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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 February 10, 2023

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 February 10, 2023.

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: 2023.02.17 16:24:27 +05'30'

Sandhya Sethia
Company Secretary & Compliance Officer
Date: February 17, 2023
Place: Gurugram

Zomato Limited Q3FY23 Earnings Conference Call Transcript

February 10, 2023

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 Q3FY23 earnings conference call. From Zomato's management team we have with us today Mr. Deepinder Goyal – Founder & Chief Executive Officer, Mr. Akshant Goyal – Chief Financial Officer, Mr. Albinder Singh Dhindsa – Founder & 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. Ankur Rudra from JP Morgan. Please go ahead.

Ankur Rudra: Hi, thank you. You mentioned several drivers of the growth slowdown in your prepared remarks in the Q&A. I was curious if there was any loss of market share, particularly with your most frequent customers that also contributed to this?

Akshant Goyal: Hi Ankur, thanks for your question. Akshant this side. For us it's very hard to measure market share on an ongoing basis because we compete with multiple players and at least some of them are unlisted. There was nothing that points to a significant share loss to us as far as we know. Majority of the slowdown, I would attribute to the general macro, industry wide macro, than anything else.

Ankur Rudra: Ok. You mentioned that the growth has remained weak in January, but you've been able to get profitability in the month. Could you maybe highlight what was the lever of profitability if there was no growth?

Akshant Goyal: Ankur, essentially two elements there. Eventually the absolute profit is a function of growth in the business and margin expansion. As you would have also seen in the December quarter results, our contribution margin in the business has expanded compared to the September quarter. That margin expansion is enough right now for us to breakeven in the month of January. Once growth comes back that will only accelerate the absolute profits from the business which should help us get there faster and over time generate profits in the business.

Ankur Rudra: Maybe I can take this forward, there's a concern among investors that is there any kind of tradeoff between growth and profitability here? Can growth and profitability happen at the same time?

Akshant Goyal: Yes, there is always some kind of trade off. You can spend more, make delivery charges free for every customer, of course this will drive growth, but that's not the kind of growth we want. In an environment where there is macro slowdown and the industry is not growing, we've grown faster than the restaurant food industry overall in this quarter. To that extent, I don't think, we are trading good quality growth for margins at this point.

Ankur Rudra: Last question on Zomato Gold. Is this a course correction and perhaps an acceptance that shutting down Pro/ Pro Plus was not right, while your competitors still had a very aggressive program?

Akshant Goyal: Zomato Gold is a very different program from Zomato Pro. Zomato Pro, essentially, had free delivery as a feature which applied to all orders whereas Zomato Gold has multiple other benefits in addition to that, and free delivery is only on certain orders. Before Zomato Pro Plus, we had Zomato Pro program and 2-3 years ago we had Zomato Gold. So, there were a lot of learnings that we had in terms of what worked and what did not work for customers, for our P&L and for restaurants. What we wanted to do essentially was to take a step back and put all of this together into a program, which we think can now last, going forward. One of the key highlights of the program this time is, “On-time guarantee”, which is a very unique thing in the market right now and developing that also took some time. I don’t think of this as a call that we took and are now correcting. This was the natural path of moving forward in terms of developing a very robust membership program.

Ankur Rudra: Just a follow-up to this, is this going to be extended to Blinkit?

Akshant Goyal: We don’t want to comment on that right now, Ankur. So far, we have restricted it to the food business. This is a business call we will take down the line if it makes sense.

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

Sachin Salgaonkar: I have three questions. First question, Akshant, just wanted to understand if you could give a little bit more clarity on the mix of GOV. In this quarter we see a stable AOV, and the order frequency was lower, or any data point you could provide? And going ahead, how should we look at the drivers? Would the incremental GOV be driven more by increase in order frequency or it’s still AOV which will continue to increase?

Akshant Goyal: Thanks, Sachin. If you look at the data that we had shared on a year-on-year basis, the 21% GOV growth was an outcome of 14% growth year-on-year on orders and about 6% growth year-on-year on average order value. Specifically, on a QoQ basis, the order volumes declined and that was because of slightly lower monthly transacting customers and slightly lower ordering frequency in the quarter. We attribute that to the general slowdown that I just spoke about as a response to the previous question.

Going forward, as we’re seeing recovery coming back in the business already, we are seeing more customers coming back. We expect to continue growing both on MTUs and frequency going forward and the combination of growth across these two should drive the order volumes up. As far as average order values are concerned, this is an outcome metric of the context and the environment. We've seen a decent bit of AOV growth in the last three-four quarters. Part of it is driven by inflation which has led to the restaurants increasing their menu prices, which we've also seen with a number of listed QSR players in the recent past and another part of it is essentially driven by the product improving and the recommendations on the platform improving, supply side getting more premium because a lot more fine dining restaurants are coming onto the platform for delivery and so on. Some of these factors will continue to play. Whether the order value continues to go up or come down slightly, it's hard to predict. But I would say that majority of the growth in the long term should come from order volume growth which in turn would be driven by more customers ordering more frequently.

Sachin Salgaonkar: Second question is on the take rate; it appears to have now been stabilized. So, just wanted to understand is it the new normal or we see room for it to improve?

Akshant Goyal: I'm assuming you're referring to take rate as a combination of the commission revenue, ads revenue and the customer delivery charges, right?

Sachin Salgaonkar: Correct.

Akshant Goyal: As an aggregate, we think there is still room to grow here. We are at about close to 23.8% or 24% take rate in the last quarter. From here on, this will go up despite delivery charges perhaps continuing to come down slightly because of Zomato Gold gaining scale. So, majority of the growth here could come from restaurants spending more on growth on our platform in the form of advertisements and some sort of continued correction on take rates that we continue to do and about which we've spoken in the last couple of quarters.

Sachin Salgaonkar: Last question, I wanted to have more clarity on consumption slowdown. The reason is, there are certain mixed signals coming from QSRs. Certain QSRs are seeing a slowdown, others are not. So, the question to you is, is there any particular segment where you are seeing a slowdown? I read your report where you indicated which all segments are seeing a bit of impact, but any more clarity you could give in terms of any particular segment, any particular geography which is seeing a bit of a slowdown, or do you see that being more across the board?

Akshant Goyal: As far as our data is concerned, we think it's across the board. We can't single out any particular cuisine or geography at this point. Having said that, given our platform works with thousands of restaurants, there will always be restaurants which grow more than others because they spend more on marketing and investments. Some of the individual restaurant growth is also coming from them opening more new outlets in the quarter as compared to others. I agree with you that there are some mixed signals there but at least from what we've observed, we don't think there is any slowdown in any particular pocket of either a cuisine or a geography.

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

Gaurav Rateria: I have three questions. The first is on the frequency. If I look at the high-frequency users as a percentage of total annual transacting users, that has actually gone up which would actually help frequency at the company level. So, in which cohort of customers, which basket of customers, are you not seeing the major increase in frequency or where do you see a key roadblock and what are the initiatives that you're taking to change that?

Kunal Swarup: Hi Gaurav, this is Kunal here. You rightly pointed out that the power user or power customer cohort has gained but next to that we've also talked about the increase in annual transacting customers. If you see that number is also pretty healthy as we have added 23 million new customers (in CY22). We've also mentioned that for the last quarter as well, new customer addition has been healthy. When you put this in context of the overall numbers and as we've mentioned in the past as well that for new customers, when they start transacting on our platform, the ordering frequency is lower. Therefore, the aggregate would remain flattish as long as our new customer addition continues to be quite strong and healthy, the aggregates will not present the right picture. Therefore, we've presented the power customer cohorts as well for you to understand how the health of the business is improving.

Akshant Goyal: And Gaurav just to add here, if your question was specific to the last quarter, even for these power customers, their frequency went down. The data here in this chart is on an annual basis where we see the ratio of power users and the frequency going up. For the last quarter, the frequency drop was across the board. In fact, I would say it was more pronounced in the slightly higher frequency customers than in the others.

Gaurav Rateria: Got it. The second question is that it looks like you have ploughed back some part of your operating profits in the form of indirect cost because that has grown like 14%-15% on a YoY basis versus a very muted trend in the first half of the fiscal year. So, what are these investments that you're making and how are they going to yield results to reflect a better profitability overall?

Kunal Swarup: Gaurav, part of this is also seasonal because if you look at the expenses below contribution, they're a combination of both, marketing expenses as well as corporate overheads which include server & tech and other costs. Given that this was a festive season quarter, typically there is some incremental spend on marketing / branding and for server & tech costs there are also some annual renewals that kick in. If you look at the same quarter last year, there was a bit of a jump in that quarter but if you look at the average for the last three quarters that would be in the range of 1% to 2% growth. On an annual basis, if you look at these numbers, that would be more in the range of 12% to 14% kind of growth. Therefore, it's not meaningful when you look at it from an annual perspective. Hope this answers your question.

Gaurav Rateria: Last question, any color on Zomato Everyday? Is it going to be a cloud kitchen, what form and what factor, just trying to understand if it is going to be an asset-heavy kind of an investment in the form of you opening kitchens to cater to home-cooked food?

Akshant Goyal: Gaurav, it's not going to be very asset-heavy, but we will have to open finishing stations to be able to service this food to customers. We are currently planning to experiment with the infrastructure that we had anyways built for Zomato Instant. We are using the same finishing stations to roll this out in the next few weeks in Gurgaon and Bangalore. These are the two cities where we had Zomato Instant. And depending on the offtake and what we learn from there, we'll decide on how to expand going forward from there. Compared to Zomato Instant, it's only going to be less capital-intensive than what Instant was.

Moderator: Next question is from the line of Mr. Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: My first question is while you have mentioned about the slowdown, but the press release also talks about green shoots in January. Can you just elaborate on that?

Akshant Goyal: What is your question, Vivek? Can you be specific?

Vivek Maheshwari: I'm saying that the fact that while we are talking about slowdown, you have also mentioned that you are witnessing green shoots in January. Can you just comment on that? Has there been any specific customer cohorts which has done better? Are you seeing a pickup in exit January which is what we should look at in the fourth quarter? Can you just elaborate on that comment, Akshant?

Akshant Goyal: Vivek, for the last couple of weeks we've been seeing the app opens in our business go up which we have not seen over the last 2-3 months. That is telling us that perhaps the slowdown has bottomed out and that's our conjecture at this point. But we'll need to see how it unfolds in the rest of the quarter, whether the demand patterns change meaningfully or not. Part of this growth could also be attributed to us launching Zomato Gold, there is that attribution also. It's still early days but whatever signals that we are able to see, it seems like it's only going to get better from here from a demand standpoint.

Vivek Maheshwari: And the other question Akshant is, what Ankur asked at the beginning, and you responded on growth versus profitability. You are at over 5% contribution margins right now. As we go forward, your guidance still is a break even by fourth quarter or latest by September quarter of next fiscal year. Based on the current contribution margins and let's say these move up, does that change the trajectory of growth or let's put it another way, what is your expectation if you keep seeing better profitability, what is the level of growth that you see in the business if macro were to be more conducive?

Akshant Goyal: Vivek, we are not holding back on growth investment at this point to increase margins. That is what we've been reiterating for the last two/three quarters also. We are not making any trade-off between good quality growth, which will sustain and compound, for short-term increase in margins. Lack of growth right now, as we have spoken multiple times, is because of the macro context and industry slowdown. How quickly that changes and in what shape and form the growth comes back in the next one or two quarters is very hard for us to comment on. But if we take a 4-5 year long term view, we remain bullish on the space and the market is still under-penetrated and there's a long way to go. We should see healthy compounding over a 5-year period in the business, but short term is relatively harder to predict at this point.

Vivek Maheshwari: And a follow-up to that, Akshant. When you say that that you are not pulling back on investment, from a margin standpoint, forget about the next few quarters but let's say if we take a 3–5 year view, does that mean your margins will also have a cyclicality. Let's say contribution margin ranging from, let's say, 2% to 7% or will we see some stability in contribution margin and if the macro is conducive, you can still get to let's say 25% - 30% kind of YoY growth. How do you think about this? The margin cyclicality is something that I'm unable to fully appreciate.

Akshant Goyal: Vivek, I don't think that we are going to have that large of a standard deviation in the margins in our business. So, while it can go up and down over a period of 4-5 years, but it's largely going to be range bound in a narrow range and that might change because of some additional investments we might want to make at some point in time in future or if we see opportunities of new growth, expanding into newer cities and so on. But like-to-like in the same city where we are already present today, I don't think there is going to be massive swings in margin going forward.

Vivek Maheshwari: And my last question is on Blinkit. So, with the tough macro and I know you are at a very early stage in that segment, any headwind that you are seeing on that business particularly on the demand side? I wouldn't say mature-mature locations but any pullback in the consumer demand or any down trading that you are seeing in the markets where you forayed early?

Albinder Singh Dhindsa: Hi Vivek, this is Albi. I'll take this. Like we mentioned in the letter, we are seeing good customer growth. Our order frequencies are healthy, and we are also seeing new customer growth being at a very healthy level continuing forward. We saw about 3% dip in our average ticket size. And part of that we are able to attribute to consumers buying smaller packs which could be indicative that maybe consumers are going to consume less during this period. However, that is a strong might and it also might be consumer behavior of the kind of customers that we are acquiring at this point in time. So, we're not able to exactly attribute that to a macro slowdown. In terms of the other customer operating metrics, we are not seeing any slowdown and that's probably part of the fact that we are already fairly under-penetrated in the cities that even we are already large in and at the same time our city spread especially compared to, for example, the Zomato business is very small. Our 90%+ stores are only in the top 7 cities. So, I think we would not, at this point of time, be able to be the predictor of whether macro trends are affecting the segment.

Vivek Maheshwari: Got it. And Albi another question which will be my last one. What Akshant mentioned about food delivery business' profit versus growth. What is your sense on Blinkit business given that it's early stage and your numbers are obviously speaking for itself but what is your thought process between growth and profitability at this stage?

Albinder Singh Dhindsa: So, Vivek, we will let the numbers speak and they're basically showing that our business has a high amount of operating leverage. For the last two quarters, the business has grown significantly while moving steadily towards profitability. And I think we will continue to see this trend. Our immediate focus obviously is to be a contribution positive business. We are at about -4.5% contribution margin right now. And if you pick a view of the kind of investments that we need to make into the business in order for supply creation, we take a very sensible approach to it. We don't want to get too ahead of our management bandwidth, we don't want to get too ahead of the kind of infrastructure investments that we need to make judiciously while improving the supply side of our business. And that's a major investment going forward that we foresee. The growth investments in our business at least at this point of time are not something that we are really worried about. We are spending more of our time on the supply side of the investment and what would be a right time for us to start making them.

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

Vijit Jain: Akshant, I have a couple of questions on those annual unique transacting customer data points that you shared. Now if I look at 2022 versus 2021, just looking at the previous year's customers, there it looks like the churn rate went from about 10% in 2021 to about 30% in 2022. Do you think this is attributable to the rollback of Gold? And related question to that, all these end of quarter trends that we see in MTU decline and frequency decline, is this mostly to do with the fact that some of those people who were rolling out of Zomato Pro / Pro Plus, their frequency reduced primarily and therefore it'll come back. That is my first question.

Akshant Goyal: Hi Vijit. I think the absence of having a membership program did impact us in the last quarter, but we are recovering from that now. And to some extent that has played a role in some customers attriting and lower frequency that we saw in the last quarter. But generally, on the annual trends, our retention is fairly healthy. I'm not sure how you came up with the math of 32% attrition.

Vijit Jain: So, basically, I just looked at 2020 customers and in 2021 if you remove the new customers from that number and compare with the previous year, just a simple math on that. It looks like you lost 15 million of the customers you might have had in 2021 in 2022 and then you added another 23 million something like that. I think that's what I did.

Akshant Goyal: A large portion of our customer base is very infrequent which orders less than 4 times a year and every year a lot of these customers keep coming back to our platform. So, the absolute loss of customers on our platform, if you look at cumulative annual retention, is very acceptable and low compared to what we've seen with other businesses globally. So, we are not worried about retention here. Largely everything is on track as far as retention and customer acquisition is concerned.

Vijit Jain: And my second question, just staying on Gold is that in the current quarter, obviously as you invest in Gold there are some introductory prices offered. What kind of levers do you think from the cost side offset that? I did see you mentioned you're shutting down ~250 of the smallest of cities. Is there material cost savings there? And if you can overall give a sense of how you look at the Zomato Gold program in its entirety from a P&L perspective, that'll be great. And if it is related to that, my last question is when you say you're not holding back on growth investments, what are you talking about? Are you talking primarily about Gold when you talk about growth investments in the food delivery business?

Akshant Goyal: It's multiple things. Gold, of course, will definitely help drive long-term growth in both frequency and retention. We are also continuing to invest in acquiring new customers. As we mentioned that the pace of new customer addition remains healthy, which means we're not cutting down on our marketing and customer acquisition spends. So, all of that continues.

With the second question on specifics of Gold at this point, we would not want to comment on how it evolves and how we think it'll shape up. Those are some things which will evolve with time as we get more data, and we wouldn't want to share much about it right now. But generally speaking, the impact of Gold on our economics will get offset with the progress we make not just on the cost side but on the revenue side in the business going forward.

Vijit Jain: Just on the first part of my question Akshant, with regards to the shutdown of those 250 very small cities. I know the GOV impact is minuscule but is there material cost savings there from just being present in those cities?

Akshant Goyal: Not very material, Vijit.

Vijit Jain: Those were my questions. Sorry, one last question if I can, just if you can give an update on the overhaul of the dining out business. If I just look cursorily at your non-food + non-Blinkit business on a QoQ basis it appears to have improved. Is this mostly Hyperpure?

Akshant Goyal: Vijit, Hyperpure numbers are disclosed separately. And as far as Others business segment is concerned, we have given some color of what led to that sharp growth in the QoQ revenue in question number 13, I think.

Vijit Jain: Yes. I'll just check that. And just if you can give an update on dining out overall for the full year?

Akshant Goyal: Question number 11.

Vijit Jain: Okay.

Kunal Swarup: One, there was contribution from the services that we offered to Talabat in the UAE and our offline events Zomaland, etc., which came back after a hiatus, so that was partly the reason why there was an increase that you saw. So, it's not so much due to the monetization of the dining out business where we are still in build-out mode like we've mentioned.

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

Manish Adukia: My first question is on just the growth drivers. In the shareholder letter you talked about three factors or drivers that you think could help revive growth in the food delivery business. Do you see all of those three drivers as equally important, or do you think one is more important than the others? If you can just help us by providing some more color. And a related question to that is on the annual transacting customers that you disclosed for 2022 which is about 58 million and currently you have about 17-odd million of MTUs. What does it take over a longer term let's say 2–3-year period to convert a large number of these annual transacting users into MTUs? That would be my first question.

Akshant Goyal: So, Manish, the answer to your second question is actually also a response to the first question. All of these initiatives that we have mentioned, they'll drive higher frequency of ordering from our existing active customers who are very infrequent today, which will mean that more of our customer base will start ordering every month and hence a large portion of our ATUs will start converting into MTUs. Now within those two / three things that we mentioned, Zomato Gold, of course, is going to be important as a retention and frequency driver in the long run.

Zomato Everyday, which is essentially an offering where our customers will be able to order homestyle cooked meals at affordable prices could be a big lever as well if we're able to execute that well and sustainably. So, that is something which we are very excited about, and we'll have some early results perhaps to talk about in the next quarter on how this is going.

All of these things are important and continuously fixing the UX of our app, curating better collections of restaurants for our customers and making our systems more reliable, all of that will lead to compounding growth over the next few years and all these initiatives should help us drive MTU growth going forward.

Manish Adukia: My second question is on Blinkit. So, you mentioned that Blinkit can potentially also be profitable at AOVs of about 20% lower. So, just wanted to understand are you actually expecting AOVs to decline by that magnitude over time? And if it does what would be the offset for profitability in that case? And a related question Akshant, last year when you had announced the transaction with Blinkit, you had mentioned, and I know you said specifically it was not a guidance, but you had said that in the next three years or less than three years Blinkit can potentially be profitable. Given what you've seen in terms of the track record of the business where losses have been narrowing consistently do you think there's potentially upside risk to that number meaning can that profitability be actually sooner?

Akshant Goyal: So, I'll let Albi take the first one. I'll respond to the second question, Manish. So far, the business has done better than what we expected both in terms of top line growth as well as progression in economics. So, I'm not guiding to anything different than what we said earlier. The next 2-3 year is the horizon which we should stick with for this business getting to profitability. But if the progress continues at the pace at what we've seen in the last three quarters, then perhaps we'll get there sooner. So, we'll have to sort of wait and watch on that.

Albinder Singh Dhindsa: Hi Manish, this is Albi. I'll take the first part of the question around AOV. So, one of the drivers of AOV drop that we are seeing is that as we are getting bigger and expanding our business, the kind of products that sellers are putting up for sale on the platform is also evolving. So, the number of use cases that we can potentially cater to the customers, that eventually helps the platform increase our wallet share, those are going up. That causes variability in the average ticket size. So, as we introduce new use cases, which we did, for example introducing fresh sweets during Diwali, introducing a lot of SKUs around dia, or cakes around Christmas and

Christmas decorations - A lot of these individual events as well as the general choice available to the customers on the platform evolves. Some of these choices that consumers make to buy certain products can be of lower average ticket size as well and some of them obviously are higher than the average grocery basket ticket size. What you're seeing and what we see is essentially the evolution of the business that as it gets bigger there is still a little bit of uncertainty.

We are confident on our ability to be able to breakeven even at lower average ticket sizes because some of these use cases as they come up are also potentially high commission categories for us. So, not necessarily do they lead to revenue impact, which is something that you are seeing in our quarterly results as well that even though there was a drop in the average ticket size the overall revenue and the commission percentage that we are able to generate has gone up. So, that gives us the confidence that the business will evolve in its average order size as it expands beyond grocery. But at the same time, we should be able to make the economics of the business work and that is what Akshant was referring to in that answer.

Manish Adukia: Thank you Albi for that. Just a quick follow-up there. In the quick commerce business, there are quite a number of players which are operating. Given the macro environment that we are in, have you seen any slowdown in competitive intensity and environment? And let's say hypothetically if in the next 6-12-18 months, there happens to be any kind of consolidation in this industry, do you think there's any merit in Zomato acquiring somebody out there like you did in the case of food delivery with Uber?

Albinder Singh Dhindsa: As of now we are not seeing a drop in the competitive intensity in quick commerce. Most of the players that are in the segment are trying to grow their businesses as well. If there are any opportunities in the future, we'll evaluate them on merit. As of now, we are happy with the way we are building our business and we would like to continue this journey and keep working on the basics of fixing our business and also delivering great experience to the customers. I don't think we are going anywhere beyond that.

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

Swapnil Potdukhe: I have 2 or 3 questions. First of all, modeling-related question, how will the Zomato Gold program subscription revenue be recognized going ahead? Will some of the revenue be ascribed to food delivery vertical and will it be considered while calculating contribution margins?

Akshant Goyal: Yes Swapnil. That's right.

Swapnil Potdukhe: The second question is with respect to Blinkit. I see that your dark store count seems to have come down by around 10% versus a couple of quarters back. So, what is the thought process here? Have we closed down some operations in a few cities because in the shareholder letter you have also mentioned that addition of 30% to 40% store additions in the next year. So, what is the strategy over here?

Albinder Singh Dhindsa: Hi Swapnil, this is Albi. So, what you will see is the store count should start inching upwards from where we are in this quarter. The primary reason for the change in the store count was because a lot of our leases expired in the OND quarter because we had only signed short term leases till we had conviction on particular geographies. So, some of those stores are in the process of being moved into either different locations or we are putting in more stores because the demand is higher. What you will see is that we will be adding more stores going forward at a reasonable pace and we have not pulled out of any geographies, we have not pulled out of any cities, and we have also identified high potential cities. Some of our smaller cities that we opened up in the last quarter have given us really good results as well. So, what we are hoping is that we will be able to expand more and more beyond the top 10 cities where we had put a lot of our initial focus on and even expand our footprint within the cities that we are operational in. Just to give you an example, we have only served about 40% of the geographical area of Bombay, so we would like to increase our footprint over there if that market is somewhere we are growing and its potentially becoming a key market for us.

Swapnil Potdukhe: Thanks Albi. Just one more question on the food delivery side. I would like to understand the cohort GMV movement. Have you seen a slowdown of GMV growth in only those cohorts that were acquired during COVID, especially let's say in FY21 or FY22, or there has been a slowdown across pre-COVID cohorts as well?

Kunal Swarup: I think the slowdown has been across cohorts. I don't think we can single out only the COVID-related cohort because like Akshant pointed out it's a broader industry wide macro slowdown and there are some trends that we are seeing. For example, in the more higher end premium customers, it's some share shift from online to offline, some loss of orders due to premium travel and on the mid-income side it is more driven by macros. These are some of the trends that we saw, and which is what we put out in our letter but outside of that I don't think there is anything very noticeable.

Swapnil Potdukhe: In the Gold program we have offered some discounts on certain restaurants. I just wanted to understand who will be bearing these discounts? Will it be the restaurants or Zomato is also taking some burden over here?

Akshant Goyal: These are all restaurant funded discounts, Swapnil.

Moderator: Ladies and gentlemen, in the interest of time we will now take the last 1-2 questions. The next question is from the line of Mr. Aditya Suresh from Macquarie. Please go ahead.

Aditya Suresh: Akshant maybe for you, so you had Zomaland in this quarter, brand marketing spends went up. What is one of the metrics here you're looking at to judge the efficiency of the spending versus for example some of the more direct levers like say increasing platform discounts?

Akshant Goyal: There is platform discounts, there is digital marketing, there is broader mass media marketing and then we also market through some of the events that you mentioned. ROIs for each of these channels of marketing have to be calculated differently and looked at differently because some of them have smaller feedback loops, some of them have slightly longer feedback loops. Just like any other business, we continuously continue to evaluate the channels which are working well for us and slightly index our marketing spending more to those channels versus others and some of these things are also seasonal. So, some kind of brand marketing works in a particular quarter versus others. Now that we have a 4-5-year history behind us, we're getting better at this every year going forward.

Aditya Suresh: I appreciate that the conditions are dynamic and there are multiple levers that you are kind of solving for at all times. But if I just had to tactically ask you over the next 6-12 months what are the top three KPIs that you are managing for?

Akshant Goyal: There are a bunch of things. Eventually everything is about growth and profitability. These are the two metrics in addition to customer NPS or stakeholder NPS. If you were to ask me for three metrics, I would say overall growth of the business, overall profitability, and the stakeholder NPS in our ecosystem, those are the things we will really care about.

Aditya Suresh: If I could, at one level below that Akshant, what would be the steps which you are kind of prioritizing towards whether it be for example any of the contribution margin levers or the growth levers or products? Any specific measures you want to speak about?

Akshant Goyal: These are all business discussions, Aditya. I don't want to share how we think about our business and strategy on this call, so I don't want to be that specific. I hope that's okay.

Moderator: The next question is from the line of Mr. Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: I know it's still fairly early but any initial reaction on the Zomato Gold impact on business? Are you seeing any increased ordering from the power customers? Also given that the threshold for free delivery on Gold is INR 199 which is practically half of your AOV. Is it fair to assume that there will be a bit of a drag on AOV because of Zomato Gold scaling up?

Akshant Goyal: Mukul, on the overall impact of Zomato Gold, it is very early right now. We are barely 2 weeks into it. The only thing that we wanted to share at this point which we have shared in our letter is that we are now close to 9,00,000 members which means that the program is scaling rapidly. But how it is impacting our economics and frequency, it's a little early to talk about that. On your second question, it works both ways. Having an AOV baseline of INR 199 also helps move some lower AOV orders to higher AOV. On balance, I would not conclude that the order value will come down because of it. It might also go up, so we'll see evidence of that as we go along but right now it's very early in the journey to be talking about any specific things.

Mukul Garg: Secondly, if I take a slightly longer-term performance in the food delivery space, over the last four to five quarters, your YoY growth has been coming off and right now you are growing at the same pace at which broader QSR space has grown in Q3. How should we see the long-term growth perspective of Zomato? Is it still fair to continue to assume that the growth will be meaningful because of the early stage of the food delivery industry in terms of adoption, or should we now start seeing some convergence with the broader food industry given the large revenue base as well as the infeasibility of scaling up in smaller cities?

Kunal Swarup: Hi Mukul, this is Kunal here. I'll take this. I think we've also adequately answered this in the shareholders' letter (SHL). I think obviously the YoY growth has come off a little bit because of the last quarter and quarter before that being slower growth quarters. But like we've also pointed out, from an overall new customer addition on an annual basis, I think it's been pretty healthy and so is our power customer cohort. I think these are fairly good indicators that overall, we are heading in the right direction. There may be a couple of quarters of ups and downs that we see and largely linked to macro events, but we don't see anything structurally concerning at this point in time.

Mukul Garg: The last one was for Deepinder. Deepinder thanks for providing your perspective on leadership in the letter but I just wanted to clarify, have the key leadership roles been assigned to other members of the team or have they been consolidated with the current leadership for the time being?

Deepinder Goyal: This is actually mix of both here. I am also doing a bunch of things, Akshant has also taken a couple of things up and we also have a strong bench. So, with the combination of all these three things we are good for now.

Mukul Garg: Just to take this forward, how do you see this play out over the longer term? I know you have addressed the unusually high volatility in leadership but given the bandwidth and the multiple roles which you are juggling at the moment; are you expecting to retain whatever you have taken additionally, or will this be kind of given to suitable candidates as you see them come up?

Deepinder Goyal: So, far, we can fit it into the 12 to 14 hours a day, so it's perfectly fine. But we're always constantly on the lookout for talent, so mix and match again.

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