

To
Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001

To
Listing Department,
National Stock Exchange of India Limited
C-1, G-Block, Bandra - Kurla Complex
Bandra (E), Mumbai – 400 051

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

Sub: Transcript of the earnings conference call conducted on August 1, 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 August 1, 2024.

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

For Zomato Limited

**Sandhya Sethia
Company Secretary & Compliance Officer
Place: Gurugram
Date: August 8, 2024**



Zomato Limited Q1FY25 Earnings Conference Call Transcript

August 1, 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 Q1FY25 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 the 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, after 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 Ankur Rudra from JP Morgan. Please go ahead.

Moderator: It seems like he is facing some technical difficulties. We'll circle back to Ankur. The next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: Hi. Can you hear me?

Akshant Goyal: Yes, hi Vivek. We can hear you.

Vivek Maheshwari: Good evening. A few questions. First, on the food delivery business, on a YoY / QoQ basis, the growth looks quite impressive, and it has come without any impact on margins by and large, which means that there may not be major promotional discounts in the quarter. When we talk to some of the discretionary companies, the view is that there may not be a slowdown but a moderation in growth for sure and a bit of caution from a near-term perspective. What are your thoughts on the near-term food delivery business in terms of growth? Any concerns on the horizon for you?

Akshant Goyal: Hi Vivek. We believe that GOV growth of 20% plus should be able to continue in the near term as well. Currently, we're trending at 27%-28% YoY growth. So that might fall a little, but by and large, we don't see any specific concerns on the demand side at this point, at least in our business.

Vivek Maheshwari: So, Akshant, are you not picking up any caution from the restaurant partners?

Akshant Goyal: No, nothing specific at this point.

Vivek Maheshwari: Interesting. And the other thing is on the margins bit in the food delivery business. So, the 4% to 5% journey, by when do you target to get there? Is it going to be more moderate from here, or do you think by the exit of FY25 you should be there?

Akshant Goyal: It's hard to comment on the exact timeline there. The idea is to grow the right way and invest in areas that we need to while we continue to scale. So, we're not working with a particular timeline as a goal and then working backward from there. That's not how we are operating right now. But as you can see, the margin has been expanding over time while we continue to invest in growth and the long-term health of the platform. And there are so many variables as you're saying, there's demand, which over the last two years has been unpredictable, and there is competition and so on. We'll do the right things and hopefully continue on that journey on margin expansion from thereon. And in a few quarters from now on, we should get to that range we're talking about, we're not very far from that now.

Vivek Maheshwari: Got it. Regarding the QC bit, you have explained it quite well in the letter, but these 2,000 stores, I think you are saying latest by March 2026. Two parts to that: one is the store ramp-up period, and if you are adding, the competition will also follow for sure. What would this imply from a profitability standpoint? Again, I have gone through your letter in detail but would love to know more. If I think your guidance last time was flattish EBITDA on an absolute basis for the next few quarters, do you see that slipping into the red in both cases, of you adding stores and therefore inefficiency of the new store as well as competition following suit, which may increase competition in micro market?

Akshant Goyal: So, Vivek, again, it's very hard to say. At this point, we don't think that will happen, and that's why we have said that we believe the business will remain profitable. But of course, as you are saying, there are so many variables and factors at play here. So it's not like what you're saying cannot happen. It can, but it doesn't look likely right now. From a longer-term perspective, we have fair confidence that this business can be as profitable as food delivery in terms of margin, if not more. By when we get to that margin is a function of the pace of expansion and the competitiveness in the market, which is hard to predict in the short term. But from a long-term perspective, we feel fairly confident that we'll get there.

Vivek Maheshwari: Got it. And last question, anything more on the announcement on the District? Anything big picture you can share with us?

Akshant Goyal: Nothing, Vivek. I think we've mentioned how we think about the Going-out business in the letter. We will continue executing on that and share more updates as and when we have them. So nothing specific beyond what we have shared in the letter.

Vivek Maheshwari: Got it. Looking forward to that and wish you all the very best.

Akshant Goyal: Thank you.

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

Vijit Jain: Yeah, thanks. So, Akshant, my first question is just a housekeeping one. There's a reduction in Google Maps APIs from this quarter onwards for India, right? Is that a material contributor to your bottom line?

Akshant Goyal: No, Vijit. That is not going to impact our profitability meaningfully from here. Because I mean, what we read in papers is more of a headline number, but at least what we've analyzed, it doesn't seem to impact our profitability meaningfully at this point.

Vijit Jain: Got it. Akshant, the second question is on the delivery-related charges. I'm just wondering if the increase is QoQ and likely on a per-unit basis as well, and is that across both food delivery and quick commerce?

Kunal Swarup: Hi, this is Kunal here, Vijit. There is some increase, but what you see in the P&L is a function of the amount net of customer delivery charges, right? Yes, customer delivery charges have been declining as our Gold proportion increases. But net of that, there is no meaningful change to the delivery cost number.

Vijit Jain: Got it, Kunal. And I have just one last question. In the quick commerce business, if I look at the fixed costs below the contribution line, it seems largely flattish QoQ. I know your wage increases are in the September quarter, if I remember correctly. Is that how one should look at it for the quick commerce business as well? Because one would have thought there might be some G&A increases related to all the new store additions, etc.

Kunal Swarup: Yeah. The total fixed costs that you would compute are a function of multiple factors. One is corporate costs, and then there's also marketing cost. Some of these costs balance each other out sometimes. There could be some increase in corporate costs due to the scale of the organization increasing but at the same time, there could be a quarter where we spend a little less on marketing. So that's what could happen, corporate costs would have grown, but you don't see it at the total level.

Vijit Jain: Got it. Will District be a separate app? I'm sorry if I missed that in the letter if you specifically mentioned it. Or is it going to be like the way Going-out shows up on the Zomato app right now?

Akshant Goyal: So yeah, we're planning to launch this as a separate app and brand. We want to take the advantage of the traffic that we have on the Zomato app. So it's going to be pretty much like how we built Blinkit, which is a separate brand and separate app, but still making sure that we keep our cost of customer acquisition lower using the traffic that we have on the Zomato app.

Vijit Jain: Great. Thank you so much, and congrats. Great set of numbers again.

Akshant Goyal: Thank you, Vijit.

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

Sachin Salgaonkar: Hi, thanks for the opportunity, and congrats on a good set of numbers. I have three questions. First, I just wanted to understand, in terms of opening up stores and going all the way to 2,000, it's very clear that you will go into areas where you are not incumbent or have a first-mover advantage. With that in mind, how do you intend to differentiate versus competitors and get users to switch to your platform? As you know, it's not easy for users to switch. You are clearly in a dominant position in an area like NCR, and competitors often struggle to get any consumers from you.

Albinder Singh Dhindsa: Hi Sachin, this is Albinder. Even if you look at the 113 stores we opened this quarter, a significant number of them were not in NCR. Our focus is to maintain a high quality of service. In the markets where we are expanding, we believe the service level, both in terms of the selection available to customers and the consistency of service, is not at the same level that we provide. So, when we are opening into these locations, we are finding success in getting customers to start adopting our service over time.

Sachin Salgaonkar: Got it, Albinder. Just a quick follow-up there. Any sense of the overlap between users of Zomato and other platforms or Blinkit and other platforms?

Albinder Singh Dhindsa: It's not something that we actively track.

Sachin Salgaonkar: Got it. The second question is on the Blinkit take rate. For this quarter, should we not read too much into the GMV mix, or was there something particular that didn't lead to an improvement in the take rate here?

Albinder Singh Dhindsa: I think the take rate is dependent on a lot of factors. We also had some amount of food inflation, which was about 2 rupees 40 paisa when it came to the AOVs for staples and other products. When there is more inflation, sellers usually tend to pass along some of the cost benefits to the customer to maintain competitiveness. Take rates are usually a function of many of these things. Since a large chunk of the business is still FMCG, food, and staples, those factors are also significant when we look at take rates. Overall, we are seeing our proportion of products outside the core category increasing, and those also have higher take rates. But I don't think you can read too much into the product mix based on the take rates.

Sachin Salgaonkar: Got it. And from a 3 to 4 year perspective, what should lead to an improvement in take rate? Is it mainly the mix or is it the ad (income)?

Albinder Singh Dhindsa: I think both of them.

Akshant Goyal: Also, the delivery fee. That's also part of the take rate that you're computing. So it's the gross margins, the delivery fee, and ad income. We think we should see benefit accruing across all these three line items.

Sachin Salgaonkar: Thanks, very clear. My last question is on the size of the stores. Clearly, you are opening more stores, and as you mentioned in the shareholder letter, you are gaining share from e-commerce.

Is there a thought process to have bigger stores than the existing ones to improve the assortment?

Albinder Singh Dhindsa: Yeah, I think our preference is always to open larger stores, and our current inventory of the stores that we're looking to open are on average larger than the ones that we have. But a lot of it is dependent on the real estate available in the cities. So it usually tends to be a mix.

Sachin Salgaonkar: Got it. Thanks and all the best.

Albinder Singh Dhindsa: Thank you.

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

Aditya Soman: Hi, can you hear me?

Akshant Goyal: Hi Aditya, yes.

Aditya Soman: Excellent. So a few questions. Firstly, on Blinkit stores, any idea of how many of these would be sort of owned or managed by you versus outsourced?

Albinder Singh Dhindsa: Our attempt is to make sure that every new store that we open is eventually run by a local partner.

Aditya Soman: Understand. And how much of the growth in Blinkit was driven by new SKUs given that you're really expanding the number of SKUs?

Albinder Singh Dhindsa: So, I think overall, we don't actually demarcate it and provide that information. However, we've been consistently adding SKUs over the last four quarters. Some of our categories have become a significant percentage of the platform. As a result, they are now starting to contribute meaningfully to the overall growth number because the customer wallet share increases for us when that happens.

Aditya Soman: No, I understand. Very clear. Switching gears to the food business, do you have any sense of the order growth on the food side and how that's trended? Secondly, regarding Gold subscribers, can you provide any sense of the number of Gold subscribers and how that is affecting delivery fees?

Akshant Goyal: On the food delivery side, GOV growth is largely a function of order volume growth. There is a bit of AOV growth year on year, but mostly it is order volume growth. Regarding Gold membership, I think the program has matured in terms of size. It is increasing month on month, but there is no significant change from the data we shared a couple of quarters ago when we said that almost half of our GOV is from Gold members. So we are ballpark in the same 50-55% zone today on the Zomato Gold membership base.

Aditya Soman: That's very clear. And maybe just one follow-up on Blinkit, on the new store order count. You mentioned a few calls ago that you were sort of hitting your thousand orders a day in two months and then it would widen. Where are we today in terms of the 113 stores that you have launched in the previous quarter?

Albinder Singh Dhindsa: It's pretty much the same right now, Aditya. We're still taking two to three months in terms of getting to that scale

Aditya Soman: Fair enough. All right. That's it from me. Thank you.

Akshant Goyal: Thank you.

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

Swapnil Potdukhe: Hi, guys. Congratulations on a good set of numbers. My first question is more of a clarification with respect to the comment that you mentioned that the industry growth expectation in food delivery is around 30%. Is that an indirect way of suggesting that you expect to grow at 30% GOV for the next five years? And if that is the case, we have been growing at around 25 to 30% in the last three to four quarters. What gives you that confidence of growing at a faster rate?

Akshant Goyal: Just to be clear, that statement is for our own business. What we mean is that from FY20 to FY24, our food delivery GOV has grown at a 30% CAGR. So we're not talking about the industry there.

Swapnil Potdukhe: Yeah, but do you aspire to grow at that rate? And if that is the case, what would be the levers that will drive higher growth?

Akshant Goyal: We are already growing at 27-28%, right? So we're very close to that. We do believe there is a chance we can continue growing at that pace. However, the overall expectation from a longer-term perspective is still that we should at least grow at 20%. As we have seen in the last few quarters, we're doing more than that. So we don't know whether we will be able to deliver 30%, but at least 20% should be possible.

Swapnil Potdukhe: Got it. Very clear. The second question is also a kind of clarification. Your take rates in food delivery have improved QoQ, but your contribution margins have come down. You mentioned that the higher share of Gold affected your delivery charges. Was there also an element of the elections or the heat waves affecting the supply and leading to some incremental spending?

Akshant Goyal: Yes, that's right. That did play a role in slightly lower contribution margins this quarter.

Swapnil Potdukhe: And we should expect that to reverse going ahead, some of it, if not all.

Akshant Goyal: That is right. But again, in this quarter, we have expected rains, which puts pressure on the delivery cost. Different quarters have different dynamics on various line items. However, the

overall larger message is that directionally, the overall adjusted EBITDA margin should continue increasing from here.

Swapnil Potdukhe: Got it. And then one question on the macro front. We have been hearing a lot from the government about plans to implement social security benefits for delivery partners. If those changes do take place, how do you see the impact on your margins across the board, both for food delivery and quick commerce?

Akshant Goyal: There is no clarity on these topics at this point. Different states are taking different views on how these welfare benefits should be administered, and the exact impact on the P&L is not clear at this point. However, we don't expect it to be very meaningful. At this point, we don't expect it to impact our margins. We should be able to absorb this in our business or even pass it on to the customers.

Swapnil Potdukhe: Got it. And on Blinkit, there is a mention of a share shift from mid to premium range modern retail in large cities. Could you explain which retail formats we are talking about? Or could you use some examples to clarify what you mean by that point?

Albinder Singh Dhindsa: Hey Swapnil, when we talk about modern organized retail, we mean multi-store format organized retailers. These might not be at the scale of hypermarkets but are used by customers more often for during-the-week purchases. I would rather not name the other players, but I'm sure there are plenty of examples in every city of this kind of modern format, which is typically multi-store operated and caters to the premium end of the customers.

Swapnil Potdukhe: Got it. And just one last question. We have seen some increase in your capex this quarter QoQ. Is that entirely related to Blinkit? Especially given the fact that you mentioned partnering with local partners for new store expansion. How do we tie that up with the increase in capex?

Kunal Swarup: Hi Swapnil, Kunal here. It's a combination of the Blinkit store scale-up and partly, we're increasing some warehousing capacity on the Hyperpure side. So it is both of these things combined but a larger proportion is the Blinkit part.

Albinder Singh Dhindsa: And just to clarify, even when we open stores with partners, our policy now is that we actually take the upfront cost of the capex because we find that we are able to do a higher quality capex rather than expecting the partners to invest in the high-quality capex that we expect.

Swapnil Potdukhe: Understood. And there's also a working capital release of around INR 175 crores if I'm not wrong. Is that related to the calendar dates that you used to highlight earlier or something else?

Akshant Goyal: Yes, Swapnil. It's that, and also a bit of growth in line with the Hyperpure business. That's a business where we have positive working capital. So, as that business is growing, we've seen some working capital growth on account of that as well.

Swapnil Potdukhe: Got it. Thanks a lot guys for the opportunity and all the best and keep doing well.

Akshant Goyal: Thank you.

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

Gaurav Rateria: Hi, thanks for taking my question and congratulations on a solid set of results. My first question is on food delivery. I want to understand how broad-based the growth was across the top eight and non-top eight cities. When we look at the top eight cities, what has been the driving factor for growth? Is it driven by user growth, frequency, or average order value? I'm just trying to understand the key factors driving the growth in the top eight cities as well.

Kunal Swarup: Hi Gaurav. The growth is fairly broad-based across the top eight and non-top eight cities. As we mentioned before, even in the top eight cities, from a supply standpoint, we still have enough work to do on supply sufficiency, both in terms of onboarding existing restaurants and increasing the choice for customers with new restaurants and cuisines. So, as we work on supply, that has had a bearing on growth as well. I wouldn't attribute too much of the growth to AOV, as Akshant mentioned earlier. So it's largely more supply sufficiency and more customers that have been the bigger drivers in the top eight cities.

Gaurav Rateria: Got it. Secondly, on quick commerce, any online model has three key tenets: selection, price, and convenience. How are we solving for selection? You did mention that some locations have gone to the extent of 22,000 SKUs, but there is always a push and pull between the size of stores required to store these SKUs and the time required to deliver them within the 10 to 20-minute bracket, right? I'm trying to understand how you are solving for that constraint from a business model perspective. What's been the experience in some of these locations where you have been able to take the SKUs to more than 20,000?

Albinder Singh Dhindsa: Gaurav, the experience for the customer is always more delightful when they have a larger selection, like you said. And how we do it, that's part of the magic and we would rather not talk about that.

Gaurav Rateria: Okay. And last question from a use of cash perspective, you've been generating cash. Any opportunities that you would be looking at from an inorganic perspective or any change in philosophy or thought process from returning of cash to shareholders?

Akshant Goyal: No, nothing beyond what we've already shared, Gaurav, in terms of investment opportunities. Even on distribution back to shareholders, as we have mentioned in the past, that's not something we're considering right now. We want to retain a strong balance sheet at this point.

Gaurav Rateria: Thank you. All the best.

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

Samarth Patel: Am I audible?

Akshant Goyal: Yes, you are.

Samarth Patel: Thanks for providing this opportunity. My first question is for Akshant. We have implemented a platform fee, or you can call it a convenience fee, of Rs. 5 to 6 in food delivery, which was almost zero last year. Given that the only online category that has successfully implemented a convenience fee is the OTA sector, how much flexibility do we have to potentially increase this platform fee without adversely affecting our volume growth in food delivery?

Akshant Goyal: I think we will know that only with time. As you're saying, this is untested waters for a business like ours. So we're taking it step by step and will see how sensitive the demand is to the platform fee and take a business call accordingly.

Samarth Patel: Just a follow-up to that question. Is it going to be a dynamic fee? Let's say, in terms of higher volume on any particular day, are we planning to charge a different platform fee, or is it going to be more or less static in nature?

Akshant Goyal: All these are options and, as I said, nothing is cast in stone. We keep experimenting with ideas and depending on what makes more sense, we'll take that call and move on. So at this point, there's no fixed formula that we have in mind that we want to stick to. We have to be open-minded and keep experimenting.

Samarth Patel: Okay, thank you. That was helpful. Now, the second question is for Albinder. Can you share some qualitative insights on the ramp-up of new stores? You mentioned that the order volume growth is similar to last year's store openings, but in terms of breaking even at a store level, can you share some insights, because the AOV could be different in the markets we are entering, which largely determines profitability.

Albinder Singh Dhindsa: Like I said in the last call, the path to profitability of a store depends on many factors, one of which is the geography in which we open and whether it's a store in a geography where we already operate, and the kind of area that store serves. There are a lot of qualitative factors involved. We don't like to look at averages when it comes to the time it takes for a store to become profitable. Instead, we internally track each store's journey and its own timeline, and whatever the outcome, we are confident in it. In general, we have seen that the time to profitability has been decreasing as our network has been expanding, our brand has been getting stronger, and our selection across the board has gotten better.

Samarth Patel: Understood. And the last question is, as a previous participant also asked, we have been expanding our SKUs. Currently, in some stores, as you mentioned in the shareholder letter, you are at 25,000 unique SKUs. There is always going to be a trade-off between speed, cost, and assortment width. Are we okay with sacrificing some speed and cost to increase our assortment width, or given the kind of tech-enabled model we have, we are confident that we will be able to maintain cost and speed within defined parameters while increasing the assortment width? Additionally, how far are we from the maximum number of SKUs that we can add to these stores?

Albinder Singh Dhindsa: So Samarth, I think the answer is the second one. We want to stick to, and we continue to stick to, delivering all of this assortment in ten minutes. That will always be our operating principle moving forward as well. In terms of the SKU count we can reach, as we expand more and add more SKUs, we will also keep innovating on that front. So I don't think there is a limit that we can define as the maximum number of SKUs we'll be able to serve in a neighborhood. Two years ago, we used to serve up to 5,000 SKUs in the same neighborhood; now we are at 25,000. So, I think that number can still go up meaningfully.

Samarth Patel: Understood. That was really helpful. Thank you and congrats on great set of numbers.

Moderator: Thank you. The next question is from the line of Manish Poddar. Please go ahead.

Manish Poddar: Hi, thanks for giving me the opportunity. I have three questions. First, can you help me understand how your market share in the food delivery business has been trending in south India?

Akshant Goyal: I think our market is fairly broad. It's hard to have a sense of the absolute market share, but what we can track is how we are growing directionally compared to the overall industry, including aggregators and restaurants that sell directly on their platforms. In some markets in the south, if you take a slightly longer view of the last two or three years, we think our penetration and share in those markets have grown meaningfully.

Manish Poddar: But let's say, if you compare your national market share to your market share in those regions, is there a gap within 10 percentage points, or is it still at 25%?

Akshant Goyal: We think so, and I believe we are very close to our national average even in the cities in the south where, historically, three or four years ago, we were meaningfully lower.

Manish Poddar: Okay. That's interesting to hear. The second question is about the quick commerce business. What would the broader mix of GMV be? How much would be the share of general merchandise and fresh, excluding dairy?

Albinder Singh Dhindsa: Hi Manish. So in the Blinkit business, we don't provide that breakup.

Manish Poddar: Okay. Let me put it another way, if you don't mind. In terms of scaling from the current store count to, let's say, 1,800 to 2,000 stores in the next two years, what do you see as the hindrance to doing that?

Albinder Singh Dhindsa: I think our ability to execute, nothing more.

Manish Poddar: Okay. And the last one, in terms of capital allocation, the deal mentioned in the media articles is probably not happening, and we've gone ahead and are doing this organically. Cash has also been accruing for the last few quarters. So what is the thought for the cash on the books? That's it. Thank you.

Akshant Goyal: At this point, as I mentioned in response to a previous question and also in our past letter, I think there is significant value in having a strong balance sheet given that we are in multiple businesses and most of our competition consists of private companies with large balance sheets as well. So there is no plan for distributing the cash at this point; we'll just hold it on the balance sheet.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will now move on to the last one to two questions. The next question is from the line of Rahul Jain. Please go ahead.

Rahul Jain: Congrats on the strong performance. Just curious to understand, is there any specific reason for highlighting the need to increase the store count from 1,000 to 2,000 right away? Is there any insight into why we need so many stores? Is it because the average MTC per store is not expanding significantly, and that's why we need to address a larger audience by significantly expanding the store base? Or do you see a gap in the number of ordering frequency per household in an area, which would mean that addressing a larger audience becomes critical to growth rather than expanding in the same space?

Akshant Goyal: There is no expansion in the same space here. What we have shared is our opportunity and outlook on how large this business can become for us, and we are sharing it now because we feel confident about achieving these outcomes. As we have done in the past, we ensure that we transparently communicate our view on growth opportunities in the business without being overly aggressive. In that spirit, we have shared this outlook of 2,000 stores.

Rahul Jain: This MTU (MTC) per store metric of achieving 11,000-12,000, is this good given the kind of radius and density that you cater to for a particular store? Or is there a specific benchmark that is considered ideal?

Albinder Singh Dhindsa: We don't think of the business in this way, so I'm unable to comment on this.

Rahul Jain: That's it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Kireet Atluri from Jetha Global. Please go ahead.

Kireet Atluri: Hi, I know you don't want to reveal the secret sauce, but I think it'd be helpful for everyone to understand how much software and effort you put into achieving high service levels with what is effectively a franchise model. We've seen many franchise models scale in different countries, but it requires high levels of operating rigor and various internal systems. So maybe you can break it down at a high level: what are the two or three things you do to achieve this outcome that would be hard for a new or existing player to replicate? Essentially, I think this is like McDonald's, right? You're arguing that you can scale while maintaining service levels and buy high numbers. So I'm sure it's not as easy as partnering with a local guy, setting up a box, and just putting SKUs in the store. There's got to be more complexity to this. If you could help people understand that, it would be helpful.

Albinder Singh Dhindsa: Great. So I think a lot of this comes from the systems and tech we've built over the years that help us achieve this, along with the operating rigor we've put in place. Those are a given. We generally foster a culture of innovation to reach these outcomes because we believe they create real value for customers. When we think of selection, we don't think of constraints; we think of how to make it happen. That's the culture of the organization, and we solve for that. I believe that once you start solving for it and build the right systems over a long enough period, you will achieve these outcomes. So, to your question, I don't think it is easy to replicate. Of course, it's always possible, but it requires not just operating rigor but also a lot of systems, knowledge of how the entire ecosystem works, and of course, great partners.

Kireet Atluri: Thank you.

Moderator: Thank you. Your next question is from the line of Abhishek Banerjee from ICICI. Please go ahead.

Abhishek Banerjee: Hi, a couple of questions from my side. First, regarding the average order value (AOV), would it be correct to imagine that it is broadly in line with what we saw last quarter, or would 425ish be a better number?

Akshant Goyal: Hi Abhishek, we don't provide that metric so will not be able to comment on that.

Abhishek Banerjee: Fair enough. But the reason I was asking is that if I take the last quarterly numbers and the take rate improvement QoQ, which is about 50 bps, and remove the delivery fees, the assumption is that almost 30 bps is coming from platform fees. So, is the rest coming from advertising? That's what I'm trying to understand.

Akshant Goyal: Again, we won't be able to comment on specific levers of margin improvement due to competitive reasons, as you can appreciate. But yes, as mentioned in the past, ad revenue is growing for us, and so is the platform fee, which is fairly evident to everyone as consumers. So, those two have played a role even in this quarter.

Abhishek Banerjee: Yes. Now, moving on to the Hyperpure business. I know you don't talk too much about it, but it has scaled up even beyond what the most bullish guys were thinking, and it's now an INR 5,000 crore revenue business. Could you give us more details on it, like how many restaurants are being serviced and all?

Akshant Goyal: The business is growing well, but having said that, we still feel that there's a lot of work to be done in terms of unlocking a much larger TAM than what we can see right now for this business. Hence, as you would see, the focus is more on discovering that and solving new problems rather than on profitability at this point in time. So, we want to run this business close to breakeven and see if there are new markets or new customer segments within the restaurant industry that we can unlock and run a few experiments. We continue to do some experiments around that. As and when those scale, we'll be happy to share more details with everyone.

Abhishek Banerjee: Got it. The angle I was asking from is that we've always heard about commissaries that these large QSR chains have. So would it be possible to give some idea of what your pricing differential with these commissaries would be?

Akshant Goyal: Today, we actually don't even cater to large QSR chains as our customers. Our customer segment is mid-level restaurants with a few outlets. The value proposition there is high quality supply delivered in a predictable fashion on demand, on the next day, and priced competitively. This value proposition is currently serving a large section of restaurants well. We need to think harder and create a value proposition for the rest of the restaurant industry where we can add value to what they're doing today and, therefore, get more business from them. That's a work in progress for us.

Abhishek Banerjee: Finally, on the capex part that Kunal briefly mentioned regarding you doing the capex yourself for the stores, I'm sure you will not be doing that free of cost and would be taking some deposit money or something from your partners. So, where is that coming up? Is that appearing in the other items line?

Albinder Singh Dhindsa: We don't recognize that as revenue or we don't actually have that part of it. It's in the form of a bank guarantee from the partners. So it doesn't actually come on our books.

Abhishek Banerjee: Okay. But then any specific reason why you would do that? I mean that would make your balance sheet even better.

Albinder Singh Dhindsa: Right. I think we want to be fair to our partners. Many of the partners we onboard are hard-working small business owners who want to have a larger business. Often, they don't have the means to invest large amounts, that they provide a bank guarantee against some of their assets. To be fair to them, we don't want to be riding on their cash. We go through a rigorous process to select them and trust that they will operate our business the right way. At the same time, we also want to nurture the ecosystem so that hard-working folks actually get an opportunity to upgrade their life by working with us.

Abhishek Banerjee: Understood. But that also gives me the idea that probably one entrepreneur is being given multiple stores in that sense.

Albinder Singh Dhindsa: They have to prove themselves with the first one, but then we can give them more at our discretion.

Abhishek Banerjee: Understood, so that was very, very helpful. Thank you so much for the opportunity. And yes, again, excellent performance. And I think not much to add on that.

Albinder Singh Dhindsa: Thanks, Abhishek.

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