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Sub: Transcript of the earnings conference call conducted on October 22, 2024

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 October 22, 2024.

The same is also hosted on the website of the Company at <https://b.zmtcdn.com/investor-relations/Earnings-Call-Transcript-Q2FY25.pdf>.

For Zomato Limited

**Sandhya Sethia
Company Secretary & Compliance Officer
Place: Gurugram
Date: October 29, 2024
Encl.: As above**



Zomato Limited Q2FY25 Earnings Conference Call Transcript

October 22, 2024

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 Q2FY25 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 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.

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

Vivek Maheshwari: Hi team, good evening. My first question is on the quick commerce competition. You have addressed some parts of this in the letter, but how do you think about the next few quarters, given that there is a capital raise, and your peers are also doing the same? On top of that, Flipkart Minutes has entered, and in general, delivery timelines are going down with delivery companies also talking about participating in this entire quick commerce space, one way or another. What is your outlook from the next two to four quarters perspective?

Akshant Goyal: Hi, Vivek. Akshant here. Thanks for your question. We're focused on our own business. While competition is increasing and the business is evolving, it's still nascent, and there are parts that are not fully built out yet where we need to problem-solve. We're also expanding categories and assortment, so there's a lot of work to be done at our end, and we're focused on that. Of course, we have to watch competition, take cognizance of it, and make decisions accordingly. But largely, I think there's no point in trying to predict what will happen from a competitive standpoint, because everything is still fairly new, and a lot is beyond our control. We prefer to stay focused on our own business at this point.

Vivek Maheshwari: Got it. And Akshant, a follow-up to that. What are the key things that you are monitoring? You mentioned in one of the places that service level is important. But to understand the funnel, if, let's say, 100 new customers are joining the QC platforms, how do you ensure you're getting a fair share of those customers?

Or, put another way, at what point would you say that if there's too much discounting or freebies, you might need to participate or retaliate in some way? What are those parameters that you're monitoring that give you the confidence to not go all-out today, but might change your approach if things go out of control?

Akshant Goyal: We are less focused on market share at this point because our business is growing more than 120% to 130% year on year. That's the capacity we have in terms of how much business we can service sustainably, profitably, and at good service levels.

Beyond that, the number of incremental users coming to the category and the share of that we are capturing is somewhat of a moot point for us, because our business is operating at full capacity in terms of expansion and in terms of the customers that we can service. This is evident in the growth numbers you've seen even for the last quarter, despite the heightened competition.

Vivek Maheshwari: Got it. And Akshant, this is my second and last question, in terms of new store additions. Can you highlight how many of those will be, let's say, non-Delhi NCR versus Delhi NCR?

Akshant Goyal: If you look at it sequentially, the share of Delhi NCR in our business continues to fall. We had given this data a couple of quarters ago when we had said that the share was around 47%; today, that number is less than 40%.

Suffice to say that as we're now focusing on building out markets beyond Delhi NCR, which was the focus for the first few quarters in our business, we are seeing growth in other cities (beyond Delhi NCR). Today, by GOV, we believe we are the largest player in all the major metros outside of Chennai and Hyderabad. That just shows that the focus is paying off in terms of the growth of the business, even in the non-Delhi NCR markets.

Vivek Maheshwari: Interesting, and just a follow-up to that, Akshant. The narrative has always been - it's a relatively new business, but for the last few quarters, the expectation was that as you enter non-Delhi NCR cities, such as Mumbai, your AOVs would actually start to shrink. But the reality is your AOVs are still moving up. Delhi NCR versus non-Delhi NCR - would it be fair to say that all the cities are in the same ballpark for AOVs, or is Delhi-Mumbai significantly ahead of the other towns and cities?

Akshant Goyal: If you look at the top seven-eight cities, the AOVs are similar, actually fairly similar. In fact, there could be one or two markets outside of Delhi where the AOV is higher than Delhi. What you mentioned about AOV being lower in other markets - at least we don't see that in our business.

Vivek Maheshwari: Very, very interesting. Thank you, Akshant. And I wish you all the best.

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

Aditya Soman: Hi, good evening. I have two questions. First, adding on to the previous question about newer markets, can you give us a sense - obviously, we see that Blinkit is now available in over 40 markets. How many markets do you see yourself entering? And second, how much would the top, let's say, 5 or 10 cities contribute to your overall GOV in the near term, and what do you expect over the next year or so?

My second question is on capex, which you indicated has been around INR 214 crore. Can you give us a sense of where this is being spent, as it has gone up? This has also led to an increase in depreciation, so any color on that would be useful. Thanks.

Akshant Goyal:

Hi, Aditya. In terms of our presence in new cities, we launched in a bunch of cities in the last quarter. With our expansion, we're trying to test two things: first, in how many cities or towns this product or business is viable; and second, within each city, how much depth it has. It's one thing to open one store in a market, which increases the city count, but the next question to address is how many stores a particular city or location can support to run the business profitably.

The city count may not be the right indicator of the depth of this market outside of the top eight cities. Opening just one store in a city may show we launched there, but we're still scratching the surface in terms of the addressable market in that city. This is our current hypothesis, and we need to test it.

Our focus remains on the top eight cities, but at the same time, we also want to ensure we are venturing into newer markets with different demographics to see if this model works or not. We are seeing success in most of the markets we've entered so far, but our immediate focus for building out infrastructure and business remains in the top eight cities, as we believe they are still underserved from a supply standpoint. This represents lower-hanging fruit in terms of opportunity before we build deeply into the smaller cities.

Regarding capex, the bulk was spent on the store expansion that we have laid out in the letter. In addition to the 152 stores we opened, we also added seven new warehouses. A large part of the capex increase you see is on account of that expansion.

Aditya Soman:

Thanks, Akshant. And maybe just quickly on that first point. For a new city, would you measure it again in the same way - orders per store or GOV per day per store? Can you give us a sense of whether, when you say most of those cities have been reasonable, they are hitting the same GOV or orders per store?

Akshant Goyal:

That's also a function of the kind of assortment we're able to launch in a store within a city. We definitely look at the absolute scale, but equally important is the ramp-up on how the store performs in the first 7 days, 10 days, 20 days, given the kind of assortment we launch in a particular city. It's a combination of those factors, and yes, as I mentioned, in nearly every city or neighborhood we've entered, we've been positively surprised by the takeoff in the market.

Aditya Soman:

Fair enough. And lastly, on the capex, the warehouse, and new stores - would the majority of these new stores be franchised?

Akshant Goyal:

It's a combination of franchise and our own stores, like in the past. Our priority remains franchise stores, but when a franchise partner isn't available, we have to go ahead and open our own store.

Aditya Soman: Understood. And will this cost come before contribution or below? Will warehouse costs also come before contribution or between contribution and EBITDA? So, it will come before contribution, right?

Akshant Goyal: That's right. It's above the contribution line, so everything is captured there. One of the reasons for the margin drag, as explained in the letter, is that when new stores are opened, we incur fixed costs, but it takes a while before the store becomes fully operational. Those fixed costs - whether for personnel, rentals, or other expenses - are all captured above contribution in our definition. This is why we haven't seen any contribution margin expansion in the last two or three quarters, largely because of the expansion we're doing.

Aditya Soman: That is very clear. Thanks, Akshant.

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

Manish Adukia: Yes. Hi, good evening, and thank you for taking my questions. I have two questions. Firstly, on the quick commerce business, your AOV has been going up, but the take rate has remained somewhat flattish. Is this due to the non-grocery mix continuing to improve quarter on quarter, which likely has a high AOV but a lower take rate?

A related question to that, if you look at the e-commerce market in India, which is over \$50 billion with categories like smartphones, electronics, fashion, and possibly beauty being the largest, where do you see the most room for Blinkit to capture a sizeable market share, and where are you seeing the most traction? That's my first question; I'll come back with the second one.

Albinder Singh Dhindsa: Hi Manish, Albinder here. On the take rate, the majority of the impact you're seeing is because of the higher velocity of new store openings. When we open new stores, it typically takes time to ramp up, so the take rates increase over time. With the mix of new stores increasing, you see a slight decrease in the overall take rate.

And in terms of categories, the ones we launched over the past year such as beauty, electronics, and toys are still growing categories. We're still learning which use cases within these categories have further room for growth. This is becoming clearer as we continue to expand within them. For now, we're focused on building out infrastructure, backend, and customer experience across all of these categories.

Manish Adukia: Thanks, Albinder. As you offer more categories, I believe in the last shareholders' letter, you mentioned 20,000+ SKUs that you're potentially offering in a particular area. Will you look to open larger dark stores to serve the same vicinity, or will you have a network of dark stores, each storing different categories to serve the same consumer? How are you thinking about that?

Albinder Singh Dhindsa: So far, our strategy remains the same. We have always opened the largest dark stores possible since day one, and our strategy is still to continue in the same direction.

Manish Adukia: And just a last question on this point. I think last quarter you mentioned that, despite all these store openings, you expect throughput per store to remain stable, which was the case in the September quarter. Is it also the expectation going forward that, despite continued store rollouts, you don't anticipate any negative impact on store throughput?

Albinder Singh Dhindsa: That expectation stays.

Manish Adukia: Perfect. A second set of questions on capital - where you've highlighted this in relation to the competition. They are raising capital, so you're also looking to raise capital. One question is, how did you decide on the \$1 billion number? Is there any math behind why \$1 billion? And a second question: over time, are you considering potentially owning the inventory in the dark stores? How would that impact either working capital or margins? That's it from my end. Thank you.

Akshant Goyal: Yes, Manish. The board has passed an enabling resolution to raise up to \$1 billion, which is also subject to shareholder approval. The actual fundraise size will be dependent on demand and market conditions at that time. We'll assess what is right for the business based on those conditions, so we're still open on size.

On your second question, on owning inventory, there are pros and cons to different business models. We believe our current marketplace model works well for now as it benefits both our sellers and our customers. However, we will continue evaluating different options as they become available to us from time to time, especially since this industry and business are still new. As the business matures, things may change, and we'll keep revisiting our approach. At this point, though, there is no plan to move away from our current business model.

Manish Adukia: And just to confirm, in your current shareholding structure as of today, you cannot own inventory. Is that understanding, correct?

Akshant Goyal: Right.

Manish Adukia: Okay. Thank you for clarifying.

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

Sudheer Guntupalli: Hey, team. Congrats on a good set of numbers. My first question is, so there's a lot of noise around economic and consumption slowdown. How do you see this impacting your food delivery, which is generally perceived as more discretionary compared to Blinkit?

Akshant Goyal: Hi, Sudheer. So far, we haven't seen any noticeable impact on our business, though we are watching it as we are aware that some other businesses are reporting it.

As you see in the last quarter, our business grew reasonably well despite adverse weather conditions, and growth could have been even much better without that. In the current quarter,

we're also on track with our plan. There's no visible sign of a slowdown in our business at this point.

Sudheer Guntupalli: Got it, Akshant. My second question is, with this fundraise and the funds being raised by competitors, is it fair to assume that discounting aggression in the industry in general will increase? Or do you have any intentions to increase your own discounting aggression?

Akshant Goyal: I don't think those two things are linked. If we have to do that, we have enough cash in the bank to do that. We're not raising money to start discounting more.

We need do what is right for the business first, and we don't think that discounting is going to help our business at this point in time. The fundraise is purely to strengthen the balance sheet, and for nothing else.

Sudheer Guntupalli: Okay. And if I understand your prior response correctly, you're saying this is just an enabling resolution, and the size and other specifics have not been decided yet. Is that a correct understanding?

Akshant Goyal: Yes, the cap on the size is an indication of the ballpark range where we want to be. But yes, shareholder approval is pending, and we'll have to have the sense of the market conditions at the time of the QIP launch. We'll take that into account and tweak the size, if needed.

Sudheer Guntupalli: Fair enough. Just one bookkeeping question. You have a tax liability or tax expense this quarter, and our understanding is that some amount of carry-forward losses will help offset it. Is that completely exhausted, or have we now become a fully taxpaying company? How should we think of that ETR (effective tax rate) item?

Akshant Goyal: This tax is now on the treasury income, as we have run out of unabsorbed depreciation. So, we have to pay tax on the treasury income. As far as the profit from operations is concerned, those are still being offset by carry-forward losses, and that will continue for a while. We likely have a couple of years before we need to pay tax on operating income for the business. This tax expense you see is purely on the treasury income.

Sudheer Guntupalli: Fair enough. And thank you so much and all the best.

Akshant Goyal: Also, we have given a note in Annexure B to explain that, in case you'd want to refer to that.

Sudheer Guntupalli: Okay. Fair enough. Thank you so much. All the best.

Moderator: Next question is from the line of Abhishek Banerjee from ICICI Securities. Please go ahead.

Abhishek Banerjee: Hi again, and congratulations on a great set of numbers. Quickly on quick commerce - your AOV has gone up again to INR 660. Could you help us understand whether there is any seasonality to this increase and how one should think about it going forward?

Albinder Singh Dhindsa: The seasonality in AOV is actually more related to rains. During rainy season, our capacities get a bit crunched, leading to slightly higher average order values during that time, which helps increase our overall AOV. Another significant factor is that we've been steadily increasing our range. The number of use cases on the app has grown, especially in non-Delhi markets, where we've expanded our overall assortment. This also helps our AOV.

Abhishek Banerjee: Got it. And one more question on quick commerce. From what I understand, you used to have a pretty healthy proportion of customer charges. I remember you used to charge for delivery even for orders above 200 or 300. Of late, we're seeing more instances where you've lowered the threshold to INR 200. Could you explain the thought process behind that?

Albinder Singh Dhindsa: For a fairly long time, our threshold has been INR 200, above which delivery charges drop. Only in cases where we open up new stores in particular localities, during the early stages of the store, we offer free delivery above that amount or a nominal amount. That's likely what you're seeing.

Abhishek Banerjee: Understood. So, earlier, when a new user joined, you would offer this for a few months, and now you do the same for new stores, basically.

Albinder Singh Dhindsa: Yes, because when we open a new store, especially in a previously non-serviceable area, those customers tend to be new to the platform.

Abhishek Banerjee: Understood. That's very helpful. Thank you so much.

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

Gaurav Rateria: Hi, thanks for taking my question. My first question is on AOVs for Blinkit. How should we think about it structurally as you add more categories and assortment? Is it fair to believe that this AOV number could structurally inch up quite a bit?

Albinder Singh Dhindsa: The way that quick commerce works is that customers are primarily using it for urgent use cases. Even in categories with slightly higher AOVs, we don't see that much of an upward increment in terms of AOVs for those use cases because customers are not making really high involvement purchases on the platform.

I think this will continue to be the majority. While there would be AOV growth because of the proliferation of new categories and more customers buying in these categories, we don't think it will materially or dramatically change from the current levels.

Gaurav Rateria: Got it. Second question is on SKUs, how should we think about the limiting factor on SKUs? Could it go to 30,000 or 40,000 SKUs from a medium-term perspective, and what would be the limiting factor? Also, a related question, is selection no longer as important to consumers from a buying behavior perspective? Even with constrained selection, is delivery timeline becoming more important, hence the traction in quick commerce? What is your sense on that?

Albinder Singh Dhindsa: Customer behaviour around selection is subject to the category of buying we are talking about. For example, if we're talking about beauty, customers would want a larger selection to make a purchase, but that may not be true for some other categories.

The overall SKU count for us goes up when we decide to launch new categories. For categories where customer buying behaviour is reliant on a wider selection of SKUs, we'll add those SKUs accordingly.

To answer your first question, we expect the selection available to customers to keep increasing for the foreseeable future because we're adding categories that require a broad selection for customers to order within the use cases we're serving.

Gaurav Rateria: At this juncture, you don't see a limiting factor that caps out the model at a certain SKU count because it either compromises delivery timelines or something else?

Albinder Singh Dhindsa: We think of it as a problem to solve, not as a limiting factor.

Gaurav Rateria: Okay. And last question is on what kind of investment one should think about from a transition point of view in the going-out segment for your new app from the existing app.

Akshant Goyal: Gaurav, at this point, we don't know the answer because we are about to launch the new app in the next few weeks, and we'll have to respond to the situation based on how customers transition from the existing platforms to the new app.

We are not in a hurry to actually transition every customer from the existing Zomato and Paytm platforms to the District app. There is no pressing need, therefore, to do it in one shot or to spend inordinately more than what we need to. We'll be in a better position to talk about this next quarter once we have some data points with us.

Gaurav Rateria: Got it, thank you and all the best.

Moderator: Next question is from the line of Divya Jain. Please go ahead.

Moderator: Seems like we are not able to connect with Divya. We'll move on to our next speaker. Next question is from the line of Bhavik Mehta from JP Morgan. Please go ahead.

Ankur Rudra: Hey, hi, this is Ankur from JP Morgan. My first question is on the food delivery business. There has been some moderation in take rates, was there any seasonality involved, what really happened there? Secondly, sticking to food delivery, we've seen experiments on a 10-minute delivery model by one of your peers this quarter. I know you've been experimenting with a version of that too. What is the current thought process of the team? Is there adequate evidence for product-market fit in such a delivery model?

Akshant Goyal: Hi, Ankur, the take rate is just a fluctuation. And you're right, seasonality has a role to play here. It's also influenced by mix changes from quarter to quarter based on the types of

restaurants people order from, as different kinds of restaurants can have different take rates. So, I wouldn't read too much into it beyond seasonality.

On your second question - we've been focused on reducing delivery times, increasing restaurant availability, and making sure customers have enough choices closer to them, so delivery times reduce, and the food arrives fresher and hotter. We've seen that this drives more consumption on our platform.

Directionally, we're focused on bringing down delivery times. But how do we get there involves various approaches, and it's too early to talk about one particular answer that shows a strong product-market fit. We'll continue to experiment and may be share more in the future once we have better answers.

Ankur Rudra:

Okay. Thank you. Moving to quick commerce. You mentioned investments in the business, including new store and warehouse openings, but is there more to it? Are you also investing in changing your existing store profile?

Given that Albinder mentioned wanting to open the largest stores possible, when you aim to do that, and with your category mix and assortment now looking quite different compared to when many of these stores first opened, how much of this investment is going into refurbishing the existing store footprint? How much of the investment is going into beefing up the quality of the supply chain to make it more resilient to the changing nature of the category mix you have?

Akshant Goyal:

Ankur, even over the past two years, as the business has been around, all of this has happened. In our case, the store design is not the same anymore compared to when we started the business. Everything has evolved. The size of stores has remained fairly constant because there's a real constraint in terms of available space within the cities we operate in.

But outside of that, things like how the store looks and feels, how it's stacked up with racks, the types of products and categories we're servicing and storing, and how replenishment happens - all of that has evolved meaningfully. And yes, all of this impacts the profitability of the business.

As we build, we need to invest in upgrading this entire infrastructure as we learn new things. Over time, as that learning curve becomes less steep, we expect to see profitability improve as a result of that.

Ankur Rudra:

Now, I was going to ask, in terms of quick commerce continuing as we potentially look at adding more and more and going deeper into electronics and appliances. I know you've launched returns as well. If you play this out over the next two or three years and this becomes a bigger part of your GOV mix, how should we think about its impact on take rate and overall contribution margins?

Akshant Goyal: It's very hard to say, it's like crystal ball gazing right now. But the guidance we've given on margins is that we believe this business can reach 4% to 5% (Adjusted EBITDA margin). With every passing quarter, that seems more realistic and achievable to us.

Ankur Rudra: Okay, last question on the capital raise. I know you've provided a detailed answer in the report, but beyond just keeping a level playing field, how might this potentially expand your strategic options? If, for example, you're able to raise significantly more capital, you're already the most profitable company in commerce in India, and your relative cash position would be among the strongest. From a strategic perspective, are there things you could do that your competitors in the space cannot?

Akshant Goyal: I don't think there's anything specific like that. What we've seen is that a strong balance sheet has helped us build the business in the right way, and the industry has responded well to that. We hope to build out the quick commerce business similarly over the next two to three years without losing this cash.

Ankur Rudra: Okay, sure, thank you.

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

Vijit Jain: Yeah, hi, thank you. My question is on quick commerce. Overall, in quick commerce, has the audience overlap with the food delivery business in Zomato increased over the last three to four quarters as quick commerce has expanded meaningfully? And a related question to that, do new categories and SKUs actually bring in a new kind of audience into quick commerce?

Akshant Goyal: The overlap is decreasing over time because we're seeing that quick commerce is appealing to a much wider demographic than food delivery. While in terms of absolute MTCs, quick commerce is still small, but that's mainly because the audience it reaches is smaller, given that the footprint is smaller. However, in like-for-like neighborhoods, we see that the overlap is reducing over time as quick commerce appeals to a broader demographic.

Vijit Jain: Correct. Yeah, sure. And would you say that new categories bring in new customers, but is the GMV mix is still skewed towards, say, the top 500 - 1,000 SKUs disproportionately? For example, just as cities are currently skewed more toward Delhi NCR, would you say the same applies to the top 500 - 1,000 SKUs?

Akshant Goyal: Vijit, there is always a pareto in every business, and it applies here as well. I won't comment on the exact number of SKUs, but yes, there are leading categories. It's also a function of how mature a particular store is. When a store first opens, the assortment isn't as wide as you might see in a more mature store because the audience gradually buys more over time. There isn't a generic answer - it may vary from store to store, but generally speaking, yes, there's a pareto in the business as well.

Vijit Jain: Got it. And my last question, I mean, you've covered the AOV increase in quite a bit of detail in previous questions, but when you look at your older cohorts of customers, do you see the

quick commerce GOV per month still rising there? And related to that, in Delhi NCR, when you acquire new customers today, are they coming in at comparable AOVs to existing customers, even in Delhi NCR?

Akshant Goyal: The answer to both questions is yes.

Vijit Jain: Okay, got it. Great. Thank you so much. Those were my two questions.

Moderator: Next question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: Hi, thanks for the opportunity. My first question is on District, your going-out business. I wanted to understand what use cases come under it, is it ticketing, experiences? And should we also consider travel, like a traditional OTA business?

Akshant Goyal: Sachin, at this point, the plan is to just transition the dining-out business, which we have been running for the last two years, and the new entertainment ticketing business we acquired, to the District app. For the foreseeable future, the focus will be to continue building in these categories, and over time, we'll see if it makes sense to add more categories.

Sachin Salgaonkar: Okay. Makes sense. Thank you. Second question, I just wanted to understand about the fundraise. Has anything changed for you compared to the last few quarters in terms of expansion strategy? Whenever you get this QIP approved, should we see a faster rollout of the 2,000 stores you indicated earlier, or could we see the opening of stores significantly higher than 2,000?

Akshant Goyal: No change in strategy or guidance we've given on these things. If there is, we'll communicate that. As I mentioned, the fundraise will not dictate or influence how we run the business at this point.

Sachin Salgaonkar: Got it. And last question, I just wanted to understand the TAM in quick commerce. Clearly, when you started, the thought process was that it could cater to the high end of India. But over time, as you've scaled, you've gained bargaining power with FMCG companies, and as a process, the price points of SKUs have come down. On the back of this, do you see a meaningful expansion in TAM that could go well beyond, say, the top 30 odd million households?

Akshant Goyal: We don't know that yet. That's what we're trying to discover by expanding into newer cities. Theoretically, it does seem likely, and the data we've seen so far shows it's appealing to a wider demographic. So, at this point, we do feel that it's definitely a much broader TAM than just the top 7-8 cities. We'll know more as we get into smaller cities and build more conviction around this over time.

Sachin Salgaonkar: Got it. And my last question, both of your competitors in quick commerce have some kind of loyalty program. Any thoughts on introducing a loyalty program?

Akshant Goyal: Not at this point.

Sachin Salgaonkar: Okay. Thank you and all the best.

Moderator: Ladies and gentlemen, in the interest of time, we will now take the last few questions. 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 fixed costs. I've noticed that your fixed costs in both the food delivery and quick commerce businesses have been rising quarter on quarter quite meaningfully. I understand that wage hikes this quarter could be one reason, and there also seems to be some A&P increase, but this trend has been noticeable for the last two or three quarters. Any view on this?

Akshant Goyal: Yes, the fixed cost below contribution has a few elements. There is marketing cost, server cost, people cost, and infrastructure cost. Also, quick commerce, Going-out and Hyperpure are high-growth businesses right now, so some of that increase you see is because to that.

Swapnil Potdukhe: And on the food delivery side, I would have assumed that would be more stable, but there is still a noticeable increase.

Akshant Goyal: In food delivery, the marketing spend varies quarter to quarter, so it's not really a fixed cost. In terms of people, rental, and infrastructure, those costs are quite stable right now. But marketing costs can go up depending on the plan for that quarter, which is why you're seeing an increase in fixed costs.

Swapnil Potdukhe: Got it. And the second question, again on food delivery, is with respect to your ambition of 30% sustainable growth in the near term. Currently, we're at 21%, so there's quite a bit of distance from 30%. Are there any changes in the business model or new initiatives we want to try to move closer to that ambition?

Akshant Goyal: No. I'm not sure where this 30% is coming from. We've always spoken about 20%+ GOV growth as guidance on a CAGR basis over the next few years. I don't think we've ever indicated that the business is likely to grow at 30% in the near term. That's a misunderstanding.

Swapnil Potdukhe: Okay. And on the quick commerce side, I wanted to understand if our AOVs are sustainable. Would it be possible for you to share the SKUs per order? Typically, how many do we have, and how have they moved? Given that we've been adding categories, including some high-AOV categories, does that play a role? Just trying to get a sense of that data.

Akshant Goyal: Too much data, sorry, we will not be able to share this detail.

Swapnil Potdukhe: Okay. And just one last question. I know it's early to ask, but I'd still like to understand the stores in your lower-tier cities where you're currently expanding. How would the operating metrics differ in those stores versus your tier 1 cities, for example, on AOVs, SKUs per store,

store size, rental differences, or delivery costs? Could you provide a broad understanding of how these factors vary in lower-tier cities?

Akshant Goyal: Again, Swapnil, we don't want to share this information. These are all competitively sensitive metrics, and the business in tier 2 markets is still young, and we're still learning. At the right time, we'll discuss this in our shareholders' letter, but we don't want to give these details right now. Sorry about that.

Swapnil Potdukhe: Okay. Got it, sir. Thanks a lot. All the best.

Moderator: Next question is from the line of Nikhil Choudhary from Nuvama Capital. Please go ahead.

Nikhil Choudhary: Hey, thanks for the opportunity. My first question is on dark store additions. We've seen quite a bit of ramp up in the last two quarters, and if we maintain the current quarter run rate of 150 dark store additions, we'll more or less overshoot our initial target of 1,000 dark stores by the end of FY25. We could even reach our medium-term target of 2,000 additions by December-26. Is it fair to assume that we will keep the current pace, or is there an immediate plan to increase it further?

Akshant Goyal: Hi, Nikhil. This expansion could be lumpy because we don't control the entire process of opening a store. There's a lot of dependency on external bodies, licenses, and so on. So please don't expect this to be linear. That said, broadly, yes, we are on track to achieve the 1,000 stores by March-25 and 2,000 stores by December-26, as per our guidance. But there could be ups and downs along the way, given how the process is, as far as opening a new store is concerned.

Nikhil Choudhary: Sure. My second question is on private labels. We don't have any private label on Blinkit, while some of our peers have launched. And with e-commerce players launching their quick commerce ventures, they are also bringing private labels into quick commerce. Is there any plan to increase the contribution or venture into private labels, which could also help in the contribution margin going forward?

Akshant Goyal: Not considering at this point Nikhil, but we'll continue to evaluate.

Nikhil Choudhary: Sure. That's it from my side. Thank you.

Akshant Goyal: 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.