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Listing Department,
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Sub: Transcript of the earnings conference call conducted on August 3, 2023

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the earnings conference call conducted on August 3, 2023.

The same is also hosted on the website of the Company at https://www.zomato.com/investor-relations/financials.

For **Zomato Limited**

Sandhya Sethia
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Date: 2023.08.10 17:42:14 +05'30'

Sandhya Sethia
(Company Secretary & Compliance Officer)

Date: August 10, 2023
Place: Gurugram

Zomato Limited Q1FY24 Earnings Conference Call Transcript

August 3, 2023

Management Representatives:

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

Moderator: Ladies and gentlemen, a very good evening and welcome to Zomato Limited's Q1FY24 earnings conference call. From Zomato's management team, we have with us today Mr. Deepinder Goyal, Founder and Chief Executive Officer; Mr. Akshant Goyal, Chief Financial Officer; Albinder Dhindsa, Founder and CEO of Blinkit; and Mr. 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 Mr. Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: Hi, thank you for the opportunity. Congratulations for a great set of numbers. I have 3 questions. First question is regarding the 11% QoQ GOV growth. Clearly, the 4 reasons that you guys have given are clear, but I just wanted to check how much was the IPL impact, and any way you guys could quantify that?

Akshant Goyal: Hi Sachin, thank you for your question. Akshant this side. Over the years, we've seen that IPL doesn't have too much of an impact on our business, except for a few matches towards the fag end. I think seasonality has more to do with the weather, school holidays and stuff like that. And this was pretty clear to us in the year before last, when the IPL actually got shifted to October quarter, and it was during that year that we saw that our business in the summer was still higher despite there being no IPL. So, I think it's fairly clear to us now that IPL has a very limited impact on our business.

Sachin Salgaonkar: And just an extension of this question. Is the answer similar to the World Cup, which comes once every 4 years.

Akshant Goyal: So, 4 years ago, we don't know as our business was very different. We don't have enough data points to respond to that. But in general, any cricket match where the viewership is very high, is where we see some impact on upside. We are hoping that World Cup will be different, given it happens once in 4 years, and it's happening in India this time so we are expecting some upside, but we'll have to see how it plays out.

Sachin Salgaonkar: Okay. Great. My second question is regarding AOV of Blinkit. Now clearly, your AOV is much higher than most of your competitors. And for last few quarters, we had seen a sort of declining trend. But this quarter, it did improve. So just wanted to understand your thoughts per se, how sustainable should we look at it going ahead?

Albinder Singh Dhindsa: Hi Sachin, this is Albinder. Like we have mentioned a couple of times before also, our business, because it deals with such a wide variety of products, the AOV movement does tend to move with seasons as well. This quarter's AOV movement that you're seeing, part of it was also a result of the fact that we were a little bit supply constrained, but that drove about 25% of the overall AOV improvement. The rest of it is mostly seasonal changes, consumption patterns, especially in the core FMCG and grocery space. And that's what usually drives up the AOV during some parts of the month. So, you will see more variability in AOV, not consistently going up or down, but we take that into our business projections and how we think about the business.

Sachin Salgaonkar: Got it, thank you, and last question, just wanted to understand medium-term sustainable margins in food, which is Adjusted EBITDA as a percentage of GOV. So, you guys said 4% to 5% is what you guys are looking at in the next few quarters. I just wanted to understand from a medium-term perspective where it could settle at?

Akshant Goyal: Next few quarters are medium term only no, Sachin.

Sachin Salgaonkar: Okay, so let me turn it from a long-term perspective, where do you guys want to see that certainly.

Akshant Goyal: Hard to say, I think, first, we want to get to this kind of a margin profile and then we'll see how the business evolves after that.

Sachin Salgaonkar: Got it. Okay. All the best for your future.

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

Vijit Jain: Hi, thank you, congratulations for a great set of numbers. My question is, just a Q-o-Q drop in employee expenses. Just wondering if there's anything to that. I'm talking about expenses, excluding the ESOP charges. That's question one.

Akshant Goyal: Hi Vijit. So yes, I think our employee expenses have come down in the last 2 quarters. And I think this is largely a function of the rightsizing that we did in the December quarter. I think all of that is fully flowing into our P&L now, given that there were some severance payouts in the previous quarter. So, I think that's why you see that decline.

Vijit Jain: Got it. Akshant, fair to say this would include any annual pay hike or is that in a different cycle for you guys?

Akshant Goyal: Our cycle is actually July to July. So, you will see that impact in the next quarter.

Vijit Jain: Okay. Got it. My next question is on just a couple of things on the delivery rider fees in general. So, there was this news recently of Rajasthan government exploring some kind of a rule on compensation to gig-economy workers. So just wondering if there's any clarity on how that impacts your business? And related to that, is there any adjustment to how you compensate delivery riders post the events such as Blinkit disruption in Gurgaon. So just a broad question on delivery rider side there.

Akshant Goyal: Yes, Vijit. I think on that one, we don't have full clarity yet. I think we're still waiting more clarity there. And I think basis that we'll be able to ascertain the steps that we need to take to manage that. But at this point, I think it's a very broad-based bill, and there are no specific details. So, we're just waiting and watching right now.

Vijit Jain: Got it. And how about any changes that you have implemented on the Blinkit side? I'm just wondering on the Blinkit side, has your delivery cost per order changed this quarter or most of the improvement is just led by the higher AOV in terms of contribution margins?

Albinder Singh Dhindsa: Hi Vijit, this is Albinder. The changes that we made in April was to bring all our delivery partners onto the same kind of payout structure so that it was more even across the board, and we have not made any changes beyond that. The overall cost of delivery for us did not decrease significantly during the quarter. And because that was not the intent of the changes that we were making as well. So, the delivery payouts per order to our delivery partners have remained broadly the same. Most of the improvement that you're seeing on the contribution side is coming more from operating leverage of our fixed assets as well as improving margin profile and improving average ticket size.

Vijit Jain: Got it. Yes, those were my questions. I'll just jump back into the queue.

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

Swapnil Potdukhe: Hi everyone, thanks for the opportunity, great set of numbers. I have a couple of questions on the delivery side and a couple of them on the quick commerce side. First, there has been a mention of some risky bets that seem to have paid off for you. Would you be able to call them out? And in the same breath, can you also mention any more initiatives that you are working on, that can be termed risky?

Akshant Goyal: No, I think the reference there was largely to the changes that we did on the people side and some calls we took on driving growth like on Zomato Gold, where at that time, we felt that there was a perception that, it will impact the business in a negative way. So I think largely, that was what we meant with this. We're not talking about any business calls here, which investors are not aware of.

Swapnil Potdukhe: Got it. And secondly, there has been a 100-basis point QoQ improvement in the take rates. Now would you be able to call out how much of that is because of ad income, pure-play restaurant commissions and maybe Gold separately?

Akshant Goyal: No Swapnil, I'm sorry, we will not be able to share those details.

Swapnil Potdukhe: Okay. And on the Blinkit side, would it be possible to share the GMV mix over there. Now what I understand, your non-grocery mix appears to be improving and it would be great if you guys can call that out in some form or the other.

Albinder Singh Dhindsa: Swapnil, we don't give out the breakout for individual product categories that we sell. The mindset with which we operate is that we are always looking to bring more convenience with more product categories for our customers. So, we've been increasing the size of portfolio available in 10 minutes to our customers consistently over the last one year, and that is what is leading to improvement in the overall both the ticket size as well as the margins for us. And I think we'll continue to do that into the future as well.

Swapnil Potdukhe: And because of the disruption we saw in 1Q in Delhi NCR, did Blinkit delivery costs jump up in this particular quarter. And I presume, that would be a one-off, but was that the case? And would that help you improve your contribution margins going ahead?

Albinder Singh Dhindsa: So, I think the delivery cost changes, like we mentioned, were not significant in this quarter. And we don't expect that number to change dramatically going forward as well. The intent of the changes for us was to make sure that our entire delivery fleet was on a more fair and equitable payout structure. So I don't think, that is something that we are targeting. The disruptions where they affected us was because there was more misunderstanding on the ground, some of our stores were shut for a few days. And even after they recovered, the number of partners coming back and working, took some time to recover, and that's why we had a weaker April and May, and we only started recovering towards the end of May and early June, but post that, we've recovered.

Swapnil Potdukhe: Got it. And just a last question if I can squeeze in. How much of that $320 million that you were expecting to burn in Blinkit has already been factored in? And how much is the balance? I know that you won't be spending the entire amount, you mentioned that, but just to get a sense of that?

Akshant Goyal: Swapnil, we will share that number once we get to breakeven profitability, I think so far, we're still sort of trying to calibrate on how much we spend incrementally from here on to get to breakeven.

Swapnil Potdukhe: Okay. No worries. So, thanks a lot guys for this opportunity and great set of numbers again, all the best.

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

Manish Adukia: Hi, good evening, thank you so much for taking my questions and thank you for all the disclosure around numbers and guidance as you think about the business for the next few years. Just a few clarifications on some of the numbers you've given in the shareholders' letter. So, you've called out a growth rate in Blinkit of 60% plus on GOV for the foreseeable future and overall Adjusted Revenue growth of 40% plus. So back of the envelope calculation, would suggest maybe 25% plus or 30% thereabout kind of food delivery growth in the next few years. Firstly, do you agree with that number? Food delivery growth of 25% to 30% for the next couple of years is what you're targeting?

Akshant Goyal: We haven't stated any growth targets or guidance for food delivery, Manish. So, I can't comment on this.

Manish Adukia: Right, and does that comment from your previous quarters where incrementally, most of the growth in food delivery will come from user growth, that comment would still stand, right? So, if, let's say, 25%, 30% you were to grow, and that large part should come from user growth? Would that be a fair assumption?

Akshant Goyal: Yes Manish, and even in this quarter, you have seen the MTU grow. So, we expect that to continue.

Manish Adukia: Understood. My second question, maybe to Albinder. So Albinder, in the question, in the shareholders' letter, you've said that you're determined to deliver on growth and profitability over the next few months. So again, I mean, are we to read that you're guiding for Adjusted EBITDA breakeven over the next few months? Or did you mean something else?

Albinder Singh Dhindsa: I think we meant what we wrote. We've mentioned 4 quarters anyways, so that's 12 months. So, I don't know. I'm not sure if we got your question, Manish.

Manish Adukia: Sure. Okay. Fair enough, thank you for clarifying. And third, again, in the shareholders' letter, you've talked about uses of capital or capital allocation. Thank you for the color there. But since you started generating cash now and obviously, you have a large balance sheet as well. So, from a capital allocation standpoint, if you are, let's say, not focusing on any near-term M&A or acquisition, would you be considering any form of shareholder return or that is not in the foreseeable future?

Akshant Goyal: So not at this point, Manish, we have thought about that. But at this point, we want to maintain the cash that we have. But down the line, we continue to reconsider that position as our business scales and as competitive dynamics change around us.

Manish Adukia: Got it, thank you so much for taking the question.

Akshant Goyal: Thank you Manish.

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

Gaurav Rateria: Hi, congratulations on a great set of numbers. A few questions. The first is on contribution margins in food business, which is now at 6.4%, for you to hit your target of 4% to 5% Adjusted EBITDA margins, where should this number settle down? And what will be the key drivers for that?

Akshant Goyal: Gaurav, largely, I think there is some bit of operating leverage which will continue as we scale in this business. So, if the EBITDA margin goes up by 2 percentage points, we can get there even with a slightly lower contribution margin growth, right? So ballpark, even in the past, we have spoken about 8% contribution to GOV this business. I think that is what we are aiming for, and we believe that should get us to the 4% to 5% EBITDA margin in this business.

Gaurav Rateria: Got it. Second question is how much of Hyperpure growth came from your synergies between Hyperpure and Blinkit? And is there a case to believe that quick commerce can leverage the food delivery footprint and get some synergies there as well?

Akshant Goyal: Sorry, can you elaborate on the second part of the question?

Gaurav Rateria: How much of Hyperpure growth really came because of the synergies between the Blinkit and Hyperpure business, which you mentioned in your shareholders' letter? And is there a case to believe that quick commerce can also get some synergies from leveraging the delivery footprint of the food delivery business?

Akshant Goyal: Yes. I think as far as your first part of the question is concerned, Hyperpure business is growing on both sides now. I think the core restaurant supplies business is growing really well at more than 100% year-on-year. And equally, as we mentioned in the last couple of shareholders' letters, we're also now supplying to sellers on Blinkit, that business is scaling as well. So, I think both the segments are growing well. And to your second question, like synergies between quick commerce and food delivery. I just want to confirm Gaurav, if the question was on quick commerce and food delivery synergies or was it something else?

Gaurav Rateria: Yes, synergies between the 2 business, especially with respect to delivery cost?

Albinder Singh Dhindsa: Yes. I'll take that, Gaurav. I think we've explored this quite a bit. And so far, we are taking it slowly to make sure that both the businesses, especially in the overlapping cities, they are fairly sizable. So, we have taken some initiatives, mostly on the technology and the platform side to be able to get better synergies out of both of them. And over time, I think we will continue to make processes and our way of operating better to be able to get more synergies out of the fairly large footprint of riders that we have across both the platforms. But as of now, that is not something which is in an active focus area, as both the platforms are growing fairly quickly, and we need to make sure that we have rider supply for both of them across the board.

Gaurav Rateria: Got it. Last question from me. Any data point on the new customer addition during the quarter on a gross basis? Thank you.

Akshant Goyal: Gaurav, I think it remains healthy. It's in line with the numbers we have shared in the past. So, I think that as far as new user addition is concerned, it continues to remain robust.

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

Sudheer Guntupalli: Hello, thanks for taking my question and congratulations on great set of numbers. So just on your guidance of 40% plus year-on-year Adjusted Revenue growth for at least the next couple of years. So Akshant, what is giving you that confidence, especially in an economy where the nominal GDP growth is averaging just around 10%, you're talking about 4x GDP growth multiplier. That is number one. And number two, until last quarter, we are talking about consumption slowdown, discretionary slowdown, so on and so forth. And now we are talking about confidence of 40% plus year-on-year growth at least for the next couple of years. This looks like almost a 180-degree turn in terms of our guidance aspiration. What has driven that change? Is it entirely led by the strong performance that we had seen in this quarter?

Akshant Goyal: Sudheer, Hi, Akshant this side. I'm wondering if your understanding of this 40% is only for food delivery because this is a guidance at the overall revenue level, which even in the last 4, 5 quarters, has been north of 50% year-on-year, right? I think given we have a portfolio of businesses and while food delivery growth has been relatively muted last few quarters, which is what you're also saying, but at the same time, Hyperpure, Dining Out and Blinkit have grown really well. And I think the message here that we want to give is that as a portfolio we will continue to grow at that pace while some business may grow faster than others.

Sudheer Guntupalli: Yes. Sure Akshant. I get your point. And to one of the previous questions, you have sort of not called out the growth. But 40% overall portfolio level growth does imply, let's say, food delivery growth of at least a 25% to 30% CAGR over the next couple of years, which seems to be a very, very big ask. I'm essentially asking what is driving that confidence, both in the food delivery business compared to where we were 3-4 months back.

Akshant Goyal: If you look at this last one quarter, we've grown 11% on GOV terms sequentially and around 15% on a revenue basis for the food delivery business, right? So, if we are doing that in 1 quarter, I think we can easily aim for a 25%, 30% growth on revenue on food, this year and the next. I think the assumption here is that the worst is behind us in terms of the demand slowdown that we saw. And from here on, incrementally, we should see that recover. And hence, we feel confident about being able to deliver this topline growth.

Sudheer Guntupalli: Sure, thanks for that color, and just one clarification. So, this does not, in any way, include any of the future acquisitions that you may have in mind or anything of that sort, right? This is the pure organic number that we are talking about?

Akshant Goyal: Just like-to-like.

Sudheer Guntupalli: Okay Akshant, thank you so much and congratulations once again for brilliant set of numbers.

Akshant Goyal: Thank you Sudheer.

Moderator: Thank you, next question is from the line of Mr. Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Hello.

Akshant Goyal: Hi Mukul.

Mukul Garg: Hey, great quarter, guys, congratulations. Just a couple of questions. First, on the take rate during this quarter, I know this came up earlier also, but can you just help understand what steps were really undertaken this quarter as you have in the past mentioned that incrementally taking up that take rate would be a lot more gradual. But (inaudible).

Moderator: Hi Mukul are you on the line? It seems like we have some sort of a technical glitch, we can circle back to Mr. Garg later. In the interim, next question is from the line of Mr. Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: Hi, am I audible?

Moderator: Yes, please go ahead.

Vivek Maheshwari: A couple of things. First, on the food delivery, Akshant, that's what the previous participant asked. When we talk to QSR companies on the delivery side, their outlook is not as buoyant as or positive as, you are. Is there a difference between, let's say, independents versus, let's say, chain restaurant? Is there any such trend which is underway, which is why, let's say, your outlook is far positive as compared to the QSR folks?

Akshant Goyal: Yes, so I think as we mentioned in the past, QSR contributes single-digit percentage point of our business overall. So, most of our business on our platform happens through smaller restaurants and a few outlet chains. So yes, at least as far as our business is concerned and the data that we are seeing, we feel there's no reason to believe that we should not be able to grow well from here on, right, at least on a year-on-year basis.

Vivek Maheshwari: Okay and given the presence you have, I'm sure you would be interacting with those restaurants given where the food inflation is, honestly, I don't know beyond QSR as much. But shouldn't there be a bit of a stress that restaurant should be facing right now given the input prices have actually hardened quite a bit.

Akshant Goyal: This is actually quite contrary to that. A lot of small restaurants, given the lack of growth in their business in the last six to nine months, we are seeing are spending aggressively on ad sales on our platform to grow right now. And that trend is what has also led to a part of the take rate increase that a couple of you have asked us on this call in the past. So yes, I think the prices are going up, there's inflation, but we've seen the small restaurants take up menu prices and along with that spend on ads to get growth, and it seems like it's working for them.

Vivek Maheshwari: Okay. Got it. The second point on food delivery margins again, Akshant, are at 2.5%, and there has been obviously a dramatic improvement. I don't think most were believing when you first highlighted those things. But from here to, let's say, a journey to 5%, should that be more moderate? And through the course of the year, will we see more moderate gains as we go forward?

Akshant Goyal: So hard to predict the exact path, Vivek. I think we'll play it by the year. It's a highly competitive market. There are multiple variables at play here, including the demand seasonality and competition. So, I think we feel confident of getting there in a few quarters, but exactly from here on, whether it's going to be linear or not, it's hard to say right now.

Vivek Maheshwari: Okay. Got it. And on the quick commerce, Blinkit side, you have mentioned about 100 net store additions this year. What does that signal, are these 100 stores essentially - you going into newer towns and cities? Is that what it is? Or this will be primarily in the existing locations? And the fact that you have been pruning down the stores and now for FY24, you're guiding for 100 stores. So, what has driven this change, I was expecting at some point, but FY24, 100 additions seems that you are far more confident over here.

Albinder Singh Dhindsa: Hi Vivek, Albinder here, so most of the new store additions which we are guiding for are going to be in our existing geographies. A lot of this is being driven by the fact that we have polygons, which we are serving with existing stores that are reaching fairly high order numbers and reaching maturity, and we still see a lot of headroom for growth in those localities. So, a lot of this growth is going to come from store expansion of our network within our existing geographies itself. We are obviously cautiously expanding into new geographies as well, adding some more flavor and variety into the kind of neighborhoods that we serve in the cities that we serve, including some Tier 2 cities. But majority of the 100-store expansion that you'll see will come from high confidence polygons where we already have significant volumes.

Vivek Maheshwari: Interesting. And last question, more philosophically, your letter talks about dining out or going out as a separate app and you have again mentioned about the brand. But in this quarter also, 7% of GOV, let's say, comes from dining out, do you really need a separate app? And is it worth it given that you already have a brilliant franchise with Zomato app, why put it separately? Have you done any study on this, which says that it would be better if you put it in a different app? I can understand Blinkit because the traffic was always there in Grofers and that's why you probably wanted it to continue. But putting it separately, does that really help?

Akshant Goyal: So, Vivek, right now, just to clarify, by the way, we are not saying that this business will not be on the Zomato app even if we have a separate app, right? I think it's an idea we are experimenting with right now. And even if we do that, dining out will continue to remain on Zomato app, right? And we'll then see what we learn from that and whether the separate new app stays or not. So, I think that's all up for experimentation at this point. We don't have a very firm point of view on that.

Vivek Maheshwari: Okay interesting, thank you and wishing all the best.

Moderator: Thank you, next question is from the line of Mr. Ashwin Mehta from Ambit, please go ahead.

Ashwin Mehta: Hi, can you hear me?

Akshant Goyal: Hi Ashwin.

Ashwin Mehta: Hi, Akshant, thanks for the question, congrats on a good set of numbers. The first question is in terms of take rates. We've seen almost a 200-bps increase over the last year. How much more scope do you see in terms of increases there? And then the second one is in terms of Blinkit wherein if you can give some color in terms of advertising pickup in Blinkit and how should that affect the take rates in Blinkit?

Akshant Goyal: Yes. So large part of the take rate increase on the food side that you're talking about Ashwin is because of the growth in ad sales that we have seen. And as I mentioned in response to the previous question, we are seeing more and more restaurants wanting to spend on our platform to market their business and grow and that trend seems to sustain and continue for now. So, we don't know till what level can this ad sales revenue grow for us.

And likewise, on the Blinkit business, we've seen ads as a decent driver of or a meaningful driver of revenue expansion, top line expansion for Blinkit. And the journey there is much less mature than it is on food, and we believe that there are meaningful gains to be made on ad sales in the Blinkit business, which would drive a large part of our progress to profitability from here on.

Ashwin Mehta: Okay. And just one more. Have you seen any impacts until now of the floods and some of the disruptions that have happened, especially in North India, Haryana, for that matter? Any impacts that you see as you get into the next quarter?

Akshant Goyal: Yes Ashwin, so I think all these events do have a hyperlocal impact on our business. Even, for example, in Gurgaon, we've had some local issues last few days, and that has impacted our ability to service some of our customers in a few neighborhoods. So, I think that impact, as you all mentioned also, was there in the last couple of months because of untimely heavy rains. So, we've sort of navigated all of that and that did have an impact on the growth of the business over the last couple of months.

Ashwin Mehta: Okay. Thank you and all the best.

Moderator: Thank you, next question is from the line of Mr. Nikhil Choudhary from Nuvama Equities. Please go ahead.

Nikhil Choudhary: Hi, thanks for the opportunity and congrats on such a good set of numbers. First is on the 100-store increase for Blinkit and what Albinder clarified that it's primarily in the existing geography. Is it safe to assume the GOV, which is about 620,000, 625,000 per store, that would be a steady-state number given you are increasing the store count in existing geography? And why I'm asking this, as one of your large competitor mentioned that GOV for them is still higher. So, any clarity there?

Albinder Singh Dhinda: Hi Nikhil, I think the GOV per store that we display, I think it depends more on whether we open a lot of new locations and where we are opening those new locations, and the kind of geography in the high order density locations where we expect the demand to increase a lot faster. It's hard to put a track on whether it will go up, go down a little bit and then come back up. I think that depends a lot on a number of factors, which includes pace of store opening and also the quality of the polygons in which we are opening those stores.

Nikhil Choudhary: Sure, second question is regarding the employee cost as a percentage of revenue. We have seen it decline by more than 1,000 basis points in the last one year. And obviously, some of it is because of the synergy between the two platforms, Blinkit and Zomato, which you mentioned and also due to overall decline in supply side challenges. What would be the steady state as a percentage of revenue employee cost would be, anything you are targeting?

Akshant Goyal: I think we feel, at this point, the organization is rightsized for the businesses that we have. And as I mentioned, September quarter is when the impact of annual appraisals will also impact that cost and it should go up from here. So here on, I think it should grow at some multiple of inflation. We don't expect it to change meaningfully either way.

Nikhil Choudhary: Last question on what you mentioned about 30% of your GOV is coming from Zomato Gold. So, any data point you can provide on that, in the last quarter, you commented that AOV of Gold members was lesser, because people are ordering using the same account within the family, any color on the behavior of gold member versus the non-gold?

Kunal Swarup: Nikhil, Kunal here, I don't think we mentioned that the AOVs were lesser, what we mentioned was that the MTUs got impacted to some extent as multiple individual users in the same family were ordering from the same account. We don't see any major shift in the position that we saw even earlier. So AOVs are slightly higher than normal AOVs and the frequency of ordering, of course, is significantly higher. Part of that could be because of the clubbing of orders, but part of it is also genuinely because there are free delivery benefits and other benefits.

Nikhil Choudhary: Sure. That's it from my side. Thanks for the opportunity and good luck for the next period. Thank you.

Moderator: Ladies and gentlemen, in the interest of time, we will now take the last one to two questions. The next question is from the line of Mr. Dipesh Mehta from Emkay, please go ahead.

Dipesh Mehta: Thanks for the opportunity, two questions. First of all, just want to get sense about how inflation impacts our business across segment. So, if you can give some sense about how one should look at revenue impact and margin impact, food inflation as well as overall inflation. Second question is about Hyperpure business. If you can provide some sense about how many restaurant partners, let's say, we have now to which you are supplying the ingredient. And in terms of percentage of supply sourced by them, how it has moved, let's say, year-on-year, if you can provide some color, thanks.

Kunal Swarup: Hi Dipesh, Kunal here. I think I'll take the first question first. So like Akshant mentioned this now as well, yes, food inflation is impacting restaurants, but because their sales are getting impacted, they are also ending up spending more on advertising and trying to grow the business. So, I think overall, yes, there is some stress, but I think they're also taking the right initiatives to ensure that growth continues on the platform. I think this inflation being up and down will be a characteristic that all businesses have to deal with, and they are also dealing with.

So that's on the inflation front. Your second question was around Hyperpure, and so over there, like we pointed out in the shareholders' letter, one of the initiatives that we took up over there was to increase our minimum order value for restaurants to order on the platform. And that resulted in some churning out of the small unprofitable restaurants who were not meeting that minimum order criteria. And to that extent, yes, there was some churn, but I think overall, it resulted in an increase in revenue because restaurants that were on the fence were able to increase their average order values and that also had a positive impact on the profitability of the business.

Dipesh Mehta: The question is about the sourcing changes in terms of percentage of sourcing. What used to happen versus now the same restaurant partner if you can give some color?

Kunal Swarup: Yes, for the same restaurants, there is going to be gradual increase in wallet share also, so that we will continue to see, new restaurants start with a few commodities and then eventually, as they build trust, they continue to expand the basket that they order from Hyperpure. So that's a gradual process and that you're seeing in our current numbers as well.

Moderator: Next question is from the line of Mr. Manish Poddar from Motilal Oswal AMC. Please go ahead.

Manish Poddar: Great set of results. Thanks for giving me the opportunity. I have 3 questions. One is, if you could call out what is the sort of investment which is done on Gold in your view, and in my estimate it's somewhere in the high single-digit number. What is the sort of investment up here? And where do you think this will normalize? So, would this number be INR 3 or 4. I'm just trying to understand, on a per order basis, whenever it is, FY25, FY26, I'm just trying to understand where does this number stack up at a steady state?

Akshant Goyal: Manish, hard to say that at this point. I think in our business, there are pockets where we have to invest at different periods of time and then sort of adapt depending on how the market is changing, how the consumer habits are changing and how the competition is behaving. So, at this point, I won't be able to comment on a specific guidance on how much are we investing here and where that is likely to move going forward.

Manish Poddar: Okay and any thoughts on this platform fee, which is being levered by the peer set, do we want to roll out, have we tried in certain micro markets, just your thoughts around that?

Akshant Goyal: Yes. It's a business call Manish. We are aware about that, and I think we'll take a call if we think it's the right thing for the business. At this point, we haven't done that. I mean, there is no platform fee on our platform.

Manish Poddar: Okay. And then third bit is, if you look at the restaurant count, even the last 2 quarters, despite cutting down on the cities or the tail in the food delivery, the restaurant count has increased. So, have we added any new categories or are there new restaurants coming out? Can you just help me understand what is happening up there?

Akshant Goyal: Yes. Manish, these are largely the new restaurants that we continue to onboard every month, every quarter. The number you see in our disclosure is the net number of restaurants. But every quarter, there are a number of restaurants which shut down and a lot more open up, new restaurants come up, right? There are also pockets in the country where we are not adequately penetrated in terms of having existing restaurants on our platform. So that also adds to the number of restaurants. So, I think it's a combination of all of this, which is right now leading to the moderate uptick in the number of restaurants that you see.

Manish Poddar: So, there's no material new categories, let's say, which has got added as such?

Akshant Goyal: No, no. There is not.

Manish Poddar: Okay. And just one last one, if I can. In terms of fleet, I think the delivery riders are getting cross-utilized I think in some micro markets across different segments, let's say, in terms of utilizing it with either your holding company or with other entities. Just any sense if you can give me qualitatively or quantitatively, how does this benefit in terms of, let's say, delivery cost or any sort of sense? Can there be 20% savings on that over 3 years? Just any sort of understanding on that will be helpful.

Kunal Swarup: Hi Manish, this is Kunal here. This is not a specific strategy that we are deploying. We don't intend to necessarily use our fleet or delivery partner network and open it up to other sort of use cases or other entities. So, at this point, it's not part of our strategy.

Manish Poddar: Okay. Thank you so much and again good set of numbers, thanks.

Moderator: Thank you, next question is from the line of Mr. Niket Shah, please go ahead.

Niket Shah: Yes, thanks for the opportunity, congrats once again to the entire team. I just had 2 questions. One is in the presser that you did highlight about Blinkit Adjusted EBITDA breakeven in the next 4 quarters. Would it be possible for you to share the broad levers? Or how are you really looking at it, which other broad levers can really move towards profitability?

And also, in the past, you did highlight when food delivery used to be a loss-making business about how you think about food delivery business from an Adjusted EBITDA standpoint to reach to about 3% to 5% Adjusted EBITDA margin over the medium term. It now looks really achievable, but would it be possible for you to share the similar kind of a thought process for Blinkit over the medium to longer term? And the second one, you did allude that on the ad side, you've seen significant growth, which has obviously moved your take rates higher. Would it be possible for you to quantify? Is it volume led, pricing-led? Or have you taken pricing increase on the ad side?

Albinder Singh Dhindsa: Hi Niket, so I will take the first question. Looking at our Blinkit business, I think our aim is to get to Adjusted EBITDA positive over the next 4 quarters. And I think the levers for doing that, what we've been talking about through the calls earlier as well, that we do see a lot of operating leverage in this business.

We do see a lot of expansion of the wallet share of customers because they're now starting to buy a lot more things than just the core grocery categories from us. And I think that leads to both order growth, revenue growth and obviously, we're able to harness the operating leverage that exists in a high fixed cost model like ours. I think there's nothing out of the ordinary in terms of how we think we will get to Adjusted EBITDA positive. And of course, there will be innovations along the way that we hope that we continue to make to get to that juncture.

Akshant Goyal: On the ad sales bit, to answer your question, I think it's largely been volume-led. We haven't taken really much of a price increase during this time.

Niket Shah: Got it. So that lever does remain with you at some point of time. And just one more final question, if I may squeeze in. Is it possible for you to call out a range of what has been the drag because of Zomato Gold in this quarter?

Akshant Goyal: No Niket, I would not want to share that information as it's sensitive from a competitive standpoint.

Niket Shah: No worries, best of luck and congrats once again, thank you.

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.