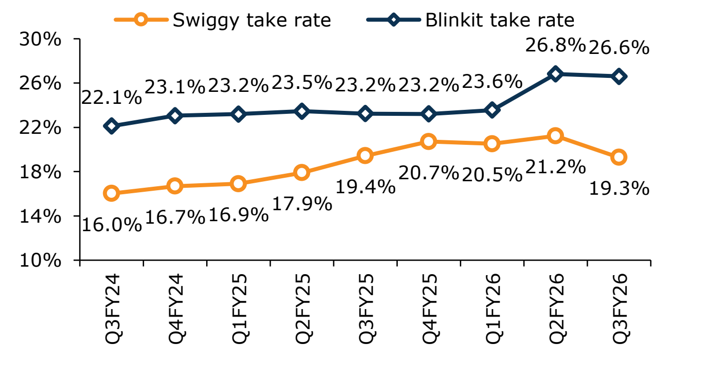
Instamart's contribution margin has trailed Blinkit's throughout, but the gap expanded sharply from 7.0% in Q2FY25 to 11.3% in Q4FY25. This was a direct consequence of Swiggy's burst addition of 412 dark stores over this period, which diluted per-store throughput (OPD and NOV/DS/day), as the newly commissioned network operated well below maturity. The shift toward larger-format MegaPod dark stores compounded the margin drag: underutilized network of dark stores and warehouses, higher rent per store, larger inventory carrying costs, and greater pick-pack complexity raised per-order fulfilment costs. Since Q4FY25, the trajectory has reversed. Swiggy improved NAOV by Rs115 over three quarters, leveraging i) its Maxxsaver programme that incentivizes larger cart builds through the deeper assortment available in MegaPods, and ii) a rising share of higher-margin non-grocery orders.

Exhibit 45: Large gap in Instamart and Blinkit contribution margin (CM)…



Source: Company, Emkay Research; Note: CM calculated on the base of NOV

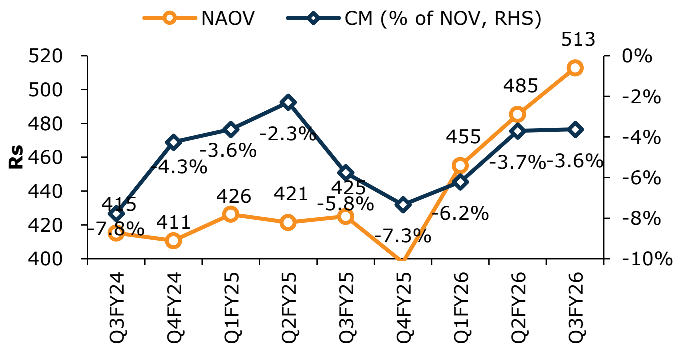
Exhibit 46: …largely explained by the gap in take rates



Source: Company, Emkay Research; Note: take rate calculated on the base of NOV

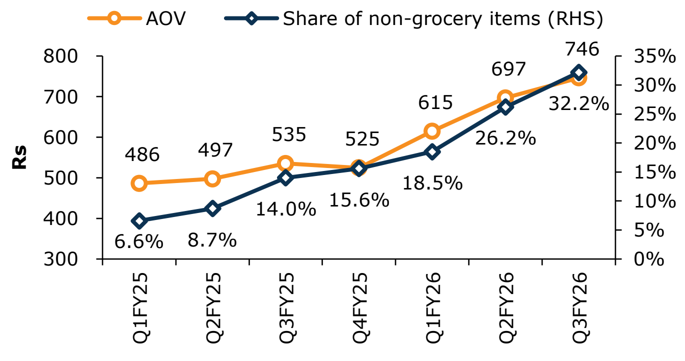
Take rates expanded by 700bps from 13.5% in Q1FY24 to 20.5% in Q1FY26, narrowing the gap with Blinkit from 700bps to ~300bps (the residual gap is structural, reflecting Blinkit's shift to an inventory-owned Indian-owned and controlled company (IOCC) model that books higher gross revenue but also incurs higher direct costs). By Q3FY26, the contribution margin gap compressed to ~910bps (Blinkit: +5.5%; Instamart: -3.6%), with improvement driven by the twin engines of higher revenue realization per order and operating leverage as the burst-addition stores began ramping up utilization. The management has indicated that the current network operates at only half of peak capacity, implying significant cost absorption ahead. Importantly, Q3FY26 saw a temporary setback, as Zepto's aggressive MOV cuts forced Swiggy to waive handling and surge fees, eroding take rates by 190bps QoQ. We view this as a competitive-intensity blip, not a structural reversal.

Exhibit 47: Contribution margins have started improving with increasing net AOV



Source: Company, Emkay Research

Exhibit 48: Increasing share of non-grocery assortment is aiding AOV improvement



Source: Company, Emkay Research

We model Instamart's contribution margins improving from -3.4% in FY26E to +1.0% by FY27E and +5.0% by FY30E – tracking Blinkit's own margin journey with a ~2-year lag (Blinkit moved from +2.5% in FY24 to a projected +7.6% by FY30E). The drivers are threefold: i) continued NAOV expansion as Maxxsaver deepens wallet share and non-grocery penetration rises; ii) gradual take rate normalization as competitive intensity rationalizes (we expect this despite near-term headwinds); and iii) dark store maturation. Swiggy added 464 stores from Jun-24 to Mar-25, on a base of mere 557 stores, resulting in significant increase in the cost structure and lower orders per day per dark store (OPD). The company is now focusing on increasing throughput by ramping up the OPD. This will lead to fixed-cost absorption and drive a step-change in per-order economics.

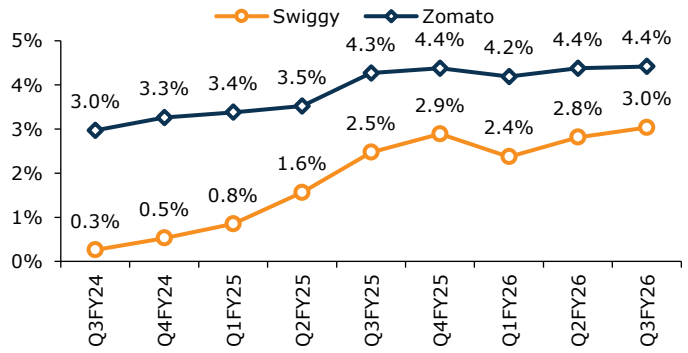
Food delivery margins have room for improvement

Swiggy's food delivery profitability has trailed Zomato's, with Q3FY26 adjusted EBITDA margin at 3.0% of GOV vs 4.4% for Zomato — a 140bps gap explained by 90bps lower contribution margin and 50bps higher indirect costs per order. The contribution margin gap stems from higher direct costs per order due to the 30.8% OPD deficit. Swiggy's direct costs stack up at Rs80-90/order vs Rs75-80 for Zomato. The indirect cost gap is a function of scale:

Q3FY26 indirect costs per order stood at Rs23 for Swiggy vs Rs19 for Zomato, as similar absolute expense pools are spread over a materially smaller order base.

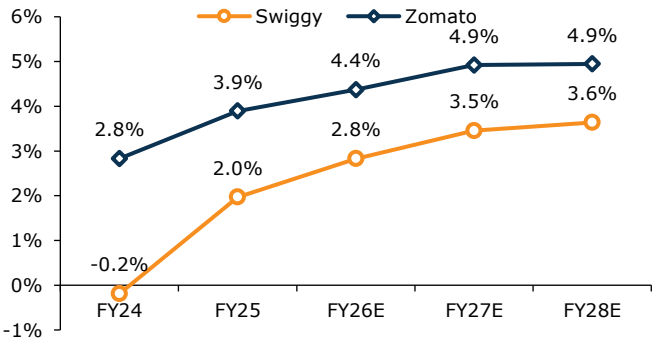
Swiggy has demonstrated a clear trajectory of narrowing this gap. The food delivery adjusted EBITDA margin gap with Zomato has compressed from 4.0% in FY22 to 1.4% in Q3FY26, driven by rising contribution margins (Swiggy's food delivery contribution margin improved from 1.6% in FY22 to 7.4% in 9MFY26) and higher operating leverage – Swiggy's indirect costs declined from Rs17.0bn in FY22 to Rs14.7bn in FY25, exhibiting stronger cost discipline than Zomato.

Exhibit 49: Swiggy closing its food delivery adjusted EBITDA margin gap with Zomato



Source: Company, Emkay Research; Note: Adjusted EBITDA margin on the base of GOV

Exhibit 50: We expect food delivery adjusted EBITDA margin improvement to continue



Source: Company, Emkay Research; Note: Adjusted EBITDA margin on the base of GOV

Importantly, the near-duopoly structure of the food delivery market, with both players now firmly in the monetization phase (Swiggy at 18.1mn MTUs; Zomato at 24.9mn), means competitive intensity is structurally lower than in QCom, providing a supportive backdrop for sustained margin expansion. We model Swiggy's food delivery adjusted EBITDA margin improving to 3.6% by FY28E and 4.1% by FY30E (vs 4.9%/5.2% for Zomato), with the gap narrowing further to ~131bps by FY28E, driven by continued take rate increases, direct cost optimization, and operating leverage on a growing order base.

The high-burn entry moat

The true defensive moat of the food delivery business is the massive initial cash burn required to reach the 'flywheel' stage, where habit formation drives organic repeat usage. We believe that any new entrant in the food delivery business would require significantly higher cash burn, compared to Rs53bn spent by Zomato over FY19-23, considering the business has already moved from a land-grab phase to a monetization phase. Establishing market presence prior to consolidation requires heavy upfront capital. Swiggy mirrored this trajectory, recording cumulative adjusted EBITDA loss of Rs24.7bn in FY22 and FY23 alone before narrowing it to Rs0.5bn in FY24. Then, it emerged from this burn phase, generating Rs9.2bn adjusted EBITDA on TTM basis (Q4FY25-Q3FY26).

Attempting to replicate this network in the current duopoly landscape would require 2-4x the historical capital, on our estimate, due to several structural barriers:

- **Inflationary pressure:** AOV has risen from ~Rs280 in 2018 to over Rs460 currently. Consequently, the absolute rupee value of discounts required to attract price-sensitive users from incumbents has increased proportionally.
- **Organic advantage of incumbents:** Over 50% of Zomato's new users are acquired organically. A standalone competitor would have to fund 100% of its customer acquisition cost (CAC) through expensive digital channels, resulting in a severe CAC disadvantage.
- **SLA barrier:** Matching the service level agreements (SLAs) of incumbents presents a strict execution hurdle. Swiggy's 10-minute delivery tier, Bolt, along with the 99-store now accounts for ~20% of its food delivery volumes, while Zomato optimizes its delivery speed across an active fleet of 567,000 partners. A new entrant must fund an oversized fleet to immediately match sub-30-minute speeds, absorbing heavy losses until order density makes partner payouts sustainable.

- **The CAC vs LTV math:** This initial burn functions as a strategic investment in CAC. As acquired consumers age on the platform, ordering frequency accelerates. For example, power users ordering more than 50 times a year grew 50% YoY in CY22. This long-term lifetime value (LTV) eventually offsets the high upfront acquisition costs.

Favorable economics of the business model past the land-grab phase

Once at scale, the business model exhibits highly efficient cash flow characteristics.

- **Negative working capital (WC):** Food delivery platforms maintain a negative WC cycle by collecting cash upfront from customers primarily via digital payments, while settling payouts to restaurants and delivery partners on a lagged periodic cycle.
- **Capex-light expansion:** Geographic expansion requires minimal capital expenditure for physical infrastructure. Launching in smaller cities incurs virtually no incremental cost beyond targeted digital marketing, as the platform merely aggregates existing third-party restaurant supply.

  With minimal WC investments and capex, we consider adjusted EBITDA as the free cash flow metric for this business in our valuation framework.
- **Operating leverage:** Profitability scales directly with order density, allowing fixed corporate overheads (such as technology infrastructure and corporate salaries) to be spread over a growing volume of orders. Demonstrating this leverage, Swiggy improved its adjusted EBITDA margin by ~10pp over 3 years, primarily through fixed-cost efficiencies, while Zomato posted record food delivery adjusted EBITDA margin of 4.4% in Q3FY26.

Valuations do not capture the margin headroom

Swiggy's enterprise value as of 22-Apr-26 is Rs654bn, which is ~28% of Eternal's. However, in terms of scale, as of Q3FY26, Swiggy's QCom business NOV is 41% and food delivery GOV is 74.5% of Eternal's. The divergence in the valuations is largely due to the difference in profitability. Swiggy's QCom business has -3.6% contribution margin vs 5.5% for Eternal, while its food delivery business recorded 3.0% adjusted EBITDA margin vs 4.4% for Eternal.

Swiggy has demonstrated that it can catch up on the adjusted EBITDA margin gap with Eternal in the food delivery business. The gap of 4.0% in FY22 narrowed to 1.4% in Q3FY26, with improvement in contribution margin and operating leverage.

In the QCom business as well, Swiggy is showing consistent improvement in contribution margin as its fulfilment network matures with increased utilization. This has unlocked operating leverage on account of fulfilment costs spread over a larger order base. The company has guided for contribution margin breakeven by Q1FY27E, with a cautious densification-based expansion strategy, unlike Blinkit's aggressive geographical expansion-based strategy.

Business overview

Swiggy, along with key competitor Eternal, has 4 primary business segments: 1) Food delivery aggregation; 2) QCom; 3) supply chain; and 4) out-of-home consumption. We present the financial analysis of Swiggy, and benchmark it with key peer Eternal by elaborating each business in the following sections. Swiggy operates its food delivery business through its parent brand Swiggy, while Eternal operates this through Zomato.

Food delivery: Firmly in monetization phase

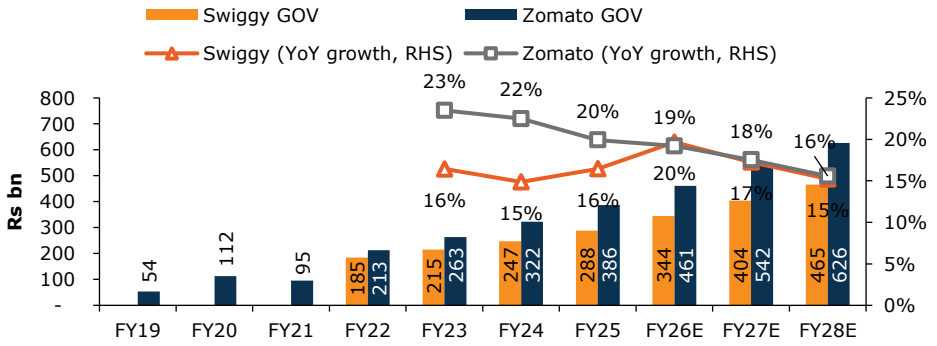
Growth rate in the food delivery business has slowed to mid-to-high teens, as Zomato and Swiggy have reached 24.9mn and 18.1mn MTUs, respectively. These companies are now focusing on monetization vs market share. This has helped improve the profitability of the food delivery business. With this business becoming a near duopoly, it has become a cash cow for both Eternal and Swiggy.

Swiggy and Eternal report the segmental business performance in two formats: i) adjusted metrics (non-GAAP), and ii) metrics in accordance with Ind AS (GAAP). In the following section, we take a ride from the top of the adjusted financial performance metrics (GOV/NOV) to adjusted revenue, contribution margin, and adjusted EBITDA, covering along the way the differences in Ind AS financials.

GOV growth has moderated as industry matures

Over FY19-22, Zomato's food delivery GOV clocked a spectacular 58% CAGR on the back of 38% MTU CAGR, 12% AOV CAGR, and marginal improvement in ordering frequency. Despite higher investments in customer acquisitions over FY22-24, Swiggy has registered lower GOV growth than Zomato. Zomato's GOV was 15% higher than Swiggy's food delivery GOV (Zomato GOV = 1.15x Swiggy GOV) in FY22. This gap has widened to 34% (Zomato GOV = 1.34x Swiggy GOV) in 9MFY26.

Exhibit 51: GOV growth moderating, with a slowdown in MTU growth for the industry

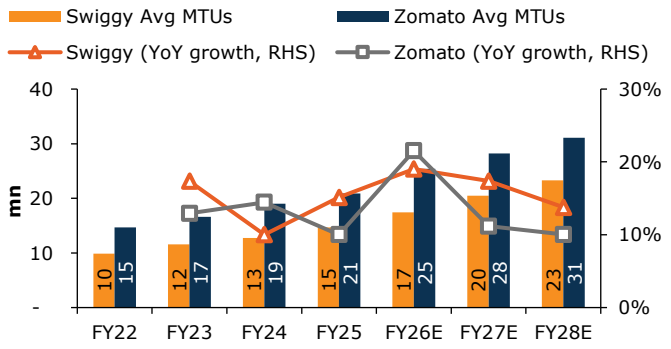


Source: Company, Emkay Research

For the industry, as MTU growth slowed, GOV growth moderated. We note that MTU is defined differently by both players. This applies for their pan-B2C business portfolio. Swiggy defines MTU as the number of unique transacting users that have completed at least one order in a month, averaged for the months in the period/year. Eternal defines it as the number of unique transacting customers, identified by the mobile numbers of those who have placed at least one order in that month.

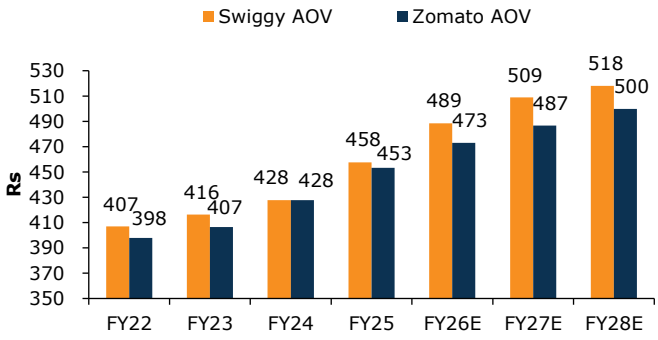
Swiggy's inability to execute as effectively as Eternal in terms of customer acquisition has been evident in the gap in historical performance metrics. In our projections for Swiggy's GOV, we maintain this gap. We model Swiggy's GOV growth in lockstep with Zomato's, despite Swiggy benefiting from operating on a 34% lower base. Moreover, on the back of moderating MTU addition and inflationary pressures pushing up AOV, we model 16.2%/16.5% GOV CAGR over FY26E-28E for Swiggy/Zomato, respectively.

Exhibit 52: Swiggy and Zomato – MTU and growth rate



Source: Company, Emkay Research

Exhibit 53: Swiggy and Zomato – AOV



Source: Company, Emkay Research

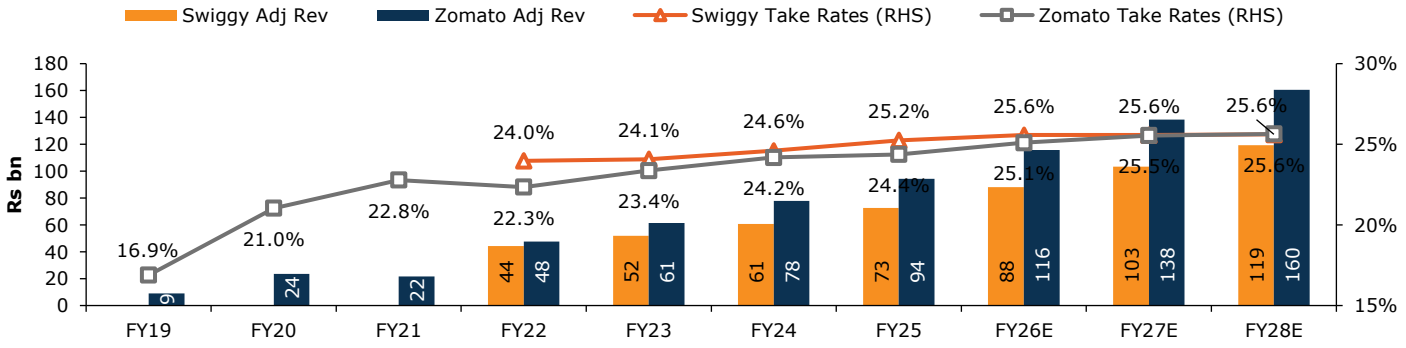
Focus on monetization as order volume growth moderates

Take rates on food delivery platforms have increased over time, with better monetization from 1) an increase in commission rates from restaurants; 2) higher advertising revenue from restaurants; and 3) higher platform fees, while subscription revenue lever (via membership fees) has not materialised. This has tested the price elasticity of the food delivery market. Owing to an increase in take rate, adjusted revenue growth has consistently led GOV growth over FY22-9MFY26. Also, advertising revenue and platform fees completely flow through to the profitability metrics.

Zomato's take rates increased from 16.9% in FY19 to 22.3% in FY22—by a sharp 5.4pp—as the industry went from a land-grab phase to monetization phase. However, take rates have increased slowly over FY22-25, up 2.0pp and 1.3pp for Zomato and Swiggy, respectively.

Going forward, we build in an even slower increase in take rates, as monetization levers are nearly optimally utilized. We model a 1.3pp and 0.4pp increase in take rate by FY28E over FY25 levels for Zomato and Swiggy, respectively, to 25.6% each. In the Q1FY26 earnings call, Eternal's management explicitly mentioned that pushing adjusted EBITDA margin beyond the 5% ballpark could be counter-productive, potentially destroying growth of the business. They added that surplus cash generated beyond this level should be redistributed to restaurants (lower commissions), delivery partners (higher payouts), and customers (lower fees), to ensure the long-term health and growth of the ecosystem.

Exhibit 54: Increase in take rates on account of advertising revenue and platform fees



Source: Company, Emkay Research

Adjusted revenue composition

In food delivery businesses, reported revenue (or revenue from operations) typically includes only the platform's core earnings—such as commissions from restaurants, advertising income, and net fees charged to users (after adjusting for discounts, refunds, and credits). Adjusted revenue expands this definition to better reflect the total economic activity flowing through the platform. It adds back components like user delivery charges (even if passed on to delivery partners) and certain user fees that may have been netted off against discounts.

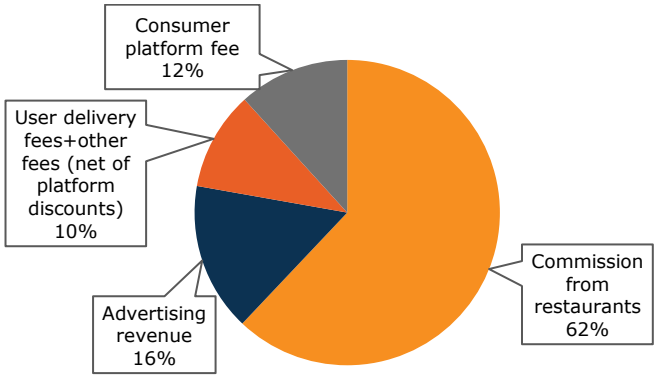
Adjusted revenue is composed of the following monetization items: 1) pre-agreed commission fees with restaurants; 2) advertising revenue from restaurants; 3) fees charged to users and delivery partners; and 4) subscription revenue. Reported revenue does not include user delivery charges collected from customers and passed on to delivery partners.

Exhibit 55: Breakup of Swiggy's...

(Rs bn)	Q3FY26
Food delivery GOV	89.6
Adjusted revenue	22.8
Take rate	**25.4%**
Advertising revenue (i)	3.6
User delivery fees+other fees (net of platform discounts) (ii)	2.4
Platform fee (iii)	2.7
GOV (ex ii and iii)	84.5
Adjusted revenue (ex i, ii, and iii)	14.1
Commission rate	**16.7%**

Source: Company, Emkay Research; Note: The Q2FY26 shareholders' letter mentions advertising share of >4% of GOV; we take this as an estimate above

Exhibit 56: ...food delivery adjusted revenue



Source: Company, Emkay Research

Pre-agreed commission fees with restaurants: Swiggy and Zomato monetize food delivery primarily through pre-agreed restaurant commissions. While independent local restaurants are locked into base rates of 20–30%, Indian quick service restaurant (QSR) chains hold significant negotiating leverage due to volume guarantees. These chains typically secure blanket commission rates at 10–15%. The average commission rate is 16.7% (ex-advertising revenue and customer fees). Exceptions exist based on fulfillment models and scale; for example, Domino's pays lower commissions as it utilizes its in-house logistics fleet, leveraging aggregators strictly for customer discovery.

Advertising revenue from restaurants: Advertising has emerged as a high-margin topline driver. In Q2FY26, Swiggy reported that advertising revenue contributed over 4% to the platform's GOV. To scale this efficiently, Swiggy rolled out a 'self-serve advertising' infrastructure, which saw adoption by over 65% of its transacting restaurant partners as of Q2FY25, allowing merchants to independently bid for premium visibility.

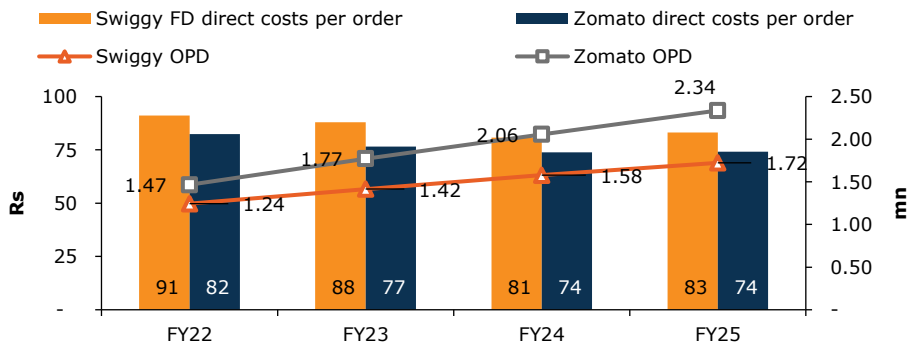
Fees charged to users and delivery partners: User fees, including delivery fees and restaurant packaging fees charged to the users excluding platform fees, account for 10% of adjusted revenue. Revenue recognition for customer fees is strictly governed by the 'Principal vs Agent' framework under Ind AS 115. Fees charged directly for digital infrastructure, such as platform fees, are recognized as operating revenue (food delivery platform acts as the 'Principal'). Conversely, customer delivery fees and restaurant packaging charges are treated as pure pass-throughs (food delivery platform acts as the 'Agent') to independent gig-riders and restaurants, respectively, bypassing the official income statement. To accurately reflect total operational scale, both platforms report non-GAAP 'Adjusted Revenue', reconciling audited revenue from operations with these customer delivery charges.

Subscription revenue: Memberships like Swiggy One and Zomato Gold were initially priced nominally to drive habit formation and ideally secure absolute wallet share. This lock-in never materialized, as both competitors continue to aggressively subsidize their subscriptions. MTUs active on both platforms can easily access free deliveries across both apps at minimal upfront costs. Acknowledging that the subscription lever failed as a definitive lock-in and monetization tool, both platforms strategically shifted to a per-order platform fee (recently harmonizing at ~Rs14.90, ex-GST). This pivot reflects consumer preference for paying micro-convenience charges on a per-transaction basis rather than committing to a single ecosystem.

Direct cost optimization driving contribution margin expansion

Direct costs constitute: 1) last-mile delivery costs; 2) platform-funded discounts; 3) payment gateway costs and COD handling charges; 4) customer support and appeasement costs; 5) delivery partner and onboarding costs; and 6) other variable costs. Direct costs per order stack up to Rs80-90 for Swiggy vs Rs75-80 for Zomato. This has trended down from Rs82/Rs91 in FY22 to Rs74/Rs81 in FY24, for Zomato/Swiggy, respectively, largely on account of the reduction in platform-funded discounts as well as optimization of delivery costs. However, with wage inflation, direct cost per order rose to Rs79/Rs88 for Zomato/Swiggy, respectively, for 9MFY26. With lower OPDs, Swiggy has continually had a higher direct cost attached to each delivery. Zomato's OPD was 18% higher than Swiggy's OPD in FY22. This gap has widened to 36% in FY25. Swiggy incurred Rs9 higher direct cost than Zomato in FY22 – unchanged in FY25.

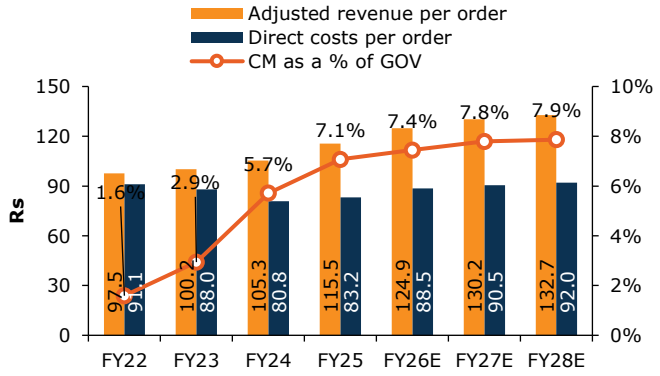
Exhibit 57: Swiggy incurs higher direct costs per order, due to lower OPDs



Source: Company, Emkay Research

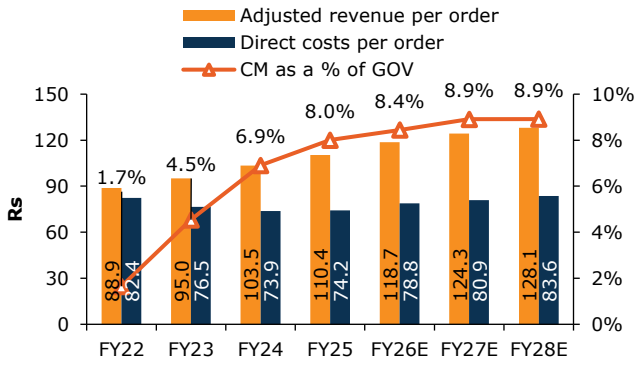
Increasing take rates and AOV, coupled with moderating direct cost per order, has helped Zomato and Swiggy increase contribution margin as a % of GOV from 1.7% and 1.6%, respectively, in FY22, to 8% and 7.1%, respectively, in FY25. However, we expect direct cost per order for Zomato and Swiggy to increase to Rs84 and Rs92 for FY28E, at a CAGR of 4.1% and 3.4%, respectively, over FY25-28E, largely on account of wage inflation of delivery riders. With increasing take rates and AOVs, along with moderately increasing direct costs, we expect the contribution margin for Zomato and Swiggy to increase by 90bps and 80bps over FY25-28E, respectively.

Exhibit 58: CM expansion for Swiggy's food delivery business



Source: Company, Emkay Research

Exhibit 59: CM expansion for Zomato



Source: Company, Emkay Research

Direct costs – Composition and definitions

Direct costs constitute: 1) last-mile delivery costs; 2) platform-funded discounts; 3) payment gateway costs and COD handling charges; 4) customer support and appeasement costs; 5) delivery partner and onboarding costs; and 6) other variable costs. Direct costs per order stack up to Rs80-90 for Swiggy vs Rs75-80 for Zomato. Primary direct cost buckets include:

Last-mile delivery costs: Delivery partner payouts are linked to the number of deliveries completed (with a flat payout per order on weekdays and higher flat payout per order on

weekends), with non-linearly designed daily and weekly incentives to reward sustained high throughput. Incentives are also provided on large-distance deliveries and surge-time deliveries. Importantly, fuel and transportation costs are borne by the rider. This forms the majority component of direct costs (Rs40-60 per order, as per channel checks).

Eternal's founder Deepinder Goyal shared the following facts detailing the average income of the company's delivery partners:

- In 2025, earnings per hour, excluding tips, for a delivery partner on Zomato were Rs102, up from Rs92 in 2024.
- Most delivery partners work for a few hours and only a few days in a month. However, working for 10 hours/day for 26 days/month translates to Rs26,500/month in gross earnings. After accounting for fuel and maintenance (20%), net earnings for the partner will be Rs21,000/month.
- Average tips per hour stood at Rs2.6 in 2025, up from Rs2.4 in 2024. Tips are transferred instantly, with zero deductions. About 5% of orders are tipped on Zomato and 2.5% on Blinkit.

Platform-funded discounts: These are offered to enhance order volumes from end-customers by luring them with favorable pricing. Companies are trying to pass on costs of these discounts to restaurants, to improve profitability.

Payment gateway costs and COD handling charges: The payment gateway cost—initially borne by the platforms—is passed on to restaurants and is treated as a separate line item from the base commission. When platforms calculate the weekly payout to a restaurant, they deduct the base commission, the GST on that commission, and the payment gateway fees directly from the restaurant's gross order sales.

As the scale of operations for both players has expanded, both businesses have benefited, with customer support and appeasement costs and delivery partner recruitment and onboarding costs declining on a per-order basis. This has helped reduce direct costs per order for food delivery segments of both Swiggy and Eternal.

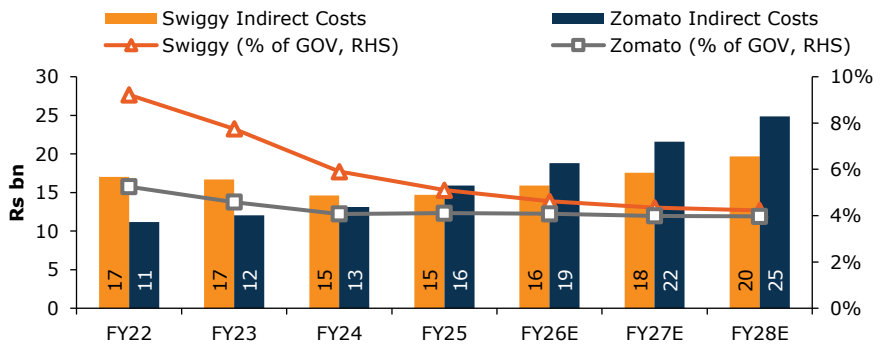
Operating leverage driving profitability improvement

Indirect costs constitute: 1) advertising expenses; 2) employee expenses (ex ESOP costs); and 3) server and tech infrastructure related costs. In Q3FY26, indirect costs per order stacked up to Rs23 for Swiggy vs Rs19 for Zomato, due to similar indirect expenses spread over a differing base of OPD (36% difference in scale of OPD).

Swiggy's indirect cost for the food delivery business has come down from Rs17.0bn in FY22 to Rs14.7bn in FY25, largely on account of the reduction in advertisement expenditure for acquiring new customers. This is a feature of the industry moving from a land-grab phase to monetization phase. During this period, Zomato's indirect costs rose at a meagre 12.4% CAGR, while adjusted revenue saw 25.5% CAGR. This reflects Swiggy's higher operating leverage.

Swiggy has shown higher operating leverage than Zomato

Exhibit 60: Swiggy vs Zomato – Indirect costs for the food delivery business



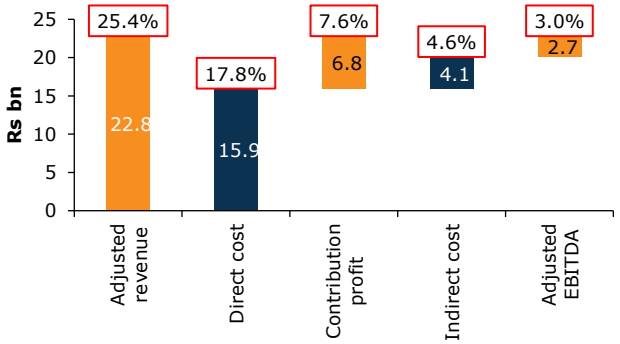
Source: Company, Emkay Research

For Swiggy, we model meaningfully lower growth in indirect costs, with lower MTU addition than Zomato over the forecast period. This is largely in line with historical trends. Over FY25-28E, we expect a 16.1% CAGR in indirect costs for Zomato and 10.2% for Swiggy.

Swiggy has higher headroom for profitability improvement

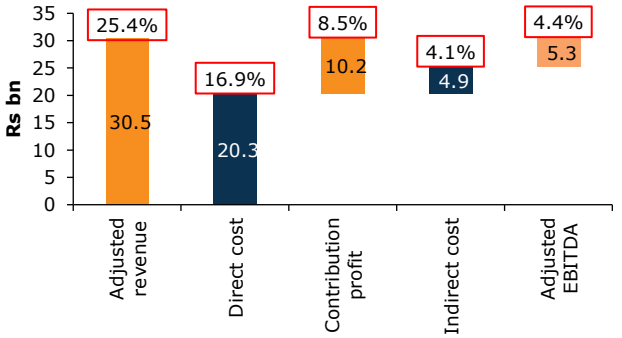
For Q3FY26, Swiggy's adjusted EBITDA margin was 3.0% of GOV vs 4.4% for Zomato. Zomato posted higher adjusted EBITDA margin owing to a 90bps higher contribution margin and 50bps lower indirect cost. We believe that Swiggy will be able to improve its adjusted EBITDA margin as it continues to improve contribution margin and has demonstrated higher operating leverage.

Exhibit 61: Swiggy's food delivery economics in Q3FY26



Source: Company, Emkay Research

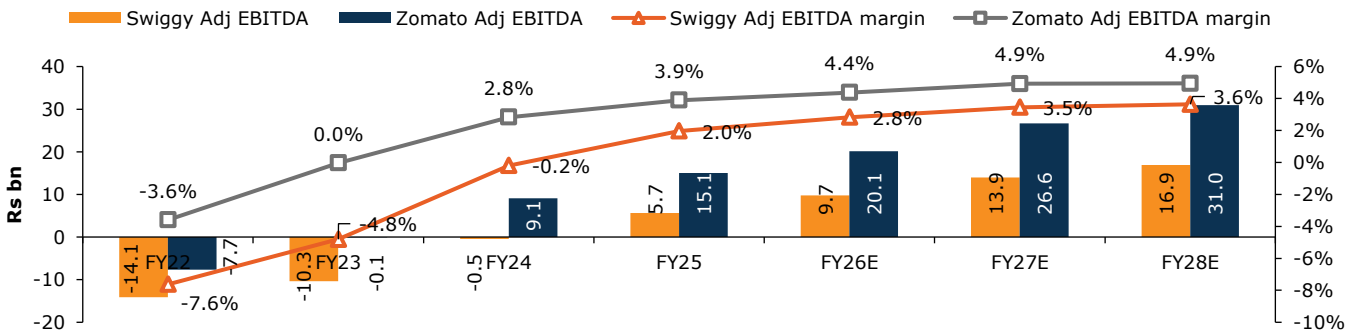
Exhibit 62: Zomato's economics in Q3FY26



Source: Company, Emkay Research

We build in FY28E adjusted EBITDA of Rs16.9bn and Rs31.0bn for Swiggy and Zomato, respectively, with adjusted EBITDA margin of 3.6% and 4.9%, respectively. We expect Swiggy to narrow the margin gap with Zomato on an increase in contribution margin and improving operating leverage. Considering a food delivery business does not require capital investments, adjusted EBITDA is generally a suitable proxy for cash generated by the company, in our view.

Exhibit 63: Absolute adjusted EBITDA and adjusted EBITDA margin over FY22-FY28E



Source: Company, Emkay Research

Projections for food delivery segment

Exhibit 64: Emkay projections for the food delivery segment

Rs bn	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
GOV									
Swiggy	247	288	344	404	465	529	600	671	747
Zomato	322	386	461	542	626	715	808	909	1,024
YoY									
Swiggy	*14.9%*	*16.4%*	*19.7%*	*17.3%*	*15.2%*	*13.7%*	*13.4%*	*12.0%*	*11.3%*
Zomato	*22.5%*	*19.9%*	*19.2%*	*17.5%*	*15.6%*	*14.3%*	*13.0%*	*12.4%*	*12.7%*
Contribution margin									
Swiggy	*5.7%*	*7.1%*	*7.4%*	*7.8%*	*7.9%*	*7.8%*	*7.9%*	*8.1%*	*8.2%*
Zomato	*6.9%*	*8.0%*	*8.4%*	*8.9%*	*8.9%*	*8.9%*	*9.0%*	*9.1%*	*9.2%*
Adjusted EBITDA									
Swiggy	-0.5	5.7	9.7	13.9	16.9	19.8	24.5	30.0	35.9
Zomato	9.1	15.1	20.1	26.6	31.0	35.9	42.1	49.5	58.7
Adjusted EBITDA margin									
Swiggy	*-0.2%*	*2.0%*	*2.8%*	*3.5%*	*3.6%*	*3.7%*	*4.1%*	*4.5%*	*4.8%*
Zomato	*2.8%*	*3.9%*	*4.4%*	*4.9%*	*4.9%*	*5.0%*	*5.2%*	*5.5%*	*5.7%*

Source: Company, Emkay Research

Quick commerce (QCom)

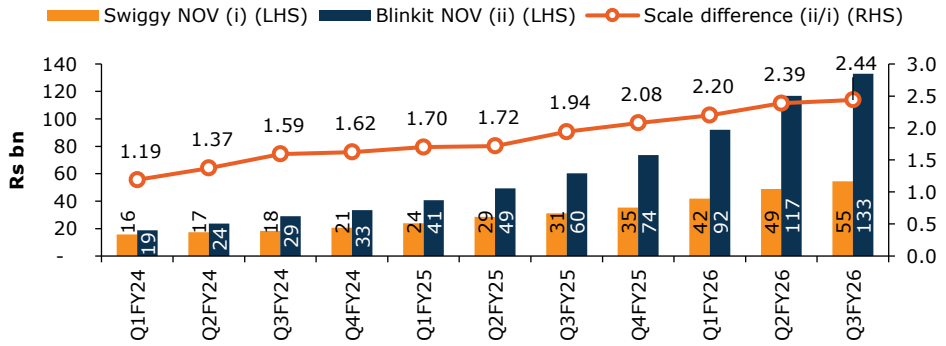
As explored in our QCom sector thematic, Swiggy Instamart and Blinkit have been incumbents of this market. Both have demonstrated the proof of concept of the QCom model, discovering operating details that ought to be maintained to make the model work. Subsequently both have scaled this business meaningfully and are among the key players in this market.

Strong GOV growth led by MTU growth and dark store additions

QCom has seen strong adoption due to the value proposition it offers. As the product-market fit was established, the companies expanded the dark store network to cater to the demand of customers. With maturity of the consumers on the platform, companies are introducing new use cases, expanding the SKUs. This is also driving the proportion of non-grocery orders, which is driving up AOV.

While Instamart was only marginally behind Blinkit (16% lower NOV) in Q1FY24, the gap has widened, with Instamart's NOV being 59% lower in Q3FY26. While Blinkit recorded 104% NOV CAGR over Q1FY24-Q3FY26, Instamart saw 57% CAGR, due to 1) slower addition of dark stores; 2) slower growth in MTU; and 3) declining ordering frequency.

Exhibit 65: Instamart/Blinkit saw 57%/104% NOV CAGR over Q1FY24-Q3FY26; Blinkit's NOV widened from 1.2x to 2.4x of Swiggy's NOV



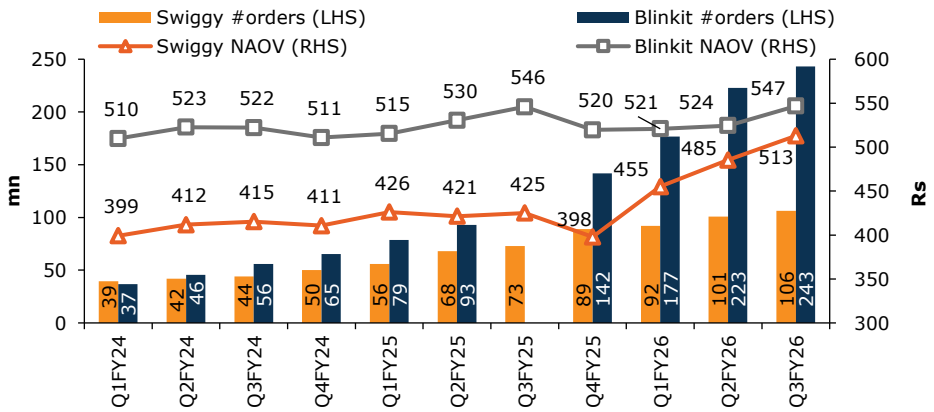
Source: Company, Emkay Research

The bridge from GOV/NOV to adjusted revenue

GOV is defined as the sum of: 1) total monetary orders at MRP of goods sold (except for instances where MRP is not applicable, such as fruits and vegetables, in which case final selling price is used instead of MRP), gross of any seller/brand/platform-funded discounts; 2) user delivery charges (net of delivery-related discounts offered usually through subscriptions of membership programs); 3) packaging fees; 4) other fees from users (convenience fees, handling fees, surge fees, rain fees, etc); and 5) taxes, excluding tips. NOV is defined as the GOV net of all seller/brand/platform-funded discounts.

At the beginning of FY24, Blinkit and Instamart operated at a comparable scale but utilized fundamentally divergent strategies regarding unit economics. Blinkit established a baseline NAOV of over Rs500, enforcing larger cart sizes to ensure healthy unit economics with sustainable contribution margins. On the other hand, Instamart focused on customer acquisition and offered higher discounting and lower minimum order value (MOV), resulting in lower NAOV of ~Rs400. Instamart's underlying assumption was that it could optimize NAOV once market share was secured. However, subsequent customer acquisition and cash burn metrics revealed the limitations of this approach. Subsequently, Instamart managed to increase NAOV by Rs115, leveraging its Maxxsaver product and higher share of non-grocery orders.

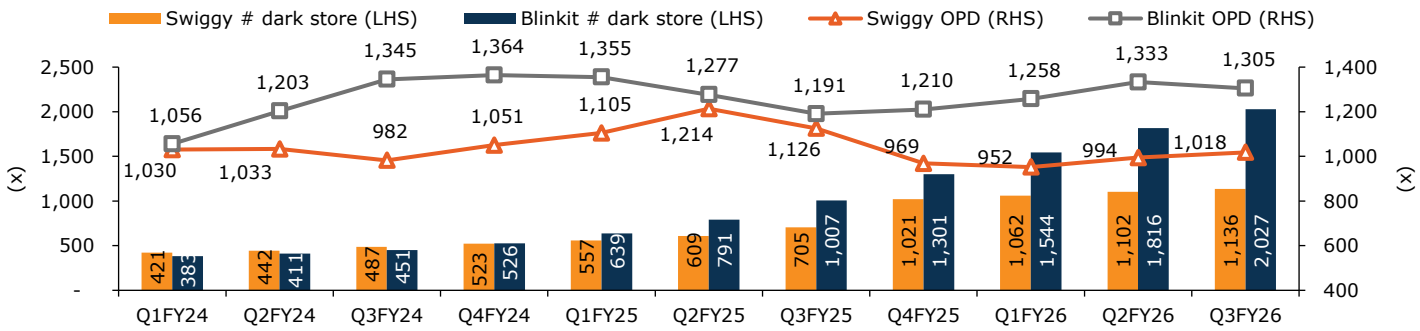
Exhibit 66: Instamart improved NAOV by Rs115 over Q4FY25-Q3FY26



Source: Company, Emkay Research

Considering both players had different priorities, the store expansion strategy has been divergent. Blinkit adopted an aggressive, consistent rollout cadence, as it already had established a workable operating model. The platform has added over 100 dark stores per quarter since Q1FY25, accelerating to over 200 per quarter since Q3FY25. With guidance to achieve 3,000 dark stores by end-FY27, Blinkit is continuing on its aggressive dark store network expansion trajectory, having added 40 more cities in Q3FY26 while being disciplined on unit economics. It is seen entering cities with no modern retailers, expanding consumer reach. Blinkit combines the largest existing dark store network with an aggressive expansion strategy, positioning itself to build one of the most expansive retail networks in the market.

Exhibit 67: Dark store (DS) rollout for Blinkit has been consistent across quarters, while Swiggy has added dark stores episodically

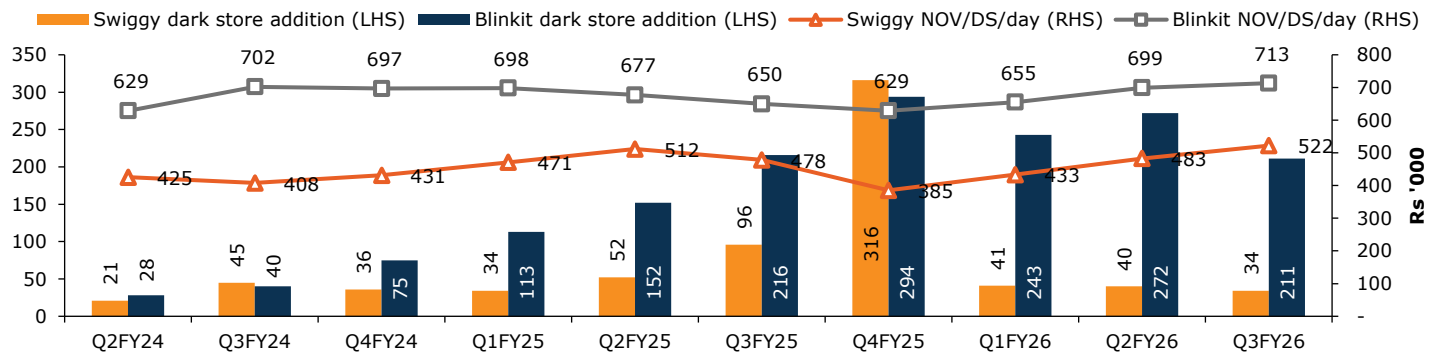


Source: Company, Emkay Research

On the other hand, Instamart executed a volatile, burst-expansion strategy. After an extreme ramp-up of 464 new stores over three quarters (Q2FY25–Q4FY25), the company reverted to a cautious, decelerated rollout trajectory, with focus on maturing its recently established network rather than pursuing continuous physical growth. With the newly rolled-out network currently operating at only half of its peak capacity, the management is heavily focused on improving dark store utilization rates. By driving higher order volumes through the existing setup, Instamart aims to scale down its per-order fulfillment costs and stabilize the unit economics of its current infrastructure. It has restricted capital allocation to the densification of existing, high-demand urban markets. The platform relies on strict operational triggers, only deploying a new dark store within a specific polygon when the existing store crosses the maturity threshold of 2,000–2,500 OPD.

We note that Instamart has also followed a different approach, with larger dark stores in terms of area, called Megapods, which have a larger number of SKUs (~50,000 vs 20,000 in small-format dark stores) and, hence, have a higher delivery radius. This helps Instamart offer its Maxxsaver program which helps build higher-size baskets to drive up NAOV. Despite operating with a substantially smaller overall network footprint, Instamart has chosen to optimize NAOV from its mature urban polygons rather than matching Blinkit's aggressive geographic sprawl.

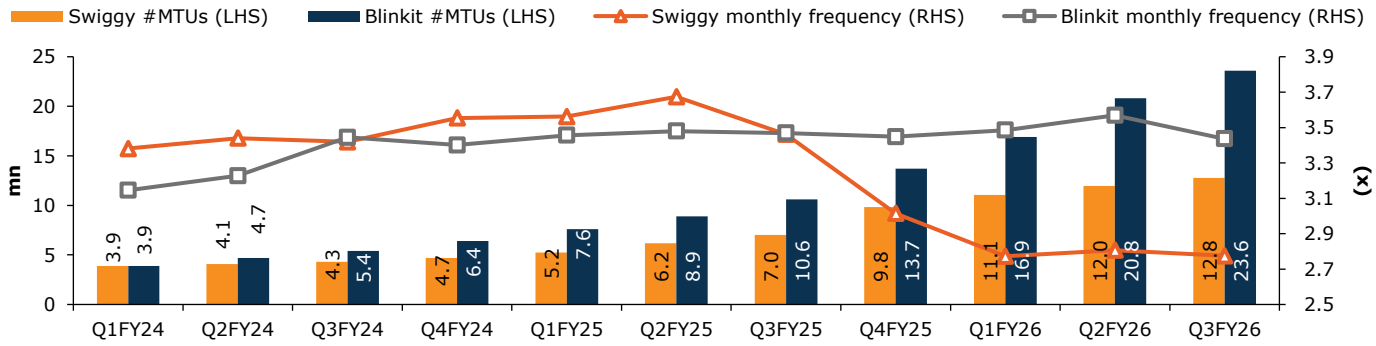
Exhibit 68: Large dark store addition over Q3FY25-Q4FY25 hit NAOV and dark store throughput (OPD and NOV/DS/day)



Source: Company, Emkay Research

With slower dark store growth, Instamart also had slower MTU growth, along with declining ordering frequency. Instamart management has attributed the decline in order frequency and rise in NAOV to the success of its Maxxsaver program, arguing that they have successfully conditioned users to build larger carts. However, this rationale is undermined when benchmarked against Blinkit, which has consistently maintained NAOV above Rs500 while simultaneously increasing monthly order frequency, highlighting customer loyalty.

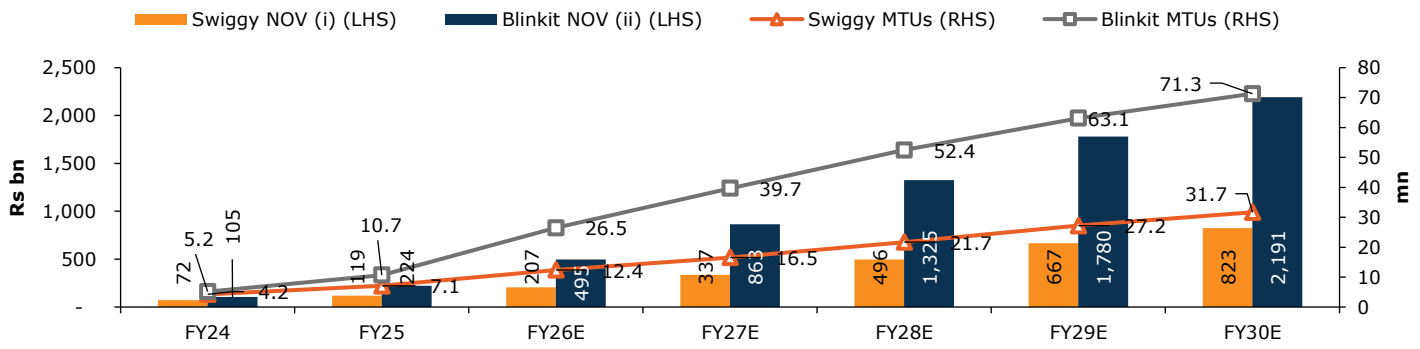
Exhibit 69: Despite continued MTU addition for both QCom players, monthly frequency has trended down, highlighting low platform lock-in



Source: Company, Emkay Research

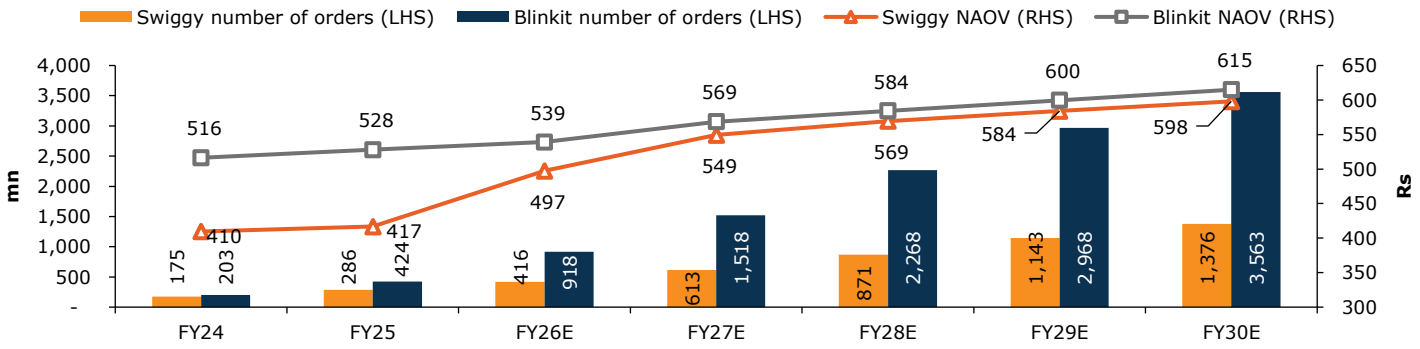
Over FY26-30E, we build in 41.2% and 45% NOV CAGR for Instamart and Blinkit, respectively. We expect the NOV gap between Instamart and Blinkit to continue narrowing. However, we expect Blinkit to continue increasing the pace of dark store additions, which will result in higher NOV growth.

Exhibit 70: Projections of the NOV and MTU base for Instamart and Blinkit



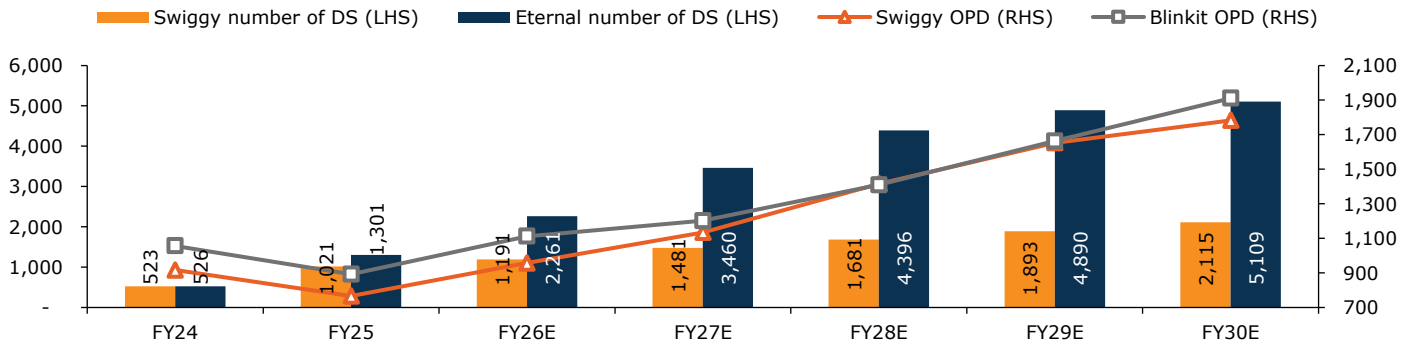
Source: Company, Emkay Research

Exhibit 71: Projections of orders and NAOV for Instamart and Blinkit



Source: Company, Emkay Research

Exhibit 72: Projections of dark store network base and OPD for Instamart and Blinkit



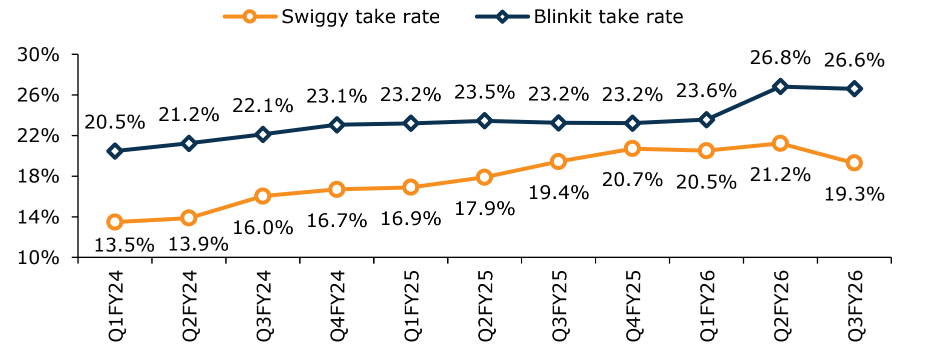
Source: Company, Emkay Research

Secular increase in take rates

We have seen a consistent increase in take rate for Instamart and Blinkit. To increase take rate, on the consumer side, the companies leverage handling fees, surge fees, and delivery charges, while on the merchant side, they drive margin and advertising revenues.

Instamart, with higher discounting and lower mix of higher-margin non-grocery items, operated at lower take rate of 13.5% in Q1FY24 vs Blinkit's 20.5%. Instamart increased its take rate to 20.5% in Q1FY26 (700bps expansion), driven by an increase in mix toward non-grocery items and better monetization on consumer as well as merchant side. With this, Instamart narrowed the gap in take rate with Blinkit to 300bps in Q1FY26, from 700bps in Q1FY24.

Exhibit 73: QCom take rates have trended upward

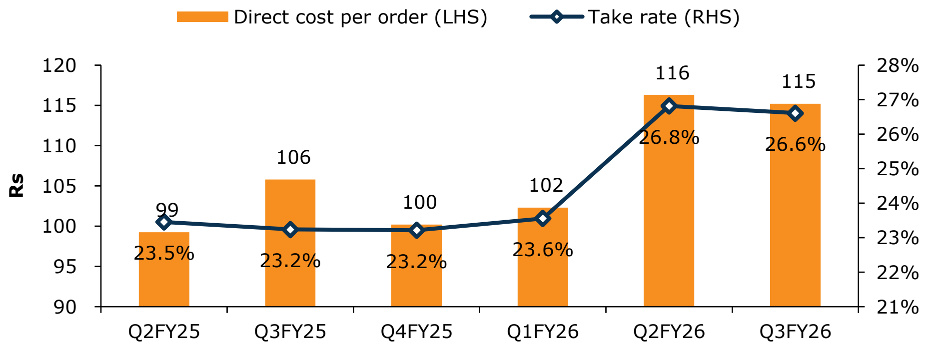


Source: Company, Emkay Research

However, in Q3FY26, Instamart's take rate narrowed by 190bps QoQ, as Zepto's aggressive bid to increase market share by lowering MOV resulted in Instamart waiving handling fees and surge fees, and lowering delivery charges. While competitive intensity remains strong, we expect a gradual increase in take rates.

Exhibit 74 shows that Blinkit increased its take rate by 320bps QoQ as it converted to IOCC and moved to an inventory model from a marketplace model. This resulted in a ~300bps increase in take rate and corresponding increase in direct costs as Blinkit started booking the entire revenue while also absorbing costs from dark store operators. In Q2FY26, Blinkit's take rate increased by 330bps QoQ, while its direct cost per order increased by Rs14 QoQ. Given these nuances, Instamart's take rate will be ~300bps lower than Blinkit's.

Exhibit 74: Blinkit's take-rate increase led to a corresponding increase in direct costs



Source: Company, Emkay Research

Adjusted revenue for a QCom business includes i) pre-agreed commissions from merchant partners; ii) advertising revenue from brand partners; iii) fees charged to users and delivery partners for the use of technology platform and subscription revenue (net of discounts, credits, and refunds other than free delivery); iv) fees for other business-enablement services from merchant partners; v) user delivery charges collected and passed on to delivery partners (net of any discounts, including free delivery discounts provided through the Swiggy One membership program); and vi) fees from users collected and netted from platform-funded discounts given for corresponding orders.

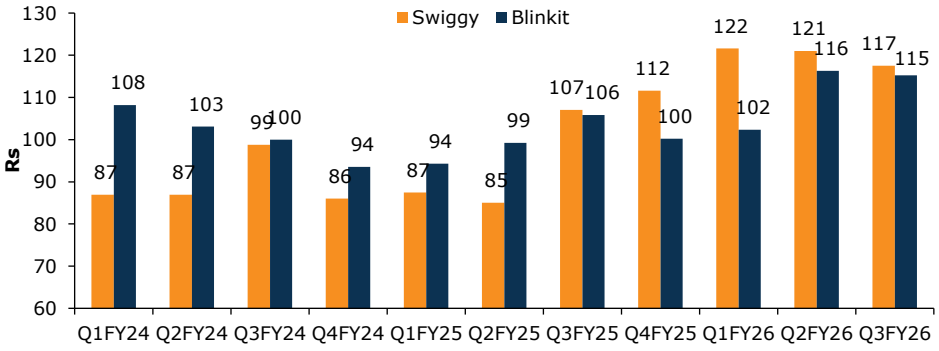
Dip in contribution margins

We see divergent trends in the direct cost per order for Blinkit and Instamart. In Q1FY24, Blinkit's direct cost per order was Rs108, vs Rs87 for Instamart. By Q1FY25, Blinkit's direct cost per order dropped to Rs94, while it was steady at Rs87 for Instamart. Subsequently, there was a step jump in Instamart's direct cost per order – from Rs87 in Q1FY25 to Rs107 in Q3FY25, due to the addition of a higher proportion of larger dark stores (3,500–4,500sqft) vs small-format stores (2,500–2,800sqft). As many stores were not optimally utilized, direct cost per order increased. This was coupled with heightened competitive action, leading to higher customer incentives and increased investments in customer acquisition and activation. Similarly, after reducing to Rs94 in Q1FY25, Blinkit's direct cost per order increased to Rs115

in Q3FY26. This also includes a ~Rs14 jump in direct cost due to the shift to an inventory-based model, as explained in the previous section.

We note that direct costs include i) delivery and other charges; ii) platform-funded discounts; iii) cost of fulfilment services; and iv) other variable costs.

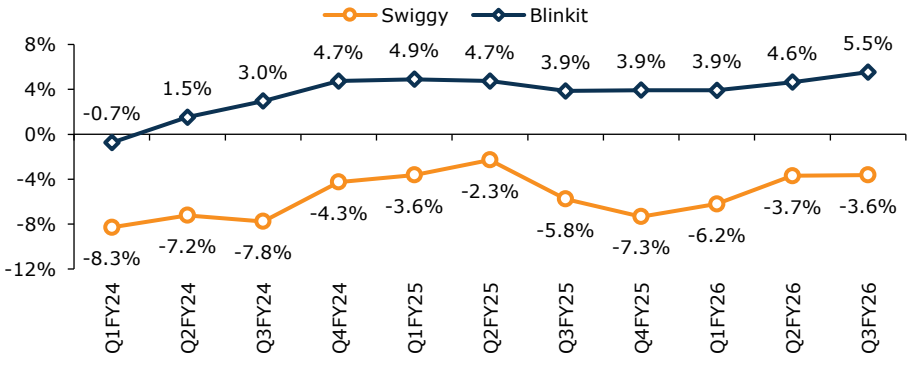
Exhibit 75: Direct cost per order



Source: Company, Emkay Research

We are clearly seeing divergent phases for both Instamart and Blinkit. During Q1FY24-Q2FY25, both companies witnessed sharp increases in contribution profit as a % of NOV. This was largely on account of flat-to-declining direct cost per order and increasing NAOV. Q3FY25 and Q4FY25 saw 412 and 510 dark store additions from Instamart and Blinkit, respectively. As a result, ~40% of the established dark store base as of Q4FY25 did not achieve maturity in terms of utilization, as these dark stores were added in the past 6 months and scale-ups are typically gradual. It takes a dark store 2-3 quarters on average to generate the required order volume to be contribution breakeven. Underutilized dark stores led to unfavourable operating leverage dynamics, with heightened fulfilment costs spread over a sub-optimal number of generated orders. This resulted in an increase in direct costs incurred per order by Rs37 for Swiggy over Q2FY25-Q1FY26. This corresponded to a sharp dip in contribution margin, from -2.3% in Q2FY25 to -7.3% in Q4FY26.

Exhibit 76: Contribution profit margin as a % of NOV



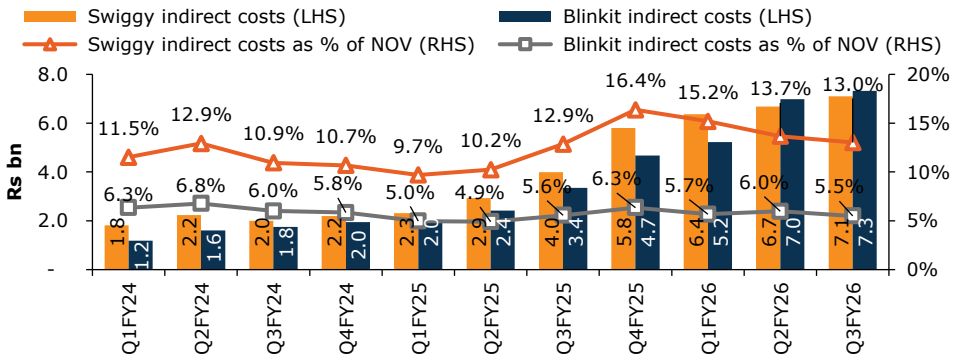
Source: Company, Emkay Research

Improvement in adjusted EBITDA

Indirect costs as a % of NOV have remained in a narrow range for both Instamart and Blinkit

Indirect costs have not seen much operating leverage because of 1) OPD remaining in the narrow range as the companies increased their dark store footprint once the OPD crossed a certain level; and 2) Instamart's focus on customer acquisition and corresponding MTU growth – a feature of the land-grab phase, which will rationalise once it enters monetization phase.

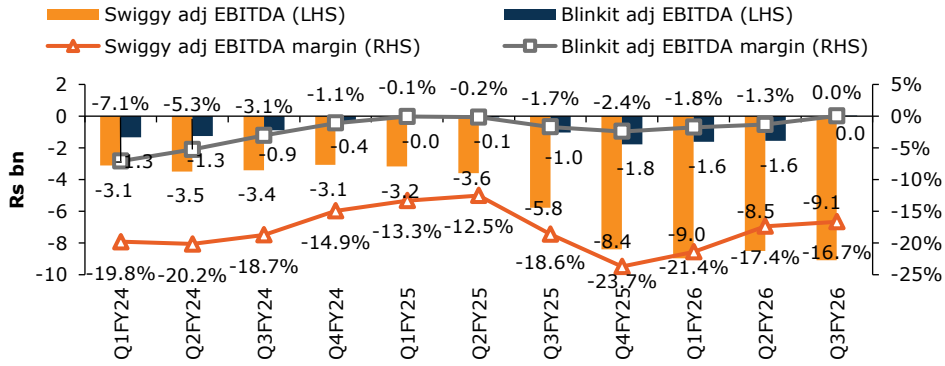
Exhibit 77: Indirect costs and indirect costs as a % of NOV



Source: Company, Emkay Research

Swiggy and Blinkit are seeing adjusted EBITDA margin improvement since the past 4 quarters, with higher contribution margin.

Exhibit 78: Increase in scale has resulted in a rise in adjusted EBITDA losses



Source: Company, Emkay Research

Projections for the QCom segment

Exhibit 79: Emkay projections for the QCom segment

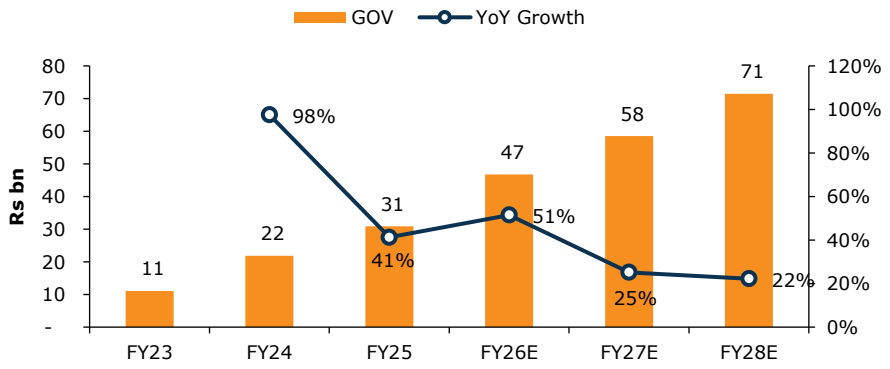
Rs bn	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
NOV									
Swiggy	72	119	207	337	496	667	823	965	1,106
Blinkit	105	224	495	863	1,325	1,780	2,191	2,568	2,922
YoY									
Swiggy		65.6%	74.1%	62.5%	47.4%	34.5%	23.3%	17.2%	14.6%
Blinkit		113.0%	121.3%	74.4%	53.5%	34.3%	23.1%	17.2%	13.8%
CM									
Swiggy	-6.7%	-5.0%	-3.4%	1.0%	3.0%	4.2%	5.0%	5.5%	5.8%
Blinkit	2.5%	4.3%	5.1%	6.1%	6.7%	7.2%	7.6%	8.0%	8.2%
Adjusted EBITDA									
Swiggy	-13.1	-20.9	-34.7	-29.8	-22.3	-11.7	-0.5	9.7	19.9
Blinkit	-3.8	-2.9	-2.6	10.6	31.1	60.5	95.3	129.2	162.1
Adjusted EBITDA Margin									
Swiggy	-18.2%	-17.6%	-16.8%	-8.9%	-4.5%	-1.8%	-0.1%	1.0%	1.8%
Blinkit	-3.7%	-1.3%	-0.5%	1.2%	2.3%	3.4%	4.4%	5.0%	5.5%

Source: Company, Emkay Research

Out-of-home consumption (Dineout and Scenes)

Swiggy entered the Out-of-home (OOH) consumption segment in Jul-22 with the acquisition of Dineout from Times Internet, subsequently adding Scenes (outdoor events) in 2024. The company's ability to cross-sell Dineout to its existing food delivery restaurant partner base (48,173 average monthly transacting partners in Q3FY26) gives it a built-in distribution advantage for onboarding supply. The addition of Scenes (events and experiences) broadens the OOH proposition beyond dining into entertainment, increasing transaction occasions and GOV per user. Thus, OOH GOV has expanded well – at a 62% CAGR over FY23-FY26E.

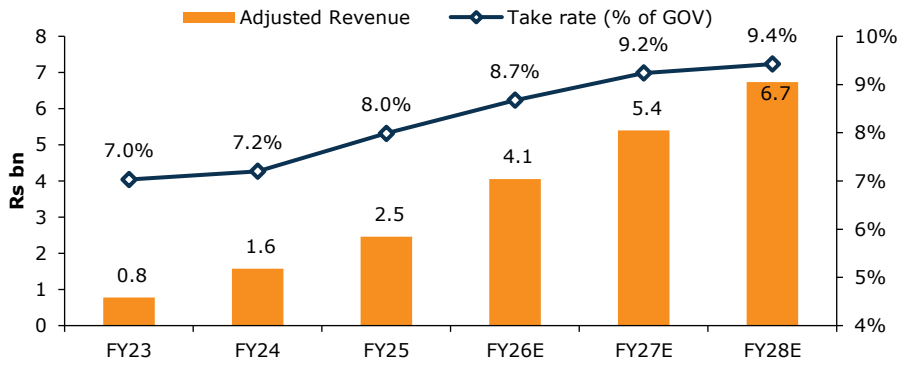
Exhibit 80: OOH GOV and GOV growth



Source: Company, Emkay Research

In line with revenue, adjusted revenue has scaled with the increase in take rate, from 7.0% of GOV in FY22 to 8.7% of revenue in FY26E. We expect strong revenue growth to continue and build in 29% adjusted revenue CAGR over FY26-28E.

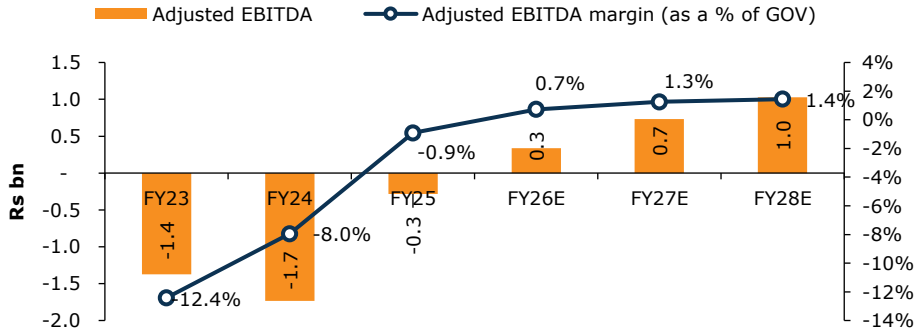
Exhibit 81: Swiggy's OOH adjusted revenue and take rate as a % of GOV



Source: Company, Emkay Research

With improvement in take rates and lower direct costs, the company has expanded contribution margin to 4.6% in FY26E, from 1.2% in FY22. With a mere 6.7% indirect cost CAGR, adjusted EBITDA margin rose to 0.7% in FY26E, from -13.6% in FY23. While this business has scaled well and is already profitable, it will remain a subscale, but complementary business. We see OOH as a natural extension of the food platform, leveraging existing restaurant partnerships to capture the eating-out occasion alongside the ordering-in mission, thereby addressing a larger share of the urban consumer's food wallet.

Exhibit 82: Swiggy's OOH adjusted EBITDA and adjusted EBITDA margin as a % of GOV

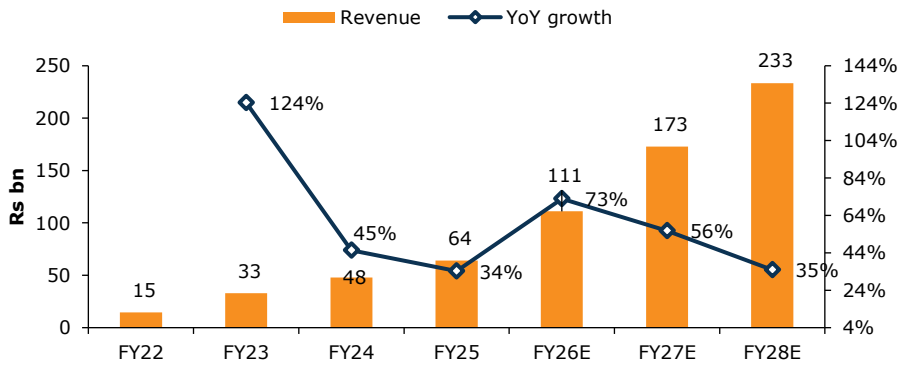


Source: Company, Emkay Research

Supply chain

Swiggy's supply chain and distribution business provides B2B warehousing, logistics, and distribution services to wholesalers and retailers, operating as an authorised distributor for leading FMCG brands. With scale up in its QCom business, the company has recorded 66% revenue CAGR over FY22-26E. We build in 45% revenue CAGR for this business over FY26-28E, broadly in line with the growth in the QCom business.

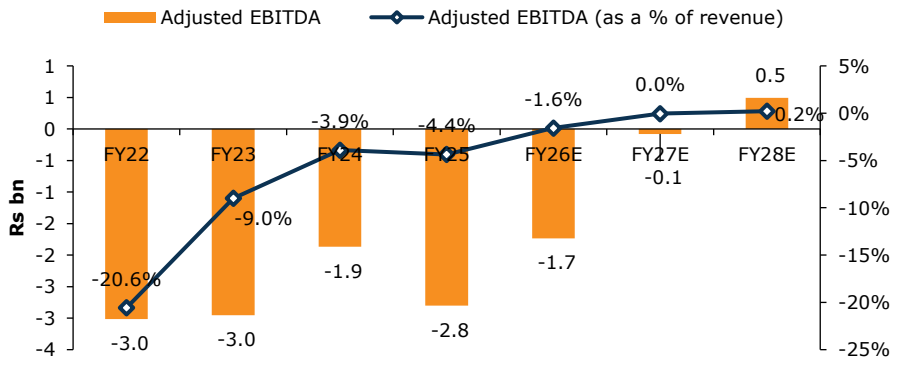
Exhibit 83: Swiggy's supply chain revenue and YoY growth



Source: Company, Emkay Research

This business has been making losses at adjusted EBITDA level, as warehousing capacity is not being optimally utilized. However, the company has narrowed adjusted EBITDA losses from Rs3.0bn in FY22 to Rs1.7bn in FY26E. Moreover, adjusted EBITDA margin has improved from -20.6% in FY22 to -1.6% in FY26E. While we expect adjusted EBITDA margin to increase to 0.2% in FY28E, we see this business as an enabler of the QCom ecosystem than the driver of the company's valuation.

Exhibit 84: Swiggy's supply chain adjusted EBITDA and adjusted EBITDA margin



Source: Company, Emkay Research

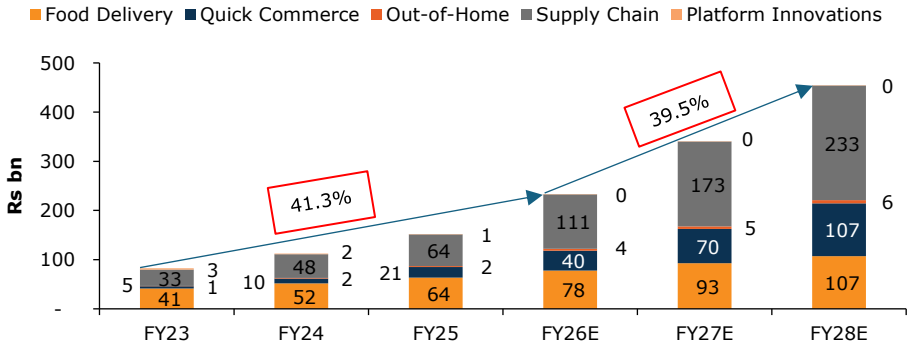
Financial analysis

GAAP revenue mix and growth

The consolidated GAAP revenue metric provides limited utility in assessing Swiggy's underlying financial performance, as it aggregates five distinct business segments governed by fundamentally different revenue recognition methods. Specifically, the core B2C verticals—food delivery and QCom—predominantly recognize net revenue derived from commissions, advertising, and platform fees. In contrast, the B2B supply chain business recognizes the entire NOV as GAAP revenue.

Because of this structural mismatch, the supply chain segment optically dominates the topline, contributing 42.1% to consolidated GAAP revenue in FY25 and 46.8% in 9MFY26. Evaluating the business strictly through this blended GAAP lens severely distorts the true economic picture and does not give a meaningful signal to assess the financial performance of the consolidated business, in our view.

Exhibit 85: Swiggy's GAAP revenue has the highest contribution from the supply chain business



Source: Company, Emkay Research; Note: CAGR mentioned in red boxes

Consequently, our financial projections eschew consolidated GAAP revenue as a primary performance indicator. We anchor our forecasting methodology entirely on segmental adjusted revenue and segmental adjusted EBITDA. From these foundational metrics, we back-calculate the consolidated GAAP revenue and EBITDA by netting our in-house assumptions for pass-through user fees. This bottom-up approach yields a cleaner, more accurate assessment of segment-level unit economics and true value creation.

Historically, the consolidated business delivered a topline CAGR of 41.3% over FY23–26E. We project a robust 39.5% CAGR over FY26–28E. This topline expansion will be disproportionately driven by the gross revenue booking supply chain business, which we estimate to exceed 50% of total revenue from FY27 onward. Notably, within B2C verticals, we project that the QCom segment will eclipse food delivery in revenue contribution by FY29E, representing 26.0% and 21.3% of the total mix, respectively.

The balance of the revenue mix (~1.3%) is attributable to the OOH segment. Similar to food delivery, revenue generation here is primarily commission-based. Lastly, given the nascent, experimental nature of platform innovations, characterized by minimal revenue share, low near-term profitability, and limited visibility, we have deliberately excluded a granular trajectory forecast for this segment, to maintain focus on the primary drivers of group value.

Direct costs on income statement

Swiggy's income statement recognizes two primary direct cost line items: Cost of goods sold (COGS) and delivery costs.

COGS: This line item is composed of two distinct components

- Cost of materials consumed: Raw material purchases for Swiggy's private cloud kitchen brands (eg Homely, The Bowl Company), where the company prepares food directly.
- Purchases and changes in stock-in-trade: Inventory costs almost exclusively driven by the B2B supply chain business, with minor contributions from Swiggy's private-label products.

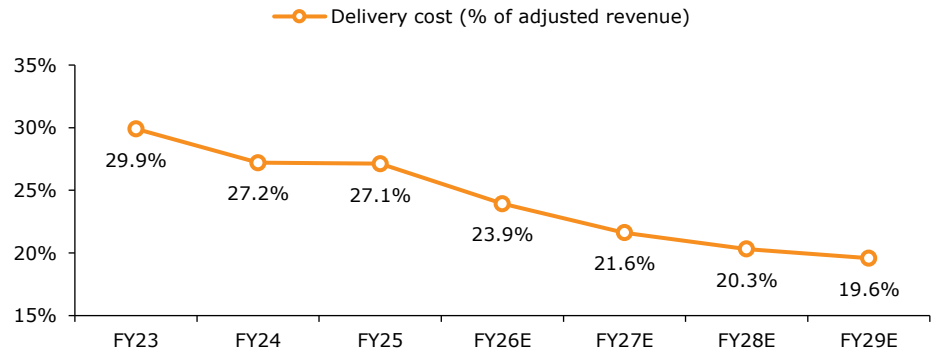
Consistent with our methodology of excluding the nascent platform innovations segment from our core projections, we model the consolidated COGS line entirely as the projected COGS of the B2B supply chain business going forward.

Delivery costs: This line item captures the unfunded portion of last-mile rider payouts for the food delivery and QCom segments.

Delivery fees collected from users are passed directly to riders. Consequently, these fees are included in our adjusted revenue calculations but are excluded from GAAP topline revenue. Because user-collected fees do not fully cover total rider payouts, the resulting shortfall is recorded on the income statement as a GAAP delivery cost.

Rider payouts represent the primary direct cost for both food delivery and QCom verticals. We model GAAP delivery costs as a percentage of the combined total direct cost of the food delivery and QCom segments. We estimate this percentage to decline steadily through to FY29E. Currently, rider payouts constitute a structurally larger share of direct costs in food delivery than in QCom. As QCom scales up to become the dominant order-volume driver, this shift in segment mix will drive the blended delivery cost ratio downward, in our view.

Exhibit 86: Delivery costs modelled as declining percentage on adjusted consolidated revenue



Source: Company, Emkay Research

Indirect costs

Advertising expenses: Overarching performance marketing and brand marketing falls under the indirect cost bracket in both accrual and non-GAAP-adjusted metrics. Both Swiggy and Eternal do not provide a segmental split of advertising and marketing expenses. Advertising expenses at the group level have consistently been the larger cost bucket in comparison with employee expenses. Despite consistently higher marketing initiatives, Swiggy has lagged Eternal in terms of key performing indicators like MTUs and OPD for both food delivery and QCom segments. In terms of OPD in the food delivery segment, the gap has continuously widened over the reported period. Eternal saw 17.8% more OPD than Swiggy in FY22; this has widened to 38.1% in FY26E. Similarly in the QCom segment, Swiggy saw 7.9% higher OPD than Blinkit in FY23; Swiggy has 54.7% lower OPD than Blinkit in FY26E.

Exhibit 87: Advertising expenses have consistently been higher than employee expenses at the group level for both players

Rs bn	Swiggy				Eternal			
	FY23	FY24	FY25	9MFY26	FY23	FY24	FY25	9MFY26
Advertising and sales promotion expenses	25.0	18.5	27.1	31.8	12.3	14.3	19.7	24.1
As a % of revenue	26.4%	15.0%	16.6%	18%	14.2%	10.6%	9.1%	6.3%
Employee cost (ex ESOPs)	16.0	14.2	13.8	13.0	9.6	11.4	17.6	20.0
As a % of revenue	16.9%	11.5%	8.4%	7.4%	11.0%	8.4%	8.2%	5.2%

Source: Company, Emkay Research

In FY26, indirect expenses of both Swiggy and Eternal have risen rapidly, signalling heightened competitive intensity in not only the hotly contested QCom market but also for the food delivery duopoly, despite both players being deeply entrenched in the QCom battle that is being fought with many more players. Annualizing the 9MFY26 indirect expenses, Swiggy's food delivery business saw an 8.9% YoY increase, while Zomato saw a 17.5% YoY increase, with advertisement expenses forming the lion's share of the increment.

In its QIP document, Swiggy mentioned that a large portion of advertisement expenses reported were spent toward performance marketing, with 76.2%, 69.8%, 63.1%, and 59.1% in FY23, FY24, FY25, and H1FY26, respectively. The remaining expenditure was toward brand marketing and business promotion. Unlike brand marketing, which builds long-term awareness, performance marketing is designed to drive immediate transactions and app installs.

Employee expenses (excluding ESOPs): Accounting for employee expenses for the food delivery segment of both businesses is straightforward, with parity in the GAAP and non-GAAP-adjusted metrics accounting. Both players do not report their segmental splits of indirect expenses. Standalone financials also cannot be used to estimate the segmental indirect expenses, as the standalone business accounts for more than one of the segments for both players (standalone entity has the food delivery segment and a portion of the Going-Out segment for Eternal; Swiggy takes into account food delivery, QCom, going-out, and platform innovations in its standalone financials). On a group level, Swiggy had higher employee expenditure than Eternal. However, we have seen this reversing in FY25, with Eternal surpassing Swiggy meaningfully in terms of employee expenditure.

Server and tech-infrastructure related expenses: These are semi-variable costs that scale with the business, unlike corporate overheads that remain largely fixed at stable-state growth. Majority of these expenses are incurred toward the cloud service provider (CSP).

Exhibit 88: Technology and cloud infrastructure costs have been higher for Eternal than for Swiggy

	Swiggy				Eternal		
(Rs bn)	FY23	FY24	FY25	H1FY26	FY23	FY24	FY25
Technology and cloud infrastructure cost (i)	4.1	3.0	3.5	2.2	3.9	4.9	6.4
% of total operating costs (ex-COGS and ESOP expenses)	*4.8%*	*3.6%*	*3.2%*	*3.0%*	*6.1%*	*5.6%*	*4.9%*
Fees paid to CSP (ii)	2.73	1.76	2.25	1.43			
(ii)/(i)	*66.0%*	*59.5%*	*64.9%*	*65.9%*			

Source: Company, Emkay Research;

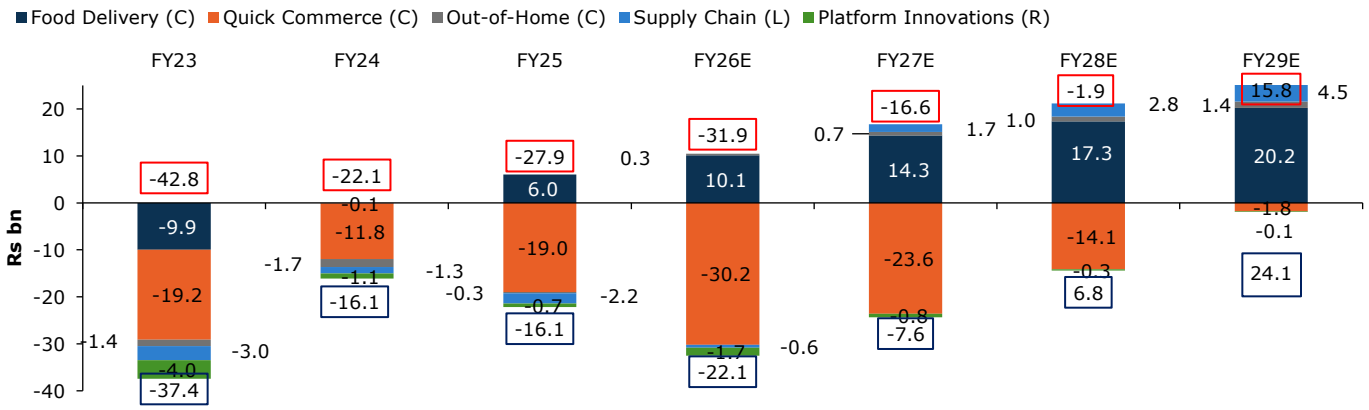
Swiggy signed a 'Technology Agreement' with Amazon Web Services India for an agreed period, pursuant to which Swiggy will avail various services such as cloud storage and support services, database, computation and analytics services, site recovery, and firewall services. Services also include access to a digital map platform, including access to static and dynamic map services, distance and route calculation services, geolocation services, etc. While companies like MapmyIndia provide localized mapping solutions in the Indian market, both Swiggy and Zomato have historically chosen to build their core architecture around the combination of Google Maps for the front-end and OpenStreetMap for the back-end. Pursuant to the Technology Agreement, Swiggy had a commitment to spend a total of Rs7.76bn (USD93mn) over a term of three years until 28-Feb-26, and an annual commitment to spend at least Rs2.09bn (USD25mn; plus any accrued shortfall from the previous year) for three consecutive years starting 1-Mar-23.

Swiggy has entered discussions with the CSP to renew the Technology Agreement (Renewal Addendum). It signed a non-binding letter of intent (LoI; dated 4-Dec-25) with the CSP, which is valid until the effective date of a new Technology Agreement. Pursuant to the LoI, subject to the final written agreement of the parties, it is proposed that the commitment and term of the Renewal Addendum would be Rs18.2bn (USD205mn) and six years, respectively. Eternal has entered into a similar arrangement with an unnamed major global service provider for cloud storage and support services, with a commitment to spend a total of Rs18.4bn (USD220mn) over a five-year term starting 1-Apr-24. This signals a continuation of the trend of Eternal's technology and cloud infrastructure costs trending higher than those for Swiggy.

Peak absolute EBITDA losses behind us

Consolidated GAAP EBITDA (ex ESOP expenses) losses stood at Rs37.4bn in FY23. These narrowed through to FY25 to Rs16.1bn, driven by improving unit economics in the food delivery segment. However, total GAAP EBITDA losses widened to an estimated Rs22.1bn in FY26E. This was a direct result of the higher costs due to ramp up in the QCom business.

Exhibit 89: Reported EBITDA



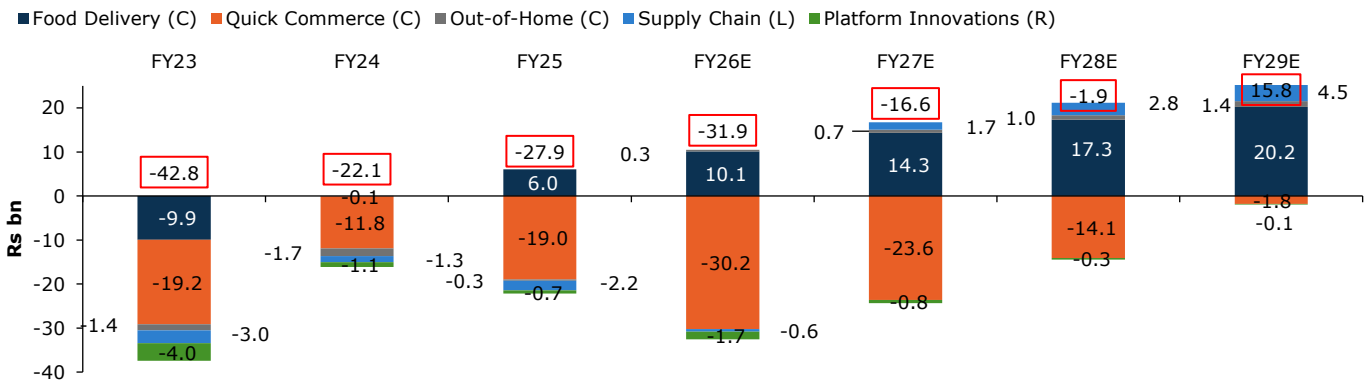
Source: Company, Emkay Research; Note: Group-reported EBITDA in red box, reported EBITDA (ex ESOP expenses) in blue box

Looking ahead, we believe the peak absolute EBITDA losses are behind the business. We project a steady trajectory of improving profitability as operating leverage kicks in, forecasting GAAP EBITDA breakeven by FY29E with a positive generation of Rs15.8bn.

Reconciling reported GAAP EBITDA with our core operating metric (adjusted EBITDA) requires navigating two primary accounting differences: 1) lease liabilities and 2) ESOP expenses.

Lease liabilities: In our adjusted EBITDA metric, lease rentals (eg QCom dark store rents, B2B warehouses) are treated as operational expenses and sit above the line. Under GAAP, these leases are capitalized as right-of-use assets, pushing the associated expenses below the EBITDA line as depreciation and interest. Crucially, as Swiggy's business mix shifts from the asset-light food delivery model toward the infrastructure-heavy QCom and supply chain segments, lease rental costs are on a steady incline. This structural shift creates a progressively widening gap between GAAP EBITDA (ex ESOPs) and adjusted EBITDA (refer to Exhibits 89 and 90).

Exhibit 90: Adjusted EBITDA



Source: Company, Emkay Research; Note: Group-adjusted EBITDA in red box

ESOP expenses: Conversely, non-cash ESOP charges are recorded as employee expenses above the EBITDA line under GAAP. In our adjusted EBITDA calculations, these non-cash charges are excluded.

Exhibit 91: ESOP expenses projected to stay around current levels

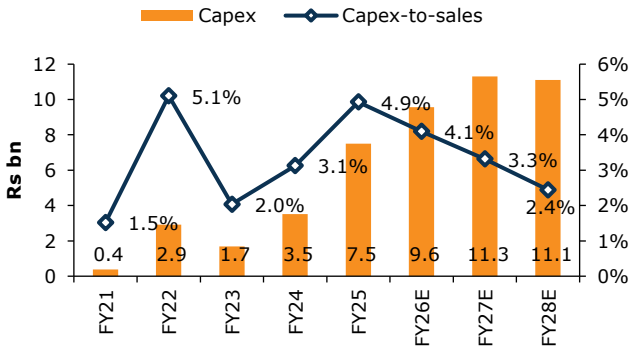
	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E
ESOP expenses	5.3	6.0	11.7	9.8	9.0	8.6	8.3
% of revenue	*6.5%*	*5.3%*	*7.7%*	*4.2%*	*2.6%*	*1.9%*	*1.4%*

Source: Company, Emkay Research

Capex, D&A, and EBIT

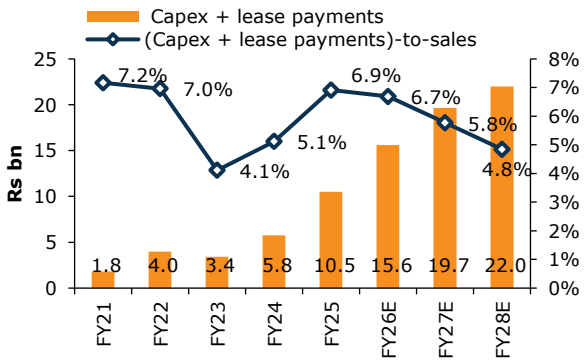
Unlike the asset-light food delivery segment, QCom and B2B supply chain are asset-heavy, requiring significant capital for fulfillment centers (dark stores and warehouses) and associated lease rentals. As Swiggy's business mix shifts toward these segments, absolute capex and rental expenses will rise continuously until FY30. Swiggy incurred capex (including lease liability payments) of Rs10.5bn/Rs11.6bn in FY25/9MFY26, respectively. We estimate this combined outflow to expand at a 17.1% CAGR over FY26–30.

Exhibit 92: Capex has sharply increased due to shift in ...



Source: Company, Emkay Research

Exhibit 93: ...business mix toward QCom and supply chain



Source: Company, Emkay Research

Per its QIP document, Swiggy plans to deploy Rs44.8bn in combined capex and opex to add 6.7mn sqft of fulfillment space by Dec-28. Aligning our forecasts with this guidance and the management's strategy of network densification over aggressive greenfield expansion, we estimate the dark store count to exceed 1,800 by Q3FY29E. The table below details the per-unit capex and opex metrics, derived from the average size estimates provided in the QIP.

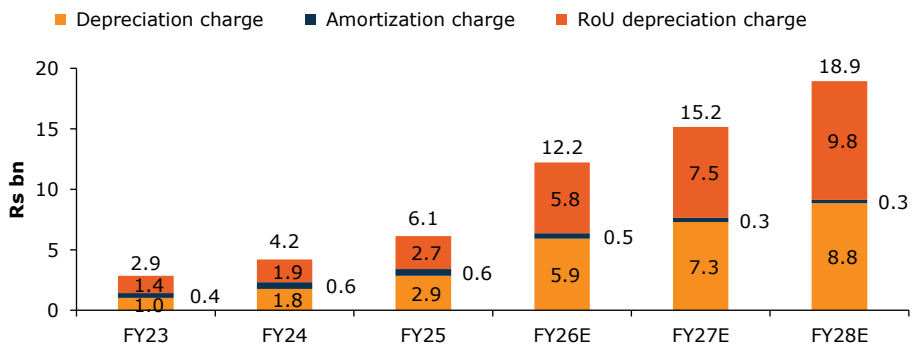
Exhibit 94: Capex and opex incurred toward fulfilment centers, as estimated by Swiggy

Capex for dark store set-up			Opex for running dark store			Capex for warehouse set-up			Opex for running warehouse		
Category of fitouts / installations required	**Cost per sqft (Rs)**	**Cost (Rs mn)**	**Particulars**	**Cost per sqft (Rs)**	**Monthly cost (Rs mn)**	**Category of fitouts / installations required**	**Cost per sqft (Rs)**	**Cost (Rs mn)**	**Particulars**	**Cost per sqft (Rs)**	**Monthly cost (Rs mn)**
Civil work	329	1.31	Rental expense	77.8	0.31	Civil and interior work	128	34.6	Rental expense	21.0	4.54
Plumbing work	10	0.04	G&A expenses	51.3	0.21	Plumbing	7	1.9	G&A expenses	17.9	3.87
Electrical work	254	1.02	Manpower cost	40.7	0.16	MS structure	41	11.2	Manpower cost	86.6	18.73
Cold room and cooling equipment	531	2.13				Electrical	221	59.9			
UPS and stabilizer, including CCTV	370	1.48				Other assets	337	91.0			
Racks and baskets	624	2.49				HVAC	21	5.7			
IT infrastructure work (ex GST)	207	0.83				IT asset and networking (exclusive of GST)	119	32.3			
Other assets	199	0.80				Cold room with RCC VDF flooring	304	82.3			
Miscellaneous	107	0.43				Racks	1,268	342.7			
						CCTV	88	23.8			
						Fire alarm system and fire safety	80	21.7			
						Public Addressing System (PAS)	16	4.2			
						UPS and Stabilizer	53	14.3			
						VRC (Vertical Reciprocating Conveyors)	125	33.9			
						Miscellaneous	26	7.0			
Total	**2,631**	**10.5**	**Total**	**169.7**	**0.68**	**Total**	**2,834**	**766.3**	**Total**	**125.5**	**27.15**

Source: Company, Swiggy QIP document, Emkay Research

The structural shift toward asset-heavy segments drives a corresponding increase in depreciation expenses, predominantly linked to fulfilment-center infrastructure. The majority of these expenses stem from the depreciation of right-of-use (RoU) assets. Further, within the tangible asset block, leasehold improvements accounted for over 20% of the gross block depreciation expenses in FY25. We project depreciation to scale in line with the escalating capex requirements.

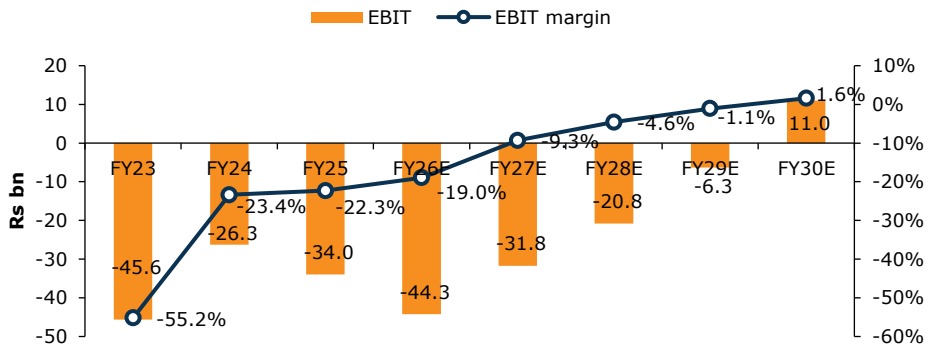
Exhibit 95: Breakup of depreciation and amortization expenses



Source: Company, Emkay Research

Consequently, this rising depreciation burden will delay operating profitability at the EBIT level. We estimate the business to achieve EBIT breakeven in FY30E, trailing the projected FY29E EBITDA breakeven by a full year.

Exhibit 96: We forecast EBIT breakeven in FY30E



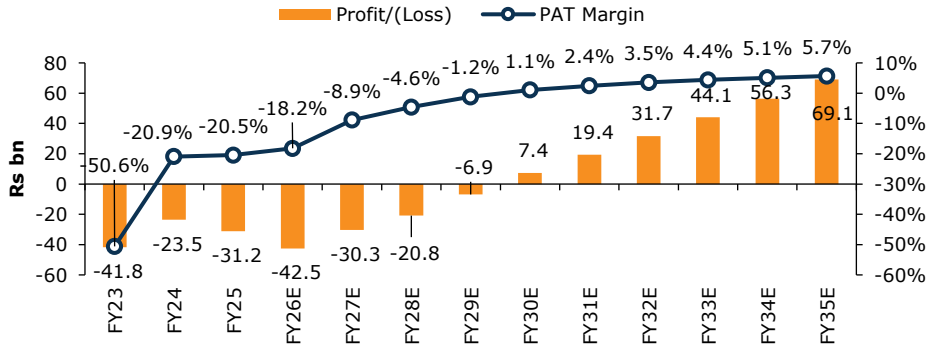
Source: Company, Emkay Research

Expect PAT breakeven by FY30E

Below the EBIT line, expenses are driven primarily by interest costs attached to lease liabilities. Consistent with the structural shift toward fulfilment-heavy segments, we expect these lease obligations and their corresponding interest expenses to steadily expand.

Given that Swiggy has not yet achieved profit before tax (PBT) breakeven, the company has no historical corporate tax payouts. Factoring in the escalating lease interest burden alongside future tax provisions and extraordinary items, we project the business to achieve profit after tax (PAT) breakeven in FY30E.

Exhibit 97: We forecast PAT breakeven in FY30E



Source: Company, Emkay Research

Cash balance

With cash burn in the QCom business, we estimate the company to turn FCF positive in FY30E.

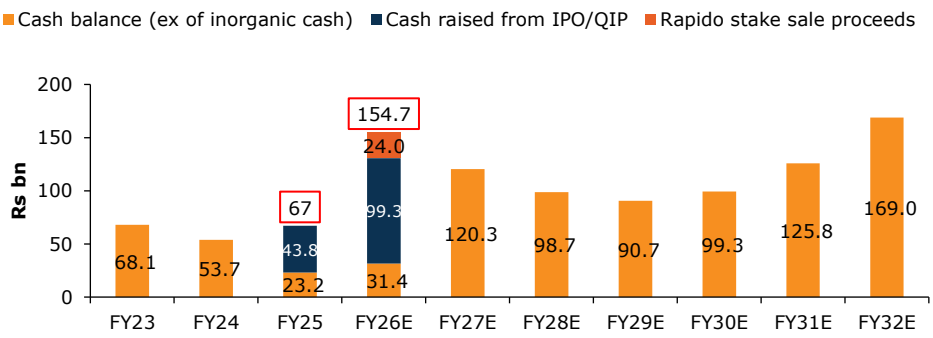
Exhibit 98: Adjusted EBITDA, CFO, and FCF calculations

Rs bn	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Adjusted EBITDA (i)	-39.1	-18.4	-19.1	-28.1	-16.0	-4.1	10.9	28.7
CFO (ex WC changes) (ii)	-38.5	-15.2	-15.9	-21.7	-7.6	6.8	24.1	44.3
WC changes	-1.1	2.0	-6.2	-0.3	-7.1	-6.4	-6.5	-6.3
CFO	-39.6	-13.2	-22.1	-22.1	-14.7	0.4	17.6	38.0
Net CFO (iii)	**-40.1**	**-13.1**	**-21.7**	**-22.4**	**-14.7**	**0.4**	**17.6**	**35.5**
Capex (iv)	-1.7	-3.5	-7.5	-9.6	-11.3	-11.1	-12.4	-13.8
Payment of lease liabilities (v)	-1.7	-2.2	-3.0	-6.1	-8.4	-10.9	-13.3	-15.6
FCF (iii+iv+v)	-43.5	-18.9	-32.2	-38.0	-34.4	-21.6	-8.1	6.1
[ii+v]/i	*102.8%*	*94.7%*	*98.8%*	*98.8%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*

Source: Company, Emkay Research

We expect QCom to reach adjusted EBITDA breakeven by FY30E. However, with peak losses in QCom behind, increasing cash generation from the food delivery business and Rs154.7bn cash on books as at end-Q3FY26 will ensure that QCom will not need further cash infusion.

Exhibit 99: Consolidated cash balance over FY23-32E



Source: Company, Emkay Research

Exhibit 100: Breakup of cash balance of the consolidated business with our estimates

Rs bn	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Adjusted EBITDA	-18.4	-19.1	-28.1	-16.0	-4.1	10.9	28.8
Add: Treasury income realized	2.9	5.3	2.2	-	-	-	-
Less: Capital expenditure incurred	-3.4	-7.4	-9.6	-11.3	-11.1	-12.4	-13.8
Less: Loan movement (including interest)	1.2	-2.0	0.8	-	-	-	-
Add: Other items	1.4	-1.1	-0.5	-	-	-	-
Cash (burn)/surplus	**-16.4**	**-24.3**	**-35.2**	**-27.3**	**-15.2**	**-1.6**	**15.0**
Add: (Increase)/Decrease in working capital	2.0	-6.2	-0.3	-7.1	-6.4	-6.5	-6.3
Add: Net proceeds from IPO/cash raises	-	43.8	99.3	-	-	-	-
Change in cash	-14.4	13.3	63.8	-34.4	-21.6	-8.1	8.7
Add: Opening cash balance	68.1	53.7	67.0	154.7	120.3	98.7	90.7
Consolidated closing cash balance	53.7	67.0	130.7	120.3	98.7	90.7	99.3
Add: Rapido stake sale proceeds (received in Jan-26)			24.0				
Proforma cash balance (incl Rapido)			154.7				

Source: Company, Emkay Research

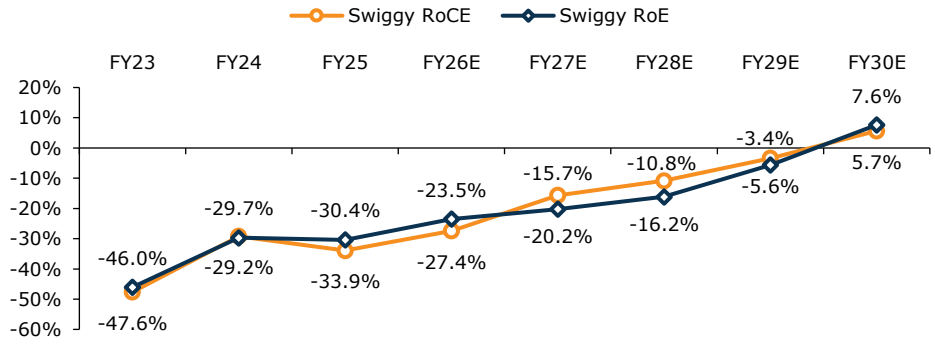
Return ratios to continue expanding

Swiggy's return profile is set to steadily improve as it targets profitability over the next 4-5 years. In FY25, Swiggy posted pre-tax RoE of -30.4% and pre-tax post IndAS RoCE of -33.9%. We project that post-FY30, once the QCom segment achieves a stable, positive adjusted EBITDA margin, Swiggy will deliver corporate RoCE of 20-25% and RoE of >20%.

At the unit level, QCom dark stores operating at high utilization levels generate significantly higher returns than traditional modern retail. Eternal's recent FY26 disclosures indicate that a 5-6% adjusted EBITDA margin, combined with an efficient net working capital cycle of under 18 days, yields a store-level RoCE approaching 40%. In contrast, offline retailers like DMart cap out at a store-level RoCE of ~20%.

The structural trade-off in QCom is the heavy central technology and corporate overhead required to orchestrate the platform. These expenses significantly dilute the 40% store-level returns. Factoring in these corporate costs, we estimate platforms like Swiggy and Eternal to comfortably sustain a consolidated corporate RoCE above 20% once they reach adjusted EBITDA margin near 5% of NOV.

Exhibit 101: Pre-tax return profiles of Swiggy and Eternal over FY23-30E



Source: Company, Emkay Research; Note: RoCE defined as EBIT/(Total assets-current liabilities) and RoE as PBT/Equity

Outlook and valuations

To extract the implied valuation multiples for Swiggy and Eternal's primary segments, we determine the enterprise value (EV) of both companies by adjusting for net debt. We value the food delivery business by assigning a 25x multiple to FY28E adjusted EBITDA. The residual EV is attributed entirely to the QCom segment, ignoring supply chain and OOH consumption operations.

Exhibit 102: Group EV and food delivery EV at 25x FY28E EV/adjusted EBITDA

Rs bn	Mcap	FD Consensus adjusted FY28E EBITDA	FD FY28E EV/EBITDA	FD EV	Cash	Implied QCom EV
Swiggy	813	20.4	25x	509	159	145
Eternal	2,538	32.3	25x	807	178	1,553

Source: Bloomberg, Emkay Research

This residual calculation highlights Swiggy's discounted valuation. Swiggy's EV, excluding food delivery, is only Rs145bn, starkly lower than Eternal's Rs1.55trn.

Exhibit 103: Swiggy's QCom business trades at a discount to Blinkit's on NOV basis

Rs bn		Consensus NOV			Consensus Adjusted EBITDA			EV/NOV			EV/Adjusted EBITDA		
	EV (i-ii)	FY28E	FY29E	FY30E	FY28E	FY29E	FY30E	FY28E	FY29E	FY30E	FY28E	FY29E	FY30E
Swiggy QCom	145	387	496	698	-15.2	-4.9	7.2	0.37	0.29	0.21	-9.5	-29.8	20.1
Blinkit	1,553	1,248	1,607	2,027	18.6	43.0	67.1	1.24	0.97	0.77	83.3	36.1	23.2

Source: Bloomberg, Emkay Research

Evaluating consensus projections for NOV and adjusted EBITDA reveals a multiple disparity. Swiggy's QCom business trades at FY28E EV/NOV of 0.37x vs Blinkit's 1.24x.

Swiggy trades at such a severe discount because the market gives low probability for Swiggy's ability to help turn the QCom business profitable. This creates a highly favorable risk-reward setup. Achieving parity with Eternal in NOV growth and profitability profiles can potentially trigger a significant upward rerating of the stock. While we are not building in this scenario, we believe that given the scale and maturity of the QCom business, Swiggy will be able to make its QCom business profitable by end-FY30.

Our formal target valuation employs an SOTP methodology, valuing each segment through an independent 3-stage DCF model. For DCF, we have discounted adjusted EBITDA, as it is netted of rental expenses. Lease liabilities have not been added to net debt (net cash) in the calculation of EV. The segmental valuation breakdown is detailed below:

Exhibit 104: Swiggy – DCF-based SOTP valuation

	EV (Rs bn)	EV/share (Rs)
Food delivery	577	208
Quick commerce	195	70
Supply chain	41	15
Out-of-home consumption	35	13
Total EV	**849**	**306**
Net cash	120	43
Target MCap	**969**	**350**

Source: Company, Emkay Research

The valuation of the QCom segment is factored in with adjusted EBITDA breakeven in Q3FY30E and 3.5% margin in FY35E. With an initial FCF growth rate of 15% for 10 years and 5% terminal growth rate, we note that our QCom business valuation is highly sensitive to the profitability we assume for the later part of the forecast period (FY30E-35E). Our valuations imply 34.1x FY28E EV/adjusted EBITDA for the food delivery business and 0.39x FY28E EV/NOV for the QCom business.

Exhibit 105: Our SOTP-based DCF valuation framework

Global DCF assumptions		(Rs bn)	Food delivery	QCom	OOH	Supply chain	Total
Beta	1	Duration of forecast stage 0 (years)	10	10	10	10	10
Risk Free Rate (Rf)	6.7%	PV of stage 0 (i)	162	-102	10	14	84
Market return (km)	12.5%	Growth of Stage 1	12%	15%	12%	12%	
Risk Premium	6.0%	Stage 1 duration (years)	10	10	10	10	10
Required Rate of Return (Cost of Equity)	12.7%	PV of Stage 1 (ii)	179	119	10	12	320
Cost of Debt	10.0%	Terminal growth rate	5%	5%	5%	5%	5%
Tax Rate	25.0%	PV of terminal stage (iii)	237	178	14	15	444
After-tax Cost of Debt	7.5%	**EV (i+ii+iii)**	**577**	**195**	**35**	**41**	**849**
Total Debt	0%	Net cash					120
Shareholders' Funds	100%	**Target M-Cap**					**969**
		TP (Rs)					**350**
WACC	12.7%						

Source: Emkay Research

Valuation of Swiggy's Food delivery business implies 34.1x FY28 EV/adjusted EBITDA

Exhibit 106: Implied multiples on our projected segmental metrics

(x)	EV/NOV			EV/adjusted EBITDA		
	FY28E	FY30E	FY32E	FY28E	FY30E	FY32E
Food delivery*	1.24	0.96	0.77	34.1	23.5	16.1
QCom	0.39	0.24	0.18	-8.8	-340.0	9.8
OOH*	0.49	0.36	0.30	33.9	20.0	14.4
Supply chain	0.18	0.12	0.09	83.4	13.5	9.4

*Source: Emkay Research; Note: *EV/GOV has been used instead of EV/NOV*

Key risks

Intense competitive pressure in QCom segment

In the QCom segment, apart from Blinkit, Swiggy competes with Zepto, Amazon, Flipkart, BigBasket (Tata), and JioMart. Competitive intensity manifests in elevated ad spends and promotional burn, making it difficult to improve margins without risking market-share loss. Any incremental pricing power is constrained by the presence of well-capitalized competitors willing to sustain losses to gain share. While the company has sufficient cash and additional support from the cash generated from food delivery, sustained competitive intensity will lead to higher losses and potentially market-share loss. While Swiggy was one of the earliest entrants in the QCom business, its scale up and execution has significantly lagged Blinkit's.

Execution risk in QCom business

Dark store rollout requires heavy upfront capex on leases, fit-outs, and inventory. Each new store has a maturation curve before it reaches target utilization and contribution-positive economics. If demand density in newer cities or micro-markets underperforms expectations, or if competitive store openings cannibalise catchments, the payback period on this capital could extend meaningfully, amplifying cash burn in a business that is already the largest loss contributor at the consolidated level.

Regulatory and compliance risk across multiple evolving frameworks

Swiggy is subject to overlapping regulatory regimes – FSSAI for food safety; DPDPA for data privacy; FDI rules governing multi-brand retail; and gig worker welfare legislation under discussion. Any adverse regulatory development, particularly around gig worker classification, platform fees, or data localization, could increase operating costs or restrict business-model flexibility in ways that are hard to offset through pricing.

Availability and cost of gig workers

Swiggy's food delivery and QCom businesses are structurally dependent on a large, flexible pool of delivery partners. Delivery and related charges are among the largest expense lines and a critical variable in unit economics for what are fundamentally low-margin, high-volume businesses. In India, gig delivery work carries a social stigma that constrains the recruitment funnel, particularly in smaller cities and among workers with alternative employment options. This can create localized supply shortages during demand spikes and push up per-delivery payouts. Also, these workers currently operate without meaningful social security coverage, such as health insurance, provident fund, or accident benefits of the kind available to formal-sector employees. This gap is increasingly in the political and regulatory spotlight, and central-level legislation mandating social security contributions by platforms remains a possibility. Any such regulation would directly increase the per-delivery cost structure, compressing contribution margins.

Swiggy: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**112,474**	**152,268**	**233,362**	**340,639**	**454,271**
Revenue growth (%)	36.1	35.4	53.3	46.0	33.4
EBITDA	**(22,080)**	**(27,856)**	**(31,863)**	**(16,614)**	**(1,875)**
EBITDA growth (%)	0	0	0	0	0
Depreciation & Amortization	4,206	6,123	12,389	15,152	18,929
EBIT	**(26,286)**	**(33,979)**	**(44,252)**	**(31,767)**	**(20,804)**
EBIT growth (%)	0	0	0	0	0
Other operating income	-	-	-	-	-
Other income	3,870	3,962	3,938	5,170	5,155
Financial expense	714	1,006	2,037	3,662	5,196
PBT	**(23,130)**	**(31,023)**	**(42,351)**	**(30,259)**	**(20,846)**
Extraordinary items	(306)	(117)	(100)	0	0
Taxes	0	0	0	0	0
Minority interest	-	-	-	-	-
Income from JV/Associates	(66)	(26)	(20)	0	0
Reported PAT	**(23,502)**	**(31,166)**	**(42,471)**	**(30,259)**	**(20,846)**
PAT growth (%)	0	0	0	0	0
Adjusted PAT	**(23,196)**	**(31,049)**	**(42,371)**	**(30,259)**	**(20,846)**
Diluted EPS (Rs)	**(10.6)**	**(13.7)**	**(15.4)**	**(11.0)**	**(7.6)**
Diluted EPS growth (%)	0	0	0	0	0
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	(19.6)	(18.3)	(13.7)	(4.9)	(0.4)
EBIT margin (%)	(23.4)	(22.3)	(19.0)	(9.3)	(4.6)
Effective tax rate (%)	0	0	0	0	0
NOPLAT (pre-IndAS)	**(26,286)**	**(33,979)**	**(44,252)**	**(31,767)**	**(20,804)**
Shares outstanding (mn)	2,196	2,271	2,760	2,760	2,760

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	30	2,286	2,600	2,600	2,600
Reserves & Surplus	77,885	99,908	177,439	147,179	126,334
Net worth	**77,915**	**102,195**	**180,039**	**149,779**	**128,934**
Minority interests	-	-	-	-	-
Non-current liab. & prov.	(1,603)	(1,252)	(1,620)	(1,620)	(1,620)
Total debt	**2,112**	**282**	**1,080**	**1,080**	**1,080**
Total liabilities & equity	**85,244**	**118,292**	**212,069**	**209,193**	**197,479**
Net tangible fixed assets	4,528	10,592	13,049	16,865	18,923
Net intangible assets	3,043	2,505	2,140	1,994	1,928
Net ROU assets	5,878	16,246	30,741	55,482	60,677
Capital WIP	-	-	-	-	-
Goodwill	6,965	6,965	6,960	6,960	6,960
Investments [JV/Associates]	604	578	550	550	550
Cash & equivalents	**24,216**	**55,856**	**74,943**	**36,562**	**11,304**
Current assets (ex-cash)	58,458	58,059	129,696	148,729	167,416
Current Liab. & Prov.	18,448	32,509	46,010	57,948	70,279
NWC (ex-cash)	**40,010**	**25,550**	**83,686**	**90,781**	**97,137**
Total assets	**85,244**	**118,292**	**212,069**	**209,193**	**197,479**
Net debt	(22,104)	(55,574)	(73,863)	(35,482)	(10,224)
Capital employed	85,244	118,292	212,069	209,193	197,479
Invested capital	**54,546**	**45,611**	**105,835**	**116,600**	**124,948**
BVPS (Rs)	35.5	45.0	65.2	54.3	46.7
Net Debt/Equity (x)	(0.3)	(0.5)	(0.4)	(0.2)	(0.1)
Net Debt/EBITDA (x)	1.0	2.0	2.3	2.1	5.5
Interest coverage (x)	(31.4)	(29.8)	(19.8)	(7.3)	(3.0)
RoCE (%)	**(26.3)**	**(32.9)**	**(28.4)**	**(16.0)**	**(11.1)**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	(27,066)	(35,011)	(46,309)	(35,429)	(26,000)
Others (non-cash items)	6,993	12,008	10,167	8,998	8,644
Taxes paid	38	400	(370)	0	0
Change in NWC	1,988	(6,221)	(346)	(7,095)	(6,356)
Operating cash flow	**(13,127)**	**(21,695)**	**(22,432)**	**(14,711)**	**414**
Capital expenditure	(3,517)	(7,508)	(9,565)	(11,302)	(11,112)
Acquisition of business	66	26	28	0	0
Interest & dividend income	762	1,443	3,468	5,170	5,155
Investing cash flow	**14,585**	**(13,724)**	**(71,347)**	**(6,132)**	**(5,957)**
Equity raised/(repaid)	0	44,990	100,000	0	0
Debt raised/(repaid)	1,076	(1,643)	800	0	0
Payment of lease liabilities	(2,238)	(3,015)	(6,052)	(8,356)	(10,901)
Interest paid	(66)	(167)	(99)	(184)	(170)
Dividend paid (incl tax)	-	-	-	-	-
Others	0	(1,132)	(2,957)	(8,998)	(8,644)
Financing cash flow	**(1,228)**	**39,034**	**91,692**	**(17,538)**	**(19,715)**
Net chg in Cash	229	3,615	(2,087)	(38,381)	(25,258)
OCF	(13,127)	(21,695)	(22,432)	(14,711)	414
Adj. OCF (w/o NWC chg.)	(17,354)	(18,488)	(28,138)	(15,972)	(4,131)
FCFF	(16,644)	(29,203)	(31,997)	(26,013)	(10,698)
FCFE	(16,597)	(28,765)	(30,567)	(24,506)	(10,740)
OCF/EBITDA (%)	69.6	88.7	89.4	138.8	559.5
FCFE/PAT (%)	70.6	92.3	72.0	81.0	51.5
FCFF/NOPLAT (%)	**63.3**	**85.9**	**72.3**	**81.9**	**51.4**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	(27.5)	(21.5)	(19.2)	(26.9)	(39.0)
EV/CE(x)	7.8	6.1	3.5	4.1	4.8
P/B (x)	8.3	6.5	4.5	5.4	6.3
EV/Sales (x)	5.6	4.1	2.7	1.8	1.4
EV/EBITDA (x)	(28.3)	(22.4)	(19.6)	(37.6)	(333.5)
EV/EBIT(x)	(23.8)	(18.4)	(14.1)	(19.7)	(30.0)
EV/IC (x)	11.5	13.7	5.9	5.4	5.0
FCFF yield (%)	(2.7)	(4.7)	(5.1)	(4.2)	(1.7)
FCFE yield (%)	(2.0)	(3.5)	(3.8)	(3.0)	(1.3)
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	(20.6)	(20.4)	(18.2)	(8.9)	(4.6)
Total asset turnover (x)	1.3	1.7	1.6	2.0	3.1
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**(27.5)**	**(34.5)**	**(30.0)**	**(18.3)**	**(15.0)**
DuPont-RoIC					
NOPLAT margin (%)	(23.4)	(22.3)	(19.0)	(9.3)	(4.6)
IC turnover (x)	1.9	3.0	3.1	3.1	3.8
RoIC (%)	**(44.6)**	**(67.9)**	**(58.4)**	**(28.6)**	**(17.2)**
Operating metrics					
Core NWC days	129.8	61.2	130.9	97.3	78.0
Total NWC days	**129.8**	**61.2**	**130.9**	**97.3**	**78.0**
Fixed asset turnover	6.5	6.3	7.1	7.8	8.3
Opex-to-revenue (%)	78.7	78.9	69.9	57.6	52.1

Source: Company, Emkay Research

BUY Eternal

Best placed to capitalize on QCom disruption

Emkay Your success is our success

Internet | Company Update | **April 23, 2026**

CMP (Rs): 263 | TP (Rs): 370

We retain BUY on Eternal and Mar-27E DCF-based TP of Rs370. We maintain conviction on three pillars: i) the long-term QCom opportunity in India, ii) strong underlying unit economics at maturity, and iii) Blinkit's superior execution vs peers. Blinkit has already reached adj EBITDA breakeven, even as competitors struggle to achieve profitability at the contribution margin level. Blinkit's robust cash balance (Rs178.2bn, as of Q3FY26), profitability flywheel of the food delivery business, and boasting the largest dark store network in India imply that the company faces no capital or operational constraints toward expansion ahead. Hence, the company is also expanding into tier 2/3 cities, which will continue driving its long-term growth. Eternal, in terms of its food delivery business (Zomato), is the undisputed market leader with a structurally superior margin profile versus Swiggy. Leadership in food delivery also creates an opportunity to scale up businesses such as District and Hyperpure. Sustained competitive intensity in the QCom space remains the key risk.

Blinkit: Leadership in tier 2/3 cities to help maintain growth momentum

We believe Blinkit is executing well with the right SKUs, organizational structure, and operational model—reflected in its superior growth and operating margin. A strong balance sheet (Rs178.2bn cash), the largest dark store network, first-mover aggression in tier-2/3 cities (~40 new cities added in Q4FY26)—all position Blinkit for dominance in the space. IOCC migration further de-risks the regulatory overhang while improving margins through disintermediation.

Zomato: Strong execution continues to drive cash generation

Zomato's food delivery business makes it the undisputed market leader, with structurally superior margins versus Swiggy – Q3FY26 adj EBITDA margin of 4.4% for Zomato vs 3.0% for Swiggy. This gap reflects better fleet cost discipline, higher order scale-up enabling better operating leverage, and superior demand density. This profit engine continues to fund Blinkit's expansion. Also, higher consumer/restaurant engagement on Zomato is the key enabler for expansion of ancillary businesses such as District and Hyperpure and, so, further strengthens the business moat.

Outlook and valuations: Long-term moat

We believe Eternal's leadership and superior execution across businesses mean its profitability and growth profiles are superior to the competition's. We are confident about the long-term opportunity in QCom in India, strong underlying unit economics of the business at maturity, and Blinkit's superior execution. The QCom industry is in a land-grab phase, exemplified by increased competitive intensity, which indicates that the path to optimal profitability is slow and volatile. The stock trades at 34.3x FY28E EV/EBITDA. We maintain BUY on Eternal with Mar-27E DCF-based TP of Rs370, which implies a 30.2x multiple for FY28E adj EBITDA food delivery and 1.71x multiple for FY28E QCom NOV.

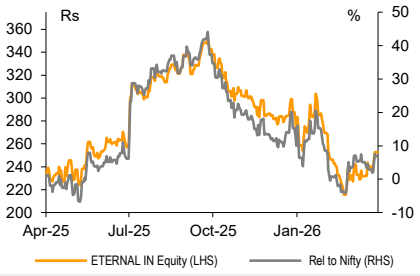
Target Price – 12M	Mar-27
Change in TP (%)	**-**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	40.7

Stock Data	**ETERNAL IN**
52-week High (Rs)	368
52-week Low (Rs)	213
Shares outstanding (mn)	9,650.4
Market-cap (Rs bn)	2,538
Market-cap (USD mn)	27,057
Net-debt, FY26E (Rs mn)	(219,362.5)
ADTV-3M (mn shares)	45.8
ADTV-3M (Rs mn)	15,161.2
ADTV-3M (USD mn)	161.6
Free float (%)	0.7
Nifty-50	24,378.1
INR/USD	93.8

Shareholding, Mar-26	
Promoters (%)	0.0
FPIs/MFs (%)	32.6/36.0

Price Performance			
(%)	**1M**	**3M**	**12M**
Absolute	13.2	(4.7)	10.7
Rel. to Nifty	7.3	(1.1)	9.8

1-Year share price trend (Rs)



Eternal: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	121,140	202,430	551,495	978,401	1,437,383
EBITDA	420	6,370	11,922	37,507	68,894
Adj. PAT	3,510	5,260	3,871	16,201	30,318
Adj. EPS (Rs)	0.4	0.6	0.4	1.7	3.1
EBITDA margin (%)	0.3	3.1	2.2	3.8	4.8
EBITDA growth (%)	0	1,416.7	87.2	214.6	83.7
Adj. EPS growth (%)	0	43.4	(30.8)	318.5	87.1
RoE (%)	3.4	2.1	1.3	5.0	8.4
RoIC (%)	(23.5)	(2.7)	(2.7)	11.5	27.8
P/E (x)	650.4	453.5	655.6	156.6	83.7
EV/EBITDA (x)	5,067.3	334.1	178.5	56.7	30.9
P/B (x)	11.2	7.9	8.1	7.5	6.7
FCFF yield (%)	0.1	(0.5)	(0.9)	0.4	1.5

Source: Company, Emkay Research

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Outlook and valuations

Exhibit 107: Our DCF-based valuation framework

Global DCF assumptions		***(Rs bn)***	**Food delivery**	**QCom**	**Going-out**	**Hyperpure**	**Total**
Beta	1.08	Duration of forecasted stage 0 (years)	10	10	10	10	10
Risk Free Rate (Rf)	6.7%	PV of stage 0 (i)	276	524	25	12	836
Market return (km)	12.7%	Growth of Stage 1	12.0%	12.0%	10%	12%	
Risk Premium	6.0%	Stage 1 duration	10	10	10	10	10
Required Rate of Return (Cost of Equity)	13.2%	PV of stage 1 (ii)	296	782	44	16	1,137
Cost of Debt	10.0%	Terminal growth rate	5%	5%	5%	5%	5%
Tax Rate	25.0%	PV of terminal stage (iii)	364	959	50	19	1,392
After Tax Cost of Debt	7.5%	**EV (i+ii+iii)**	**935**	**2,265**	**119**	**47**	**3,366**
Total Debt	0%	Net cash					192
Shareholders' Fund	100%	**Target M-Cap**					**3,558**
		TP (Rs)					**370**
WACC	13.16%						

Source: Emkay Research

Exhibit 108: Implied multiples for our projected segmental metrics

(x)	**EV/NOV**			**EV/adj EBITDA**		
	FY28E	**FY29E**	**FY30E**	**FY28E**	**FY29E**	**FY30E**
Food delivery	1.83	1.61	1.43	30.2	26.0	22.2
QCom	1.71	1.27	1.03	72.9	37.5	23.8
Going-out	0.91	0.77	0.66	-244.8	93.5	30.2
Hyperpure	0.83	0.74	0.66	50.5	34.6	25.5

Source: Emkay Research

Eternal: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**121,140**	**202,430**	**551,495**	**978,401**	**1,437,383**
Revenue growth (%)	71.1	67.1	172.4	77.4	46.9
EBITDA	**420**	**6,370**	**11,922**	**37,507**	**68,894**
EBITDA growth (%)	0	1,416.7	87.2	214.6	83.7
Depreciation & Amortization	3,670	5,340	8,323	10,442	13,488
EBIT	**(4,840)**	**(2,260)**	**(3,832)**	**14,637**	**38,006**
EBIT growth (%)	0	0	0	0	159.7
Other operating income	-	-	-	-	-
Other income	8,470	10,770	13,939	13,597	13,597
Financial expense	720	1,540	3,635	6,631	11,179
PBT	**2,910**	**6,970**	**6,472**	**21,602**	**40,424**
Extraordinary items	0	0	0	0	0
Taxes	(600)	1,710	2,600	5,400	10,106
Minority interest	-	-	-	-	-
Income from JV/Associates	0	0	0	0	0
Reported PAT	**3,510**	**5,260**	**3,871**	**16,201**	**30,318**
PAT growth (%)	0	49.9	(26.4)	318.5	87.1
Adjusted PAT	**3,510**	**5,260**	**3,871**	**16,201**	**30,318**
Diluted EPS (Rs)	**0.4**	**0.6**	**0.4**	**1.7**	**3.1**
Diluted EPS growth (%)	0	43.4	(30.8)	318.5	87.1
DPS (Rs)	**0**	**0**	**0**	**0**	**0**
Dividend payout (%)	**0**	**0**	**0**	**0**	**0**
EBITDA margin (%)	0.3	3.1	2.2	3.8	4.8
EBIT margin (%)	(4.0)	(1.1)	(0.7)	1.5	2.6
Effective tax rate (%)	(20.6)	24.5	40.2	25.0	25.0
NOPLAT (pre-IndAS)	**(5,838)**	**(1,706)**	**(2,292)**	**10,977**	**28,505**
Shares outstanding (mn)	8,680	9,070	9,650	9,650	9,650

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	8,680	9,070	9,110	9,110	9,110
Reserves & Surplus	195,450	294,100	304,357	330,292	371,146
Net worth	**204,130**	**303,170**	**313,467**	**339,402**	**380,256**
Minority interests	(70)	(70)	(70)	(70)	(70)
Non-current liab. & prov.	1,880	2,120	1,410	1,410	1,410
Total debt	**0**	**0**	**0**	**0**	**0**
Total liabilities & equity	**214,340**	**326,880**	**362,643**	**431,111**	**510,902**
Net tangible fixed assets	2,870	9,650	18,645	29,308	35,352
Net intangible assets	7,540	9,120	6,345	4,613	3,376
Net ROU assets	6,900	19,180	43,279	80,562	110,253
Capital WIP	180	510	1,720	1,720	1,720
Goodwill	47,170	57,370	57,370	57,370	57,370
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	**154,470**	**223,190**	**219,363**	**241,134**	**287,096**
Current assets (ex-cash)	11,230	30,460	55,522	76,877	100,326
Current Liab. & Prov.	19,220	29,350	46,911	67,783	91,902
NWC (ex-cash)	**(7,990)**	**1,110**	**8,611**	**9,094**	**8,424**
Total assets	**214,340**	**326,880**	**363,073**	**431,541**	**511,332**
Net debt	(154,470)	(223,190)	(219,363)	(241,134)	(287,096)
Capital employed	214,340	326,880	362,643	431,111	510,902
Invested capital	**49,590**	**77,250**	**90,971**	**100,385**	**104,523**
BVPS (Rs)	23.5	33.4	32.5	35.2	39.4
Net Debt/Equity (x)	(0.8)	(0.7)	(0.7)	(0.7)	(0.8)
Net Debt/EBITDA (x)	(367.8)	(35.0)	(18.4)	(6.4)	(4.2)
Interest coverage (x)	4.1	4.6	1.9	3.3	3.6
RoCE (%)	**3.6**	**3.4**	**3.3**	**8.7**	**14.3**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	(5,560)	(3,800)	(7,467)	8,005	26,827
Others (non-cash items)	5,890	8,810	10,335	9,734	10,536
Taxes paid	(1,050)	(1,180)	(3,230)	(5,400)	(10,106)
Change in NWC	1,170	(10,930)	(12,891)	(484)	670
Operating cash flow	**6,430**	**3,070**	**6,136**	**41,357**	**69,994**
Capital expenditure	(2,150)	(9,360)	(16,358)	(19,372)	(18,296)
Acquisition of business	0	(20,050)	0	0	0
Interest & dividend income	6,180	8,190	9,739	13,597	13,597
Investing cash flow	**(3,460)**	**(79,930)**	**3,921**	**(5,775)**	**(4,700)**
Equity raised/(repaid)	230	85,010	0	0	0
Debt raised/(repaid)	(400)	0	0	0	0
Payment of lease liabilities	(1,960)	(4,050)	(8,314)	(13,810)	(19,333)
Interest paid	(20)	(40)	(80)	0	0
Dividend paid (incl tax)	-	-	-	-	-
Others	90	(500)	30	0	0
Financing cash flow	**(2,060)**	**80,420**	**(8,364)**	**(13,810)**	**(19,333)**
Net chg in Cash	910	3,560	1,693	21,772	45,962
OCF	6,430	3,070	6,136	41,357	69,994
Adj. OCF (w/o NWC chg.)	3,300	9,950	10,712	28,031	49,991
FCFF	2,320	(10,340)	(18,537)	8,175	32,365
FCFE	8,450	(2,220)	(9,051)	21,772	45,962
OCF/EBITDA (%)	1,064.3	(15.4)	(18.3)	73.4	73.5
FCFE/PAT (%)	240.7	(42.2)	(233.8)	134.4	151.6
FCFF/NOPLAT (%)	**(39.7)**	**606.3**	**808.7**	**74.5**	**113.5**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	650.4	453.5	655.6	156.6	83.7
EV/CE(x)	10.4	7.0	6.8	6.3	5.6
P/B (x)	11.2	7.9	8.1	7.5	6.7
EV/Sales (x)	17.6	10.5	3.9	2.2	1.5
EV/EBITDA (x)	5,067.3	334.1	178.5	56.7	30.9
EV/EBIT(x)	(439.7)	(941.7)	(555.4)	145.4	56.0
EV/IC (x)	42.9	27.6	23.4	21.2	20.4
FCFF yield (%)	0.1	(0.5)	(0.9)	0.4	1.5
FCFE yield (%)	0.3	(0.1)	(0.4)	0.9	1.8
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	2.9	2.6	0.7	1.7	2.1
Total asset turnover (x)	1.2	0.8	1.8	2.9	3.8
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**3.4**	**2.1**	**1.3**	**5.0**	**8.4**
DuPont-RoIC					
NOPLAT margin (%)	(4.8)	(0.8)	(0.4)	1.1	2.0
IC turnover (x)	4.9	3.2	6.6	10.2	14.0
RoIC (%)	**(23.5)**	**(2.7)**	**(2.7)**	**11.5**	**27.8**
Operating metrics					
Core NWC days	(24.1)	2.0	5.7	3.4	2.1
Total NWC days	**(24.1)**	**2.0**	**5.7**	**3.4**	**2.1**
Fixed asset turnover	3.6	2.6	5.6	8.5	10.7
Opex-to-revenue (%)	75.9	69.4	41.6	33.1	30.6

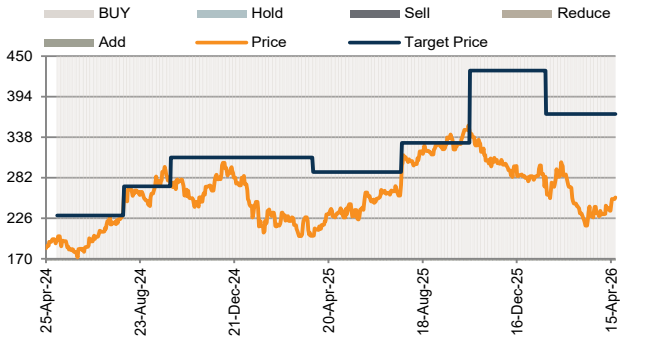
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
22-Jan-26	276	370	Buy	Pranav Kshatriya
17-Oct-25	343	430	Buy	Pranav Kshatriya
12-Sep-25	321	330	Buy	Pranav Kshatriya
22-Jul-25	300	330	Buy	Pranav Kshatriya
02-May-25	234	290	Buy	Dipeshkumar Mehta
31-Mar-25	202	290	Buy	Dipeshkumar Mehta
20-Jan-25	240	310	Buy	Dipeshkumar Mehta
01-Jan-25	277	310	Buy	Dipeshkumar Mehta
23-Oct-24	264	310	Buy	Dipeshkumar Mehta
01-Oct-24	274	310	Buy	Dipeshkumar Mehta
22-Aug-24	258	270	Buy	Dipeshkumar Mehta
02-Aug-24	262	270	Buy	Dipeshkumar Mehta
01-Jul-24	204	230	Buy	Dipeshkumar Mehta
25-Jun-24	202	230	Buy	Dipeshkumar Mehta
09-Jun-24	184	230	Buy	Dipeshkumar Mehta
03-Jun-24	175	230	Buy	Dipeshkumar Mehta
27-May-24	184	230	Buy	Dipeshkumar Mehta
14-May-24	187	230	Buy	Dipeshkumar Mehta
09-May-24	195	230	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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