



Zomato Limited Q3FY24 Earnings Conference Call Transcript

February 8, 2024

Management Representatives:

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

Moderator: Ladies and gentlemen, a very good evening and welcome to Zomato Limited's Q3FY24 earnings conference call. From Zomato's management team, we have with us today, Akshant Goyal, Chief Financial Officer; Albinder Singh Dhindsa, Founder and CEO of 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 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.

The first question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: Congrats once again on a strong set of numbers, I have a few questions. First question, I wanted a bit of clarification on the top line growth guidance of 50%. Is this for FY25 or for the next few quarters? And how should we look at the mix between the different businesses in terms of growth? Should it be very similar to what we saw in this quarter where 29% to 30% growth could come from food and 100%+ from other businesses?

Akshant Goyal: Hi Sachin, this is Akshant this side. We don't want to give guidance on individual businesses at a quarterly level because there are multiple factors there. There's seasonality, there's competition and so on. Our base case guidance continues to remain that our Adjusted Revenue should grow at 40%+ year-on-year (YoY) for the foreseeable future. And it's possible that at least over the next few quarters, that remains north of 50%, that is what we wanted to say. But individually, for each business, it might change. We are nowhere saying that the growth profile for all businesses will remain consistent to what we have seen in the last quarter.

Sachin Salgaonkar: Thank you Akshant, very clear on this one. Second question, I wanted a bit more clarity on the take rates. So, if we calculate take rates on Adjusted Revenue, clearly, they are down and presume, this is on the back of Ind AS 115. So, is there any color that you could provide on the QoQ change of take rate vis-a-vis the commentary on how much is driven, let's say, by platform fee, restaurants take rates and advertisements?

Akshant Goyal: So directionally, as we mentioned in response to question 6 also (in the shareholders' letter), platform fee has gone up. Our income from advertisements has gone up and the commission revenue has also slightly gone up. If you, therefore, looked at a gross level, the take rate is

slightly flattish to slightly higher than the last quarter. But as a result of the adjustments that we have laid out in question 7 of our letter, we see a slight decline on a net basis.

Sachin Salgaonkar: Okay. And any thoughts if it's mainly platform fee compared to any other factors?

Akshant Goyal: Sorry, Sachin, not clear on the question here.

Sachin Salgaonkar: Sorry, Akshant, what I meant was, if the change in take rate is predominantly driven by the platform fee?

Akshant Goyal: No, not just that. Our ad income has also grown meaningfully.

Sachin Salgaonkar: Okay. Got it. My third question is on MTU growth. This quarter, we saw 8% YoY growth versus, your food delivery growth (GOV) which is close to 29%. Is this a trend we could look going ahead or there are certain drivers, which could accelerate the growth further for food MTUs?

Kunal Swarup: Sachin, this is Kunal here. Like we've articulated in the past, we do expect monthly transacting customer (MTC) growth to be a big driver of growth in the future and that is going to be a function of increasing annual ordering frequency of the annual transacting customer (ATC) base on our platform because a large part of that ATC base currently transacts only, let's say, 3 / 4 / 5 times a year and as more of that (ATC) starts transacting more frequently, it will result in the MTC growing. Our expectation is that MTC will be a large part of our drivers of growth. And of course, we will also continue to add new customers as we go along.

Sachin Salgaonkar: Thanks Kunal. And my last question is on Blinkit. Clearly, a fantastic performance out there. The product market fit also is getting clearer and clearer. Any color on what's driving the AOV or the product mix? And any thoughts should AOV stabilize at these levels or continue to increase?

Albinder Singh Dhindsa: Hi Sachin, this is Albinder. So even in the previous calls, we've laid out that this is still a very fast-evolving business, also shown by the increase in top line and the use cases that we serve are also increasing fairly fast. There is no guidance that we can give on where the AOV heads. It is dependent on a lot of factors such as seasonality, festivals, which categories we are adding and growing, so we can't really provide any guidance. AOV is more of an outcome of the kind of assortment and selection we provide to the customers, so it will continue to evolve as the business evolves.

Sachin Salgaonkar: Thanks, Albinder. I completely understand there is a seasonal fluctuation. And clearly, you guys are in nascent stages in terms of growth. But if you look at the mix for the last three or four quarters, could you give any color in terms of what are some of the products which consumers are frequently buying?

Albinder Singh Dhindsa: I don't think it's driven by frequency only. A lot of it is what we do as well. If we increase our category share and add new categories like we've done in beauty and a few others, that will

lead to a movement in the average order value. So those are bigger factors than looking at customer behavior and trying to predict whether some frequency of particular product type is driving the average order value.

Moderator: Thank you. Next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: A few questions. First, Akshant, in one of the comments in the letter you have mentioned that growth in food delivery is due to the fact that platform is still underserved from a supply-side perspective. So, between the demand side factor and supply side, you have pointed out to supply side. Do you think supply is a bigger thing, which will drive demand in your view?

Akshant Goyal: Vivek that point was more to draw out the difference in growth rates between our food delivery business and some of the other companies in the restaurant industry space. But at an absolute level, I would perhaps say that demand is a bigger factor going forward than supply at an overall long-term level.

Vivek Maheshwari: Understood. Okay. That makes sense. The other thing is on the sequential growth of quick commerce and the letter mentions about multiple festivals as well as occasions. I would imagine World Cup would also be probably sitting over there. Do you think from a sequential perspective, the base is higher and therefore, the fourth quarter should be somewhat a bit more moderate or sober than what we have seen in the third quarter because of these factors?

Akshant Goyal: Yes, I think that's a fair assumption to make.

Vivek Maheshwari: Got it. Okay. And on the quick commerce side, again, on the dark store. I know it's a bit of an apple to mango comparison, but if you look at it from a Domino's outlet perspective, so the moment, in a micro market, they add another store, the first store throughput comes down by 30% - 40%. You have called out the top 8 cities growth rates, etc., but do you think when you add a store in the micro market, it will have a cannibalization impact on your revenues as well as efficiency?

Albinder Singh Dhindsa: Vivek, let me address that. So typically, when we are adding a store in an existing micro market, the revenue doesn't see an impact because we end up adding a store only when we are fairly confident that we have a very strong product market fit in that hyperlocal neighborhood. And the second thing is, we start doing it when the existing store is starting to reach a baseline of 50%-60% of its utilization, so that we know that at some point in time, we would need to add more supply in the area. To that extent, we don't see that as cannibalization but more as an improvement of service levels for all customers in that micro market.

Vivek Maheshwari: Got it. And one more follow-up on the quick commerce business. So, you have mentioned 20% of stores operating at 5% contribution margin. In the medium term, as you ramp up stores, is there a timeline, like a month or quarter, when stores hit this magical mark of 5% contribution margin?

Akshant Goyal: Very hard to say that, Vivek. With the data that we have provided in the letter this time, that is with respect to how long are we taking to hit contribution breakeven, which has now come down to two months for the stores that we opened in the month of October last year (2023). But from getting to breakeven to getting to 5%, there are multiple factors. That number will also be a function of the overall supply chain cost in that city/ neighborhood. And the business is very young for us to be able to confidently give you a view on the time that it will take to get to a 5% kind of margin.

Vivek Maheshwari: Okay. Got it. And last question, Akshant, on this Hyperpure comment that you have in the letter, the value-added food supplies where you're setting up a plant for sauces, spreads, etc. What is this capex that you are thinking about? Why not go for a third-party model at this stage? Can you just elaborate on what does this entail?

Akshant Goyal: It's not very meaningful, Vivek, in the context of the overall size of the business. And at this point, we believe the payback on this capex is going to be very attractive. And hence, we want to at least try with one facility on our own and then we'll take a call from there if it makes sense to expand. But at this point, it's not a very meaningful capex that we are looking at.

Vivek Maheshwari: Possible to quantify, Akshant, on the capex number?

Akshant Goyal: We are not sharing that data.

Vivek Maheshwari: Okay. And is that in a way a precursor to your own labels in quick commerce?

Akshant Goyal: No, there is no plan of doing that at this point.

Vivek Maheshwari: Okay. So, this will stay and target only the B2B side of things, which is essentially the restaurants.

Akshant Goyal: That's right. Yes.

Moderator: Thank you. Next question is from the line of Ankur Rudra from JP Morgan. Please go ahead.

Ankur Rudra: First of all, can you give me a sense of the platform-level discounts across both food delivery and quick commerce, and has that meaningfully changed in the last few quarters?

Akshant Goyal: Subsidies to customers can be in multiple ways, which one are you referring to here?

Ankur Rudra: Yes, not through Gold, outside of Gold i.e., headline platform discounts on food, promotions on food, excluding Gold offers which is specific to the subscriptions.

Akshant Goyal: So outside of subscription, it hasn't changed meaningfully in the last quarter on the food delivery side. On quick commerce, subsidies are anyways negligible, they're very limited. Even on food, the number is small, but in case of quick commerce, it's close to zero. So, there's no change there as well.

Ankur Rudra: Okay. And moving to the food delivery side, could you give me a sense how concentrated the business is in the top 8 to 10 cities now? Like you highlighted in Blinkit, top 8 is about 90%, where are we on food now? And are you seeing as you grow, that you need to diversify the base, or are all the top cities growing at the same pace as well?

Kunal Swarup: Ankur, this is Kunal here. No meaningful change from the numbers that we've disclosed in the past. The top 8 continues to be around the 60% mark, give or take 1% here and there. So, at this point, even our top cities are growing at roughly the same pace.

Ankur Rudra: Got it. On Blinkit, you highlighted that the category mix has expanded. You've highlighted electronics, home décor, and beauty. Is there a way for us to know how meaningful these sections are, especially seasonal demand, which might vary QoQ as a proportion of the overall GOV or SKUs?

Albinder Singh Dhindsa: No, Ankur, we're not providing that breakup.

Ankur Rudra: Okay, then on Blinkit, you've so far highlighted that you will be going deeper in the existing cities. All the new store additions are where you already have presence. Given that the profitability is expanding at a very rapid rate as 70% are profitable, at what timeline do you think you'll start going wider and deeper in the cities where you're under indexed right now?

Albinder Singh Dhindsa: That is a part of the existing exercise only. At least in the top 8 cities, we still have a lot of ground to cover.

Akshant Goyal: And we're under-indexed in almost every city at this point, even in our largest city. The journey from where we are today to maybe the next 1,000 stores or maybe more will be more within the top 8 cities largely speaking.

Ankur Rudra: No, I meant beyond the top 3 or 4.

Akshant Goyal: We're already doing that.

Albinder Singh Dhindsa: We are still forming a view for the next few years. We want to have a better understanding. The job right now is to keep our focus on expanding our footprint in the larger cities first.

Ankur Rudra: Okay. Just last question on working capital. I noticed that you've been enjoying an inflow in the last couple of quarters despite very strong growth. Is there something happening over here? Are you like negative working capital per store basis now?

Kunal Swarup: So, on working capital, the broader business itself is a negative working capital business because we are a marketplace. We receive revenue upfront and pay out our sellers with a slight lag. The only receivable amount is on the advertising receivables that we have. So yes, that does counterbalance the negative piece. But on balance, there's no meaningful working capital in the Blinkit business.

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

Gaurav Rateria: Congrats on great execution. The first question is with respect to your comment on growth guidance of 50% mark, versus your last shareholders' letter talking about medium-term growth of 40%. So, what really drove the change in expectations? Is it that Blinkit is surprising and doing better than your expectations? Or you have seen a better uptake in food delivery growth rate here?

Akshant Goyal: Food delivery, as we mentioned, was slightly below our expectations last quarter. This confidence on growth being more than 40% is largely on back of what we are seeing in the quick commerce business.

Gaurav Rateria: Got it. Secondly, on quick commerce, is it possible to share some split of what percentage of our stores are franchise stores versus non-franchise? And has that got to do anything in unit economics for us?

Albinder Singh Dhindsa: I'll answer the second question first, Gaurav. There is a negligible difference between unit economics, whether it's a franchise-operated store or it's our own store. We are not disclosing the mix for the last few quarters. We figured out that it's a competitively sensitive information. Our plan is to add more and more trustworthy franchises to the operation, and that's our strategy going forward.

Gaurav Rateria: Got it. And also, I saw that you added two new cities this time. So, what's the broad level thought process? I thought the plan was to go deeper into the existing cities, a lot of ground to cover there. But are you kind of identifying new set of satellite cities that you think you would be targeting over the next one to two years? And the overall addressable market is not just limited to 15 cities, but more like 30-40 cities?

Albinder Singh Dhindsa: So Gaurav, we have to build out a lot of the supply chain capabilities with a more long-term view of the business. When we do that, we want to know whether we will be in 100 cities or 500 cities over the next, let's say, 2 to 5 years. So that's why we keep experimenting and we have mentioned in the letter also that we will strategically test out a few markets to see if there is acceptance of quick commerce in those markets. And we will eventually get to opening more lookalikes as we spot them. Then our network planning, our supply chain planning and infrastructure build-out will take that into account that we will be going to those markets in the future as well. So that's why we open and experiment with some of the new markets.

Gaurav Rateria: Got it. Last question from me. In light of the comment that you made that you're sticking with your breakeven plan for quick commerce, which means that your capital consumption there will dramatically come down. And in the question 15 answer you mentioned that there is no plan to buy back or give dividend. So what's next that we are planning from use of capital perspective? It will be helpful to get some context around that.

Akshant Goyal: Gaurav, so at this point, there's nothing new on the radar. We'll just stick to focusing on what we have on the table and let the cash compound on the balance sheet for now, and then we'll take a call down the line on what to do with the cash. And at this point, there's nothing new that we're planning to do.

Moderator: Next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Just one question on this. You said you're having a better ad monetization or ad revenue per order basically. So, is it just a reverse math kind of a number? [inaudible]

Kunal Swarup: Rahul, your question was not very clear, and your voice is a little muffled. Could you just repeat what you said?

Rahul Jain: Yes. Is it any better?

Kunal Swarup: Yes, much better. Thank you.

Rahul Jain: Yes. Sorry for that. So, what I was essentially trying to understand, Kunal, we mentioned that we have better ad monetization now, which is ad revenue per order. Is this just a reverse calculation mathematics or you're trying to pivot it in such a way that on a per order basis, there has to be certain ad revenue?

Akshant Goyal: No. This is not the latter. It's a way of representation and way of measuring how much we are monetizing through ad sales. We don't think of it that way, that every order has to give us some x rupees of ad. So, to answer your question, it's the former. It's a derived metric and representation more than anything else.

Rahul Jain: Right, and Akshant, we see that the expenses in the dining out business continues to expand. Is it that we account discount offered to our consumer as a cost or these are also netted off and these costs are just to enroll more restaurants?

Akshant Goyal: There are two pieces to Going-out business segment - dining out business and also the events and ticketing business (Zomato Live). We are in a build-out phase here.

Idea is both acquiring restaurants & creating supply of events and onboarding ticketing partners - all of that requires investment. We're also building a team here. So, there is also going to be an element of increase in employee cost over the next few months and quarters. So therefore, while the top line, which is measured by GOV here, we expect that to continue to grow. But both monetization in terms of revenue growth and eventually profitability growth, will take some time, and grow with the lag. That's the plan for now.

Rahul Jain: Yes. But just to understand, if I am getting a 30% discount on the app, while the restaurant may be giving you in very rare example say 25%, so there is no such thing. If there's a 30% discount, the consumer is saying, then probably you are getting 40%. Is that the way it works?

Akshant Goyal: Yes, the discount is entirely borne by the restaurant here. We are not bearing any discounts.

Rahul Jain: So, it's just a commission business that will be all.

Akshant Goyal: Yes. And what I meant by monetization will lag here is that the amount of commission we charge is not the focus area right now. The idea is to first create a large enough network here of restaurants. And similarly on the event side, a large enough supply of events. And to that extent, we'll focus less on monetization for now, and hence, we might see the cost growing maybe faster than the revenue here and idea is to keep it around breakeven and then continue investing in the business.

Rahul Jain: But these costs are all people and getting-the-business cost, it's not any element of discount or anything in that.

Akshant Goyal: That's right.

Moderator: Next question is from the line of Mr. Sudheer Guntupalli from Kotak AMC. Please go ahead.

Sudheer Guntupalli: Yes. Congratulations on a great quarter. Just a couple of questions from my side. First is an extension of what Gaurav asked earlier on the confidence of the 50%+ growth number. We understand that quick commerce is driving this. But just at a macro level, the consumption trends don't seem to be that encouraging or buoyant. So, are you implying that quick commerce may not be as tightly coupled with broader macro? And accordingly, this 50% number need not be construed as very aggressive?

Akshant Goyal: Not really. For us, Sudheer, quick commerce is just a very small fraction of the overall retail consumption. And most of the growth that we are seeing in quick commerce is also on account of increasing coverage, opening more stores, and reaching out to more consumers in the area serviced by the stores today.

So, in some ways, therefore, I don't think the growth of quick commerce is in any way implying the underlying consumer demand. Also, we should note that food is more discretionary demand as compared to people buying on Blinkit, which we believe is more non-discretionary. There's also that element of different consumer behavior and demand patterns that we are seeing in the market over the last year or so. So that also plays a role. But I would say that given the low penetration of quick commerce today, that is the main driver of the high growth that we are seeing at this point.

Sudheer Guntupalli: Okay, Akshant. Second question is on the food delivery revenue growth, which on a reported basis grew around 10% sequentially. So, looks like the restaurant commission rates have improved almost 70 basis points here. So incrementally, what is the headroom for take rate increases just on the restaurant side, not including the delivery fee?

Kunal Swarup: Hi Sudheer, this is Kunal here. I'm not sure how you've been able to compute that. But yes, I think incrementally, the headroom for take rate increases will be on account of multiple

factors, not just restaurant commissions, but on account of advertising monetization, which comes from restaurants, but it is a discretionary spend. It will also be a function of platform fee and therefore at this point, we're not saying that it will be only driven by one of the three factors, it could be a combination of three.

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

Swapnil Potdukhe: Good set of numbers, so congratulations. So, first question is on food delivery. And I just wanted to get some more sense on the supply side comment that you have made in the shareholders' letter. So, what kind of restaurants are actually coming in on the platform? You mentioned that there was a 20% YoY growth. Are these more of cloud kitchens? And if that is the case, what would be the share of cloud kitchens to your revenue or GOV? And that's part A.

And part B is, how much more room is there for your transacting restaurant base to improve from where you are today? So, if you could answer that first.

Akshant Goyal: The restaurants that we're adding on our platform are of two kinds. One is new restaurants, which are opening up in the country. And second bucket is restaurants, which have been around, but have not been on our platform so far. In the first part, I would say a large chunk of what we are seeing as new restaurants today are cloud kitchens, at least on our platform that we are onboarding.

But in the case of existing restaurants, it's a fairly equal mix of cloud kitchens and more physical format restaurants, dine-in restaurants, big chains and so on. So, it's a mix of all of that as far as the existing restaurants are concerned.

And at this point, the number of restaurants should continue to grow at the pace that we are seeing so far over the last few quarters. So that should continue, I do expect this to continue to grow at 20% or so YoY.

Swapnil Potdukhe: Got it. Good. And the second question is with respect to your contribution margins. Now a little bit of working over here. So, if you see your take rates have improved 70 basis points on reported basis, whereas your delivery cost or delivery fees collected from the consumers have come down meaningfully. And now that would suggest that your contribution margin expansion has to come either from delivery cost or discounts or other variable costs. And you just mentioned that discounts have not moved significantly.

So, is it possible that your delivery costs and other variable costs have come down meaningfully and that is what is helping your contribution margin?

Kunal Swarup: Swapnil, this is Kunal here. Look, it's a combination of factors. One, margins are also a function of average order value (AOV) and when average order values increase, that could also impact margins. So therefore, we don't want to get into the specific details of which revenue and cost items actually resulted in improvement in contribution margin. But broadly speaking,

platform fee, ad revenue were contributors and on the cost side, there were elements of cost efficiency. But I would say the revenue side was a little bit stronger in terms of contribution margin increase.

Swapnil Potdukhe: Got it, Kunal. And there has been a slight bit of increase in the fixed cost of food delivery QoQ if you see. I remember last year, you had mentioned there were some IT-related costs, is that the same reason this quarter also or there are also some costs related to marketing and maybe employee cost?

Kunal Swarup: Largely two reasons, Swapnil. One is, yes, you're right, some part of it is due to marketing, and that was on account of the World Cup and some of the festive marketing that we did, which was seasonal, and we don't expect that to be elevated going forward. But the second element was increase in some of our server and tech infrastructure costs that we expect, will continue to stay.

Swapnil Potdukhe: Got it. And one question on Blinkit as well. So, if you see your take rates in Blinkit, if I were to look it from over the last three, four quarters, there has not been a significant improvement in your Blinkit take rates. And whereas you have very clearly mentioned that your ad income seems to be improving. The other two factors over there would be your product mix margins and your handling fees or delivery fees, right. So, will it be fair to say that while your ad income continues to improve, the other two levers have not improved or there has been a slight decline in that as you're focusing more on expansion?

Kunal Swarup: Yes, that would be a fair assumption. At this point, ad monetization has been the bigger driver of that increase.

Albinder Singh Dhindsa: And Swapnil, because we are so multi-category as a platform, we don't internally look at take rate percentages as much as we look at the actual rupee value that we are able to get in a particular product category. You might have categories like electronics, where percentage-wise, your take rates will be much lower, but in terms of rupee value, they end up being significant. So, it all depends on the product mix and how it works.

Swapnil Potdukhe: Got it. If I can make a suggestion over here, it will be great if you guys can start sharing the product mix on a GMV basis for Blinkit at least. I mean I think that would give better color to most of us tracking the company. Just a suggestion, in case.

Albinder Singh Dhindsa: We will not be doing that. We are still in a competitive and evolving category. So, we don't intend to do that.

Swapnil Potdukhe: Okay, guys. And just last one, so there were quite a few news flows around use of cash. And you have very clearly mentioned that you don't intend to return the cash as dividends or buybacks in the near future. But can you give some clarity on will there be a possibility of any M&A activity, and do we have deployment towards that, is that the reason that you're not thinking about returning back the cash to the shareholders?

Akshant Goyal: See, if that is indeed the reason, and we are not mentioning it in response to question 15, so it's unlikely I'll say that to you right now, also. We've spoken about this also as a response to a previous question, that at this point there is no plan.

And it's still a competitive industry. We are the only listed company in our space. So, at this point, having a strong balance sheet is important for us. And the focus is just on building the businesses right now. And at some point where we feel comfortable, we will look at capital return to shareholders or whatever makes sense at that point.

Moderator: Next question is from the line of Ashwin Mehta from Ambit. Please go ahead.

Ashwin Mehta: Yes. So, one question on Blinkit to Albinder. Albinder, what is typically the peak orders per day per dark store that is possible to do? So, when you're talking about numbers like 50%, 60% utilization, when it happens, you start to open another dark store in the same location. So just want to get a sense in terms of what this number could be?

Albinder Singh Dhindsa: Ashwin, this can really differ depending on the configuration, the size of the facility and the kind of use cases we serve out of that facility. We used to have different benchmarks at different points of time, and they have evolved over time. If you had asked us two years ago, we used to think we could at max do 2,500 - 3,000 orders in a day in our stores. Now, we have stores that have done 4,500 orders in a day.

So, this is going to be an ever-evolving problem statement, defined more by how we are able to evolve our tech and processes to be able to process these numbers and also the configuration of the infrastructure that we have. So, there is no benchmark on this. And we continue to innovate and even within our existing ecosystem, we changed the benchmark that we had for what is the maximum number that we can do from a particular store.

Ashwin Mehta: Yes. Fair enough. The second one on the fixed cost side. So, if I look at your fixed cost on a per dark store basis, that seems to be within a very tight band on the Blinkit side. So why are we not seeing the leverage per dark store basis in fixed cost as the growth has been pretty strong?

Kunal Swarup: Hi Ashwin, Kunal here. The right way to think about it is to compare it on a year-on-year basis with revenue growth. So, revenue has grown 100% year-on-year, whereas fixed cost base has grown 18% year-on-year. And that shows you the operating leverage clearly. The leverage per dark store exactly, I don't know how you're computing that, but that may or may not reflect the full operating leverage.

Ashwin Mehta: Okay. Secondly, in terms of food ordering, what proportion of our GOV or MTUs would have been driven by Zomato Gold this quarter?

Akshant Goyal: So, we're not talking about that, Ashwin anymore. Last quarter, we reported about 40%, currently it is higher than that.

Ashwin Mehta: Okay. Okay. And thirdly, in terms of trying to recoup, say, the reduction in customer delivery charges because of Zomato Gold, do you think the platform fee increases should be able to compensate that? Because my calculation seems to suggest you would probably have fallen from, say, INR 27 per order to more like INR 16 over the last 5 quarters?

Akshant Goyal: So, it will not fully recover it. That's not how we look at the business. Idea is not to make every Gold order as profitable as every other order. The overall objective of the business is to maximize absolute profits. And if that means we have to invest in some areas of the business and make money in some other areas. We'll do that. So that's how we're looking at it.

Ashwin Mehta: Okay. Okay. And the last one from a Blinkit GOV perspective, any idea on the share of non-grocery that we would have now?

Albinder Singh Dhindsa: No, Ashwin, we're not providing that split.

Moderator: 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 Navin Killa from UBS. Please go ahead.

Navin Killa: I had a couple of questions. In fact, these are related to the previous questions. So, for the current quarter, particularly for the food delivery business, is there any sense we can get as to the trends in AOV because I think you did mention that there was a little bit of benefit that you got from higher AOVs as well?

And then secondly, as a percentage of your total, I don't know whether you look at it as total supply or total GMV, what would be cloud kitchens today for the food delivery business?

Kunal Swarup: So, I'll take your first question. Yes, like I said, AOV increases were largely seasonal. So, you would see some sort of reduction maybe on that number, but difficult to predict. And we're not giving any particular guidance, especially around that. As far as cloud kitchen share of GOV is concerned, again, that's not a metric that we report Navin, but directionally speaking, yes, in terms of the new supply that is getting added, a lot of that is on account of cloud kitchen. And overall, over the years, the share of cloud kitchens has increased in the overall mix that we have on the platform.

Navin Killa: Right. And would it be fair to assume that the commissions that you're able to charge the cloud kitchens would be more than the normal brick-and-mortar restaurants?

Kunal Swarup: We don't share that mix, and I don't think they would be very different. It's now broadly in a certain range, whether it is cloud kitchen or dine-in restaurants. So, I wouldn't say there's a big difference there.

Moderator: Next question is from the line of Samarth Patel from Equirus. Please go ahead.

Samarth Patel: I have two questions. First one on Blinkit, just to expand on the GOV growth point. So, given that now we are nearing Adjusted EBITDA breakeven in the business, what would be our

strategy regarding the expansion of new stores? Will it be focused primarily on GOV growth or on enhancing margin post breakeven? So, I just want to get a qualitative idea from a two three years' timeline perspective.

Akshant Goyal:

Yes, Samarth, we've prioritized growth here for sure and growth is more a function of how much we're able to execute and what opportunity we see in terms of number of new store additions. So, whatever that leads to in terms of margin is where we land. But if we see opportunity for good quality growth, then we'll not shy away from it and if we have the bandwidth and resources to expand, then we'll do that. And that's the sort of mindset we are working with here.

Samarth Patel:

Understood. Clear. Second question on the food delivery side, like we reported 3% adjusted EBITDA margin for the food delivery and near-term guidance is around 4% to 5%. Given that there will always be inherent economies of scale in this business, we can sort of keep on expanding the margin. So, would we be focusing on margin expansion, or we will plow back the margins again after we achieve our near-term guidance and move the trend line of growth to, let's say, 25% GOV growth? So, what would be the strategy there in terms of GOV growth and margin expansion?

Akshant Goyal:

See, if we have levers to be able to influence growth to that extent, then we'll definitely do that. But the point is that it's also dictated by market competition, etc. So, at this point, we're doing all we can. Again, like in my previous response, I would say that idea is on good quality growth and if that comes at cost of some margin compression, then it's okay with us, theoretically speaking, but that hasn't happened so far, and we've been able to deliver margin expansion along with growth. At some point in the future, that might change as margins mature. But for now, that trajectory will continue.

Moderator:

Thank you. Ladies and gentlemen, we will now conclude this conference call. Thank you for joining us, and you may now disconnect your lines.