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Scrip Code: 543320, Scrip Symbol: ZOMATO
ISIN: INE758T01015

Sub: Transcript of the earnings conference call conducted on January 20, 2025

Dear Sir/ Ma'am,

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 January 20, 2025.

The same is also hosted on the website of the Company at https://b.zmtcdn.com/investor-relations/Earnings-Call-Transcript-Q3FY25.pdf.

For Zomato Limited

SANDHYA SETHIA Digitally signed by SANDHYA SETHIA Date: 2025.01.27 13:42:48 +05'30'

Sandhya Sethia
Company Secretary & Compliance Officer
Place: Gurugram
Date: January 27, 2025
Encl.: As above

Zomato Limited Q3FY25 Earnings Conference Call Transcript

January 20, 2025

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, Investor Relations, Zomato Limited**

Moderator: Ladies and gentlemen, a very good evening and welcome to Zomato Limited's Q3FY25 earnings conference call. From Zomato's management team, we have with us today, Deepinder Goyal, Founder and CEO; Akshant Goyal, Chief Financial Officer; Albinder Singh Dhindsa, Founder and CEO of Blinkit; and Kunal Swarup, Head of Investor Relations.

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.

Moderator: The first question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Hi, good evening. I have two questions. Firstly, can you elaborate a little more on the take rate in quick commerce coming off? While you've explained why we've seen profitability worsen because you've brought forward the acceleration in stores and warehouses, can you talk about take rate? And the second question, a related question, why do you feel so confident about profitability improving in quick commerce? I understand store maturity. Can you give us a sense of what proportion of stores will be mature, let's say, in FY26? Thank you.

Albinder Singh Dhindsa: I'll take the take rate question. Aditya, the take difference that you see every quarter-on-quarter is usually just a mix of the product mix itself. OND is typically a quarter where we also see more sales of electronics products, general merchandise and some of the other categories, where percentage wise take rates are lower, but overall revenue profile is healthier. So that's usually the delta that you see. There is no significant trend for the take rate in the quarter that we've observed for the core or for the non-core categories.

Aditya Soman: I understand. Thanks, very clear.

Akshant Goyal: Aditya, on your second question, what we have given in the letter, it essentially breaks down our business into the top quartile cohorts of stores and the bottom quartile to showcase that investments into newer stores, which have lower utilization compared to others, are leading to reduced profitability at an aggregate level. This trend, as we have stated, is likely to continue as we accelerate the pace of new store additions.

However, as you can see from that chart in question two, the stores which have matured are still generating a healthy amount of contribution margin. That gives us the confidence to continue the expansion that we're doing right now.

Aditya Soman: Understood. And has this also been a function of faster new city additions? Because I'm assuming that with new cities, you'll need additional logistics such as warehouses and obviously the AOV or frequency could be lower to start with.

Akshant Goyal: Yes, that's directionally right, Aditya. But new cities are still a very small fraction of our overall expansion. So, it is one of the factors, but not the only one.

Aditya Soman: Understand. And so majority of these new stores then would be just densification in the existing cities?

Akshant Goyal: That's right.

Aditya Soman: Very clear. Thanks.

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

Ankur Rudra: Thank you. The first question is about the reason for the accelerated additions and bringing the growth forward. Is this because you see a bigger opportunity in the market versus before, or are you matching competition in the space?

And secondly, to stick with the city side, our data says you've gone very long in terms of covering over 80 cities probably. Can you talk about the opportunity you see beyond the top 10 or 20 cities, which we previously understood was a core value proposition and how the unit economics, the average bill values and the time to breakeven changes here?

Akshant Goyal: Hi Ankur, Akshant this side. I don't think we took a very conscious call on accelerating the store expansion. It's more of an outcome of the work that we've been doing in the past many months. It just happens that we were able to add a lot more new stores than what we envisaged maybe a year ago when we gave the guidance of getting to 1,000 stores by March-25.

Over the last one year, we've built organization bandwidth to be able to expand faster, and the increasing confidence in business is therefore allowing us to continue at that pace. The pace of expansion going up has nothing to do with any decision that we have taken in this quarter. It's simply a natural outcome of the work that we've been doing in the past.

Regarding your second question on smaller cities, 80% of our business is still in the top 8 cities. However, we are seeing fairly healthy traction in the smaller cities wherever we have entered, opened stores and launched the service.

From an economic standpoint, the smaller cities, on a payback basis i.e. ROI / ROCE basis look attractive to us. Therefore, we continue to open more stores in these cities. Looking forward over the next one year, a larger portion of our new stores will be in these smaller cities compared to what we saw last year.

Once we have built some fair bit of density in these smaller cities, we will publicly share more data about how these cities are any different, if at all, from the larger cities.

Ankur Rudra: Thank you. Just a follow up question on the fall in take rate as well. Overall, the unit economics seem to have suffered a bit on Quick Commerce. Could you talk a bit about whether it was entirely due to the upfront costs of the network and warehousing? Or were there factors related to marketing costs or subsidies, perhaps given out to match with the competitive activity in the space?

Akshant Goyal: Our marketing cost went up, as we have also mentioned in the letter. But when we say marketing, we mean the digital marketing cost which is below Contribution but above Adjusted EBITDA. Discounts are nearly zero in our business since we are a marketplace business, there are hardly any discounts funded by us on our platform.

The other component of take rate is the delivery charges that we charge from customers. We have seen a slight decline there because of the market and the competition being where they are on the delivery fee. While the decline is not significant, but yes, it has partly contributed to the decline in take rate that you see.

Ankur Rudra: Thank you. Just one last question on food delivery, if I may. Can you share a bit of color on the food delivery growth momentum you're seeing? Was it a lot worse in December? And was there any impact from the increased competitive activity in short-duration food delivery? One of your peers launched that.

There's also a lot of cloud kitchens being launched by you and by competition on the 10-minute side. Any impact of that on the food consumption based on what you've seen?

Akshant Goyal: I don't think any of this has had a material impact on Zomato restaurant aggregation food delivery business so far. All these initiatives (any form of 10-minute delivery in India today), are still at a very early stage and are not likely to move the needle at all, even if you aggregate and put them together. For example, at Bistro, we are live in only a handful of locations. Other forms of quick deliveries also are largely not cannibalizing the existing business, merely improving the experience.

So, I don't think what you're saying in terms of focus on quick deliveries has anything to do with the slightly lower growth that we have seen in the business last quarter.

Ankur Rudra: Appreciate it. Thank you.

Moderator: The next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: Hi, good evening team. I have a couple of questions. First is on the food delivery side. The newsletter mentions about broad-based slowdown, and this is a comment from other consumption-oriented companies as well. Do you think for you as a company, or for this as a category, it will moderate further before it starts picking up? Your letter mentions again that things are expected to pick up. What do you think? Because a lot of consumer companies are talking about urban seeing more moderation in the foreseeable future before it gets better? What is your take?

Akshant Goyal: Look, I don't want to crystal ball gaze here; these things are very hard to predict. They are a function of a lot of variables, most of which are not in our control. At this point, I don’t want to comment on how this recovery will pan out. But yes, what we know is what we have reported, and then we see how it unfolds from here.

Vivek Maheshwari: Okay. And through the course of the latter half of the quarter, from November to December, was it broadly stable, or was there any change during those few weeks?

Akshant Goyal: It's a very short time period, and it’s also influenced by a lot of seasonality, such as festivals, winters coming in and so on. Therefore, I would not read too much into how those six or seven weeks panned out. Let's wait and watch. This quarter will tell us on how the recovery is and what we are seeing.

Vivek Maheshwari: Okay. Got it. And the second bit is on the AOVs for the Blinkit business. Last quarter, you mentioned the seasonality. The AOV was INR 660, now it is comfortably over INR 700. Do you think this is the new norm that we should look at from, let's say, at least next few quarters’ perspective?

Albinder Singh Dhindsa: No, Vivek. In OND, we see the festival impact on the AOVs, which with every passing year, is becoming a larger portion of the business whenever they come around, especially the Diwali season. A lot of this increase is an impact of that. Some of it also because of the impact of higher ASP categories like electronics actually becoming larger for us. But this is not a secular trend across quarter-on-quarter. This would probably be a trend to more look forward on a year-on-year basis.

Vivek Maheshwari: Got it. Last question, Albinder, on the Blinkit business again. The retention rates you mentioned in the newsletter are very good. But in the context of competition and we have also seen horizontals getting into quick commerce, do we need to incentivize more to reach the next milestones of 10 million additional customers each time?

For example, I, as a user, like Blinkit and that's why I'm so used to the platform, visiting regularly. But the incremental customers might be less affluent and more heavily targeted by many platforms, including newcomers. How do you see this unfolding over the next couple of years, especially regarding acquiring these incremental users?

Albinder Singh Dhindsa: To borrow Akshant’s phrase, I don't want to crystal ball gaze over here. The fundamental truth in our business is that we have to present ourselves to the customers for them to consider us and use us as a platform. And once they do that, then it is the consistency and quality of the service, which retains the customer. And that has many dimensions apart from just pricing. We are confident that when we talk about those dimensions and our retention rates because of everything that we do on that end, we should see similar trends going forward as well.

We will see the impact of increased competition on the cost of presenting ourselves to the customer, which is primarily our digital marketing cost today. And because there will be more competition over there, we expect this number will go up. But that doesn't impact how we look at our business or what we prioritize, which is essentially the things which drive the retention for us.

Vivek Maheshwari: Got it. Thank you and wish you all the best team.

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

Swapnil Potdukhe: Hi, thanks for the opportunity. My first question is on Blinkit. Earlier, we used to provide a data point stating that it took approximately two months for a store to reach 1,000 orders per day. I would just like to know the time it now takes for the newer stores, which have been opened in recent months, to reach this number, as this is the point where we typically become contribution positive. Additionally, does the densification of our store network in some cities directly impact the throughput of existing stores due to cannibalization?

Akshant Goyal: Hi, Swapnil, on your first question, there is broadly no material change in terms of the breakeven point compared to what we had shared earlier. If there is, we will certainly inform all the investors and update them. But as of now, we’re still operating within the same ballpark, seeing store breakeven in around two to three months. This answer also relates to your next question.

Some of this also depends on what that new store represents. Is it in a new area, a new city, or an additional store in an existing neighborhood? However, for the overall aggregate group of new store additions, that timeline hasn’t changed at this point.

And yes, you're right. If you open a store in an existing area, it doesn’t necessarily cannibalize the existing sales of an existing store, but it does lead to a slowdown in the ramp-up of that store. Hence, it reduces the utilization of the network, and thereby slightly drags down the margin in the short term. However, it builds more capacity for future expansion and assortment expansion.

Swapnil Potdukhe: Okay. By any chance, do you have any SSG (same-store sales growth) numbers that you can share for some of the more mature stores and how they are tracking?

Akshant Goyal: See, again, as I said, SSG will not make sense here because we are still adding stores in the same neighborhood. So, if I open a new store in the same neighborhood, the first store's SSG will actually not make sense. Therefore, maybe the right metric to look at is the SSG of a polygon or a neighborhood.

We do track that data internally, but it is not publicly shared at this point. However, what I can share with you is that the SSG is quite healthy because most of the network is still underutilized from a capacity standpoint.

Additionally, from a demand standpoint, our penetration in the market is still low. Hence, as we add more categories and as we extend our marketing reach to more customers, we are seeing a fairly healthy SSG at the polygon level.

Swapnil Potdukhe: Got it. And the second question is with respect to your category addition, as you mentioned some categories like electronics, high value electronics, maybe laptops, I saw somewhere. How do you account for the high MRPs in AOV. Do you consider the MRP as AOV when it comes to this kind of electronics?

Or do you take the commission income, which was, I think, in the case of mobile phones, you used to take the commission income in the AOVs? And does that have a correlation to your AOV increase for this particular quarter?

Akshant Goyal: Swapnil, it's a good question. So, outside of the F&V category, where we account for the selling price as the AOV, outside of that, for all other categories, the MRP is counted in the definition of AOV, and that definition is there in our letter, and it is disclosed.

However, as we are seeing the share of products where the delta between MRP and what the brand and seller are selling at is increasing in our business, we are considering disclosing more data from next quarter onwards, which can help shareholders and investors understand the actual customer-paid AOV as well as the gross AOV that we are currently reporting.

Swapnil Potdukhe: Got it. And then later, you mentioned that your growth investments will continue on Blinkit. Now, should we see your absolute losses increasing hence forth? Or should we expect the percentage number to come down a bit? Any trajectory-wise guidance would be helpful here.

Akshant Goyal: At this point, again, we don't want to give more guidance than what we've already given, Swapnil. I hope you'll appreciate that, given the market is dynamic and competitive, so, we'll see. But directionally as we have mentioned in the letter, we do expect the investments in Blinkit to go up. And as a result, the losses on an absolute basis are expected go up in the next one or two quarters.

Swapnil Potdukhe: Got it. And just one last question on food delivery as well. We have been hearing that some of the restaurants are renegotiating their take rates, the commission rates, with you guys. I think your take rates have not meaningfully increased this quarter despite the significant increase in platform fees. That benefit has not reflected in your reported take rate. Is this because you are renegotiating those commissions?

Akshant Goyal: Not at all. Commission renegotiation is a part of our business; it happens every day, every quarter. So, there’s nothing special that we are aware of in this quarter.

Swapnil Potdukhe: Got it. Okay. Thanks a lot, guys. All the best for future.

Moderator: The next question is from the line of Yogesh Aggarwal from HSBC. Please go ahead.

Yogesh Aggarwal: Hi guys. I have a couple of questions. Firstly, on the top 50 stores, which are obviously mature stores and have a very high throughput and a contribution margin of 6.4%. Is this the peak we can expect, or is there potential for the contribution margin to increase even for these stores? If so, what factors would lead to further expansion, if any?

Akshant Goyal: I don't think this is the peak. Even for the more mature stores, there is a fair bit of cost that we are paying due to operating in a competitive market, which impacts the delivery fee that we charge consumers and the last mile cost that also applies to these stores. So, all of that in long term will change. As the business scales, our gross margins or sourcing margins should improve, and so should our ad income.

The contribution margin, the way we define it, also includes a lot of fixed costs, which are fixed in nature, including back-end warehousing costs, employee costs, and so on. There's a fair bit of room for the contribution margins to go up from where you see the top 5% stores are today to where they could be, let's say, 2 to 3 years down the line.

Yogesh Aggarwal: Okay, good. The second question is on densification. As you said, the bulk of the new stores are more like network stores in similar cities. Have you seen this result in lower delivery costs? Because I'm hoping that the delivery radius has come down across larger cities. Has there been an impact on delivery costs, or is that something we should expect in the future?

Albinder Singh Dhindsa: Hi, Yogesh. As densification happens, we do see delivery costs come down, which are primarily a function of the polygons of the stores becoming smaller. However, on an aggregate level, that delta, the rundown is a lot slower because we are also expanding. Like you mentioned, with more than 30% of the network being new, when we open a new store, the polygons tend to be slightly bigger, especially if we are opening them in non-serviceable areas of the same city or in nearby cities. It's a combination of these factors. But to answer your core question, as we densify, the last mile cost does come down for us.

Yogesh Aggarwal: Got it. Related to that at the store level, we've seen, at least anecdotally, that the rentals and picker salaries have gone up quite a bit. Is this something that will moderate or normalize? Or is that something you expected in the business model and therefore, it doesn't bother you?

Albinder Singh Dhindsa: That has always been the cost of doing business. It was fairly built into how we think about the business. We also believe that in some areas, there has been an unusual run-up, which we expect to normalize in the near term.

Yogesh Aggarwal: Great, very well. Thank you so much.

Albinder Singh Dhindsa: Thanks Yogesh.

Moderator: The next question is from the line of Gaurav Malhotra from Axis. Please go ahead.

Gaurav Malhotra: Thanks, everyone. I just have one question. So, you mentioned heightened marketing spending in the third quarter. Would you say that this was evenly spread throughout the quarter, or did the heightened activity occur from mid-November onwards, particularly in December? Or was it more uniform throughout the quarter?

Albinder Singh Dhindsa: Gaurav, it was not uniform. It was definitely more backloaded for us because the first half of the quarter was primarily the festival season, where we were already fairly close to our capacities, so we didn't really need to spend as much on marketing.

Also, if you look at the trend over the last two quarters, as we keep adding more stores, the need to spend on marketing goes up.

We opened 150 stores in the previous quarter, so those stores were also ramping up. Additionally, we were adding stores at a steady clip in October and November as well. This is what led to the increase in marketing spending in the latter half.

Gaurav Malhotra: Just a quick question on dark stores. You mentioned that you have advanced your guidance of reaching 2,000 stores by the end of December. However, in terms of the impact on losses, you have indicated it will affect the next one or two quarters. Should we then assume that the next 1,000 stores will mostly come in the next two quarters and will not be as back ended?

Albinder Singh Dhindsa: Gaurav, it will be a little more dynamic because we've added, I would say, almost 300 stores over the last four or five months. Some of these stores, towards the second half of the year, will also start maturing and moving into a different category, while we'll still be adding more stores. It basically depends on how this plays out because it's not a consistent trend throughout the year. There are a lot of seasonal factors that affect things like store openings, our ability to hire people for the stores, and how our back-end network scales up.

So, what we are hoping for is that as the percentage of non-mature stores decreases towards the end of the year, we will start seeing better profitability.

Gaurav Malhotra: All right, thank you.

Moderator: The next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Hi, congrats on reaching the milestone of 1,000 stores ahead of your schedule. My first question is about the key drivers for food delivery margins. You did mention the platform fee, but did the delivery cost also come down in that business? Additionally, what drives your confidence in margins reaching 5% in the next few quarters? What would be the key drivers?

Akshant Goyal: Hi Gaurav. I don't want to be too specific here, given that it's competitively sensitive. But in general, as we have mentioned in the past, the business economics here are a function of multiple levers, and it's the small optimizations that add up and result in margin expansion.

So, we continue to drive confidence from the progress we are seeing across various parts of the business, including delivery costs, the consumer fee increasing, AOV going up, and so on. Unfortunately, we can't be more specific than that, but that's where we are.

Gaurav Rateria: Okay. I'm just trying to understand—this optimization is obviously not coming at the cost of market share, right? The focus on maintaining market share will be the primary goal, and then, with that in mind, you will be optimizing margins.

Akshant Goyal: That's right.

Gaurav Rateria: Got it. Second question on quick commerce. I just want to understand what percentage of the total expansion is happening in our top 1 and top 2 cities. Also, what scope do you think we have to keep expanding in these cities? Where do you see the majority of store expansion slowing down for the top cities?

Albinder Singh Dhindsa: Gaurav, I would say that more than half of the stores we are expanding are in the top 8 cities, out of all the expansion that you've seen. About 20% of the expansion has come from new cities, and the rest is essentially in non-serviceable areas in or around the top cities, or in other cities that are already open for us.

Gaurav Rateria: Got it. Thirdly, regarding the bottom 250 stores, you provided some data on their contribution to GMV and contribution margins. Is it fair to say that this will be largely attributable to the latest quarter only, since those are the newest stores and, therefore, the most inferior in terms of their contribution margin and contribution to overall GMV

Albinder Singh Dhindsa: Largely. That's true.

Gaurav Rateria: Got it. And lastly, you did mention that by the end of the year, a lot of the stores will kind of come to maturity. Would that timeline also align with an improvement in the unit economics of the quick commerce business?

Albinder Singh Dhindsa: Gaurav, it's hard to say because, as you mentioned, we will know better once we are closer to 1,600–1,700 stores and understand what the pipeline looks like after reaching 2,000 stores. If we are still adding 30–35% of the network every quarter, then it is hard to predict whether the economics will improve, and profitability will be easy to achieve.

However, if we reach a point where we are adding only 10–12% of the network every quarter, then we can confidently say that profitability will be there. A lot will depend on where we are positioned in the second half of the year.

Gaurav Rateria: Got it. Thank you so much for answering all the questions and all the very best.

Moderator: 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. I have a few questions. My first question is that we clearly saw some slowdown in food delivery, but for quick commerce, are you seeing a slowdown in mature stores and among mature users? If not, should we expect some kind of slowdown in sync with the macro economy?

Albinder Singh Dhindsa: Nothing so far, Sachin.

Sachin Salgaonkar: Got it. From a competitive perspective, how should one think about this? Is it affecting all operators across the board, or just select one or two platforms? The reason I'm asking is that I'm trying to gauge how long this could continue.

Albinder Singh Dhindsa: Sachin, your guess is as good as ours. We don't have a definitive point of view on this, we see all competition as just competition. Our focus is to do our job better and do what is right for our business. So, I don't think we are focused on, or even able to, differentiate between one competitor and another.

Sachin Salgaonkar: Got it. As of now, one gets the sense that you guys are maintaining your market share on the quick commerce side. So, the question here is—if the competition sustains for a long time, is there a thought process at some point to, for example, introduce some kind of loyalty program, or perhaps add a bit of platform discounts, and so on and so forth? Any general thoughts on that?

Albinder Singh Dhindsa: Sachin, even if we were planning to do something like that, we would not disclose it on a conference call. Right now, our focus has been and always will remain on making sure that our service levels improve, and that we continue to do what we do well for our customers. Despite the increasing level of competition over the last six quarters, we have maintained or even increased our market share. So, that is a strategy that is working for us, and we will stick to it.

Sachin Salgaonkar: Got it. One question on food delivery. We saw that the approach, let's say, between you and your top competitor is slightly different, where the focus of Bistro is more on the cloud kitchen perspective, while your competitor is largely working with restaurants to sort of reduce to a select set of menu items that can be delivered in 10 minutes. I was wondering if that is something you guys are also open to exploring, or will you continue, for now, to stick to the Bistro model?

Akshant Goyal: Sachin, we've mentioned in question 10 that we've also launched the same feature that our competitor has introduced - less than 15-minute delivery with a curated menu and a dedicated fleet. This is something that we launched in the December quarter itself. It's currently available in select locations, but we plan to scale it as we move forward.

We're trying to address the need for quick delivery through various formats, and Bistro by Blinkit is one of them. We will also continue to make efforts to improve the existing model of delivery from restaurants through Zomato to make it quicker as we progress.

Sachin Salgaonkar: Got it. And last question, Akshant last quarter, you did mention that there is no need to move to an inventory led model and you're happy largely with the marketplace model on quick commerce. I presume nothing changes out here.

Akshant Goyal: That’s right.

Sachin Salgaonkar: Okay, thank you.

Moderator: The next question is from the line of Vijit Jain from Citigroup.

Vijit Jain: Thank you. My first question is on food delivery. Just taking off from what Sachin asked earlier, your response in that question seems to acknowledge Zomato Instant, which you had experimented with earlier. Overall, it seems like you're being a bit cautious about the whole 15-minute food delivery offering from restaurants, relatively speaking. Is that interpretation, correct?

And secondly, if so, is it because you think it's harder to achieve the desired metrics, NPS, or other performance indicators? Is that why you seem a bit more cautious about it?

Akshant Goyal: Vijit, that's not the case. The less-than-15-minute delivery offering on Zomato is something that we're very excited about. However, all these initiatives, whether it is Zomato’s 15-minute delivery or Bistro, are still very, very nascent. It's not significantly moving the needle today.

What we know for sure is that quick deliveries lead to more demand, that is a fact. But finding the right approach to achieve that demand is still in the early stages. It's too soon to determine which models will work, which will be sustainable and profitable, and which will be scalable enough to significantly move the needle in the overall context.

What I would say is that we are not rushing too far ahead yet. There's still a lot of work to be done, and we'll see what works and what doesn't.

Vijit Jain: Got it. My second question is on quick commerce. First, were the customer delivery charges broadly lower across both new and old customers? Would you say they had an impact on the take rate?

I noticed in one of your answers, you mentioned the customer delivery charges for the customers acquired in October, November, and December, highlighting that specifically.

I'm wondering outside of those older customers, did the delivery charges also go down across the board for customers acquired in the last two years?

Kunal Swarup: Vijit, this is Kunal here. It's largely indexed to new customers and driven by the increasing velocity of new store additions where in the initial period, we offer sort of lower or no delivery charges.

Vijit Jain: Got it. And then just one last question—the customer retention statistics that you've shared for the December 2022 cohort. If I understand correctly, it has broadly remained at 40% for many quarters since December 2022.

How are the newer cohorts tracking compared to that 40% figure for the September to December period?

Akshant Goyal: All cohorts have been tracking broadly in line with our expectations, in fact, better than what we had anticipated a couple of years ago. So, there's nothing specific I want to highlight unless you have a specific question.

Vijit Jain: No. I was just wondering because you chose that specific cohort.

Akshant Goyal: We chose that cohort because we wanted to show the retention of our core customers. The way we've defined a core customer is someone who has been with us for at least two years in this case.

For newer customers, it's still early days, and the retention numbers could therefore be different. However, the customer base shown in this table contributes to about one-third of our GOV, representing a meaningful chunk of customers who have been with us for more than two years now.

Their retention has actually increased by 1 percentage point through the quarter, despite this quarter perhaps being the most competitive we've seen in the last 2–3 years. These customers are also paying a healthy delivery fee of INR 20 per order.

That's the point we wanted to make as Albinder mentioned, our focus on maintaining and continuously improving our service levels is helping us become the platform of choice for our core customers, which is what matters the most to us.

Vijit Jain: Got it. Great, thanks.

Moderator: Ladies and gentlemen, in the interest of time we will now take last one or two questions. The next question is from the line of Rishi Jhunjhunwala from IIFL.

Rishi Jhunjhunwala: Thanks for the opportunity. I have a slightly different way of asking customer-related questions. Can you provide some insight into your customer acquisition costs in areas where you are expanding but where a competitor is already present? Also, what are your customer retention costs in areas where you are already established, but a peer is entering and being very aggressive?

One of the reasons I ask this is because, while there is a cost associated with expansion as you scale from 1,000 to 2,000 stores, I'm trying to understand if there is any pressure on profitability for your top 50 to 150 store cohorts, given that you might be undertaking customer retention initiatives.

Albinder Singh Dhindsa: Rishi, we are not doing any specific customer retention initiatives, by which I assume you mean offering subsidies to customers to retain them. We don't do any of that. We invest in our service to maintain customers.

To be specific, that is not something we are doing, and we have largely been able to maintain or grow our market share in our top markets because we continue to innovate on behalf of our customers. That is just to address your specific point.

Regarding your question on marketing, if we enter a market after a competitor has already established a presence, we do have to spend more on marketing to drive trials, but it is not usually a significantly higher number.

However, what we observe is that whenever we enter a market, our retention rates for the customers we acquire in those cities are higher than those of our competitors. This allows us to gain market share, which we have demonstrated in many markets in the South and East, where we entered after the competition.

Rishi Jhunjhunwala: So, just to conclude on that, is it fair to assume that, sequentially, in your top 300 dark stores, your profitability has actually not declined quarter-on-quarter?

Akshant Goyal: That's right. Broadly, Rishi, what has changed, as we've also mentioned in our response to question five, is that for the slightly older business, as you're saying, the margin expansion has paused. However, our margins are broadly still intact, they haven't fallen.

Rishi Jhunjhunwala: Understood. Thank you so much.

Moderator: The next question is from the line of Manish Poddar from Invesco.

Manish Poddar: Hi, and thanks for doing the call. I'm just trying to think about the losses and understand them in two areas, one in terms of competition and the other in terms of infrastructure setup. Would you say that, for this quarter or based on what you're witnessing now in January, the larger variable for loss increase going forward will primarily be the setup of infrastructure, particularly as you scale from 1,000 stores to 2,000 stores? Is that the right way to think about it?

What I'm broadly trying to understand is whether, with all the interventions you plan to implement, is there a theoretical loss cap that you have in place to maintain a particular market share. I'm just trying to gauge that.

Akshant Goyal: We're not thinking that way, Manish. We are not operating with a mindset of capping losses, because our mental model or framework here is that if the underlying core business is strong and if we have the bandwidth, capacity, or capability to expand at a faster pace than we are today, then we will do so.

Losses will just be an outcome of that. We're not operating with a fixed budget for expansion at this point, given that the market is very large, and we clearly see a first-mover advantage in reaching consumers first. Therefore, we'll scale as fast as we can.

Manish Poddar: And would you say that the larger part of the losses or investments this quarter would be due to stores not reaching maturity, or would it be due to competition? If you had to estimate, would it be a 70-30 or 50-50 split? Any sense of that?

Akshant Goyal: Almost 100% of the losses will be due to expansion, and expansion is not just about the stores we will open this quarter, but also includes the stores we opened in the December and September quarter.

If you look at the overall store network and the capacity utilization, that metric has been declining every quarter because we are adding significantly more new stores than in the previous quarter.

100% or most of our losses, if they increase from here, will be on account of that, unless something meaningfully changes with competition that we are unaware of today.

Manish Poddar: Okay. Just one last question. I'm sure you gather a lot of data. In terms of order market share for both food delivery and quick commerce, let's say for quick commerce, how does that number stack up in your core market, such as Delhi NCR, compared to other regions? I'm trying to understand your market share in both segments.

And specifically for quick commerce, largely in Delhi, how do you think it is stacking up? With the current run rate, are you able to maintain market share, or are you still losing it? I'm just trying to gauge that.

Akshant Goyal: First of all, Manish, we don't track order market share. We don't think it's a relevant metric because it can be manipulated, especially if you're offering free delivery, which can lead to order splitting and, therefore, does not present the right picture. However, we do track GOV market share.

So far, we don't believe our GOV market share has changed meaningfully despite the competition, and that's an important metric for us. We aim to continue being the market leader as we further build our infrastructure. As long as it makes sense, we would want to maintain that position.

Manish Poddar: Okay. Thank you. Thank you and all the best.

Akshant Goyal: Thank you.

Moderator: Thank you, ladies and gentlemen. We will now include this conference call. Thank you for joining us and you may now disconnect your lines.