October 29, 2024

LTTL/L&S/2024-25/10/36

To,

The Sr. General Manager,
Listing Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001
Maharashtra, India

The Sr. General Manager,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051
Maharashtra, India

Dear Sir/Madam,

Sub : Announcement under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript - Earnings Call - Financial Results for the quarter and half year ended September 30, 2024

Ref : Le Travenues Technology Limited (the "Company")

BSE Scrip Code: 544192 and NSE Symbol: IXIGO

In compliance with Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), please find enclosed the transcript of the Earnings Call conducted on October 24, 2024, pertaining to the financial results of the Company for the quarter and half year ended September 30, 2024.

This is for your information and records.

Thanking You,

For Le Travenues Technology Limited

SURESH KUMAR BHUTANI
Digitally signed by SURESH KUMAR BHUTANI
Date: 2024.10.29 16:29:31 +05'30'

Suresh Kumar Bhutani
(Group General Counsel, Company Secretary and Compliance Officer)

Le Travenues Technology Limited ("ixigo")
Q2 FY25 Earnings Conference Call
October 24, 2024

Management Representatives:

- Mr. Aloke Bajpai, Chairman, Managing Director And Group CEO
- Mr. Rajnish Kumar, Director And Group Co-CEO
- Mr. Saurabh Devendra Singh, Group CFO

Moderator:

- Mr. Rohit Thorat – Axis Capital Limited

Moderator: Ladies and gentlemen, good day and welcome to ixigo Q2 FY25 Investors Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch tone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Thorat. Thank you and over to you, sir.

Rohit Thorat: On behalf of Axis Capital, I welcome you all to ixigo's Q2 FY25 Earnings Call. We have Mr. Aloke Bajpai, Chairman, Managing Director and Group CEO, Mr. Rajnish Kumar, Director and Group Co-CEO, and Mr. Saurabh Devendra Singh, Group CFO. Before I hand over the call to Aloke, I would like to highlight that the safe harbour statement on the second slide of the earnings presentation is assumed to be read and understood. Over to you, Aloke.

Aloke Bajpai: I'm joined here by my colleagues, Rajnish, who's Director and Group Co-CEO, and Saurabh, who's the Group CFO. Welcome to the ixigo Earnings Call for the second quarter of fiscal year 2025. Our playbook of building the best customer experience for travellers and addressing the needs of the next billion-user market segment continues to drive our ability to grow faster than the overall market at the GTV level. This quarter, we are pleased to share, yet again, that the ixigo Group hit an all-time high on our gross transaction value, revenue from operations, contribution margin, as well as EBITDA for the quarter. We exceeded INR 3,528 crores of total gross transaction value booked through our platforms in Q2, a 40% increase year-on-year compared to the Q2 of last fiscal year.

Our trains business grew at 36.1% at the GTV level, Y-o-Y. Our flights business grew at 42.6% at the GTV level, Y-o-Y. Our bus business has delivered the strongest growth with a 45.5% increase in GTV, Y-o-Y. This acceleration in our growth in a seasonally weak quarter has been achieved while keeping our EBITDA margins stable, with the company delivering a INR 22.4 crores EBITDA in Q2, a 6.55% increase in our EBITDA. For the month of September 2024, we have recorded nearly INR 1,200 crores of monthly GTV, a new record, and we closed the quarter with a 20% increase on that number sequentially if you compare with the month of June 2024, when it was around INR 1,000 crores.

Over 93.97% of our transactions in the quarter, close to 94%, continue to be those with a leg of the journey in a tier 2, 3 or 4 town. Despite the unusually strong monsoon rains disrupting travel in some parts of the country, we achieved the growth acceleration in GTV while maintaining a double-digit adjusted EBITDA margin in the quarter, achieving a margin of 10% of our revenue from operations, with the Q2 adjusted EBITDA coming in at INR 21 crores for the first time ever.

This was achieved on the back of the operating leverage derived from the expanded contribution margins in our business with INR 91.1 crores of contribution margin in the quarter, up 23.6% versus last year. For our trains line of business, we continue to see good momentum in growth on the back of capacity growth as well as market share gains, with 27.6% growth in train passenger segments, crossing INR 2.5 crores passenger segments booked in a quarter, and strengthening our market leadership even further within the trains OTA market. Domestic aviation continues to be plagued with supply-side constraints, though the situation is now showing signs of marginal improvement every quarter. The domestic air market has grown at just around 5% year-on-year for H1 of FY25. However, we managed to continue on our trajectory of beating the market pace of growth by delivering 28.4% growth in passenger segments and over 42% growth in revenue from our flight segment. While our overall flight GTV grew 42.7% to INR 1,237.5 crores, our international flight GTV continued outpacing our domestic growth with a 47% GTV expansion.

We continue to see a large opportunity over the longer term for our flights business, given the number of new flight bookers being added in India every year, and our right to win in our captive user base, relying on our own distribution flywheel that allows our airline partners to tap into a unique user base of potential first-time flyers, as well as international flyers emerging from tier 2, 3 airports in India.

From and to certain tier 2 and 3 airports such as Vijayawada, Jharsuguda, Varanasi, Rajkot, etc., we continue seeing 50% plus growth Y-o-Y in passenger segments, and for some of them it has even crossed 100% growth. In the bus market, we have materially accelerated our business this time with 45.5% growth in Q2 GTV and a 44.8% growth in bus passenger segments in Q2 Y-o-Y. Thereby, we have gained market share and where the market would have grown in the 20s, we have grown in the 40s.

We have signed up more operators in far-flung regions in this quarter and we have also nearly doubled the number of operators that form part of our Abhi Assured program. As we mentioned in our last call, we have shifted our focus towards growth over contribution margin percent in the categories of buses and flights, and the results have started becoming visible in terms of growth acceleration.

Though it leads to a lower contribution margin per booking, but at an aggregate level, due to the volume growth, our contribution margin continues to grow, given we see a large opportunity of acquiring first-time online bus bookers and first-time flyers on our platform.

We also have a more strategic announcement today. Our board, at its meeting held today on October 24, has approved entering into a definitive agreement to acquire 51% stake in Zoop Web Services Private Limited, known as Zoop, for a total consideration of INR 12.54 crores, including non-compete fee, subject to the completion of certain conditions precedent through a combination of secondary and primary share purchases.

Additionally, we have the option to purchase the remaining stake in the future, subject to fulfilment of certain conditions.
Zoop started in 2016 and is a leading IRCTC-authorized e-catering partner for food delivery on trains. Led by Puneet Sharma and Manoj Kumar, the team has grown the business frugally and with a lot of resilience, emerging as one of the respected train

food delivery players, delivering food at over 192 stations in 18 states from over 400 partner restaurants. Zoop has also been building its own in-station logistic network for delivering food more efficiently, directly to the berth or seat of the passengers. E-catering on trains has become a fast-growing part of the market for IRCTC and its food aggregator partners, and as per management estimates, food on trains has a TAM potential of nearly $1 billion.

This strategic partnership also gives us an opportunity to deepen our partnership with IRCTC on another front of e-catering growth, with synergy creation for everyone involved in this process.

With this, I'm now handing over our call to our Group co-CEO, Rajnish, who will give you some interesting updates on our business, products, and technology. Over to you, Rajnish.

Rajnish Kumar: Thanks, Aloke. So, indeed, it's been a pretty busy quarter for us. We had over 78 million monthly active users this quarter, and 3.43 million monthly transacting users. Over 3.1 crores passenger segments were booked with us during Q2 FY25, which helped our GTV grow that fast, and we achieved a high MTU to MAU ratio of 4.4% in the quarter.

Our monthly transacting users grew nearly by 43% year-on-year to almost 3.43 million for the quarter. We saw growth in conversion rates and transactions through data science and AI-led optimizations in our conversion funnels, optimizations in our payment flows, and better targeting of our non-transactional users for transactional use cases.

The lowest-hanging task for us remains to convert more of our large user base into first-time bookers with us, and to improve retention, repeat, and cross-sell within our existing booker base. We are working on both of these, as we speak. We are proud to share that we now have 38.2 million lifetime transacted users on our platform.

Now let me share some key developments in our business from this quarter, and I'm going to start with the bus line of business, which was our fastest-growing line of business in the previous quarter. We continue to add bus supply every quarter in certain parts of the country where we had some missing inventory. Certain new operators, such as FlixBus, have come on board on existing routes as well. We've also added Jammu & Kashmir State Road Transport Inventory this quarter further strengthening our SRTC inventory footprint. We've almost doubled the number of Abhi Assured operators as well.

In addition, we have been doubling down on marketing as well as distribution channels for growing our bus ticketing volumes in order to capture a large share among the first-time online bus bookers, given how low the overall online bus market penetration continues to be, which is roughly around 20% as we speak. This should allow us to continue growing faster than the overall market for some time. This quarter, we launched a very interesting product called Bus Insights. This provides a real-time view of the exact bus likely to be assigned to your trip right on the search result page so that you can know how old the bus is, what make it is, and what its likely conditions will be, helping travellers to decide what to book based on the age and quality of the bus they will travel on.

On the flight side, ixigo Group's unique advantage continues to be our unique access to a large user base of the emerging middle class, where rising aspirations and increasing discretionary incomes continue to fuel the aspiration to start taking a flight instead of a bus or a train for a long-distance trip.

The fact that most trains tend to get waitlisted closer to the peak season also leads to a lot of spillover demand from these passengers who are unable to find a confirmed seat. Our users have familiarity with our brand, with our customer service, and with our ability to handle cancellations and refunds efficiently.

Hence, as their incomes improve, or as an airport arrives in their proximity, or as they start spending a larger share of their wallet on experiential travel, etc., our flight business and eventually our hotel business will continue to be a natural beneficiary of that. I'm going to talk about another interesting and innovative product that we launched, which is Price Lock.

A Price Lock feature in our flight business is a fintech-driven product. It's a game-changer for both our customers and our monetization. Price Lock addresses a key pain point that travellers often face, which is the fear of price hikes before they are ready to book. With Price Lock, bookers can secure flight fares for a small fee, giving them the flexibility to finalize their plans after a few days, without the pressure of fluctuating fares. If the price falls, customers can book at the new lower fare, and if the price goes up, the customers can pay the locked amount to book the flight. This added peace of mind has resonated strongly with our users, as it empowers them to plan their trips at their own pace, without the fear of missing out on the best deals. The early response is quite positive, and we are extremely satisfied with the early progress.

Now, on the train side, we have accelerated our growth. A large part of it is due to the capacity improvements that we have seen, but on our train searches, you can now see trains from Nearby Stations, which is immensely helpful when there are no direct trains available, or there are limited trains available from stations being searched.

And with the Zoop acquisition that Aloke talked about, we have also just gone live in the ixigo Trains and ConfirmTkt apps with food ordering on trains, with food being directly delivered to the passenger seat off berth, from restaurants at 192 plus stations.

We will roll this out to all our app platforms and web platforms over time and integrate more deeply within all major train use case funnels. We believe we have a unique advantage in this, due to the depth of data that we possess about trains, as well as the user base that we have. A unique position in the market, catering to the next billion users, means that we have an unprecedented opportunity to add new transacting users to the online travel market, and grow the market by offering more value-added services that cater to these users.

To do that, we have to invest in product enhancements that can lead to conversion and MTU growth, as well as double down on performance marketing, and brand building in those lines of business where our contribution margin was decent, but we were not the market leaders. Customer experience continues to be a reason why users shift to us.

We managed to improve the percentage of customers who connect to a customer support agent over a call within two minutes, to almost 94.9% in the second quarter. And we have maintained our average refund time to customers at three hours and five minutes, despite the increase in scale of our business.

We will also continue with our ahead of the curve investments in technology and AI, wherever we see an opportunity to create a more evolved user experience, and create efficiencies. Now I'm handing it over to Saurabh, who will talk about our financial highlights.

Saurabh Singh: Thanks, Rajnish. Now, if I had to imagine a structure of a result that sets us on track for our long-term ambition at this point of time in our evolution, this would have been this quarter. It's got everything we hoped for. We earned where we wanted to. Our spending was more or less on plan. And the success and challenges we faced were broadly in line with expectations.

Now, for the sake of efficiency, I will use rupees crores as the unit of reporting unless otherwise specified. The ratios will remain as stated. While discussing year over year changes, I will refer to change from Q2 FY24 to Q2 FY25, unless otherwise stated.

Indians are traveling more, and we believe this trend is a multi-year trend. And that is why continuing our GTV growth is important to us. Our GTV increased 40%, as Aloke had mentioned earlier to INR 3,528.74.

Gross ticketing revenue grew by 30.3% to reach INR 258.21 up from INR 198.17. This growth comes at a gross take rate of 7.32%, which fell slightly year over year from last year's 7.86. The ATV average transaction value per segment improved from INR 1,055 to INR 1,137. Revenue from operations, which excludes discounts and other operating revenues, rose by 25.96%, amounting to INR 206.47 up from INR 163.92 crores.

At the group level, the contribution margin, which we defined as revenue from operations, less direct expenses such as partner fees, payment gateway fees, performance marketing costs and cancellation costs, increased to 91.08 up from 73.67.

Correspondingly, the contribution margin percentage as a proportion of revenue from operations decreased slightly to 44.11% this quarter from 44.94%. Our adjusted EBITDA, defined as EBITDA excluding other income and ease of cost, rose to 21 up from 4.92. Now, I would take a moment here to highlight what Rajnish discussed just before.

We are a data company with users in over 2,400 towns and cities and more than 78 million monthly active users. This extensive reach has enabled us to develop proprietary data and analytics, allowing us to be more selective in when and where we allocate our branding expenses. Consequently, the branding expenses may not follow the strict seasonality of the rest of the business. While this may add some fluctuation in our adjusted EBITDA on a quarterly basis, it's important to note that these variances are expected to balance out over the course of the fiscal year. I wanted to explain this because there was a massive difference between this time's EBITDA and last time's EBITDA, even though it's great EBITDA even otherwise.

Now, our profit after tax reached 13.09 compared to 26.70 in the previous fiscal. Now, this includes one-off, which I will discuss in the end like I usually do. Now, let me talk about the three core lines of business. In FY25, trains booked 2.48 crores segments up 27.7% YOY, generating a GTV of INR 1,895.86 up 36.1%. As I said before, whenever I'm not putting in crores on it, it means rupees crores as I've stated before.

Revenue from operations of INR 110.43 crores with a contribution margin of 37.66% which accounted for around 41.34% of our group contribution margin, down from 42.27% as our business diversified.

Now, our train business takes great pride with its flawless execution and the results are evident in the continued market share gain, even as we build on an already dominant position in the train OTA market.

Now, in fact, many of our brands like ConfirmTkt and ixigo Trains are becoming synonymous with the OTA business for trains, much like xerox is for photocopying or Vaseline is for petroleum jelly. Now, this adds further responsibility for us to maintain and exceed our standards going forward. Now, as I mentioned last quarter, our bus line of business, AbhiBus, was focused on growth and this quarter it managed to achieve it.

The bus vertical booked 4.14 million passenger segments generating a gross transaction value of INR 377.69. This represents a 44.76% increase in segments and a 45.52% higher GTV compared to the second quarter of fiscal year FY24. The gross take rate was almost flat at 11% compared to 10.78%.

The contribution margin for the segment grew 34.74% YoY to 25.99% with the contribution margin percentage decreasing, as we had discussed last quarter, to 65.22% from 66.13% last year. Buses contributed 10.7% of group GTV up from 10.3% in Q2 2024 and its share of group contribution margin increased to 28.54% from 26.18% in the subsequent quarter last year.

Our flight business performance underscores the quality of our offering and our unique funnels. We managed to shake off, as Aloke mentioned, sluggish industry conditions and have a great quarter. In Q2 FY25, flights achieved INR 1,237.48 of GTV which represents a 42.61% YoY growth. Our contribution margin in Q2 FY25 grew at a rate of 32.53% to 27.29%.

Flights contributed 35.07% of our group GTV and 29.97% of our group contribution margin. I would like to highlight here that if you see, the contribution margin is getting more equally divided among the three lines of businesses, which is something that we like and we have strived for.

In Q2 FY25, let me also discuss the one-offs now. In Q2 FY25, our share of loss on FreshBus which is an equity minority investment that we have amounted to INR 1.93 crores with the loss increasing from INR 0.75 crores. The tax amount was a tax credit of INR 0.43 in Q2 FY24 whereas for Q2 FY25, there was a tax expense of INR 5.24 due to the reversal of deferred tax credit.

Going forward, I think we will see a more normalized tax rate and we believe that is how and we said that before, how it should be looked at. Now, I will end up with the thought that although in this quarter we have achieved our initial goal, we remain humble, recognizing that this is but a small step in a very long journey.

Mahatma Gandhi once said, *"The future depends on what we do in the present."* A principle we are committed to implementing. With that, I will hand it back to Aloke for closing comments.

Aloke Bajpai: Thanks Saurabh. Thank you everyone for joining our earnings call. Take care and have a great Diwali, Christmas and New Year break with your loved ones. Keep travelling and speak to you again soon, but now we are handing it back to the moderator for Q&A. Moderator, please take it forward.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Swapnil from JM Finance. Please go ahead.

Swapnil: Hi, thanks for the opportunity. We have got a great set of numbers, absolute positive surprises there. My first question is not related to the operations, it's related to your acquisition. I mean, any particular reason you would like to call out by the looks of it, the acquisition looks more like a food services company. I might be wrong there, please correct me if I'm wrong, but do you think the acquisition was necessary given that this is not our core business area of operations? So if you can just answer that, I will come back with more questions later.

Aloke Bajpai: See the way we look at travel and this is something from day one ixigo has been very unique at. The way we look at travel is very different, essentially it's an experiential category where whatever is happening before, during, and after the trip is as much a part of the traveller's experience as the process of booking a ticket and this company has never started with the booking a ticket part as the core.

If you look at how we got into trains, how we got into flights. I mean the story is really about solving the pain areas of travellers. Now, the more we speak to train travellers, the more we identified that getting quality meals during the trip was as much a part of that experience and it was essentially an integral part of the journey. So today you have premium trains where that could be bundled in and that could be available, but that's a very small percentage of trains where essentially it's a single digit percentage of trains where you have that option.

A large number of most of our train passengers today do not have the option to get a quality meal during the trip. And the options that do exist out there like again from a NPS perspective or a liability perspective, quality of service being provided perspective, I think there was a lot lacking. The other thing which is very unique here is that delivering food on the seat is not an easy problem. It's actually a Goldilocks zone problem as I call it. So the food has to arrive just at the right time. If it arrives at the station early you get a cold meal. If it arrives late, you don't get your meal.

Now, ixigo’s crowdsource running status as you all know is one of the best out there in the market today because of the depth of users that we have. And our ability to therefore make sure that the food arrives on time and in the right sort of Goldilocks zone as I call it is something that we have already identified as a huge mode for us when we get into this business.

And the third most important thing is that we have the largest data of train users outside of IRCTC in the country. And obviously, we are the largest partner for them on the B2C side. We see a lot of not just PNRs, but also people checking their running status and many of these people we are able to use the data to identify based on the time of the trip and the stations along the way where this person would likely need a meal. Now, using those sorts of insights, we can actually grow this category. So the way we think about it is, it's worthwhile entering a category if you think you can grow the category. So we are not in this category to take market share, but actually to create a market. We believe that we can create a market here. Today that market may be sub $100 million in size, but the way we look at it is that it's a billion-dollar TAM opportunity and we have the right to kind of go and take a large share of that. That's the way we think about it.

Saurabh Singh: Swapnil, this is Saurabh. Just to add on that. Remember, this is not food delivery anywhere in the city, anytime. This is a very specific use case which we are saying there is a user travelling with us. We are increasing the attach to the user when he's travelling with us. Where we are getting more confidence is a, as Aloke talked about our products. Also, if you see this is an area which is growing. There is a set policy created on this and Zoop has been doing it and we realized the culture that Zoop had and that's what they do. They don't deliver generally, they just deliver on a train. So that was the idea. It's an ancillary which we are selling. It's another product that we are selling to our train users.

Swapnil: Sure Saurabh, but a follow-up to that would be how will the business be built, given that you are focusing on category creation here. And it can need substantial investments, that's one. Two, management bandwidth and three, how do you intend to execute because the services will be limited to ixigo. People do booking tickets on ixigo app or it will be open to all, you might also extend this service to other competitor apps?

Aloke Bajpai: See the way I look at it, Aloke here. The way I look at it is very simple. Where do companies burn money when they create a category? They burn it on two things. One is the distribution of the marketing part which I don't need to burn money on that. I have a very large, I mean, just to remind everyone close to 80 million monthly active users and many of these using our apps several times a month almost on every trip they take on a train. Number two, on creating the supply/bringing the other side of the network online. Now Zoop has been around 8 years, and they have already got a network in 192 stations, more than 400 restaurants they have onboarded, and they are onboarding more as we speak.

Now in that sense it looks like a perfect marriage because you have on one side supply and operations and delivery excellence already in place and on the other side you have a very large demand funnel already in place. And on the other side, you have a very large demand funnel already in place, right? And I think those are areas where typically people would burn money on category creation. I think all we need to do is just make sure that we integrate this beautifully into the journey and experience in our products. Which, by the way, we have just gone live with. So you can open the ixigo Trains app and experience it yourself on what that journey. This is just a sneak preview that we have taken live. It will be obviously enhanced in the coming quarters. But this will be live in our ixigo Trains app, ConfirmTkt d app, our website. Over time, you'll see it on all our platforms.

And it will be an integral part of all our journeys inside our apps and products. So in that sense, I can assure you that the idea here is not to go and burn money because this company we are acquiring is profitable. We think that we can grow this profitably from here. And the growth has been staggering in the past also for them. I mean, last year they almost doubled their revenue. And it's not a business where we are anticipating burn for category creation. But we can do this in a way which is saner.

Saurabh Singh: So Swapnil, again, just to be very clear on this number. We would not burn anything, at least for the next couple of years, as we are seeing on this business. And most of the things that we have are internal, are already connected. And in terms of the management bandwidth answer, one of the reasons why we chose, and we got Zoop was the management is well known to us. We worked with them as a counterparty. And the founders are people whom we trust in their ability to grow this business with our other businesses.

Swapnil: And the other one, with respect to where all would people be able to book these Zoop services? I mean, will it be limited to ixigo?

Aloke Bajpai: The other part of your question, to some extent, look, there is definitely. I mean, I've already talked about Zoop, right? 192 stations across 18 states, more than 400 active restaurants. But to your question as to are we open to partnering with others? It's a function of, again, who wants to do the last mile delivery, right? I mean, we definitely want to be the company that does the last mile and make sure that you get a great experience in getting the food warm and on time on your seat or berth. And I think if there are partners, both on the supply side, whether it's a restaurant or a food chain, who wants to partner with us or whether it's some aggregator app who also wants to use our last mile, I think we are open to those conversations.

Swapnil: And a couple of questions on your operations. I understand that we have seen some decline in our contribution margins, partly because we are investing. But what is interesting is your train ticketing gross take rates have also come down meaningfully. And that I don't think would be related to your investment. I think on the bus side, I can understand, but I think on the train side, if you can explain that.

Aloke Bajpai: So contribution margin, if you're talking about absolute, has kept increasing for the company. I don't think there is a decline there. If you're talking about bus and flight, yes, the contribution margin as a percentage you would have seen that. But that's something we guided last quarter as well, that we would rather pursue growth in these categories as opposed to growing our contribution margin percentage. Because we are already operating at a very healthy contribution margin. Even if you look at this quarter we are still operating at a very healthy contribution margin of mid 40s for the consolidated level. And if you look at the bus side, then it will be in the 60s. So I think in that sense, we are happy with where we are there. If you're talking about the train take rate, look, there's also seasonal variation in that.

There's some revenue deferral that happens on certain items because many of the bookings get stretched, right? Because the people are booking for Dussehra and Diwali in the JAS quarter. And some portion of those revenues pertaining to our ancillary businesses get deferred there as a result of it. And therefore, you might have some minor variation there.

I think from a guidance perspective, right, 6% kind of a take rate, on an annual basis is, that's something we will continue to maintain. Plus, there has been a change in mix also. So some of the ATV expansion also optically leads to a drop in take rate, as you can imagine, right? Because part of the train earning is linked to a fixed convenience charge, right? So when the ATV actually expands a bit, you start seeing a take rate percentage drop. But in reality, on an absolute basis, the take rate hasn't dropped.

Saurabh Singh: Swapnil, just to add on to Aloke's question, as in I think there are two parts to your question. One of them is the take rate for trains. I think, yes, it's showing lower right now. But part of it is, as we said, it's a mix. Part of it is how it's grown. So if you see on a volume basis as well as on a GTV basis, it's grown very fast. And it is how the mix changes in that sense and how the underlying number is.

In terms of the contribution margin percentage, remember last quarter, we had guided that for at least two of the businesses we would be investing for the long term. And this is what we've done. It still remains healthy. If anything, if you ask me, probably I'm a couple of percentage points more in the flight business compared to where I would want to be if I had to choose between a 45% contribution margin in flight. And a far stronger growth on a sustainable basis. As of right now, I'll choose growth in that area.

Swapnil: And just last one, it is related to your costs. Our branding seems to have come off a bit YoY?

Saurabh Singh: So that's what I told you. That's what I mentioned there. Remember, branding in quarter-over-quarter, which is what I highlighted in my speech. Look, whenever I was talking about EBITDA, maybe I should have been more direct talking about branding. What happens is our branding is very different from anybody else's branding because I'm spread across a lot more towns and my user base is way deeper. So I selectively decide where and when I would invest in branding over time.

So at times looking at it purely on a quarter-over-quarter basis isn't right over the course of a year. We will manage it out. Last year, remember, we had bunched it up because we saw an opportunity in the Asia Cup. But the broad idea is that branding will always be bunched up based on what we are seeing. So this time we're seeing selective opportunities in selective areas where we are investing.

And what the broad thumb rule guidance we've always talked about will remain in as a percentage will be near and near about what I think is about 3.5% of the GTV as my branding plus performance plus discount, which is where we internally think of that business as an expense.

Swapnil: Just the last one. Will there be any seasonality benefits because of the festivals? I mean, you can just call out that if that is the case.

Aloke Bajpai: Yes, I mean, usually look O&D the third quarter is usually the seasonally strong quarter, right in travel. The quarter that we reported is usually the weaker quarter, even though we have managed to grow faster than the market. But I think usually O&D is where all the action is. Yes, we've started to see some of that.

Moderator: The next question is from the line of Anmol Garg from Dam Capital.

Anmol Garg: I have a couple of questions. Firstly, I wanted to understand that from a sequential perspective, our flight take rate has gone up almost by 100 basis points. Now, what is, if you can indicate that from which part, of the flight take rate has gone up in this particular quarter?

Aloke Bajpai: See, I think there's some quarter-on-quarter variation that you see on flight take rate, which is quite expected due to, not just seasonality, but also just the mix of, whether you are getting more of the tier 2, tier 3 bookings or more of the long-distance booking. Right? So in this case, I think compared to last quarter, indeed, it looks like a move, which is positive, right? It looks like a move, which is positive, right? About 1% but if you look at the last year number, which was around 8.96%, I think compared to that take rate has remained kind of in the ballpark. So if you look at JAS quarter, typically for us, has always had a slightly higher take rate as compared to the seasonally high quarters of AMJ and OND is just the nature of bookings that happened during that particular season.

Anmol Garg: See, I'm also coming from the perspective that there was a relatively higher supply issue in the market for some time. And therefore, the airline incentives were fairly low. So have we seen any increase in the airline incentives in this quarter versus the last couple of quarters?

Aloke Bajpai: Not particularly, I think one factor which has also influenced our take rate is the launch of some new ancillary products, you would have seen that we launched Price Lock which is our new, you know, value added service. Now, some of that has also started playing into this take rate. And of course, this take rate also includes the ixigo Assured, Assured Flex, and some of the other, advertising/offer led third party incentives. So, I think it's a mix of all of that.

Anmol Garg: Just one quick on the bus part, we have seen very strong Y-on-Y growth over here. Now, while our bus business is growing, but again, in terms of the overall size of the business, it's still far behind our largest competitor. So if you can indicate what steps are we taking to expand this business, particularly to increase the bus operators as well as to increase our presence, particularly outside of the southern part of India? And would this require more ad spends from your side?

Aloke Bajpai: See, I think if you just look at what we are doing right now, it's very simple that we're trying to, first of all, plug all the supply holes or inventory holes that we have, which means if there are routes where there were no operators available, or very few operators available, we're trying to add more operators there. So this quarter, we have added more operators. I can't go into the numbers, but I can tell you that we've added quite a few operators, right? Both private and SRTC, we added JNK, SRTC, we added a bunch of private operators.

Secondly, I think it's a function of targeting our existing user base and making sure that more and more of the confirmed ticket ixigo and web users, etc., start looking at booking buses, right, through AbhiBus as well. And I think we made significant progress there in the last quarter. We're quite happy with what we've been able to achieve there.

So if you look at, and when you talk about competition, basically, there's just one major player that we're talking about. But essentially, if you look at the growth of that player versus us, you might think we've grown twice as fast in this particular quarter, right? So I think, given that we are coming off a smaller base, we can afford to do that, which is to grow faster than the market, in the foreseeable future. And that's what we'll attempt to do. But again, remember, we don't want to sacrifice too much on the contribution margin, we'll try to keep it in the 60% plus kind of ballpark. So we don't want to sort of, again, play a discounting game or anything like that here, it's more a function of bringing new bus bookers online, that's a real opportunity out there, only 20% of the market books online, and we think that we have a significant opportunity of bringing more bus bookers online.

Saurabh Singh: Remember in our case being multimodal also has an advantage where both flight as well as train and bus have people who are traveling across these three mediums and shifting these three mediums during the course of the year, the journey that they are taking and what is available. Which is the other thing, which is beneficial, and we want to continue doing that as we move forward.

Anmol Garg: I just had one question from a more longer term point of view, wanted to understand that, what is our right to win in a flight business? As you have indicated earlier that a larger part of our bookings comes from tier 2, tier 3 towns. So if you can give a ballpark number on how much percentage of the booking within the flight segment would be within the tier 2, tier 3 towns, and what would be the approximate growth rate over there?

Aloke Bajpai: Yes, we had declared one number in our RHP if you recollect, right? And I think we pretty much remain within that ballpark in terms of what percentage of our flight bookers emanate from the NBU user. So that is something that pretty much is still going on with the same kind of velocity. But if you look at our overall percentage of bookings which have a tier 2, 3 leg, which is something we do declare every quarter. It continues to be, despite our growth on the flight side, but it continues to be close to 94%. And having said that, I mean, look, right to win the way we think about it is very different here. We don't think of it as a zero sum game at all. The next 50 million flyers are people who are already traveling today by trains and buses, and a lot of them already use ixigo, ConfirmTkt, or AbhiBus, right?

And I think that's the biggest right to win we have over the next 5 years, in terms of getting faster growth than the overall market, because most of those people have already used this multiple times. And for them, making their first flight booking is a quantum leap in terms of trust and spend. I mean, maybe Rajnish, you want to add something there. But this is a very different playbook we are following here as to how we are growing flights.

Rajnish Kumar: Yes, I mean, the only thing I would say is that, and it might again sound like a broken record, because that's what I keep saying every time I get the question, this question specifically asked about the right to win, is that, for any company, in a sufficiently long term play, the company with a superior customer experience will always win, irrespective of their current size. And this has happened over and over again and will continue to happen.

So our bet will always be that we'll continue to kind of endeavour to build the best customer experience and differentiate ourselves. If you think about us, unlike all the other OTAs, not just in India, but globally, the most important focus area for all of them has always been ticketing, which means that once you have the money from the customers and you've issued the ticket, your job is done. But for ixigo, if you look at our line of products, our job starts much before they book the ticket, and our job doesn't end once we sell the ticket. After we have sold the ticket, we still continue to build interesting products and services to cater to the customer and their needs, even after booking.

Like, for example, we have Flight Tracker Pro, we have automatic web check-in, and all those things are basically, contributing to and same for trains as well, if you think about it. Our entry into the food space is basically a confirmation of the fact that we are obsessed about customer experience. And we are not worried about just selling a train ticket, but also helping them get a choice of meals delivered safely and on time at their seat or berth.

Anmol Garg: Just a small thing. Should we assume an ESOP cost to be INR 3 crores for the following quarters as well?

Saurabh Singh: Sorry, could you repeat the question? I think your voice broke.

Anmol Garg: Yes, just wanted to understand that should we assume ESOP cost to be around INR 3-odd crores on a quarterly basis for coming quarters as well?

Saurabh Singh: Well, I retain that. How you should look at it is, look at the past 2, 3 years, we won't break that range. And I'll maintain the same answer, we won't break that range as of right now. If we do that, we won't do it in an unfair way. So, just for ESOP cost, just assume the last 2, 3 years, what it's been, and it will be broadly in that pin code.

Anmol Garg: Thank you so much, guys, for answering our questions.

Moderator: Thank you. The next question is from the line of Pankaj from Bank of America. Please go ahead.

Pankaj: Congratulations on a great set of numbers. My first question is, could you talk about the repeat rates on the platform that you're seeing?

Aloke Bajpai: Aloke here. I think at this point, we're not really disclosing repeat rates, so I couldn't talk very specifically about it. But I think what I'll guide you to is two things. One is, if you look at the way our organic user funnel flows, right, and then the fact that we do disclose that large percentage, 90% of our user base continues to remain organic. And I think the fact is that for the remaining portion that we actually spend to acquire, most of that spend goes towards new user acquisition. Larger part of that spend goes towards new user acquisition. So we have fairly healthy retention cohorts, which is also reflected in our growth, because that's the only way I think companies can grow faster than the market, which is to retain users better and give them something valuable enough to come back to.

The other reason is frequency. So if you look at categories like trains or even buses, the frequency with which you interact, especially on trains where people end up doing five, six bookings a year, and I think those kinds of categories inherently have more stickiness. I mean, imagine someone checking their PNR status to see if they will confirm or not, and then coming back on the day of the travel, checking their running status again, and then sitting there and maybe consuming some content in our app, news, etc., and coming back again for the next trip to look at the schedules and routes.

So there is a frequency of engagement that's pretty high. And we do disclose our screen views, and you can do the math around screen views to MAU ratios to see how it's actually pretty similar to what content apps have as opposed to what travel apps have.

Pankaj: Understood, Aloke. That's helpful. Second question is about the early trends that you're seeing from October data. How is the OND quarter panning out? Any directional thing that you could say?

Aloke Bajpai: All I would say is that, look, it's a seasonally high quarter and it's panning out that way only. So, typically, this year, obviously, Diwali is a little in the earlier part of the quarter per se. So I think we started to see some of that already.

Saurabh Singh: And I think the other good thing which is happening is, as Aloke mentioned earlier, the products that we've introduced, the response on that has been good. The initial response on those has been good.

Pankaj: Just one last question from my side. Could you speak about any early indications that you are probably seeing or any sort of impact that you could call out on the basis of one of the large flight operators wanting to go or push more direct booking? That's it from my side.

Aloke Bajpai: Yes. So, again, direct versus indirect is a moot question in the context of someone who's making their first flight booking of their life, right? That's the way we have to start thinking about the world that ixigo is in. Because for that person to not take a bus or a train on their next trip and instead consider taking a flight is the more important question in life than the question of whether I should book it direct or indirect. And we have that unique capability to, a, target that person at the right step of that journey or process when he's thinking through this decision.

And secondly, being able to offer the most convenient and trustworthy platform for making that transaction and getting customer support and refunds in case something goes wrong. So I think that is one. And the second is, remember that a large percentage of our customers come to us for our value-added services. We do disclose this number, unlike any of the other peers that we have. We do tell you that about 28% to 29% of our transactions have some kind of value-added service being bought alongside. That is something that helps in two areas.

One is that typically these customers who are willingly coming to pay you more for an added service or benefit are the ones who are also more sticky. And secondly, it does help to keep the take rates sane in order for you to be able to match whatever deals are out there being offered by anybody else. So in that sense, we remain competitive without burning money.

Pankaj: Just a quick follow-up on that. Would it be safe to say that because of the customer base, you are rather immune to any perceived challenge that could come in the future?

Saurabh Singh: Immune is a strong word. What I would say is that we believe that our products make us more resistant. And our products and our user base make us more resistant.

Aloke Bajpai: I think one has to look at it this way that the more evolved customers usually have a larger prerogative of spending, which is counterintuitive because their time value of money should be higher. But they end up spending more time, deal hunting. And this is a user behaviour insight from India, as opposed to people who actually are just looking for the fastest, most trustworthy, and most reliable way to get their travel done, which is a behaviour we see from the tier 2, 3 side. So I wouldn't call it immune, but I would just say that at least in our cohorts, we see the NBU cohort as much more sticky as compared to the cohorts you are referring to, which may get swayed by what's happening elsewhere.

Saurabh Singh: And if anything, what we need to be worried about much more is a fall in our service quality because our customer is based on trust. As long as we keep on listening to the customer, we keep on giving him the things that he needs. That is what we are most worried about.

Moderator: The next question is from the line of Aman Singh from ProfitGate Capital Services. Please go ahead.

Aman Singh: Basically, I want to ask about the flight bookings that is happening from ixigo's app. Can you throw some light on that, the way it was before and now? And what's your outlook on that? Are we focusing on that area? Sorry, I just mistakenly said flights, hotel bookings. I want to know about the hotel bookings.

Rajnish Kumar: Yes, so I think it's still too early to make any comments on that side as to where we are trending in terms of numbers. But we have been working hard on building the right product and experience last few quarters. As you know, we launched in December last year. And we have been working very hard to figure out what those customer problems are in this sector for different customer cohorts that we cater to, both on the train side and the flight side.

The good thing is that, you know, it's very advantageous to be in a situation where you have access to 80 million monthly active users. And you could then, you know, throw in a product, which is like a latch on or an add-on product and see how it works. What do they need, you know, and how they kind of scale up that cross-sell or up-sell that's happening.

So I think most of our time these days is spent on building the best product funnel, best customer experience, and seeing how we could sustainably keep cross-selling and up-selling from the large distribution that we have into the hotel funnel. But I think as and when the time comes, we might start revealing those numbers. But as of now, I think we'll refrain from that.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Aloke for closing comments.

Aloke Bajpai: Thank you, everyone. Thank you for joining our call. Wish you a very Happy Diwali. Thank you so much.

Moderator: On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.