zomato

SHAREHOLDERS' LETTER AND RESULTS

Q3FY23 | FEBRUARY 9, 2023

IN THIS REPORT, WE COVER

OUR VISION STATEMENTS

Better food for more people	Instant commerce indistinguishable from magic	Make India malnutrition free
ZOMATO & HYPERPURE	BLINKIT	FEEDING INDIA

Q3FY23 (Quarter ending December 31, 2022) Headline Results

- **Adjusted Revenue** grew 66% year-on-year to INR 23.63 billion (45% year-on-year growth ex-quick commerce, 30% year-on-year growth for food delivery).
  Acquisition of Blinkit (quick commerce) closed on August 10, 2022. Hence, this quarter was the first full quarter of consolidation of Blinkit financials.

- **Adjusted EBITDA** loss (ex-quick commerce) was INR 0.38 billion for the quarter compared to INR 2.72 billion in Q3FY22 a year ago. Even after consolidating quick commerce (a business that didn't exist last year), Adjusted EBITDA loss reduced to INR 2.65 billion as compared to INR 2.72 billion in Q3FY22 a year ago.

- **Adjusted EBITDA margin** (ex-quick commerce) improved to -2%in Q3FY23 as compared to -19% a year ago. Including quick commerce, Adjusted EBITDA margin improved to -11% in Q3FY23 as compared to -19% a year ago.

Milestone Alert

Zomato business pre acquisition of Blinkit (i.e. ex-quick commerce), **turned Adjusted EBITDA positive for the month of January 2023** despite a slowdown in the food delivery business.

Note: January financials are basis management information systems and unaudited.

Total (ex-quick commerce)

Adjusted Revenue	Adjusted EBITDA	Adjusted EBITDA margin
INR 20.62 billion	**INR -0.38 billion**	**-2%**
▲ 45%	▲ INR 2.34 billion	▲ 17% (percentage points)
YoY growth	YoY improvement	YoY improvement

Total

Adjusted Revenue	Adjusted EBITDA	Adjusted EBITDA margin
INR 23.63 billion	**INR -2.65 billion**	**-11%**
▲ 66%	▲ INR 0.07 billion	▲ 8% (percentage points)
YoY growth	YoY improvement	YoY improvement

Note: Adjusted EBITDA margin as % of Adjusted Revenue.

In the letter below (still in our much appreciated Q&A format), we will address the key questions that were asked of us in the recent past, in addition to the questions we think investors might have.

Q1. How was Zomato's performance in Q3FY23?

Akshant: The table below gives the quarterly break-up of Adjusted Revenue and Adjusted EBITDA into our four main business segments.

IMPORTANT NOTE On a quarter-on-quarter ("QoQ") basis, the numbers are not fully comparable due to consolidation of Blinkit for the full quarter in Q3FY23 as compared to consolidation for only part of the quarter (~50 days) in Q2FY23 (transaction closed on August 10, 2022).

Adjusted Revenue

INR billion, unless otherwise mentioned	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Food delivery	12.00	12.84	14.70	15.81	15.65
Hyperpure (B2B supplies)	1.57	1.94	2.73	3.34	4.21
Quick commerce[(1)]	-	-	-	1.42[(1)]	3.01
Others	0.66	0.61	0.67	0.49	0.75
Total Adjusted Revenue	**14.22**	**15.39**	**18.10**	**21.07**[(1)]	**23.63**
YoY % change	*78%*	*67%*	*56%*	*48%*	*66%*
Total Adjusted Revenue (ex-quick commerce)	**14.22**	**15.39**	**18.10**	**19.65**	**20.62**
YoY % change	*78%*	*67%*	*56%*	*38%*	*45%*

Adjusted EBITDA

INR billion, unless otherwise mentioned	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Food delivery	-2.21	-1.89	-1.13	0.02	0.23
Hyperpure (B2B supplies)	-0.41	-0.44	-0.44	-0.53	-0.53
Quick commerce[(1)]	-	-	-	-1.32[(1)]	-2.27
Others	-0.10	0.08	0.06	-0.09	-0.09
Total Adjusted EBITDA	**-2.72**	**-2.25**	**-1.50**	**-1.92**[(1)]	**-2.65**
as a % of Adjusted Revenue	*-19%*	*-15%*	*-8%*	*-9%*	*-11%*
Total Adjusted EBITDA (ex-quick commerce)	**-2.72**	**-2.25**	**-1.50**	**-0.60**	**-0.38**
as a % of Adjusted Revenue (ex-quick commerce)	*-19%*	*-15%*	*-8%*	*-3%*	*-2%*

1) On a QoQ basis, the numbers are not fully comparable due to consolidation of Blinkit for the full quarter in Q3FY23 as compared to consolidation for only part of the quarter (~50 days) in Q2FY23 (transaction closed on August 10, 2022).
2) In the past, Adjusted EBITDA did not include the rental expenses on certain leases that are required to be capitalised as per Indian Accounting Standard 116 (Ind AS 116). From Q2FY23 onwards, we have included the actual rent paid for the period under such leases in the Adjusted EBITDA computation to reflect our cash loss / profit more appropriately. We have not reflected this change in the earlier quarters to avoid confusion. Refer to Annexure B for details regarding actual rent paid during the quarter.
3) We have converted millions into two decimal billions and hence there could be some totalling anomalies in the numbers displayed above.

Q2. Adjusted Revenue for food delivery grew 30% YoY but saw a degrowth sequentially over the previous quarter. Can you share more color?

Akshant: We have seen an industry-wide slowdown in the food delivery business since late October (post the festival of Diwali). This trend has been seen across the country but more so in the top 8 cities.

As a result, GOV growth in food delivery in Q3FY23 was only 0.7% QoQ in an otherwise seasonally strong quarter. Orders declined QoQ while AOV grew. On a YoY basis, GOV grew 21% driven by order volume growth of 14% along with 6% growth in AOV.

Adjusted Revenue declined by 1.0% QoQ largely driven by a decline in order volumes. On a YoY basis, Adjusted Revenue grew 30%.

Profitability continued to improve with Contribution increasing to INR 3.39 billion in Q3FY23, up 14% QoQ and 446% YoY. Consequently, food delivery Adjusted EBITDA increased to INR 0.23 billion in Q3FY23 (0.3% of GOV) from INR 0.02 billion in Q2FY23 and INR -2.21 billion, a year ago.

Below is a snapshot of the key metrics of the food delivery business –

Food delivery - Financial metrics

INR billion, unless otherwise mentioned	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
GOV	54.99	58.53	64.25	66.31	66.80
Adjusted Revenue	12.00	12.84	14.70	15.81	15.65
Contribution	0.62	0.98	1.79	2.97	3.39
Contribution as a % of GOV	1.1%	1.7%	2.8%	4.5%	5.1%
Adjusted EBITDA	-2.21	-1.89	-1.13	0.02	0.23
Adjusted EBITDA as a % of GOV	-4.0%	-3.2%	-1.8%	0.0%	0.3%

Food delivery - Operating metrics

'000, unless otherwise mentioned	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Average monthly transacting customers (million)	15.3	15.7	16.7	17.5	17.4
Average monthly active food delivery restaurant partners	191	205	208	207	209
Average monthly active delivery partners	296	316	319	341	330

Q3. Have you seen any recovery as far as growth in food delivery is concerned in the current quarter so far?

Akshant: It remains a challenging demand environment, but we are seeing green shoots of demand coming back in the recent weeks, which makes us believe that the worst may be behind us.

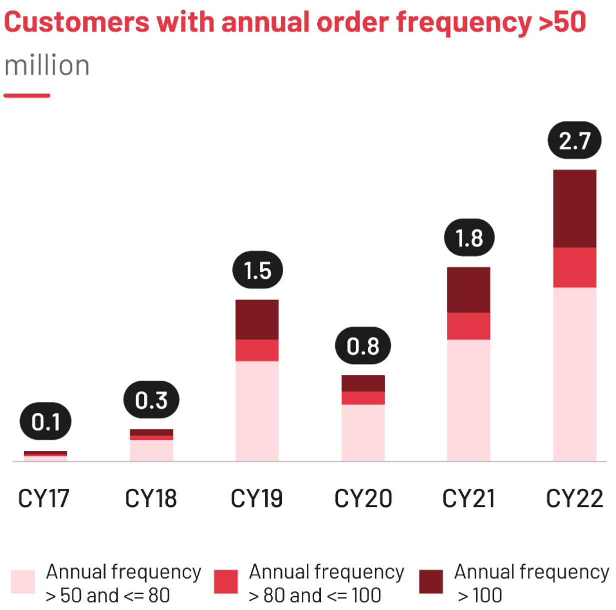
Q4. Do you think these are signs of slowing long term growth in the food delivery business?

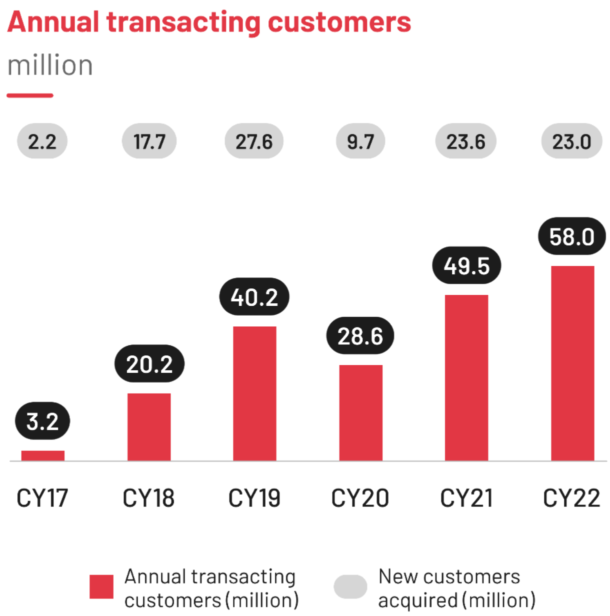
Deepinder: We believe that the long term opportunity remains large and exciting. We think that the current slowdown is a result of a few temporary factors – a) macro slowdown for the mid-market segment, b) boom in dining out for the premium-end, and c) boom in travel at the premium-end.

If we zoom out and look at the big picture, we note the following -

1. **The number of power customers are steadily increasing on our platform.**
   In CY22, customers who ordered >50 times a year grew by ~50% YoY to 2.7 million as compared to 1.8 million in CY21. The number of customers ordering more than 100 times a year (~2 orders every week) increased by ~70% YoY.

2. **The pace of new customer addition remains healthy.**
   We added 23.0 million new customers in CY22 as compared to 23.6 million in CY21. These are customers who placed at least 1 order on Zomato in the year. Even in the last quarter of CY22, while the overall demand was soft, the pace of new customer addition was strong.





Customers with annual order frequency >50 as a % of annual transacting customers have increased from 1.4% in CY18 to 4.7% in CY22.

Q5. What steps/ initiatives are you taking to revive growth?

Deepinder: We continue to stay focused on our long-term growth vectors without worrying too much about near-term growth pressures. The team is executing relentlessly and we are shipping things faster than ever. Few initiatives that we are prioritizing for growth –

1. We launched a brand-new membership program, Zomato Gold in late January. This program is built on top of what we have learnt over the last few years – iterating on feedback we have received from customers, restaurant partners, as well as investors. We think that the new program is more sustainable for customers, restaurant partners, as well as our P&L. We expect this program to drive loyalty and higher frequency of ordering going forward.

   The key highlight of Zomato Gold is 'On Time Guarantee'. This feature was three years in the making, and the tech which powers this feature is a significant achievement for our team. Gold members also get priority access to more restaurants during peak times and offers from a number of restaurants on both delivery and dining-out. We have also made our intercity delivery from legendary restaurants (called Intercity Legends) exclusively available to Gold members. And of course, free delivery on orders meeting certain criteria.

   In less than a month, the Zomato Gold program has scaled to 900k+ members.

2. We are working on remodeling the Zomato Instant service to focus on offering our customers home-style cooked meals at affordable prices (will be called Zomato Everyday). We believe that this is a large opportunity in a market like India and is relatively untapped currently. We plan to launch this soon in the next few weeks.

3. On top of all of this, we see generous gaps in the UX of our app (including better curation), and the speed of our engineering systems. We believe that fixing some of this "hygiene" will have compounding benefits on the growth (and profitability) of our business.

Q6. What drove the improvement in food delivery Contribution? Any pressure expected on profitability as a result of the launch of Zomato Gold?

Akshant: The improvement in Contribution in Q3FY23 was largely driven by growth in AOV plus efficiencies on the cost side which more than compensated for marginally lower customer delivery charges.

The short term negative impact of Zomato Gold (due to free delivery benefit) will be offset by improvements in other revenue and fixed & variable cost drivers. In the long term, we believe we will be able to make the Zomato Gold program itself profitable.

Q7. Is this program likely to push out your earlier estimate of reaching Adjusted EBITDA break-even (ex-quick commerce) by Q2FY24?

Akshant: No, we still feel confident about reaching Adjusted EBITDA break-even (ex-quick commerce) by Q2FY24 as per our earlier estimate. As far as investments by way of Zomato Gold are concerned, they were already baked into our projections, as the launch of Zomato Gold has been in the works for several months now. The current slowdown in demand was unexpected which is impacting the growth in food delivery profits but despite that, we think we are in a good position to meet our profitability goal.

In fact, our business is already break-even ex-quick commerce last month (January 2023) and there is a good chance of getting to Adjusted EBITDA break-even (ex- quick commerce) in the current quarter if we are able to bank some execution related wins in the next few weeks (which should offset the negative impact of Zomato Gold on our margins).

We have not changed our goal post of getting to Adjusted EBITDA margin of 4-5% of GOV in the food delivery business in the medium term.

Q8. How are you able to drive consistent improvement in profitability in the food delivery business?

Deepinder: Having a profitability mindset is the key. As a company we have been constantly re-evaluating and optimizing investments across the board, including taking a hard look at resource allocation across functions, shutting down non-performing markets, reassessing our headcount, among others. Taking some of these actions early in 2022 has helped us deliver on our own expectations of profit growth. In the last year or so, investors have been far more focused on profitability and we are doing our best to deliver on those expectations.

Akshant: Recently, in the month of January, we have exited ~225 smaller cities which contributed 0.3% of our GOV in Q3FY23. Performance of these cities was not very encouraging in the past few quarters and we did not feel the payback period on our investments in these cities was acceptable.

Q9. Now onto Hyperpure, can you give us an update on the business?

Akshant: Hyperpure revenue grew 26% QoQ (169% YoY) to INR 4.21 billion in Q3FY23. Adjusted EBITDA margin improved to -13% in Q3FY23 as compared to -16% in Q2FY23. Below is a snapshot of the key financial metrics of Hyperpure –

Hyperpure (B2B supplies)

INR billion, unless otherwise mentioned	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue	1.57	1.94	2.73	3.34	4.21
YoY % change	*174%*	*160%*	*263%*	*199%*	*169%*
Adjusted EBITDA	-0.41	-0.44	-0.44	-0.53	-0.53
as a % of Adjusted Revenue	*-26%*	*-23%*	*-16%*	*-16%*	*-13%*

Hyperpure has also begun tapping into the quick commerce opportunity. Part of the revenue growth in Q3FY23 was on account of goods supplied to the sellers on Blinkit's marketplace. Hyperpure is well placed to monetise this opportunity given its strengths around sourcing and supply chain.

Q10. When can we expect Adjusted EBITDA break-even in Hyperpure?

Deepinder: At this time, we are choosing growth over profitability in this business. Why? Because Hyperpure is a multi-city business with each city at a different stage on the profitability curve. Our oldest city Bangalore (4+ years old) is already close to being profitable and hence the newer cities are the largest contributor to losses in this business.

Our continued investments in Hyperpure are based on the following five principles/insights –
- Hyperpure caters to a large uncontested market; there's a huge opportunity to build the Sysco of India
- We are uniquely positioned (given our restaurant relationships) to tap into this market
- The moats (infrastructure, operational efficiency, scale benefits, etc.) in this business are very strong, and take years to build
- There is evidence of path to long term profitability, given our oldest city is already near profitable
- Over time, it will drive higher consumption of restaurant food as we positively impact the quality of produce used at restaurants

Q11. Any update you want to share on the dining-out business?

Deepinder: The business is starting to take off, but still doesn't contribute meaningfully to the overall size of the business. That should happen over time. We will share more when we have more to share.

Akshant: In Q3FY23, apart from our dining-out business, the 'Others' segment also included the food delivery services that we offer to Talabat in UAE and our offline events such as Zomaland.

We expect the Adjusted Revenue of INR 0.75 billion in Q3FY23 from our 'Others' segment to decline in Q4FY23 since the services offered to Talabat in UAE have been discontinued in Nov-22 and the revenue from some of our offline events is seasonal and not recurring every quarter (which together contributed ~INR 0.4 billion in Q3FY23).

Q12. Before we move to Blinkit, I wanted to talk about the senior exits in the last few months. What's going on?

Deepinder: Company building is not just about the journey of the business. It is also so much about its people's personal journeys. Both these journeys take their own twists and turns. And sometimes, for some people, the distance between their form (their mindset and skillset) and the company's context becomes such that it is necessary to take a break from each other.

I attempt to stay true to a culture where I expect every individual, including me, to continuously learn and grow, improve upon their form, and adapt to the changing context.

Also, without hope, but not hopelessly, I think that most of our people who have exited, haven't really left. People leave their roles at Zomato, but Zomato never leaves them. We have so many people in the senior leadership who are on their second (and third) stint at Zomato. They did that once the company's context changed, or when they changed their form. Sometimes, both. All of this works for us wonderfully. The entropy our people create in the organisation by leaving and then coming back is fantastic to say the least, and propels the organisation forward.

Q13. Is there a plan to hire externally to fill these roles, especially CTO and head of food delivery?

Deepinder: We are always on the lookout for great talent to join our team. We don't hire people for the role, but for the organisation. Our current people do not have the ego to want to continue in their roles if they find someone better than themselves for their roles. Holds true for me as well.

Having said that, we don't have the need to fill these two spots; being in 'continuous lookout for great talent' is an attack tactic, not a defense tactic.

Q14. Moving onto Blinkit, how did the business perform in Q3FY23?

Albinder: GOV grew by 18% QoQ driven by a 21% growth in order volumes which compensated for reduction in AOV. Growth in revenue per order led to a higher revenue growth of 28% QoQ. All of this growth has come without any expansion in our dark store footprint as evident from the increase in the GOV per dark store.

Profitability continued to improve with contribution margin (as a % of GOV) improving from -7.3% in Q2FY23 to -4.5% in Q3FY23.

Adjusted EBITDA loss decreased from INR 2.59 billion in Q2FY23 to INR 2.27 billion while achieving the above GOV growth, resulting in an improvement in Adjusted EBITDA margin from -17.5% in Q2FY23 to -13.0% in Q3FY23.

Below are the key financial and operating metrics for Blinkit for Q3FY23:

Quick commerce

Key operating metrics	Units	Q1FY23	Q2FY23	Q3FY23
Orders	million	22.2	26.1	31.6
Average order value (AOV)	INR	528	568	553
Average monthly transacting customers	million	2.2	2.6	3.1
Average GOV per day, per dark store	INR '000	309	422	524

Key financial metrics	Units	Q1FY23	Q2FY23	Q3FY23
GOV	INR billion	11.72	14.82	17.49
Revenue	INR billion	1.64	2.36	3.01
Contribution	INR billion	-2.03	-1.08	-0.79
Adjusted EBITDA	INR billion	-3.26	-2.59	-2.27
Contribution margin (as a % of GOV)	%	-17.3%	-7.3%	-4.5%
Adjusted EBITDA (as a % of GOV)	%	-27.8%	-17.5%	-13.0%

Refer to Annexure D for definitions relating to the Blinkit business.

Q15. Seems like there is no slowdown in the Blinkit business, is that true?

Albinder: We are an early stage business, so any macro slowdown doesn't have a visible large-scale impact on our growth metrics. Blinkit is also less impacted vis-à-vis the food delivery business as our typical purchase basket tends to be more skewed towards essential / non-discretionary spends.

The slight downward pressure on AOVs might be a result of the slowdown where customers are preferring to buy smaller packs instead of larger ones.

Overall however, the last quarter was the highest ever in terms of new and returning customers.

Q16. What has led to the contribution margin improving in Q3FY22 despite a drop in AOV?

Albinder: Revenue per order increased despite reduction in AOV due to growth in commission rates and better ad monetization, while cost per order reduced due to operating leverage. More than 20% of our GOV is now from stores that are Contribution positive (in the month of Dec 2022).

From an economic viability perspective, AOV is important and we think that we can build a profitable business even at 20% lower AOVs. Our job here is to cater to customer needs and shape behaviour where needed to make this a profitable business.

Q17. Can advertising income become a meaningful source of revenue for Blinkit? Can you talk more about the opportunity here?

Albinder: Blinkit has become a preferred platform for advertising and engagement for over 500 brands. These brands, large and emerging, use us to build brand awareness and to also push their sales on the platform with performance advertising. Compared to other avenues available to brands, Blinkit has a few unique offerings –

1. Ours is a hyperlocal business where brands get visibility on consumption trends at a neighbourhood level – for example, the kind of products customers are searching for and ordering in a neighbourhood, by time of the day and day of the week. This gives brands the ability to micro-target relevant audiences based on their brand positioning.

2. Delivery in minutes means that customers are buying the products only minutes before consuming them. As we are so close to the point of consumption, brands have been using Blinkit effectively for new launches as they are able to create buzz around the product with a faster product feedback loop. Brands can also create custom cohorts and reach households to see their new product launches take off. More than 50 brands are currently using Blinkit's sampling services.

Overall, we believe that quick commerce will help brands do more targeted marketing and get better ROI on their investments. We expect advertisement revenue to be a significant driver for increase in revenue per order going forward. In line with that vision, we launched our new self-serve advertising platform for brands - Blinkit Brand Central, in December 2022. The self-serve platform allows brands to bid on their search keywords of interest, as well as create customised brand stores on the platform.

Q18. With more dark stores turning profitable, are you planning to expand the network of dark stores?

Albinder: Yes, we have identified several new high potential neighbourhoods in existing as well as new cities. We should start seeing the net dark store number increase going forward.

Q19. How should one think about the pace of store expansion going forward?

Akshant: We are seeking opportunities for store openings in high potential areas based on the data our systems generate, the management bandwidth and time to supply creation.

Unlike the food delivery business, the growth in quick commerce business is dependent on various factors such as availability of product from the brand, seller ability, and supply chain capacity. Only when we feel confident that we can provide a great experience for our customers in a high potential location, do we start the process of opening new stores.

Currently, we believe that we can comfortably grow our dark store count by ~30-40% over the next 12 months. This will also depend on our ability to find the best and most cost effective locations for these stores.

Q20. One general question, when people buy from Blinkit, where are they not buying anymore from?

Albinder: Given Blinkit's differentiated value proposition of quick delivery, we believe that we are gaining share vis-a-vis next day (or next week) e-commerce businesses (Amazon, Flipkart, etc.). This is especially true in case of 'low-involvement' products (for example groceries, FMCG products, electronic accessories, etc.) where customers are not necessarily looking to spend a lot of time comparing a wide range of products or features. For low-involvement purchases, customers value the convenience and reliability that quick commerce offers and that is driving change in customer behaviour in our favour.

We are also becoming a platform of choice for many emerging brands which are using Blinkit to launch themselves nationally. Some of these brands are more discoverable on Blinkit than any other platform which in turn drives customer purchase on Blinkit.

Q21. What is the cash balance at the end of the December quarter?

Akshant: The available cash on a consolidated basis is INR 113 billion as at the end of December 31, 2022 as compared to INR 115 billion as at the end of September 30, 2022.

Q22. Any updates on the ESG front?

Deepinder: The highlight of last quarter was the impact we were able to create through the Feeding India concert held in Mumbai where American rapper Post Malone was the headline performer. The concert was attended by ~25,000 people including several eminent personalities, who became familiar with Feeding India's work and the cause of hunger and malnutrition. Creating awareness around the severity of India's hunger and malnutrition problem is an important first step in garnering wide public support towards this cause, and it will help us accelerate our efforts on the ground.

On the environment front - we remain committed to our goal of achieving carbon neutrality as a company. To this effect, we have been offsetting our carbon emissions via purchase of carbon credits. Also, with 88% of emissions attributable to our logistics function, we are working hard to expand our partnerships with EV rental and logistics players. In Q3FY23, we signed up 24 more partners bringing the total partnerships in this space to 31, thereby creating more options for our delivery partners to experience the benefits of switching to EVs.

We are also on track to achieve our voluntary target of recycling 20,000 MT of plastic waste in FY23 under our 100% Plastic-neutral deliveries initiative.

Akshant: Delivery partners' on-road safety has been a key focus area for us. We conducted a detailed study with ThinkSafety (SaveLive foundation) to identify leading causes of accidents and fatalities on the job, which statistically showed us that most accidents happen in low light conditions where delivery partner visibility is an issue. To mitigate this problem, we have modified our wearable assets (bags, t-shirts, jackets) to incorporate reflector strips to aid their visibility at night. Last quarter we distributed over 100,000 such wearable assets to our delivery partners and all new assets being issued incorporate these enhancements.

In an industry first innovation, in 2022, we also put in place an emergency response ambulance service in all metros, wherein ambulances are stationed at strategic locations such that they can reach the delivery partner in about 20 minutes, when required. This service has already helped over 200 delivery partners who needed timely critical support. We are in the process of expanding this to more locations.

We are also identifying stretches of roads and crossroads with infrastructural deficiencies and actively working with civil authorities to aid them in building safer roads.

We have set ourselves a goal of 'zero' on-road delivery partner fatalities and are pursuing the above initiatives and more to make this a reality.

Q23. Overall, 2022 was a rough year for the tech industry in general. How are you feeling, Deepinder?

Deepinder: Let me take you back to the origin story of Zomato. The idea for a scanned restaurant menu website came to me while working at Bain & Co, where I noticed that many of my colleagues would queue up at the pantry to look for menus to order food in the afternoons and late evenings.

Ordering food while at work was a highly arduous process and we had very little choice and kept ordering from the same restaurants. One weekend, I went around town, picked up all the takeaway menus I could find, and put them up on a website, mostly in the spirit of service to my colleagues and others around me at the time. I did not intend for this to become the business that it is right now. I only did this because I thought I could see a way for myself to be helpful to people and make their lives easier.

Zomato is an accidental company. The purpose of Zomato was to serve the community, and over time it also became a business. Millions of our customers have come to depend and rely on us for restaurant reviews, on-demand delivery of food, and groceries. We are proud to have improved the quality of their life. Being able to serve our customers, through thick and thin, inspires us to do better than yesterday, every single day.

Also, in a highly fragmented restaurant and retail market like India, we are able to help scores of small, local restaurants and brands grow their business and compete more effectively with larger brands. We are a company that believes in "staying small" no matter how big we become, and we will continue to champion small businesses who live for the same spirit of service that we do.

We are also especially proud of the hundreds of thousands of independent earning opportunities we create, as a direct result of us being in business. Being able to serve our delivery partners, and help them raise their children well, reassures us that our country can look forward to an even brighter future.

And we are doing this with all our heart. Even during the rough year for tech, we continue to invest in our environment by making sure that we voluntarily offset all of our carbon footprint, recycle more than all the plastic that gets used because of us, and also use our network and distribution to collaborate with public services to make an incremental dent in solving the malnutrition problem in India.

To be able to do all of this at scale, is humbling and inspiring at the same time. Rough years for the tech industry are only a blip when you are making such widespread impact. Sooner or later, the world will catch up.

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THE END

Annexure A - Quarterly disclosures

Adjusted Revenue

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Others(2)	0.66	0.61	0.67	0.49	0.75
Total Adjusted Revenue	**14.22**	**15.39**	**18.10**	**21.07**(1)	**23.63**
YoY % change	*78%*	*67%*	*56%*	*48%*	*66%*
Total Adjusted Revenue (ex-quick commerce)	**14.22**	**15.39**	**18.10**	**19.65**	**20.62**
YoY % change	*78%*	*67%*	*56%*	*38%*	*45%*

Adjusted EBITDA

INR billion, unless otherwise mentioned	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Food delivery	-2.21	-1.89	-1.13	0.02	0.23
Hyperpure (B2B supplies)	-0.41	-0.44	-0.44	-0.53	-0.53
Quick commerce(1)	-	-	-	-1.32(1)	-2.27
Others(2)	-0.10	0.08	0.06	-0.09	-0.09
Total Adjusted EBITDA	**-2.72**	**-2.25**	**-1.50**	**-1.92**(1)	**-2.65**
as a % of Adjusted Revenue	*-19%*	*-15%*	*-8%*	*-9%*	*-11%*
Total Adjusted EBITDA (ex-quick commerce)	**-2.72**	**-2.25**	**-1.50**	**-0.60**	**-0.38**
as a % of Adjusted Revenue (ex-quick commerce)	*-19%*	*-15%*	*-8%*	*-3%*	*-2%*

Notes:

1) On a QoQ basis, the numbers are not fully comparable due to consolidation of Blinkit for the full quarter in Q3FY23 as compared to consolidation for only part of the quarter (~50 days) in Q2FY23 (transaction closed on August 10, 2022).
2) 'Others' includes dining-out and membership revenue in India as well as UAE. It also includes revenue from food delivery services that we offer to Talabat in UAE which is a pass-through revenue (EBITDA neutral) and has been discontinued in Nov-22 and revenue from Zomato Live that includes events like Zomaland, etc. Few businesses and our international operations in countries other than India and UAE have also been discontinued in FY22 and have no contribution from Q4FY22 onwards.
3) In the past, Adjusted EBITDA did not include the rental expenses on certain leases that are required to be capitalised as per Indian Accounting Standard 116 (Ind AS 116). From Q2FY23 onwards, we have included the actual rent paid for the period under such leases in the Adjusted EBITDA computation to reflect our cash loss / profit more appropriately. We have not reflected this change in the earlier quarters to avoid confusion. Refer to Annexure B for details regarding actual rent paid during the quarter.
4) We have converted millions into two decimal billions and hence there could be some totalling anomalies in the numbers displayed above.

Food delivery

INR billion, unless otherwise mentioned	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
GOV	54.99	58.53	64.25	66.31	66.80
Adjusted Revenue	12.00	12.84	14.70	15.81	15.65
Contribution	0.62	0.98	1.79	2.97	3.39
Contribution as a % of GOV	1.1%	1.7%	2.8%	4.5%	5.1%
Adjusted EBITDA	-2.21	-1.89	-1.13	0.02	0.23
Adjusted EBITDA as a % of GOV	-4.0%	-3.2%	-1.8%	0.0%	0.3%
Average monthly transacting customers (million)	15.3	15.7	16.7	17.5	17.4
Average monthly active food delivery restaurant partners ('000)	191	205	208	207	209
Average monthly active delivery partners ('000)	296	316	319	341	330

Hyperpure (B2B supplies)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Unique restaurants billed ('000)	27	34	37	40	44

Quick commerce	Units	Q1FY23	Q2FY23	Q3FY23
Orders	million	22.2	26.1	31.6
Average order value (AOV)	INR	528	568	553
Average monthly transacting customers	million	2.2	2.6	3.1
Average GOV per day, per dark store	INR '000	309	422	524
GOV	INR billion	11.72	14.82	17.49
Revenue	INR billion	1.64	2.36	3.01
Contribution	INR billion	-2.03	-1.08	-0.79
Adjusted EBITDA	INR billion	-3.26	-2.59	-2.27
Contribution margin (as a % of GOV)	%	-17.3%	-7.3%	-4.5%
Adjusted EBITDA (as a % of GOV)	%	-27.8%	-17.5%	-13.0%

Note:
1) Q1FY23 and Q2FY23 numbers shown above for Blinkit are unaudited, MIS based numbers as received from Blinkit. However, consolidation of Blinkit numbers in books of Zomato Limited is only from August 10, 2022 onwards.
2) Refer to Annexure D for definitions relating to the Blinkit business.

Annexure B - Adjusted Revenue and Adjusted EBITDA reconciliation

The following table reconciles audited revenue from operations and stated loss for the period (as per IND AS) with Adjusted Revenue and Adjusted EBITDA.

Adjusted Revenue

INR billion, unless otherwise mentioned	Q2FY23	Q3FY23
Revenue from operations	16.61	19.48
Add: Customer delivery charges	4.46	4.15
Adjusted Revenue	**21.07**	**23.63**

Adjusted EBITDA

INR billion, unless otherwise mentioned	Q2FY23	Q3FY23
Loss for the period	-2.51	-3.47
Less: Other income	1.70	1.73
Add: Depreciation & amortization expense	1.07	1.55
Add: Exceptional items	0.00	0.00
Add: ESOP expense	1.36	1.29
Less: Actual rent paid	0.17	0.28
Add: Tax expense	-0.10	-0.17
Add: Finance cost	0.12	0.16
Adjusted EBITDA	**-1.92**	**-2.65**

Annexure C - Glossary for terms used in reference to the Zomato business

Term	Description
Adjusted Revenue	Defined as revenue from operations as per financials plus customer delivery charges
Contribution (for Food delivery business)	Defined as commission and other charges + customer delivery charges - delivery cost - discounts - other direct costs (costs associated with marketing, branding, and other fixed operating costs are excluded)
Adjusted EBITDA	Defined as EBITDA (+) share-based payment expense (-) rental paid for the period pertaining to 'Ind AS 116 leases'
Food delivery business	Refers to India food ordering and delivery business
Gross order value (GOV)	Total monetary value of Orders including taxes, customer delivery charges, gross of all discounts, excluding tips
Monthly active delivery partners	Unique delivery partners identified by their national identity proof who successfully delivered at least one Order in India in that month
Monthly active food delivery restaurant partners	Unique restaurant partners that received at least one Order in India in that month
Monthly transacting customers	Number of unique transacting customers identified by customers' mobile number that have placed at least one Order in India in that month
Orders	All food delivery orders placed online on our platform in India, including canceled orders

Annexure D - Glossary for terms used in reference to the Blinkit business

Term	Description
Orders	Defined as all orders placed on the Blinkit marketplace platform in India, including canceled orders
Gross order value (GOV)	Defined as the total monetary value of Orders including maximum retail price (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) and customer delivery charges but excluding tips
Monthly transacting customers	Defined as the number of unique transacting customers identified by the customers' mobile number that have placed at least one Order in that month
Revenue	Defined as Blinkit marketplace commission income (+) customer delivery charges (+) ad revenue (+) warehousing and ancillary services income
Contribution	Defined as Revenue (-) dark store operations cost (including rental costs prior to any accounting adjustment for Ind AS 116) (-) last-mile delivery costs (-) replenishment costs (including rental costs prior to any accounting adjustment for Ind AS 116) (-) customer acquisition incentives (-) other variable costs (wastage, customer refunds, packaging charges, payment gateway charges and support cost)
Adjusted EBITDA	Defined as EBITDA (+) share-based payment expense (-) rental paid for the period pertaining to 'Ind AS 116 leases'
Average GOV per day, per dark store	Calculated as a simple average of total GOV transacted per day divided by total number of dark stores operational for the day, for that period

Annexure E - Statement of unaudited consolidated profit and loss account

INR million

S. No.	Particulars	Quarter ended			Nine months ended		Year ended
		December 31, 2022	September 30, 2022	December 31, 2021	December 31, 2022	December 31, 2021	March 31, 2022
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
I	Revenue from operations	19,482	16,613	11,120	50,234	29,806	41,924
II	Other income	1,734	1,695	1,477	5,110	3,567	4,949
III	**Total income (I+II)**	**21,216**	**18,308**	**12,597**	**55,344**	**33,373**	**46,873**
IV	**Expenses**						
	Purchase of stock-in-trade	3,927	3,470	1,666	10,007	3,585	5,524
	Changes in inventories of stock-in-trade	(27)	(347)	(130)	(446)	(201)	(278)
	Employee benefits expense	3,950	3,813	4,115	11,252	12,263	16,331
	Finance costs	161	119	31	329	95	120
	Depreciation and amortisation expenses	1,548	1,067	387	3,031	1,126	1,503
	Other expenses						
	Advertisement and sales promotion	3,479	2,997	2,582	9,252	9,477	12,168
	Delivery and related charges	6,549	5,903	5,497	18,176	12,690	18,141
	Others	5,266	3,891	2,278	11,842	6,003	8,546
	Total expenses	**24,853**	**20,913**	**16,426**	**63,443**	**45,038**	**62,055**
V	**Loss before share of profit / (loss) of an associate, exceptional items and tax (III-IV)**	**(3,637)**	**(2,605)**	**(3,829)**	**(8,099)**	**(11,665)**	**(15,182)**
VI	Share of profit / (loss) of an associate and joint venture	-	(0)	(1)	(3)	1	3
VII	**Loss before exceptional items and tax (V+VI)**	**(3,637)**	**(2,605)**	**(3,830)**	**(8,102)**	**(11,664)**	**(15,179)**
VIII	Exceptional items	-	-	3,158	-	3,053	2,974
IX	**Loss before tax (VII+VIII)**	**(3,637)**	**(2,605)**	**(672)**	**(8,102)**	**(8,611)**	**(12,205)**
X	**Tax expense:**						
	Current tax	2	1	-	3	17	20
	Deferred tax	(173)	(98)	-	(271)	-	-
XI	**Loss for the period/year (IX-X)**	**(3,466)**	**(2,508)**	**(672)**	**(7,834)**	**(8,628)**	**(12,225)**
XII	**Other comprehensive income/ (loss)**						
	(i) Items that will not be reclassified to profit or loss						
	- Re-measurement gain/ (loss) on defined benefit plans	7	23	(6)	16	(98)	(96)
	- Changes in fair value of equity and preference instruments carried at FVTOCI	-	(591)	-	(1,397)	-	96
	- Income tax relating to above	-	-	-	-	-	-
	(ii) Items that will be reclassified to profit or loss						
	- Exchange differences on translation of foreign operations	28	60	(22)	143	(3)	22
	- Income tax relating to above	-	-	-	-	-	-
	Other comprehensive income/ (loss) for the period/ year	**35**	**(508)**	**(28)**	**(1,238)**	**(101)**	**22**
XIII	**Total comprehensive loss for the period/ year (XI+XII)**	**(3,431)**	**(3,016)**	**(700)**	**(9,072)**	**(8,729)**	**(12,203)**
XIV	**Loss for the period/ year attributable to:**						
	Equity holders of the parent	(3,466)	(2,508)	(632)	(7,831)	(8,490)	(12,087)
	Non-controlling interests	-	-	(40)	(3)	(138)	(138)
XV	**Other comprehensive income/ (loss) for the period/ year attributable to:**						
	Equity holders of the parent	39	(512)	(27)	(1,237)	(103)	20
	Non-controlling interests	(4)	4	(1)	(1)	2	2
XVI	**Total comprehensive income/ (loss) for the period/ year attributable to:**						
	Equity holders of the parent	(3,427)	(3,020)	(659)	(9,068)	(8,593)	(12,067)
	Non-controlling interests	(4)	4	(41)	(4)	(136)	(136)
XVII	**Paid-up share capital (face value of INR 1 per share)**	8,358	8,337	7,638	8,358	7,638	7,643
XVIII	**Other equity**						1,57,412
XIX	**Loss per equity share (INR)[1] (face value of INR 1 each)**						
	(a) Basic	(0.42)	(0.31)	(0.08)	(0.98)	(1.20)	(1.67)
	(b) Diluted	(0.42)	(0.31)	(0.08)	(0.98)	(1.20)	(1.67)

Note:
(1) EPS is not annualised for the quarter and nine months ended December 31, 2022, quarter ended September 30, 2022 and quarter and nine months ended December 31, 2021.

Annexure F - Statement of unaudited consolidated balance sheet

INR million

Particulars	As at December 31, 2022	As at March 31, 2022
	Unaudited	Audited
Assets		
Non-current assets		
Property, plant and equipment	2,134	509
Right-of-use assets	4,167	642
Capital work-in-progress	146	6
Goodwill	47,166	12,093
Other intangible assets	10,629	799
Financial assets		
- Investments	31,650	30,860
- Other financial assets	38,410	52,191
Tax assets (net)	1,182	670
Other non-current assets	1,169	50
Total non-current assets	**1,36,653**	**97,820**
Current assets		
Inventories	843	397
Financial assets		
- Investments	14,116	16,317
- Trade receivables	4,146	1,599
- Cash and cash equivalents	5,803	3,923
- Other bank balances	3,927	11,832
- Loans	4	3,750
- Other financial assets	49,612	36,674
Other current assets	4,211	958
Total current assets	**82,662**	**75,450**
Total assets	**2,19,315**	**1,73,270**
Equity and liabilities		
Equity		
Equity share capital	8,358	7,643
Other equity	1,87,032	1,57,412
Equity attributable to equity holders of the parent	**1,95,390**	**1,65,055**
Non-controlling interests	(70)	(66)
Total equity	**1,95,320**	**1,64,989**
Liabilities		
Non-current liabilities		
Financial liabilities		
- Borrowings	144	-
- Lease liabilities	3,458	510
- Other financial liabilities	48	-
Provisions	954	653
Deferred tax liabilities	2,664	-
Other non-current liabilities	-	3
Total non-current liabilities	**7,268**	**1,166**
Current liabilities		
Financial liabilities		
- Borrowings	346	-
- Lease liabilities	1,016	193
- Trade payables		
a. total outstanding dues of micro enterprises and small enterprises	80	67
b. total outstanding dues of creditors other than micro enterprises and small enterprises	8,391	4,221
- Other financial liabilities	4,001	287
Provisions	257	185
Other current liabilities	2,636	2,162
Total current liabilities	**16,727**	**7,115**
Total liabilities	**23,995**	**8,281**
Total equity and liabilities	**2,19,315**	**1,73,270**

Annexure G - Statement of unaudited consolidated cash flow

INR million

Particulars	Nine months ended	
	December 31, 2022	December 31, 2021
	Unaudited	Unaudited
A) Cash flows from operating activities		
Loss before tax	**(8,102)**	**(8,611)**
Adjustments to reconcile loss before tax to net cash flows:		
- Liabilities written back	(169)	(58)
- Depreciation on property, plant and equipment and amortization of right-of-use assets	1,203	311
- Amortization on intangible assets	1,828	815
- Provision for doubtful debts and advances	156	172
- Loss on account of movements in foreign exchange rate and consumer price index in one of the Company's subsidiary operating in a hyperinflationary economy	-	159
- Gain on termination of lease contracts	(34)	(5)
- Share-based payment expense	4,224	6,529
- (Profit)/ loss on sale of property, plant and equipment (net)	(1)	(1)
- Net gain on mutual funds	(528)	(424)
- Share in (profit) / loss of associate	3	(1)
- Amortisation of premium on Government securities	140	0
- Provision for obsolete stock	-	31
- Interest expense	33	7
- Rent waiver on lease liabilities	-	(31)
- Gain on disposal of investment	-	(3,212)
- Interest on lease liabilities	270	77
- Interest income	(4,119)	(2,827)
- Interest income on Income tax refund	(24)	(15)
Operating loss before changes in working capital	**(5,120)**	**(7,084)**
Movements in working capital :		
- (Increase) in trade receivables	(1,553)	(483)
- (Increase) in other financial assets	(2,482)	(423)
- (Increase)/ decrease in other assets	(610)	531
- (Increase) in inventory	(446)	(202)
- Increase in financial liabilities and other liabilities	3,953	26
- Increase in provisions	245	373
- Increase in trade payables	932	2,509
Cash (used in) operations	**(5,081)**	**(4,753)**
Income taxes (paid)/ refund (net)	(353)	13
Net cash from (used in) operating activities (A)	**(5,434)**	**(4,740)**
B) Cash flows from Investing activities		
Purchase of property, plant and equipment (including capital work-in-progress, capital advances and capital creditors)	(767)	(456)
Proceeds from sale of property, plant and equipment	1	10
Investment in bank deposits (having maturity of more than 3 months)	(80,928)	(1,09,941)
Proceeds from maturity of bank deposits (having maturity of more than 3 months)	94,331	38,974
Proceeds from redemption of liquid mutual fund units	53,257	33,755
Acquisition of a non-controlling Interest, net of cash acquired	-	(209)
Payment to acquire liquid mutual fund units	(50,325)	(24,346)
Purchase of non-current investments	-	(24,195)
Sale of non-current investments	-	3,750
Investment in Government Securities	(5,227)	(52)
Consideration paid for acquisition of warehousing division of HOTPL	(607)	-
Sale / disposal of subsidiary	-	14
Loan given	(7,504)	-
Interest received	2,430	315
Net cash from (used in) investing activities (B)	**4,661**	**(82,381)**
C) Cash flows from Financing activities		
Proceeds from issue of equity shares	40	90,000
Proceeds from exercise of share option	0	0
Loan repaid during the year	(145)	(14)
Transaction costs paid on issue of shares	-	(2,298)
Share-based payment on cancellation of option	(1)	(5)
Amount collected by ESOP Trust on exercise of employee stock options (net of tax)	65	61
Payment of principal portion of lease liabilities	(423)	(154)
Payment of interest portion of lease liabilities	(270)	(77)
Interest expense	(76)	(7)
Net cash from (used in) financing activities (C)	**(810)**	**87,506**
Net increase in cash and cash equivalents (A+B+C)	(1,583)	385
Cash and cash equivalents acquired through business combination	3,390	-
Cash and cash equivalent trasnferred due to sale of subsidiary	-	(55)
Net foreign exchange difference	73	(20)
Foreign exchange impact due to hyperinflation economy	-	(283)
Cash and cash equivalents as at the beginning of the period	3,923	3,065
Cash and cash equivalents as at the end of the period	**5,803**	**3,092**

Use of non-GAAP financial measures

To supplement our financial information presented in accordance with IND AS, we consider certain financial measures that are not prepared in accordance with IND AS, including Adjusted Revenue and Adjusted EBITDA. We use these financial measures in conjunction with IND AS measures as part of our overall assessment of our performance to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our business and financial performance. We believe these non-GAAP financial measures provide useful information to investors about our business and financial performance, enhance their overall understanding of our past performance and future prospects, and allow for greater transparency with respect to metrics used by our management in their financial and operational decision making. We are presenting these non-GAAP financial measures to assist our investors and because we believe that these non-GAAP financial measures provide an additional tool for investors to use in comparing results of operations of our business over multiple periods. Information given also includes information related to material subsidiaries.

Non-GAAP measures used by us for the Zomato business are defined below:

- Adjusted Revenue = (Revenue from operations as per financials) + (customer delivery charges)
- Adjusted EBITDA = EBITDA (+) share-based payment expense (-) rental paid for the period pertaining to 'Ind AS 116 leases'
- EBITDA = Profit/loss as per financials excluding (i) tax expense (ii) other income (iii) depreciation and amortization expense (iv) finance cost and (v) exceptional items

These metrics have certain limitations and hence should be considered in addition to, not as substitutes for, or in isolation from, measures prepared in accordance with IND AS.

Forward looking statements

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