Eternal Limited

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Q1FY26 Earnings Conference Call Transcript

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Management representatives:

1. **Akshant Goyal – Chief Financial Officer, Eternal Limited**
2. **Albinder Singh Dhindsa – Founder & Chief Executive Officer, Blinkit**
3. **Kunal Swarup – Head, Corporate Development, Eternal Limited**

Moderator: Ladies and gentlemen, a very good evening, and welcome to Eternal Limited's Q1FY26 earnings conference call. From Eternal's management team, we have with us today Akshant Goyal, Chief Financial Officer; Albinder Singh Dhindsa, Founder and CEO, Blinkit; and Kunal Swarup, Head of Corporate Development.

Before we begin, a few quick announcements for the attendees. Anything said on this call, which reflects the outlook for the future, or which could be construed as a forward-looking statement, may involve risks and uncertainties. Such statements or comments are not guarantees of future performance, and actual results may differ from those statements.

Additionally, please note that this earnings call is scheduled for a duration of 45 minutes, and we will be starting directly with the Q&A section of the call. If you wish to ask a question, please use the raise hand feature available on your Zoom dashboard. We will announce your name on the call and unmute your line, post which you can proceed with your question. We will wait for a minute while the question queue assembles.

Moderator: The first question is from the line of Ankur Rudra from JP Morgan. Please go ahead.

Ankur Rudra: Thank you, and a nice set of numbers overall. Just starting with quick commerce, pleased to see very strong growth there. Is it possible to give us a sense of how same-store sales growth compares with growth from new stores given that we'll probably see store additions potentially begin to slow down a bit more?

And, also on the quick commerce side, I think you did mention competition, but if you think competition is able to raise capital, then if your strategy will change in the short term anyway. Thanks.

Albinder Singh Dhindsa: Hi, Ankur, this is Albinder. So same-store sales growth is not really a metric that we track internally because of the structure of our polygons and the catchment area that a store serves - that changes quite dynamically. So, it is harder for us to compare same-store sales growth.

But when we look at existing polygon versus new polygons that we open, most of the current growth has come from existing polygons. Even in this quarter when we opened a lot more cities, less than 5% of the overall growth came from the expansion areas that we were not serving earlier.

Akshant Goyal: Just to add, we have also mentioned in the letter that a city like Delhi, which from a geographical coverage standpoint is fairly well covered, we've seen a growth of 70% year-on-year in this quarter. So, as Albinder said, same-store growth may not be that relevant in our business, but at least that data point was to showcase that even the relatively more mature markets are growing reasonably well.

Ankur Rudra: Thank you. Is it possible to give us some color then in terms of a city like Delhi as an example. How much of the growth is coming from category expansion? What's the scope there over the next few years?

Albinder Singh Dhindsa: That is not something that we want to necessarily talk about in a lot more detail because we don't give a category breakup.

Ankur Rudra: Any color you can share, overall?

Albinder Singh Dhindsa: The growth, for us, across all categories has been pretty secular. That's the only thing that we would like to share at this point.

Ankur Rudra: Ok. My follow-up on quick commerce was on competition. You mentioned this in the letter as well, but do you think if competitive intensity rises, then your strategy will change in the short term versus what you pointed out?

Akshant Goyal: Yeah, Ankur. As we mentioned in the letter, we'll have to react to the circumstances. We've been fairly clear on this one, now and in the past, that we'll respond to what the market is, and we'll do the right thing. Making sure that we maintain our leadership position is important for us, and making sure that we give the best service to the customers is important for us. So, we'll have to play by the ear on that one.

Ankur Rudra: Ok. Thank you. Just a few questions about food delivery. One, very good to see MTC growth coming back after three quarters of sort of flattish behavior here. If you can talk about the key initiatives which may have helped this right now. And do you think you're at a point where the momentum of at least increasing MTCs can stay? And finally, are there any particular changes in the way you'll run this business under the new leadership?

Akshant Goyal: MTC growth is fairly in sync with the overall NOV growth, if you look at it on a year-on-year basis. Quarter-on-quarter, yes, it can appear to be lumpy but if you look at it from a more longer term, I don't think there is any divergent trend there, and we expect that MTC growth to continue along with AOV growth, which should continue driving the growth of the overall business going forward, like it has in the past.

Ankur Rudra: And any changes in strategy or the way you run the business under new leadership?

Akshant Goyal: There will be changes, but nothing that we want to highlight or talk about yet.

Ankur Rudra: Ok. Just one last question on overall business headwinds. Do you think potentially with GLP-1 drugs becoming generic in India, there could be a risk to food consumption and especially food delivery of your business? Beyond this, are there any thoughts you may have had on that side?

Akshant Goyal: No comment on it. It is still a new paradigm. And so far, I don't think we have seen GLP-1 impact in food delivery in many other countries. But as I said, it's fairly nascent. Theoretically, it can go either way, but too early for us to have a point of view or share that with you.

Ankur Rudra: Ok. Thank you and best of luck.

Akshant Goyal: Thank you.

Moderator: Thank you. Next question is from the line of Manish Adukia from Goldman Sachs. Please go ahead.

Manish Adukia: Yes, hi. Good evening. Thank you for taking my questions. I have two or three questions, all on quick commerce. The first one is on inventory ownership. The first question is, are you going to move almost all of your inventory to 1P over the next two to three quarters like you mentioned in the letter?

And will the margin benefit also be immediate? So, let's say, if you were to move almost all your inventory in three quarters, will the margin benefit also accrue in that two to three quarter period? Or will that take a slightly longer time period? That's my first question.

Akshant Goyal: Yes. Manish, broadly that's the plan and your assessment is right. That's what we expect. In that timeframe, we should be able to move most of our business to inventory ownership and the margin accretion should also happen in that timeframe.

Manish Adukia: Understood. And you talked about some of the things in terms of the differentiation versus peer group, but in terms of like you moving to inventory ownership and, of course, almost all of your peers doing still marketplace, would you say that it's a meaningful competitive advantage? Or it's an advantage but doesn't really move the needle in a meaningful way from a market share perspective? Like what would your thoughts be there?

Akshant Goyal: I'll leave that for you to comment there. We don't have any point of view on competitors' business model. We can answer questions about our business.

Manish Adukia: Got it. And you talked about the visibility on dark stores, where you said you have 3,000 store visibility, but update on those, you'll probably give after you reach 2,000. But does that statement mean that you are getting to 3,000 - the timeline is unclear, but the number 3,000, you will eventually get to. Is that how we should read that statement?

Akshant Goyal: Yes, that’s right.

Manish Adukia: Understood. Got it. And maybe a related question there is, like today now you're like north of $5 billion in GOV and MTU is north of 15 million, maybe industry is $12 billion to 15 billion GOV. I mean, from an industry perspective, Akshant and Albinder, do you have like any sense as to when does this industry start tapering off, if at all?

I mean just trying to get a sense as to where do you think eventually MTUs or GOV of the industry may end up in your opinion in the next two to three years? If you have any thoughts on that.

Akshant Goyal: The growth momentum remains strong. And at least for the next two years, we feel that the growth rates will be high as we are still building out more infrastructure, and getting to 3,000 stores will take time. Beyond that, it's very hard for us to comment on how large this market could be. It's a function of how deep can we go in certain categories that are small today and how sustainable are the economics in some of these categories.

There are a lot of variables and unknowns still in the business, which will play out over the next one or two years, and that will also dictate how much opportunity we have in terms of size.

Manish Adukia: And in this business, Akshant and team, I know you don't give up that mix, but is there like a path for like non-grocery to become larger than grocery? Or do you still expect grocery / FMCG to continue to be like a disproportionate share of your GOV?

Albinder Singh Dhindsa: Manish, that will follow the consumption trend overall of the country. So, if the household share of buying groceries is always higher, then I don't think you will necessarily see the non-grocery segment being bigger than that. It's actually much more related to what consumers are buying rather than what the platform offering. Since we are more of an everyday app and becoming more and more horizontal, the category trends will also mirror just what consumers buy.

Manish Adukia: Got it. Just one last question, a follow-up on Ankur's question earlier on competition. Three months ago in your previous call, you were saying that the competition is probably getting worse and visibility remains low on when it improves. And this time of course, you've called out that you expect margins and absolute losses to get better.

So of course, the interpretation of that would be, I'm guessing, that the competition has gotten significantly better over the last three months. And in that context, would you be able to give any new breakeven timelines now for the quick commerce business, as to when you can go back to that 0 number? Or that's something in the current landscape you may not be willing to provide?

Akshant Goyal: See, Manish, that number is not important for us because it's a function of the weighted average of mature stores and new expansion. So directionally, as you can see, the margins have improved from -2.4% to -1.8% in this quarter. What we are saying is we expect that projection to continue, subject to competitive intensity remaining the same.

So from here on, how long therefore, does that take to cross 0 is a function of how fast we're able to expand, and expansion also is not fully in our control because it's dependent on various external factors. So, we're not keen to give that number - also because I don't think it matters eventually. Parts of our business, as I mentioned, are already at 2.5% margin. So, the rest of the business catching up is a function of time.

Manish Adukia: Thank you for taking my questions. All the best.

Akshant Goyal: Thank you.

Moderator: Thank you. Next question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Hi. So, first question, in your ROCE calculation on Blinkit, you've laid out the assumption of about 18 days of working capital. Now this is significantly lower than retail or traditional retailers like DMart. Is this because you do not have to maintain as much shelf inventory? Or is it just that your models allow you to minimize inventory just because you have a just-in-time model and can move much faster? Or does this mean that some of the inventory will still stay off the books?

Albinder Singh Dhindsa: I don't think Aditya it's a like-to-like comparison with something like a DMart because for one of the largest categories, for example, general merchandise, they typically have much higher days of inventory, and that is owing to the way that they also source these items. So, I don't think that you can make that like-for-like assumption.

However, because of the way that we replenish and the frequency at which we are actually able to move products in our supply chain, we are structurally better off than most retailers that you would see across categories in the days of cover that we need to have, in order to make sure that there is good availability for customers.

Aditya Soman: Fair. No, that's clear. And then secondly, I mean, in your statement on competition, you've also mentioned that there's a clear trend for you at least that speed, assortment and customer support are almost more important than price. So, does this mean that we are seeing the segmentation of the market as we've seen everywhere in the world with sort of players like Reliance or DMart going after value and Blinkit effectively filling the gap in India for the convenience channels as we just don't have any supermarkets or convenience stores here?

Albinder Singh Dhindsa: I don't think that we will be able to classify that because our business works with all of these things together. The flywheel around delivering pricing value to customers is also something that we focus on, and we can't ignore it. And our customers also need to feel that they get the best prices on our platform as well. For us, all of these things have to go together.

And, on your question on segmentation of the market, I don't think it is a question of whether customers are going to fulfill their needs via a different value proposition, which is maybe 2-hour delivery or 3-hour delivery and therefore, they will get more value. We are not keen on exploring that segment. We also think that the moment it moves out of 10 minutes, then the entire equation changes. So maybe the value that you need to deliver will be much, much higher.

And whether that would be sustainable or not, we are not entirely certain. Therefore, we don't think that you will be able to take each of these and then create different segments out of the market.

Aditya Soman: No. I understand. Clear. And then the last question on Hyperpure. You've indicated that part of the business will sort of come off just because that was sort of the marketplace business for QC. Can you give us a breakdown of how much was the restaurant business in QC business within Hyperpure?

Akshant Goyal: Aditya, we have given that breakup in the last shareholders' letter. If you could refer to that, we have the breakup by both the restaurant and the non-restaurant business for the last four / five quarters.

Aditya Soman: I understand. So, will it be roughly in that ballpark even for this quarter?

Akshant Goyal: Right.

Aditya Soman: Cool. All right. Thank you.

Moderator: Thank you. Next question is from the line of Swapnil Potdukhe from JM Financial. Please go ahead.

Swapnil Potdukhe: Hi. Thanks for the opportunity. I have three to four questions. First on Blinkit per se. You're already close to around 17 million MTCs versus 23 million in food delivery. I would like to know what percentage of your quick commerce users are unique in nature, which probably will not be transacting, let's say, on your food delivery side?

Albinder Singh Dhindsa: Swapnil, we have talked about it in the past, but we don't disclose that metric anymore. But the number of unique customers in quick commerce is increasing. It's on an increasing trend because logically, we cater to different customer segments as well.

Akshant Goyal: The overlap is not very high - is what I would say. There is a large user base on both sides, which is fairly distinct.

Swapnil Potdukhe: Ok. Got it. The second question is with respect to your top cities share in the overall GOV or NOV, whichever we want to look at for the Blinkit business. And any sense as to how has that moved from the previous quarter?

Akshant Goyal: Not a very significant movement, Swapnil. Majority of our business is still in the top 20 cities.

Swapnil Potdukhe: Ok. You did mention that the NOV difference is just about 10% between your bigger cities and smaller cities. The margin difference at this point of time would be significantly bigger because you mentioned 2.5% Adjusted EBITDA margin for some of the cities. Lower-tier cities would be significantly higher at this point of time.

Akshant Goyal: Sorry, your question is not clear. Are you saying lower cities will be higher on margin or lower on margin?

Swapnil Potdukhe: The losses in that business will be significantly higher in percentage terms.

Akshant Goyal: It's a function of the age of the store and also our relative market position in a city rather than actually being a small or large city. Right now, we are not seeing too much of margin difference between small and large cities. But of course, the newer stores that we've opened are loss-making because of the fact that the throughput is still low. So, that's where the difference between margin comes up between the stores. It's more to do with the age of the store than whether it's tier 1 or tier 2.

Albinder Singh Dhindsa: Also, to add to that, Swapnil, our supply chain investment in tier 2 and tier 3 cities is also more greenfield, and therefore, for the short term, there's usually higher margin pressure on these cities because we are building out a brand new supply chain over there to be able to supply better. Sometimes, the utilization of that is also worse off.

Swapnil Potdukhe: Understood. One question on your food delivery business margins. Your commentary seems to suggest that going forward, you may end up sacrificing some margin to drive growth. I mean, if I were to summarize what you have mentioned in the shareholders' letter. Is that understanding correct?

Akshant Goyal: There's always a trade-off. What we are saying is that while in the long term, margin expansion is possible, but in the near term, we are more focused on growth. And hence, therefore, the margins could remain around the mark they are today.

Swapnil Potdukhe: Got it. And how do you see your going-out losses in the near term? Because you did mention the expectations of losses in the Bistro business or the investment that you plan to do. But going-out, you have given a slightly longer-term commentary versus a short-term trend. Any sense on that?

Akshant Goyal: We don't want to provide any guidance on the short term at this point, but I don't expect the losses to meaningfully increase from where they are. They'll remain range-bound in the near term.

Swapnil Potdukhe: Got it. And just one last thing on Bistro. What would be the AOVs currently? And any sense as to where you see those AOV going for that business?

Albinder Singh Dhindsa: We are not disclosing that, Swapnil.

Swapnil Potdukhe: Ok. No worries. Cool. Thanks a lot guys for the opportunity and all the best.

Akshant Goyal: Thank you.

Moderator: Thank you. Next question is from the line of Yogesh Aggarwal from HSBC. Please go ahead.

Yogesh, hi, can you hear us? Seems like we're having some technical difficulties. We'll move on to our next attendee.

Next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: Hi. Good evening, team. A couple of questions. So, first is on this IOCC and 1P. So, let's say, you have about 1,500+ stores. In two to three quarters, when you say that you will move to 1P, is that for all the stores? Or do you need to do bottom-up to figure out which stores you should do 1P and which you should do 3P?

Kunal Swarup: Hi, Vivek, this is Kunal here. So, our move to 1P is not necessarily linked to stores. Stores are just a point of storage. The broader idea is who owns the inventory on the balance sheet. On that, what we're saying is eventually, most of the inventory will be owned by us as the Company.

Vivek Maheshwari: No, sorry. What I meant was, from an inventory standpoint, not from store. I mean when I said store, I meant inventory. So, is there any thought process? Or it's like lock, stock and barrel as you move to 1P because it makes sense everywhere, wherever you are in the country.

Akshant Goyal: Yeah, we've mentioned it very clearly in the letter and also in the call to a previous question that we intend to move most of our business on our own inventory. So yeah, that's the plan.

Vivek Maheshwari: Ok. And Akshant, in that context, so there is an impact on balance sheet, there is an impact on margins. But from a top line perspective, NOV / GOV, revenues, it doesn't change anything, right? So basically, will something change from an assortment perspective by virtue of moving it to 1P and therefore, on GOV / NOV? Or it stays the same, it's only the balance sheet and the margins?

Albinder Singh Dhindsa: On the assortment side, nothing will change in the selection. Moving to 1P reduces the administrative burden, the licensing burden, all of that significantly for both us and the brands; we do expect that there will be some positivity in terms of operational metrics around availability, fill rates that will improve on the platform. But otherwise, nothing changes in the trajectory or the business itself.

Kunal Swarup: And on margins, we've already described the impact in the letter.

Vivek Maheshwari: Right. So margin part, interesting. So, you are saying that at the margin, there can be some positive impact on the top line also. So that's interesting.

The last bit is when we look at quick commerce, let's say, Contribution margin versus Adjusted EBITDA. So, let's say, Contribution is flat and Adjusted EBITDA is getting better by 60 basis points, for example, sequentially. What does that imply? So, it's essentially the marketing, branding or the corporate overheads because of leverage? Can you just explain this bit?

Akshant Goyal: That's what it is, mostly marketing.

Vivek Maheshwari: So, this is mostly marketing.

Akshant Goyal: And also operating leverage on the fixed cost. So, both of them. Those are the two costs below Contribution. So, on both, there is improvement in terms of percentage margins.

Vivek Maheshwari: Got it. And when you move to 1P, that will show up in Contribution margins, right?

Akshant Goyal: What will show up in Contribution margin?

Vivek Maheshwari: I'm saying you mentioned about 100 basis point spread.

Akshant Goyal: That's right. Yes.

Vivek Maheshwari: Beyond that, Akshant, so that 100 basis point if we leave aside, so from here on, the Contribution margins will drive the EBITDA margins except the leverage and marketing spends are optimized. Is that fair? Or there is still some scope on marketing also?

Akshant Goyal: No, the operating leverage below Contribution will remain because even if these costs remain as is in terms of absolute amounts, the top line will scale. So, the operating leverage to that extent will continue to accrue.

Vivek Maheshwari: No. That's not what I'm saying. So operating leverage will continue. Other than that, will there also be leverage on the marketing spends, you think? Or will the rest of the delta come from Contribution margins only?

Akshant Goyal: I'm actually not clear on the question.

Albinder Singh Dhindsa: I think he is trying to figure out whether the marketing spends are going to go down. I don't think the answer is yes. We will look to be more aggressive even going forward. Whatever we are saying is we are also accounting for the fact that we will stay aggressive, but maybe because of the competition, if the levels stay at the current level, we will see an improvement in the overall margins in the business.

Vivek Maheshwari: Ok. Got it. And lastly, you are on 3.9% Contribution margin this quarter on a NOV basis. Last year was 4.9%. So, do you think directionally, without the 100-basis point IOCC impact, do you think you get to that in the next few quarters on Contribution?

Akshant Goyal: We've already shared that our margin will improve over time. So yes, eventually, the Contribution margin will increase. So, your question is on timeline or whether the Contribution margin?

Vivek Maheshwari: It's on the timeline, Akshant. See, look, 100 basis point delta comes from IOCC. So basically, there can be 200 basis point swing, which is what I'm trying to get to. It's possible in next three, four quarters, right?

Akshant Goyal: We're not giving any such guidance, Vivek. We've already shared a lot of information in the letter, which gives a sense directionally of how we think of the business. Asking for more detailed quarter-by-quarter projection, I don't think it's fair. It's a competitive market. So, I'm requesting you to please refrain from getting next quarter's projections from us because that does not help the business or our shareholders.

Vivek Maheshwari: Sure. The letter is very well written, I must say. Thank you.

Akshant Goyal: You're welcome.

Moderator: Thank you. Next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Hi. Thanks for taking my questions. I have three sets of questions. The first is on the leadership. You mentioned two years of rotational style with limited timeline forces leadership to perform with urgency because there's a limited window to create impact. So, my first question is, how do you really measure this impact? Like what are the KPIs under which you measure, and you decide that the stint can be further extended or not?

Akshant Goyal: Gaurav, we don't want to discuss and disclose that here. That's not the conversation we want to have on this call.

Gaurav Rateria: Ok. No problem. My second question is on understanding the bit on the Contribution margin in the quick commerce business. Ideally, with your expansion ratio coming down as the number of new stores (as a percentage of existing stores) keep coming down, your Contribution margin should keep moving in the right direction. But this quarter was largely flattish to down. So, just trying to understand what are the various moving parts that go inside, which drives your Contribution margin movement?

Kunal Swarup: So, in addition to what you said, Gaurav, which is one element of Contribution margin being driven by the share of new stores, there are other elements that impact it. One, for example, we mentioned is the seasonality impact on certain costs, especially delivery partner costs. Second, there is competition. Competition also has an impact on various lines in the P&L Contribution. And of course, there is infrastructure build-out in the form of warehousing as well.

Apart from stores, some of the warehousing expansion is more lumpy where you invest upfront, but you start seeing utilization over a slightly longer period of time. These other three factors also play into that eventual Contribution margin. And therefore, it will not be only linked to the share of new stores.

Akshant Goyal: And just to add to that, seasonality with respect to what gets sold on the platform in terms of the mix of the categories also plays a role. That also changes, and that could have an impact on the gross margins in a particular quarter. So that also has a part to play.

Gaurav Rateria: Got it. My last question is about food delivery. You did talk about growth bottoming out. What are the initial things that you're watching which is making you a lot more confident on this sustainability or improvement in the growth trajectory?

And related part is also on these food delivery partners. If you look at the last three to four quarters, it's stagnating around a particular number while the Orders might have grown. So, how much of leverage do we have to keep pulling this metric in terms of not being able to grow this delivery partner number while our Order numbers keep growing? At some point in time, the ratio may get maxed out. Thank you.

Akshant Goyal: So, Gaurav, on your second question, the number of partners is an indicative number that we share to give a sense of the size of the logistics fleet. But really, the metric that is directly linked to the size of the business is the log-in hours of these delivery partners because, as you know, these are all gig workers. So, the number of hours they spend changes.

And that's also seasonal. We see a lot of delivery partners spending less time on the platform in certain months, around certain festivals and vice versa more time around other times in the year. That is the first point I'd like to make that the number of delivery partners therefore is not always necessarily equal to the log in hours that we get.

Secondly, utilization, or rather the idle time of delivery partners on the platform, continues to come down. And as that happens, we're able to do more Orders with the same number of log-in hours that we have on the platform. It's actually a good thing because it makes our business more efficient while, at the same time, it increases the earnings of delivery partners. Therefore, I don't see a constraint in terms of availability of delivery partners on the growth of the business at this point.

If the business grows and we need more log-in hours on the platform, scaling that should not be a challenge.

Gaurav Rateria: And on the growth bit of food delivery?

Akshant Goyal: So, what we have shared is basis what we have seen so far in the first three weeks of the quarter, the year-on-year growth has sort of bottomed out and we are seeing now better app opens from our consumers and better resurrection rates. So, there are early signs which is why we think that we should see better growth from here on. But again, still early in the quarter, and we'll know more during the course of the quarter.

Gaurav Rateria: Got it. Any meaningful change in the churn ratio or retention ratios, which also drives slightly better confidence than before?

Akshant Goyal: Yes. As the frequency goes up and we are seeing more customers returning to the platform across different markets, that's why we feel that this quarter would be better than the last one.

Gaurav Rateria: Got it. Thank you and all the best for the future.

Akshant Goyal: Thank you, Gaurav.

Moderator: Thank you. Next question is from the line of Vijit Jain from Citigroup. Please go ahead.

Vijit Jain: Hi, thank you for the opportunity. My question is on quick commerce. Looking at just the AOV, and I know your comments from last quarter around not really looking at driving the basket sizes up. Just in that context, given the AOVs in the smaller cities is 10% lower, I wanted to see whether in the top cities naturally without, let's say, specific interventions from your side, are basket sizes still continuing to rise?

Albinder Singh Dhindsa: Over the longer time horizon, yes, they are continuing to rise, but sequentially you might see differences because seasonality plays a very, very big role in the AOVs.

Vijit Jain: Ok. Got it. And my second question is on the switch to inventory model. Just looking at marketplace versus inventory model for a second - In terms of how small sellers or D2C brands, those kinds of people get onboarded or featured or promoted on the platform, does anything change at all with this switch? I'm guessing some of them would at least want to feature products on the platform that they want to promote and those kinds of things. So those things, do they change at all under this new architecture or continues to go onwards as it was earlier as well?

Albinder Singh Dhindsa: No, Vijit, the tools that the brands use to promote themselves, to advertise on the platform or to also feature some of their products, all of that remains exactly the same. The only way to sort of look at it is that this is more of an administrative change for us and the brands.

It just makes the burden of compliance a little bit easier for them. But commercially, nothing changes dramatically. And of course, because it becomes a little bit more efficient for everybody involved, that is why we see a margin accrual. But otherwise, life stays exactly the same.

Vijit Jain: Got it. So, no change in whatever discretionary decision-making could have existed with the brands earlier in terms of what they wanted to feature?

Akshant Goyal: Yeah. The brands still have all control.

Vijit Jain: Got it. And last, just bookkeeping question, if I remember this right, usually, you have annual wage revision impact in the September quarter, at least in Zomato, if I remember right? Has that changed here? Or should we expect that kind of fixed cost increase next quarter?

Akshant Goyal: Appraisal cycle remains the same, Vijit.

Vijit Jain: Ok, got it. Thank you. So those are my questions.

Akshant Goyal: Thank you.

Moderator: Thank you. Next question is from the line of Rishi Jhunjhunwala from IIFL. Please go ahead.

Rishi Jhunjhunwala: Yeah. Thanks for the opportunity. A couple of questions here. Firstly, on food delivery, if we see, our NOV growth has come down from, say, 27% year-on-year last year same quarter to 13% now. What would you attribute to be the major driver of this? Is it mostly the ordering frequency? And secondly, when we are talking about the number going back to 20%+ next year, where would that incremental growth come from between frequency and AOV?

Kunal Swarup: Hi Rishi, this is Kunal here. So essentially, it comes down to the number of customers transacting on our platform and the average order values. There has been a slight slowdown in the number of transacting customers and the number of app opens that we're seeing on the app during the year.

And therefore, year-on-year, some of that growth has been impacted, and we've talked about it over the last couple of quarters. And like we said earlier in this call as well, the expectation is that the transacting customer growth should be higher as customers return to the app.

Rishi Jhunjhunwala: Understood. And the second question is on quick commerce. Our average GOV per day, per store over the past four / five quarters has been extremely stable despite the fact that the number of dark stores have gone from 600+ to 1,500+. So just trying to understand if you can give some color on throughput from your relatively mature dark stores. Where do they end up stabilizing or if at all, they are? And at what level of GOV per day, per store do you start dividing the presence in the same area?

Albinder Singh Dhindsa: So, to the first part, Rishi, we don't actually know. We still haven't reached the point of hitting max throughput capacity at any of our stores. Of course, the more volume we do from a store, we also learn, and we adapt to it as well.

To the second point, we don't disclose that information. That's part of our strategy as to how we go about actually opening stores. So that's not something that we disclose publicly.

Rishi Jhunjhunwala: Got it. And just one last thing. In terms of ESOP costs, from an expectation perspective, what trajectory should we think about? Is there any change in the recent past around that?

Akshant Goyal: Rishi, in the past, we have given a guidance on our total employee cost as a percentage of revenue, which includes both the cash compensation and the ESOP charge, I think two quarters ago maybe and then before that also. So, we're still sticking to that guidance that we've given last time.

Rishi Jhunjhunwala: All right. Great. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, in the interest of time we will now take last one to two questions. The next question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: Hi. Thank you for the opportunity. Three sets of questions. First question is on quick commerce. I do now see a bit of a divergence in business models between how Blinkit is functioning and how your competitors are functioning.

What I mean by that is you guys don't have megapods, you don't have the MAX saver equivalent kind of an offering. And I do understand the focus is more to deliver in a 15-minute timeframe versus, let's say, what the MAX savers and equivalents are offering.

The question out here is there is a good amount of opportunity to also focus on that base who doesn't necessarily want everything in 15-minute basis. But out there, the AOV is much larger. So, any thoughts in terms of going and targeting this base, where it is not a 10-15 minute delivery but maybe a 30-40 minute delivery timeframe?

Albinder Singh Dhindsa: Sachin, we don't see the opportunity there. So that's why we are not doing that.

Sachin Salgaonkar: Ok. And any specific reason why you don't see the opportunity out there?

Albinder Singh Dhindsa: I think maybe we are not smart enough so that could be the possible reason.

Sachin Salgaonkar: Clearly, you guys are. And next question, District, you guys did mention dining out, movie, sports, concert ticketing as a focus. Any thoughts of also focusing more on travel because there is a good amount of opportunity to cater to the premium user base out there also?

Akshant Goyal: Not at this point, Sachin. We remain focused on the existing set of use cases for now and lot of work to be done on those ones. So, in future, of course, we can evaluate anything. But right now, in the near term, we'll remain in the categories that we are in today.

Sachin Salgaonkar: Got it. Next question on food. Clearly, you guys are indicating growth could be a bit slower than 20% for this year. I do think, basis your shareholder letters, there are a couple of historical issues what you had highlighted. One, as quick commerce becomes big, clearly, there could be a bit more impact in terms of food growth. And second, at some level, obviously, there's a bit of a slowdown impact.

The first issue, what you guys had mentioned in the past has a potential of becoming bigger and bigger as the quick commerce size becomes bigger. Of course, there's a bit of a competition uptick. Any general thoughts? Should the steady-state growth be around 20% could slow down a bit, but margins could be a bit better on the back of it? Do you see any risk to the overall growth for the industry out there in the medium term because quick commerce is becoming bigger?

Akshant Goyal: Sachin, quick commerce has definitely been a headwind to some extent for the food delivery business because some of that consumption has also moved to quick commerce. But having said that, we still believe from an inflation standpoint and opportunity standpoint, we still do think that in the long term the business can grow at 20%, although that visibility is not there in the near term at this point. But there's enough going for us to be excited about the business. If we do well and we are able to innovate and unlock more use cases for food delivery on the app, then we can get 20% growth levels again.

Sachin Salgaonkar: Got it. And last question, trying to understand if there are any accounting changes we should see on Blinkit from next quarter. And the reason I'm saying is 1P model is on an inventory basis and 3P on a take rate basis. So, as you guys move towards an inventory-led model, should we see any accounting changes in terms of overall numbers for the Blinkit business?

Akshant Goyal: Yes, Sachin. So, we have tried to outline that in question 12 of the letter in terms of three, four things that could change from a reporting standpoint. So, I'll request you to get attention to that question.

Sachin Salgaonkar: Ok. So, I mean, my question was, and I read that, more from a take rate of the business changing and how the things move from that revenue calculation and so on and so forth.

Akshant Goyal: Revenue will now become very similar to NOV because we own the inventory and Contribution margins, of course, in terms of definition and calculation, will not change. There is an now an interim gross margin of the business, that we'll take a call whether we want to disclose that or not in the next quarter. But outside of that, nothing else should change.

Sachin Salgaonkar: Ok. Thank you.

Moderator: Thank you. We will now conclude this conference call. Thank you so much for joining us, and you may now disconnect your lines.