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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 November 11, 2022

Dear Sir/ Madam,

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 November 11, 2022.

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

Kindly take the same on record.

Thanking You,
By order of the Board
For Zomato Limited
(Formerly known as Zomato Private Limited)

Sandhya Sethia
Digitally signed by Sandhya Sethia
Date: 2022.11.18 16:51:20 +05'30'

Sandhya Sethia
Company Secretary & Compliance Officer
Date: November 18, 2022
Place: Gurugram

Zomato Limited Q2FY23 Earnings Conference Call Transcript

November 11, 2022

MANAGEMENT REPRESENTATIVES:

MR. DEEPINDER GOYAL – FOUNDER AND CHIEF EXECUTIVE OFFICER, ZOMATO LIMITED

MR. AKSHANT GOYAL – CHIEF FINANCIAL OFFICER, ZOMATO LIMITED

MR. ALBINDER SINGH DHINDSA - FOUNDER AND CHIEF EXECUTIVE OFFICER, BLINKIT

MR. KUNAL SWARUP – HEAD OF CORPORATE DEVELOPMENT, ZOMATO LIMITED

Moderator: Ladies and gentlemen, a very good evening and welcome to Zomato Limited's Q2FY23 earnings conference call. From Zomato's management team, we have with us today, Mr. Deepinder Goyal, Founder and Chief Executive Officer; Mr. Akshant Goyal, Chief Financial Officer; Mr. Albinder Singh Dhindsa, Founder and CEO of Blinkit and Mr. Kunal Swarup, Head of Corporate Development.

Before we begin, a few quick announcements for the attendees. Anything said on this call which reflects outlook for the future, or which could be construed as a forward-looking statement may involve risks and uncertainties. Such statements or comments are not guarantees of future performance, and actual results may differ from those statements.

Additionally, please note that this earnings call is scheduled for a duration of 45 minutes, and we will be starting directly with the Q&A section of the call. If you wish to ask a question, please use the raise hand feature available on your Zoom dashboard. We will announce your name on the call and unmute your line, post which you can proceed with your question. We will wait for a minute while the question queue assembles.

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

Vivek Maheshwari: Hi, good evening team, a couple of questions. First, on the food delivery side. Commendable progress on the margins front, but how do you think about the balance between growth and profitability because this quarter has seen losses coming down quite a bit, but the GOV growth also has been more modest at about 3% quarter-on-quarter. So how do you think about this from the coming quarters and medium-term standpoint?

Akshant Goyal: Hi Vivek, thank you for your question, Akshant on this side. The way we are thinking about this is essentially a focus on both good quality growth as well as profitability. And yes, you're right, the September quarter GOV growth was low, and that is largely because we traded some lower quality growth in our business in favor of economics. But as far as good quality growth is concerned, and we define good quality where we acquire users which are going to be profitable in the future, if not now, and the retention is going to be high, and their cost of acquisition is justified, that makes total sense. So that was one of the reasons we saw a slightly lower growth in GOV in the last quarter.

The second reason has also been the general macros. While we don't want to make that an excuse, we've seen lower app opens in the last quarter as compared to the past, which clearly demonstrates some low intent to spend on a category like ours. And this is also a quarter where, seasonally, there is a high impact of rains which typically leads to muted growth if you look at the past trends. So, these have been the few reasons why we've seen a relatively lower GOV growth in the last quarter.

But I would say that this does not impact our long-term view on the opportunity in this segment. We continue to remain bullish on the potential of this business if we take a medium to long-term perspective.

Vivek Maheshwari: Sure, Akshant. Just a follow-up on that, so whatever investor conversations I have had today, some of the investors are worried. Can you hear me?

Akshant Goyal: Yes, we can.

Vivek Maheshwari: So, some of the investors have this worry that if you prioritize profitability and get to a break even, which obviously everybody is expecting, in two to four quarters, that will continue to weigh on GOV. Do you think that till the time the focus on break even continues, the GOV numbers will be lackluster, so to speak?

Akshant Goyal: We are not really focusing on break even as a very important milestone. I don't think we are driving the business with that in mind as the first goal. Our goal continues to remain to expand the market and set it up well so that in the years down the line, we can generate huge pools of profits. So, while I understand that the street is treating it as a big milestone, in our minds, this is one of the milestones which we will have along the way, and we are not going to compromise good quality growth just to get to that milestone faster.

Kunal Swarup: Also, just to add, like we mentioned in the letter, we continue to invest in our long-term growth vectors, such as through initiatives like Instant and Intercity Legends. These are all opportunities that will take time to build and grow, and we are not leaving any stone unturned in terms of investing in these.

Vivek Maheshwari: And the second and last question on Blinkit. Now that this was the first quarter of consolidating the numbers, and in fact, on the consolidation - what is your impression on the Blinkit side? Have there been any negative surprises, or what are the key focus areas for you from the next few quarters standpoint on Blinkit?

Akshant Goyal: The integration has gone well, Vivek. We haven't had any surprises in the business so far. This also reaffirms our faith in the M&A approach that we had in this case and in the other deals that we've done in the past, where we want to get to know the founders well and the business well before we proceed with the M&A. So, to answer the first part of your question, yes, there are no surprises. And as we mentioned in the letter, we are excited about this business. As you have seen in the numbers, business has made good progress in the quarter compared to the previous quarter, both on the top line and bottom line, and we expect that trend to continue.

Vivek Maheshwari: Perfect - Thank you and wish you all the best.

Akshant Goyal: Thank you.

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

Gaurav Rateria: So, the first question is that if you look at your MTU growth, it's around 4.5%. You also made a comment that AOVs have grown, but then the GOV growth is only 3%, so it appears that there has been some impact on the frequency. So, is it the case that we have lost out on some high-frequency users, and there has been some market share loss to competition in the recent quarter? This might be a deliberate strategy, but just trying to confirm if that has been the case.

Akshant Goyal: So, we don't think we have lost market share in the last quarter. The frequency has indeed gone down slightly, but those reasons are attributable to what I mentioned in response to the previous question. I hope I answered your question.

Gaurav Rateria: So, the share of power users would have remained constant, Akshant, in terms of the number of users or percentage of total annual transacting users that you guys had shared?

Akshant Goyal: Absolutely.

Gaurav Rateria: Okay, got it. The second question is on the medium-term aspirations on profitability that you guys have shared. It looks like a lot of the revenue-led levers have already played out. So just trying to understand from a driver perspective, how should one think about the contribution margin going to 8% eventually? What will be the bigger drivers? Will it be more on the revenue side with more room for the take rates/commission rates to improve? Or are the bulk of the initiatives on the cost side yet to play out, and that will be the key driver for margin improvement from here on. Thank you.

Akshant Goyal: Gaurav, so I would say it will be pretty much all of that. You're right, in the last couple of quarters, revenue side levers have played out perhaps more than the cost side. But going forward, we still think there is enough growth left to improve our revenue per order as well as drive our costs down. And on the cost side, there are two elements. One is driven by scale, and the other is essentially making the business leaner as we go along. I think all those levers are going to play out, and that's what we're expecting in the next few quarters as we go along.

Gaurav Rateria: And if I may squeeze a last question, what exactly is the restructuring that we are doing in the ad sales and the Pro platform, which is going to lead to increased losses in the coming quarters?

Akshant Goyal: So, as we have mentioned in question 16 and 17 in our letter, we have launched a new product for customers on dining out, and along with that, it's a new monetization model where we are driving transactions at restaurants through the Zomato app. So, customers will be paying through the Zomato app in restaurants, and then those transactions will get monetized.

As we switch and transition to this new construct, the erstwhile monetization streams have sort of been discontinued, which includes the sale of Zomato Pro membership as well as sale to restaurants who are buying ads on our platform. So that has been discontinued for the time being. And hence, we see losses expanding in that segment for the short term because we have all the costs, but we've lost the revenue.

So that's the transition we are going through, and we expect that to continue at least in the next quarter and maybe one more quarter after that before we start to see that business generating profits again.

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

Vijit Jain: Hi, thank you for the opportunity. I have two questions. One, on the food delivery business, so how do you think about your overall promotional budget spending on a Q-o-Q basis between new user acquisition and driving better usage with existing users? And related to that, could you give me an approximate base of annual transacting customers for you at the end of Q2?

Kunal Swarup: Could you just repeat that question, Vijit? Sorry we lost you for a second.

Vijit Jain: Sure. So, my first question was, how do you think about the promotional budget, the incentive budget spending on a Q-o-Q basis in the food delivery business between the things which drive new user acquisition and things that drive better usage with existing older customers? And the second part of that question was your total base of annual transacting customers as of Q2.

Akshant Goyal: So, Vijit, on the first one, a majority of our promotional spends are for acquiring new users. That's what we spend our capital on. Having said that, if you are an existing user of Zomato, you will experience that you still get some offers and discounts on our platform. Those are largely funded by restaurants who are essentially trying to target you as a new customer to that particular restaurant. So that's why you will feel as a real user that there are subsidies or discounts all the time, but they are not always funded by us.

In response to the second question, we are not disclosing that data point every quarter, Vijit. So, you'll have to wait until we get to that.

Vijit Jain: Right. So, I guess the point I was trying to come at from that question was, I think you and Deepinder have earlier mentioned that you typically see about maybe one million new users come onto the platform with little or no marketing spends also, if I get that number right, one million or maybe seven million to ten million a year, something like that. So was just wondering if that is still holding true at the end of this quarter?

Akshant Goyal: Yes, that is holding true. The pace of new user addition hasn't slowed down.

Vijit Jain: Got it. And my second question is just on the Blinkit side. Two parts. One, on the delivery fleet integration side, are there any practical on the ground challenges to integrating the two delivery fleets right away, from rider preference perspective or any other consideration? And the second question on Blinkit is, in terms of unit economics, you've said that your own store is not materially different versus franchise stores. Could you explain how that is just a function of store maturity?

Albinder Singh Dhindsa: Vijit, this is Albinder. I'll take both questions. So, on the rider side, as we had mentioned in the letter as well, the integration that we are doing is primarily right now in leveraging the common tech stack for both companies. That is probably a medium-term thing that we will pick up of actually cross-utilizing fleets. The primary reason for this is that the scale of the two businesses is not similar when it comes to the last mile size of the fleet as well as the number of orders that are done in a particular locality by both businesses. So, till the time that we actually get there, we are not really even experimenting with merging the fleets right now. So, the numbers that you see for the fleet or the improvements, are essentially Blinkit riders working for Blinkit only and Zomato riders working for Zomato only. And in some places, we have started integrating the tech stack, the underlying platforms that we built, those are getting integrated so that the tech efforts on both sides can be leveraged.

On the economics side, the store economics are primarily dependent more on the throughput. So, with the same infra and the same people, you can actually push through a certain volume of GOV, and irrespective of the size of the store, at every level, the economics are actually similar, whether it is our store or it is a partner store. Of course, the nature of costs in each of the cases can end up differently. For example, in the case of partner stores, we basically have to make sure that in places where the number of orders is not scaling up materially early enough, we support the partners through the first few months of the process.

But if these were our stores, we would also be taking that cost in terms of idle manpower at that store as well. So, the costs are not materially different. One of the things which is changing though is our brand recognition and brand value in each of the localities and the cities that we are present in, as that goes up, the time in which we are able to see these stores get to a certain number of orders is actually getting faster. The costs that we pay on the partner side to support them, we are just getting to that scale a lot faster, and the partners start making money a lot faster.

Vijit Jain: Thanks, Albinder; just a quick question on that one. On the dark store side, are you now at a place where you would start to net add dark stores going forward? Or there's still some -- a little bit more rationalization to go? And secondly, when I look at the unit economics, is the right way to look at your unit economics that expense related to the dark store on a per-store basis, because I see that number is roughly INR 5 million a quarter, it has been kind of around that number the last two quarters that you reported. Is that understanding correct?

Albinder Singh Dhindsa: So, Vijit, throughout the last two quarters, we have been adding stores to the network. The net store deletion number was higher earlier for multiple reasons. We opened stores which, infrastructurally, could not have been in the right places because, obviously, the model was early. Our experience is that the net store addition pace for us stays roughly the same across each of the months. We are starting to see more and more of our stores being successful. So, the net deletion pace is something which is going to go down. The overall number of new store openings will go up. It's still a question internally for us, as our store network is fairly large now – the number is around 400; at this pace, should we be opening more stores because we have more opportunities, more localities in which we have existing successful stores and more validation. So, should we be opening more stores, or should we be reducing the CAGR of store openings as the number of stores go up, that's something that is still at a stage that we are debating whether we should be investing behind it. But I think we will wait to do that until the overall existing store like-for-like network is breaking even.

On your second question around the unit economics for the stores, as I mentioned earlier, the unit economics for the stores primarily move as you have the same infrastructure, you have the same people, and then you just increase the net revenue that you get from a store with the increasing GOV. So that's why you're seeing that number stay the same and while the overall throughput of the business has gone up dramatically.

Vijit Jain: So roughly speaking, at about maybe 2.0x to 2.5x the number of orders you do per store, you break even at a company level across the board - that seems to be the case from these unit economics?

Albinder Singh Dhindsa: I think there is a difference in how you are doing the arithmetic versus how we will do it, but that is not a guidance that we're providing at this point in time.

Vijit Jain: Sure, I appreciate it. Thank you.

Moderator: Thank you. Next question is from the line of Garima Mishra from Kotak. Please go ahead.

Garima Mishra: Thanks for the opportunity. First question, your AOVs have held up very well actually over the last few quarters. Now, could you help us understand the difference in AOVs that you see from new and old customers? And also, customers who might be in, let's say, the top 10 cities and other cities?

Akshant Goyal: Yes, sure, Garima. The new customers' AOV is lower than repeat customers. So, the trajectory here is that as customers mature, their AOV starts going up before it settles down at a steady level. And between tier-1 and smaller cities as well, there is a difference in AOVs. Metro AOVs are larger than the smaller cities.

But having said that, I just want to clarify that doesn't mean that the smaller cities economics are not viable, as we've also shared a chart this time on the number of cities which are profitable. While even with lower AOVs, given lower cost structures, a number of our smaller cities are also profitable.

Garima Mishra: Understood. The second question is really in terms of the growth of the food delivery platform. And there is a competitor in the market, so I think your focus would also be on driving some kind of differentiation. Could you highlight the new aspects, the new product innovation, etc., that you're carrying out in the food delivery business for you to have a more differentiated platform going forward?

Akshant Goyal: Sure, Garima. So, the differentiation here will be in many aspects. One of the things we focus a lot on is quality of service, which is not really visible on the app. But as a customer, once you experience the platform, the error rates in the business and the customer support and so on, all of that adds up. So, there's a consistent focus on making our platform experience better for our customers every day. And that has a compounding effect on the growth and the relative market share in the business.

Outside of that, as we mentioned in the letter also, we are very keenly looking for large growth ideas which can drive multiplier outcomes for this category in the future. And a couple of them that we're experimenting with right now are Zomato Instant, which is a 10 to 15-minute food delivery service which is already live in a few locations across Gurgaon and Bangalore.

And recently, we've launched Intercity Legends as a product/service where we are delivering food from legendary restaurants across cities. So, both of these ideas so far have seen good traction, and we're seeing a lot of customer love and appreciation for both these products and services. There are businesses with multiple building blocks, and we've spent time, effort, and resources in scaling them up. But I would say we are cautiously investing as they scale, and we'll continue doing that as long as we continue to see returns from these two products and services.

Garima Mishra: Just on that point, it's safe to assume that all these new initiatives are going to be done organically within the company, correct?

Akshant Goyal: Yes, that's the current plan. I don't even think there's an opportunity for an inorganic route in these things. The knowledge we have and the resources that we have, we need that to be able to scale these platforms.

Garima Mishra: Okay, Thank you so much for your answers.

Moderator: Thank you. Next question is from the line of Mr. Alok Srivastava from Credit Suisse. Please go ahead.

Alok Srivastava: Good evening, so Akshant; on the number of cities point that you made and the one that you have mentioned in the investor letter that now, 248 cities are at contribution break even - So just trying to understand that this number was fairly low, let's say, four quarters ago and all the revenue measures that you have taken, for instance, higher take rate on the restaurants and customer delivery charges going up, is it right to assume that all those initiatives across all these cities have been more or less uniformly applied? That is one.

And two, in terms of the smallest city where you will be contribution positive, what kind of household total population size or household size are we looking at? I mean, just trying to get a sense as to in what kind of population the model has become viable already.

Akshant Goyal: Sure. So Alok, to your first question, yes, we have seen the improvement in contribution pretty much uniformly across multiple cities. I think where we are still contribution negative is in some of the more recently launched cities or cities where the flywheel of restaurant food ordering has not really kicked off yet. But we see enough traction on underlying consumer metrics because of which we continue to invest. But outside of that, everywhere else, we've seen the contribution improve. And hence, a larger number of cities are now contribution break even or positive.

In terms of smaller cities, and by the way, just to clarify, this 248 doesn't necessarily mean that these are the top 248 cities for us in terms of size. Some of these profitable cities are actually not in the top 248, but they're still profitable because their ecosystem is maturing faster than some of the larger cities.

And to your second question, the smaller cities that we have where we are contribution break even or positive is about 100,000 people today, as a potential size of the market. And while we are loosely calling these cities, some of these are also locations in dense population neighborhoods like universities, towns and so on where the population is not large. They're slightly close to 50,000, but we are breaking even because they are densely located, and the target audience there values the service and the product.

Alok Srivastava: The second one that I have is for Albinder. So Albinder, in the investor letter, you mentioned that during the festive season there were certain days when Blinkit, as a whole, was near contribution positive. I'm just trying to understand what was driving these wins. Overall, it's a 7% negative contribution, and from 7% to 0%, was it operating leverage driven by higher orders, was it product assortment, which had perhaps a higher take rate or was it higher delivery fees that customers were willing to pay during that time? I'm just trying to get a sense on how the model can become profitable going forward.

Albinder Singh Dhindsa: Hi Alok. Like we have shown in the contribution movement graph in the letter, I wish there were an easier answer to give than that. But you will see that the same pattern that took us from -17% to -7% in contribution over a three-month period was also driving contribution break even during the festive period as well.

So, it was not just a singular factor but improvements across our average ticket size, improvements across average revenue per order and reduction in costs. And also, to clarify, during the festive period, we didn't want to be the ones ruining the festive period for our customers, so we were not actually charging higher delivery fees from them. We always try to make sure that we as a business are working towards charging lower and lower delivery fees from our customers.

Alok Srivastava: Thanks, and all the best.

Moderator: Thank you. Next question is from the line of Mr. Abhishek Bhandari from Nomura. Please go ahead.

Abhishek Bhandari: Akshant, I have just two quick questions. The first one is on page seven of your PDF, I see that the food delivery restaurant partners kind of stagnated at around 200,000 number for the last three quarters. Now part of this might have to do with the pruning out lower quality growth, which you mentioned, but if you could give us some indication about what kind of additions you're looking at? Because I would like to believe that this is a lead indicator in terms of getting more customers on the platform.

Akshant Goyal: Yes, Abhishek, like in the case of dark stores, which Albinder mentioned, this is the net number. So, what has happened is that we have continued to add thousands of new restaurants on our platform every month, but the net number actually has remained flat, as you can see and as you are pointing out. And that's essentially a function of restaurants shutting down in the country. So that pace, actually, we don't dictate, and there are a decent number of restaurants on our platform that have very low order volumes and a low share of business from us and as they churn out, the overall number of restaurants can stay flat or come down slightly, as it has happened. We're not concerned about supply being constrained, at least at this point. And if you look at the number of orders per restaurant per day, they're still very low, and while we expect the supply in the number of restaurants to continue increasing in the medium and long term, even at this base of restaurants, the business can grow meaningfully if it has to, so yes.

Abhishek Bhandari: Sure, Akshant. My second question to you is on the long-term target that you guys have mentioned that you would like to go up to 4% to 5% Adjusted EBITDA margin as a percentage of GOV, which translates roughly to 8% contribution margin. Now I'm just trying to get a sense of what went behind the precise numbers. And if I remember correctly, you have been mentioning that you think a double-digit contribution margin is likely from mature cities over a longer-term period. So, are you scaling back on that 10% target?

Akshant Goyal: No. So, first of all, this is not a guidance, neither are we saying that we're going to stop at 4% - 5%. This is a point of view that we have shared at this point in time. Given all we know that perhaps a better use of capital beyond a point is going to be in making sure that we reinvest back in the ecosystem, which leads to faster growth. Because eventually, the goal here is to get more dollar profits from the business, and the goal is not to get the maximum percentage margin. And if we are going after that goal, the cash that the business generates, we have to look at the best ROI for that. And is the best ROI in giving more discounts to customers, or is the best ROI in actually giving back to the ecosystem in terms of lower take rates and higher payouts, which leads to the growth of the ecosystem - I think that is where we will always have a choice.

And what we have shared this time around is that we feel that beyond a point, it will perhaps be a higher ROI if we leave money on the table for restaurants to grow faster, and if we pay our riders more so that the retention is higher and so on.

And on the second part of your question on 8% and 10%, we are not pulling back on guidance. As we said, some cities could get to 10%. 8% is an average. It can still go beyond 8%, but I would urge you to focus on the core message here and the numbers are, I would say, indicative of what we feel at this point in time, and they can change as we go along.

Abhishek Bhandari: Thanks, and all the best.

Moderator: Thank you. Next question is from the line of Mr. Amit Bhargava, joining as a retail investor. Please go ahead.

Amit Bhargava: My question is, if I look at this earnings report, I mean, I'm sure there are lots of financial experts who would ask you questions on the earnings. But in your Q2, I mean, the question two, when you say execute better, what do you mean? In that, I find one paragraph which I guess, is very relevant for all investors as well – "A culture of high standards is an endless list of things. But the starting point is that culture is being present not just physically, but intellectually". Now in the Q1 earnings call, no retail investor was allowed to speak. In the AGM, no speaking number was given, I was not allowed to speak. And I had pertinent questions on corporate governance. So, when you say this in your earnings and in the letter, then this doesn't fit in. There were pertinent questions on why conflict of interest between Albinder and Akriti was not disclosed. The day after this deal, when the markets opened, many people didn't know about it. When the TV news channels have started speaking about it, you know what happened with the Zomato stock because the entire perception of people, I mean, just look more like a scam even if it was not a scam or is not a scam, I don't know, but the perception was something else. And you know what happened to Zomato stock. People who may have taken leverage positions may have lost their shirt who may not have money to fund it.

So, I guess there are some serious corporate governance issues which Zomato needs to think about. Blinkit, obviously, most of us feel was purchased at a very high price. Then there's a question of ESOPs. I mean, the company is still in loss, and more and more ESOPs are being doled out. So, I would like the CEO of Zomato to address these things.

Above that, in the last Q1 earnings call, someone said, why there isn't a loyalty program? And many people today are asking about the gross order value as the number of orders or expansion, rather, expansion, new customers, have come down. The competitor Swiggy has a loyalty program - a membership. Zomato doesn't. So, I guess the person who asked in the last Q1 earnings call did have a point that if you have a loyalty program, if you have some kind of membership, there could be regular customers who order maybe two times a day, maybe more every day, they may want to see something like where they have a fixed monthly fee for delivery and so on and so forth. So yes, that is all that I have to say. Thank you.

Kunal Swarup: Thank you, Amit. So, on your first question, if I zoom out, in general, we tend to endeavor and operate without any biases and the idea is to not give any preference to any particular class of shareholders, and the idea is actually to give equal opportunity to all shareholders. There may be situations where we've not had adequate time to address all questions, but people can write to us. We are always available to address any queries. So, your point is noted, and we will ensure that there are no situations under which you will have a reason to complain going forward. But yes, the broader philosophy is not to operate with any bias.

On your second point around the conflict of interest, over there, as a philosophy, we operate with the highest standards of diligence and our processes are as per global standards.

In case of the potential conflict that you're talking about, we had responded as well that Akriti was not a director or a KMP, and as such, as per applicable law, there was no reason to call this a related party transaction, and she was not even involved in the discussions on this deal. In law and spirit, we've not tried to do anything which is outside of the high standards that we hold in terms of diligence and process.

In terms of valuation as well, we've had the best of global firms advise us on valuation. Those valuation reports were made available for public inspection, and again, we have responded to you with that feedback. So, on both these things, we hold ourselves to the highest standards, and we will continue to do so.

On your point regarding ESOPs, we've also, in this letter, in one of the questions tried to address why human capital is so important and critical in tech businesses. The speed of innovation and experimentation that we need to do to stay alive and stay ahead is purely people dependent. And for us to be able to attract the best talent, we also have to offer the right incentives and packages to attract the right talent. And when you go out into the talent marketplace, to attract the best talent from the best tech companies globally, we need to offer that. It is a cost - whether it is paid in cash or through ESOPs is a different matter, but yes, we do think of this as an important long-term investment for our business which will eventually lead to profitability for us.

Amit Bhargava: Yes, on your response in terms of what is in terms of Akriti and Albinder, maybe it's not required under law, but markets don't work purely. They work on perception and various other things. So, I guess, disclosure, take it as a positive thing. I mean, not that why someone is questioning this but had that disclosure been made beforehand, people who, when the markets opened on Monday after the deal, they would have had this information and could have taken an informed decision. All of a sudden, they came in for a surprise. 10 minutes into the markets, every news channel is on the top of their voice talking about this.

So sometimes maybe it's not required under law, but it's required otherwise for various other reasons, as I just explained. The one other thing that I said is that there's a loyalty program. Someone in the Q1 earnings call, some institutional investor did raise it, I think that would help the company. I mean, I order a lot from outside.

Akshant Goyal: So, Amit, on the loyalty program, we are aware of what the competition is doing. And we also had one of our own, which we have discontinued. So, it's a business call - there are pros and cons of the form of loyalty program that is out in the market today. We are, as we speak, working on creating something which is more differentiated. We believe, at least, and perhaps make sure that we get the benefit of customers' loyalty without really losing a lot of money. So, I would request you to please wait and watch for that, and we'll come back with some loyalty program construct soon in the market.

Amit Bhargava: All right. I mean, that thing has been there on the app for several months now, so. So yes, I mean, okay, let's see. Thank you.

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

Mukul Garg: Just a quick clarification on this, was there any impact of the gradual phase-out of Pro Plus on volume or GOV growth during the quarter? Was there something which kind of resulted in either a lower volume or number of orders or order frequency? And the second part was given that your market share in Q2 was stable, what portion of the impact on GOV came from seasonality versus the move towards lower customer spends in terms of focus on good quality customers?

Akshant Goyal: Yes, Mukul. So, looking at the combination of the various things you mentioned; the first part of your question was on Pro Plus membership. While we have stopped selling new memberships, there are still members who are continuing to use that service till their membership expires. And for customers for whom the membership expired, at least the more frequent customers, we haven't really seen much fall in their frequency post the membership expiring. So, while that may have contributed in some form in terms of lower growth, these are multiple variables which are all impacting the overall order volumes in a quarter. So, it's very hard to isolate the impact of each one of these. And hence, I would be unable to give you more color on how the overall impact of each one of these is on the overall performance in the quarter.

Mukul Garg: Right. So basically, what I was trying to understand is that we are going into Q3 which, again, is a really high quarter for you guys. Is there something we should expect Q3 growth to be meaningfully strong, given the seasonality and the normalization in the ad spending cuts, kind of that getting into the base? Or are there any impacts which are kind of still going through the system?

Akshant Goyal: So, Mukul, we would not want to give any guidance for the next quarter at this point in time.

Mukul Garg: Fair enough. The second question was on the letter, you mentioned that you have pocketed a large portion of low-hanging gains as of now. Are you referring to the take rate in that commentary? You have obviously seen a meaningful improvement in take rate over the last three quarters, how much more scope is left? Last quarter we did discuss that this is an area where there is still meaningful scope. Have you captured most of it by now, or are you referring to something else?

Akshant Goyal: So, we are referring to essentially the overall pace of improvement in contribution. So, if you see over the last two quarters, contribution as a percentage of GOV has grown from 1.7% in Q4FY22 to 2.8% Q1FY23 and then 4.5% in the last quarter. So, the pace of change has been sharp, and that's because there were opportunities on both the revenue and cost side. And our comment is simply telling everyone that we don't expect that pace of improvement to continue, so that pace of improvement will slow down. But that doesn't mean that it's either revenue improvement slowing down or its cost. We continue to work on all the levers where we see an opportunity to improve margins, but the overall margin expansion pace, we want the shareholders to know, will slow down going forward, at least for now.

Mukul Garg: No. I get that. So again, just following up from last quarter, do you expect the take rate normalization of restaurants where it was initially low to continue as what you have done in the last two quarters to three quarters, or is that also something which should start feeling some impact of the base effect?

Akshant Goyal: It's a work in progress, Mukul. Nothing in our business is essentially done, and where we can't make any more progress. There are opportunities across the board and take rate also is an area where we might see some improvement going forward. I would not want to specifically discuss that specific lever of growth. But I just want to leave it at saying that the overall margin improvement, there is enough scope in the long term. And that journey from where we are today to the 8% that we mentioned will involve improvement both on the revenue and the cost side.

Mukul Garg: Understood. Just one final clarification. When I look at the Blinkit revenue and adjusted revenue, there is a difference of just about INR 5 million. Ideally, the difference between your Adjusted Revenue and reported revenue is the delivery charge. Given the breakup obviously, it cannot be that low, so is there something wrong that we are reading there or was there something which did not come into the numbers?

Akshant Goyal: For Blinkit, the business model is different. The customer delivery charge that we get from customers there is revenue for the business. So, it's already recorded in the revenue. So pretty much revenue and Adjusted Revenue for the Blinkit business is the same, unlike food delivery, where the customer delivery charge is passed on to delivery partners directly.

Mukul Garg: Understood. That's all from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will be extending this call by 10 minutes and move towards the last few questions. Next question is from the line of Mr. Swapnil Potdukhe from JM Financial. Please go ahead.

Swapnil Potdukhe: Thanks for the opportunity, so just continuing the last participant's question on contribution margin improvement. One of the levers that I think would be the delivery cost that you pay to the riders. And I see that some of the competition has been outsourcing these deliveries to third parties. So, in the past, from what I understand is like we have been managing our own fleet majorly. So, has there been any change in the strategy there, or are we thinking along those lines? Any thoughts on that?

Akshant Goyal: No, Swapnil. I don't think there's any plan to outsource. We are not planning to outsource a meaningful portion of our delivery fleet to third parties. There is a very small portion of the delivery fleet which is outsourced. But as far as we know, we are the cheapest delivery service in the country today. And at least at this point, we don't see much merit in outsourcing more than what we already have here.

Swapnil Potdukhe: Just to clarify, the earlier number that you shared was 94% of the deliveries taking through your own fleet. Is that the same number that you're continuing with, or like has there been a material change in this?

Akshant Goyal: It's more than that now. It's not material because I would say the majority of it is now done directly by us.

Swapnil Potdukhe: Okay, good. So, the next question is on the Zomato Pay business model. So, I know this is a nascent investment that we're doing right now, but any thoughts on how do you plan to monetize this new venture that you're trying?

Akshant Goyal: Yes, you're right, Swapnil - it's still early days. The main monetization here will continue to be ad sales. But what has changed now is that the ROI of those ads that restaurants will do on our platform will be more tangible because it will be visible in terms of more transactions that customers will do at their restaurants. So that essentially increases the confidence of restaurants when they spend on ads on our platform, which we think is going to lead to better monetization down the line. So, that's the broad strategy, and we'll share the results with you on how this is going perhaps next quarter once we'll have more data with us. So far, it's been a very recent launch, and we're just a few weeks into it, so it's too early to share any data on this at this point.

Swapnil Potdukhe: And just a last one on quick commerce. One of the comments in the shareholder letter says that e-commerce is turning out to be another opportunity for Hyperpure. So, I would like to understand, like, what are the synergies that you're looking at here from the cost side, from the revenue side? What should we think about it?

Albinder Singh Dhindsa: Hi Swapnil, this is Albinder. The primary integration that we are doing with Hyperpure at this time is joining forces to figure out whether we can do direct-from-farm sourcing for a large part of the fresh produce that our sellers need and also Hyperpure needs to be able to supply to restaurants.

If you look at both Zomato and Hyperpure's vision statement, it's to figure out a system of getting better food for more people. And adding Blinkit to that mix allows us to be able to do two things at once, improve our scale of sourcing from farms directly, and be able to give more opportunities to farmers in those areas to have access to a wider market.

And that's an option that we are presenting to our sellers as well that if they partner with Hyperpure, they will be able to get better quality produce faster from farms, and that is something that also helps our overall sourcing ecosystem. So that's what we are working on. And then there are obviously services that Hyperpure is able to offer to our sellers that it uses for the restaurant partners as well, but that is something that we are still in the process of developing. So, most of the synergy right now that we are exploring and working on is direct-from-farm sourcing.

Swapnil Potdukhe: Okay. And any timeline by when we can see these synergies reflecting in the numbers? So, would you like to comment on that?

Albinder Singh Dhindsa: See, primarily, if you look at the customers' love around Blinkit's quality of fresh produce, some of these metrics would already be reflecting over there, so I don't think you're going to see a separate breakout for it. The economic impact of this is something which will also probably be baked in somewhere in the commissions we are able to charge our sellers, but you're not going to be able to see a specific breakout for just this integration. Outside, if you are a customer and you're ordering on Blinkit, the quality of produce will consistently keep going up.

Swapnil Potdukhe: Okay, Thanks a lot.

Moderator: Thank you. Next question is from the line of Mr. Aditya Suresh from Macquarie Capital. Please go ahead.

Aditya Suresh: Thank you for the candid remarks and commentary**.** So, two questions. First question on concentration. So, in the past, you've spoken about your top 8 and top 10 kind of cities. Are you able to share what proportion of this kind of cohort account for gross order values and maybe even for contribution profit?

Kunal Swarup: Hi, Aditya, this is Kunal here. We haven't put that data out, but it hasn't changed meaningfully from what it was in the past. And the larger point here is that both the top 10 and the markets beyond the top 10 continue to grow and see growth both from a new user addition perspective as well as order volumes perspective. So, at this point, we don't see any reason why the mix will change substantially.

Aditya Suresh: In terms of growth in gross order value for this cohort of top 8, and top 10, that's consistent with the broader theme, is that a fair comment to make?

Kunal Swarup: That's correct.

Aditya Suresh: Cool. The second piece is on the kind of cost optimization. And this is more a point about scale, and in some of the global models, we've seen that scale necessarily does not drive down costs and, therefore, improve profitability, right? So more than optimization dynamic. So, as you're looking to kind of optimize some of these delivery costs, etc., can you speak about some of the practical challenges that you're facing here today?

Akshant Goyal: So, Aditya, it's a continuous process. Our fleet has grown to almost 300,000 delivery partners now across multiple cities. In that journey in the last 2-3 years, we have learned incrementally on how we make this a better experience for our delivery partners, a better earning opportunity for our delivery partners while ensuring that the customer service also continues to be better. So, it's a constant challenge and a learning process for us. I mean, there isn't any specific practical challenge which has emerged that I would like to highlight at this point.

Aditya Suresh: And just maybe a final piece, right? So, in terms of the contribution profit itself at 4.5%, this is a specific question. So, do you think this is a solid baseline to work from on an incremental basis, i.e., 4.5% next quarter can only be up or is there kind of a risk on both sides?

Akshant Goyal: We hope so, Aditya, that we can go up from here.

Aditya Suresh: Thank you.

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

Akshant Goyal: Thank you, everyone.