"Zomato Conference Call"

November 9, 2014

MANAGEMENT: MR. DEEPINDER GOYAL – CO-FOUNDER AND CEO ZOMATO

Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Zomato Conference Call. As a reminder all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepinder Goyal – Co-founder and CEO at Zomato. Thank you and over to you, sir.

Deepinder Goyal: Hi all, Deepinder here. So I will keep the update from my side short and sweet and I am sure all of you have a lot of questions.

So the last time we spoke we had just acquired Urbanspoon and in June we migrated all Urbanspoon's traffic over to Zomato and now we are present in 23 countries in total, we are the market leaders in 18 of them and 12 of them we have really high levels of traffic. We actually also very recently split up our markets into two parts what we call Full Stack and Enterprise markets.

Full Stack markets are the 12 markets where our traffic levels are very-very high and we are actually looking to monetize them through ad sales right now. And the Enterprise market are the markets where the traffic is not actually adequate to achieve high levels of monetization through advertising. So we are taking a very B2B, B2C approach in those markets.

Overall, we are getting about 80 million user sessions across our mobile and web platforms across the world and we are well on course to achieve good revenue growth, I mean we will achieve more than double our revenue this year as well.

Open to questions.

Moderator: Thank you very much Mr. Goyal. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Sandeep Muthangi of IIFL. Please go ahead.

Sandeep Muthangi: First of all Deepinder thanks so much, I think it is great that you are doing this call with us and giving more insight into Zomato. I have two questions, the first question is on, when you look at these markets, these 12 markets where you are dominant, can you give us more color into what kind of market sizes are we looking for, what is your idea of how big each of these markets are eventually for you guys? And the second question is about some of the restructuring that have happened, what has lead to this, has Urbanspoon lead to a rethink of the strategy in some of these markets and any color into that would be very useful.

Deepinder Goyal: So the 12 markets that we talk about are actually countries, and these 12 countries comprise of 23 cities in total. So our business is actually based on cities and not countries, so it makes more sense to talk about cities. So we also measure every city relative to the size of Delhi, so if Delhi is 1 we say, okay such and such market is 3.5 and such and such market is 0.5. So the 23 cities that we talk about overall, like the sum of them is almost 42 times the size of Delhi, the Delhi NCR as a market. So that would give you a fair idea of the scale of the markets that we are talking about. And Delhi to put in context of India it is about 25% of India market. So the 12 markets we are strong in, overall the market size is about almost 10 times that of India.

Sandeep Muthangi: And just any color on when you talk about Full Stack I am assuming that you are talking about ad sales plus the base restaurant tag plus the food ordering market, any sense on how big this market could be in Delhi, all the three put together?

Deepinder Goyal: So, we are actually going after all segments of the restaurant technology stack and it starts with advertising but it also comprises of all the enterprise products that we have developed. It also comprises of the online ordering business that we do. Overall I think in Delhi when we achieve saturation in revenue which might be two to three years away from now, I think we will be making about US$30 million in revenue in Delhi on a per annum basis.

Sandeep Muthangi: And the second question was on the restructuring that has recently happened, what lead to this and has Urbanspoon led you to look at all the markets again and see and do this thing right now?

Deepinder Goyal: See, our business is actually in lot of countries and we learn a lot of things from various markets and Urbanspoon as a product and in terms of traffic was three times the size of Zomato when we acquired that. So we of course had a lot of learning from Urbanspoon, they also taught us a lot about what works, how things work in the way that they used to run their business. So the restructuring that has happened was actually a combination of the best of our knowledge and the best of Urbanspoon's knowledge and we were not trying to be snobby here and say we will do the right thing, but we are taking a very down to earth approach saying that let's just pick the best of both worlds and combine it into a win-win situation for us with a very longer-term view.

Moderator: Thank you. Our next question is from the line of Sumeet Surana of Haitong. Please go ahead.

Sumeet Surana: I have two questions. First one is related to the new product we have launched, like Zomato Book, Order and Whitelabel, so how has the traction been and what has been the initial feedback from the restaurant? This is my first question. And the second one is, are there any new products in pipeline or we are looking to monetize the existing ones first and then maybe more forward? Thank you.

Deepinder Goyal: So Order is pretty much six months old for us now and I will move on to the details of how we are doing on the other businesses. On Book and Whitelabel, these products have been out in the market for about 30 days and the initial traction is great, I think our run rate revenue from both of these markets should already be more than $1 million per year and we have just got it started. Very few restaurants have said no to buying the product, so I think we have a great future for these two products. However, the amount of penetration we are able to achieve with these products in various markets, and when I say various markets I also mean Full Stack as well as enterprise. I think we will really figure out over the next three to six months that, Hey, this is pretty much is the amount of revenue we can get from these products in these specific markets, I think that is still not clear to us yet but what is clear to us right now is that there is a sizable opportunity in front of us and we do not want to miss it.

And on the Order business, there is a history behind order, we actually originally when we thought of Zomato we thought of it as an online ordering business and 2008 was when we started Zomato and it was just way too early for any online ordering business to be out there in India at that point in time. So we really wanted someone else to do the job, to educate the market on how things work, to educate the restaurants as well as the users on how things work and I think our competition did a really good job at that. And the biggest unfair advantage we have when it comes to the online ordering business compared to anyone else is that we already have a lot of traffic which searches for food on Zomato on an everyday basis and that traffic is probably 10 times as that of all our other competitors put together. So what we have done is that we just started giving the feature of order online next to the call button on the app as well as the website, and a lot of people who used to call the restaurants to place their order and we were not able to by the way monetize these calls which were being made to these restaurant directly, and now these calls are now shifting to online orders. So the other big advantage that we have, I mean it is exactly the same one but, we actually have zero customer acquisition on this one because we already own the channel, we do not have to incentivize the user, we do not have to do anything, we do not have to pay Google, Facebook, we do not have to do anything to actually get users to transact through us because they are already on Zomato. So in a way we own a marketing platform. So that is a shift which is happening. I can actually share some numbers here as well. So we hit a peak of 10,000 orders per day last week. I think our order volume is about 40% of that of the market leaders when it comes to volume, but our ticket prices are also 2.5 times as that of the market leaders. And all our volumes comes at pretty much zero discounting, less than 5% of our orders are actually discounted and compared to maybe like 70% of orders being discounted for our competitors. So I think when it comes to the overall value being transacted on our platform for online order we might already be the largest player or we might be very-very close to the largest player and we are growing at 50% month-on-month. So we are supremely confident that we will be the biggest if not the only player left in the market in a couple of months from now.

On the new products, we have apart from the table reservation order and Whitelabel we are also working on a point of sale system for restaurants and that is actually at a very early stage, although we have started deploying it at some places. So I think about 40-odd restaurant locations are live on our point of sale system as well and we are actually learning a lot more about how the system should operate and I think by the end of January we will be able to go big on selling our point of sale system to restaurants as well.

Moderator: Thank you. Our next question is from the line of Arya Sen of Jefferies. Please go ahead.

Arya Sen: Firstly, the InfoEdge management mentioned that there is a change in strategy at Zomato and there is going to be more focus on monetization going forward, so just to understand, what does that mean in terms of the other markets where you are not looking to monetize, so will you stop investing there, also does it mean no more entry into newer markets? And why this change in strategy to begin with, I mean why not continue with the growth strategy that you had earlier?

Deepinder Goyal: So I think the biggest reason why we had a shift in strategy is because of our shift towards Enterprise products. So until about last month we did not have any B2B products to sell to restaurants apart from ad sales and online ordering which really depends on a lot of B2C traffic to work. So there are some markets where we do not have adequate levels of traffic to monetize through ads. So six months ago we had to actually invest a lot in these markets to grow the traffic to a level where we could monetize them. But now since we have these enterprise products, so we are thinking that a B2B2C approach which is for example let's say the Book product, the table reservation product that we have; if we are able to achieve sizable penetration with our Book product in any market where we do not already have strong traffic, we will be able to build traffic on top of this product without spending a lot on marketing and customer acquisition cost to build traffic. So it is really the introduction of new products which led to the change in strategy and now even if we launch any new country we will actually treat that market as an enterprise market in our language and we will do a B2B2C approach in those markets rather than doing ad-sales right upfront which actually is a huge cost. So I think now going forward you would not see a lot of investment going into markets, Zomato will become a lower investment business in the longer-term, I think that is the basic premise behind the shift in strategy.

Arya Sen: And the B2B products that you are talking about, one is Book a table, the other is Whitelabel, is that right, or anything else, does it include Order?

Deepinder Goyal: So Booking a table, the table reservation product is the key product when it comes to B2B2C. See, so Order leads a lot of traffic on Zomato already, so that is our play on the online ordering business that we should not be paying a lot of customer acquisition cost for online orders and this customer acquisition cost is the biggest problem of all our competitors. A lot of our key markets where we have high competition in online ordering we already have high levels of traffic. So from a competitive threat point of view we are pretty okay and like all the other markets where we are taking a table reservation approach to build traffic, we will launch online ordering maybe one year from now once our traffic hits adequate levels, so that is the approach we are trying to take here.

Arya Sen: And talking about the growth sort of guidance that you gave, revenue guidance that you gave of doubling revenues in FY16 over 2015, so that would mean say FY15 you did about Rs.1 billion, so that goes to about Rs.2 billion, is that sort of a number that we look at?

Deepinder Goyal: I mean if all goes well and if we execute well I think yes, or maybe more, I mean everybody tries to do a lot more than what they expect.

Arya Sen: Right, but out of this because there are now many avenues of growth for you right, I mean one is the vanilla product which is the usual ad and the revenues that come out of that and the growth in that business, plus you are now also offering orders which could easily be as much of a revenue generator as the ads business and also you are talking about 12 markets where you are looking to grow. So in that context how do we break up this sort of 1x growth in revenue, I mean how much will come from which part?

Deepinder Goyal: So we actually look at it on a city by city level and when I say that these are the 23 cities that we are talking about, we have actually not even started monetizing all of them. So it is just recently that we are seeing let's do ad sales, let's actually start monetizing them and in the current year you would not see a lot of contribution from a lot of these markets. And even when it comes to Delhi, we have actually just scraped the surface when it comes to monetization. I think we have easily 50x growth in front of us, but all of that depends on how well we are able to execute in the near future.

Arya Sen: Sir how much would the India business grow by, I mean what would be the guidance for the India business alone?

Deepinder Goyal: I cannot disclose that for now.

Arya Sen: Sure. And just to understand the food ordering part, how many restaurants are now live on that and you talked about order size, what is your typical order size?

Deepinder Goyal: We have 12,000 restaurants online on online ordering in India and we are actually bringing in about 500 every week online and most of these restaurants are the ones who do not typically deliver on their own yet, so you would see a lot of good brands get online on Zomato in like maybe the next week or the week after that and it would be the first time globally that these brands would be delivering to anyone and our tie-ups with our logistic partners are actually enabling us to make that happen with these restaurants. Our average ticket price is about Rs.600 per order and what I have heard, I mean what I have heard for our competitors is that it is about Rs.225 for them.

Arya Sen: And lastly, if I look at the core ad business, what is the percentage of paying restaurants within India, what percentage of your total listing is now paid customers for the ads business?

Deepinder Goyal: Our paid customers would be about 6% of the total listings right now in India.

Arya Sen: Because I thought you had talked about some 10% in the last call in Jan, so is that the denominator has gone up so much?

Deepinder Goyal: Yes, so we actually added a lot more, we added a lot of cities in India as well so the denominator has grown up and even in Delhi and even in Mumbai the market has grown like significantly, it is not about just adding the number of cities. And since we were heavily focusing on the online ordering business over the last six months, our internal ad sales goals were not actually a priority for us in India.

Arya Sen: And what would be the total number of restaurants that are listed in India for Zomato?

Deepinder Goyal: In India we are at about 80,000 right now.

Moderator: Thank you. Our next question is from the line of Ankur Rudra of CLSA. Please go ahead.

Ankur Rudra: My first question is, could you perhaps clarify what is the progress on advertising or listing shifting from the desktop model to the mobile model? And then I think a follow-on after that would basically be, if you could give us a sense of the breakup of the market opportunity between ads versus the B2B products we recently launched, when you look at the aspirational goal of $30 million from one city? Thanks.

Deepinder Goyal: So on the mobile and desktop side, so about 35% of our traffic is on the desktop and 65% is on mobile and mobile is actually gaining a percentage point in share every month and that's how fast mobile is growing, having said that, desktop is still growing, it is not that desktop is declining. Sorry, what was the second question?

Ankur Rudra: The second question was about, when you are looking at the market opportunity of $30 million in a city like Delhi NCR, how do you breakup that opportunity between the traditional ad model versus the online order versus the B2B products, how should we think about where the revenues will come from?

Deepinder Goyal: If the market pans out the way we think it will, 40% of the revenue will be ad revenue, about 30% of our revenue will be order revenue and the rest of the 30% will be like pure SaaS kind of enterprise product.

Ankur Rudra: Just quickly on the first point, you shared the traffic breakup but are the ads also shifting, I mean are you advertising on the mobile platform also or is it are the ad sales majorly for the desktop version of the product?

Deepinder Goyal: So we have ads both on mobile and web and we actually sell one single SKU across both these platforms, so we do not sell them separately. So even if there is a huge platform shift six months from now and everybody goes back to desktop we will be fine, if everybody goes to apps we will be fine and I think everybody will go to apps.

Ankur Rudra: Just lastly, last time you had a call with us you did highlight a sense of the revenue breakup between your mature market, India, Middle East was I think about 70%, 75% and perhaps were also profitable. How should we think about that breakup now and profitability from maybe city or country basis whatever your comfortable sharing.

Deepinder Goyal: So India and UAE now after we started the online ordering business they are no longer profitable, but however if you take out the ad sales part of the business it is still hugely profitable. And so 6 of our other countries are going to breakeven just about right now in this month or maybe the first week of December, we are very-very close to breaking even in six other countries.

Ankur Rudra: This is driven by all the three models or primarily ad and Order?

Deepinder Goyal: It is primarily driven by ad sales, all the other models are very-very new. So they will take a little bit of time to get to a certain point.

Moderator: Thank you. Our next question is from the line of Srivathsan Ramachandran of Spark Capital. Please go ahead.

Srivathsan Ramachandran: Just wanted to get your thoughts on the US market with Yelp showing signs of weakness just wanted to see is this an opportunity for you to monetize more on that market and maybe grow aggressively in that market?

Deepinder Goyal: So the Urbanspoon acquisition was not actually done for the US, it was done for Australia and Canada and we have very high levels of traffic in Australia and Canada and we are actually looking to monetize both of these markets through ads as well as other B2B products that we have. On the US side, we do not have very high levels of traffic, although we have sufficient levels of traffic to monetize through ads if we want to but we would want more in order for the churn rate to be less and in order for the ticket prices to be enough for us to create a sustainable business. So in the US as well we are taking a B2B2C approach to the market and we are also looking at the US market on a city by city basis, we are not thinking of US as a whole and we going after cities in the US where competitive intensity is actually the lowest.

Srivathsan Ramachandran: If you can, it will be helpful post the latest round of capital drive, any broad timelines in terms of what the burn rates would be or when maybe you would need another round of capital, any thought process, any qualitative comments would be grateful. Thank you.

Deepinder Goyal: So in general we are not banking on the fact that the next round will come in and we have never ever actually built a business assuming that the next round would come in, so we always think that the round that we have is probably the last round we are going to get and that's how we are approaching our business now as well. I mean, we have a breakeven plan, so if we are able to execute along that plan we should be able to breakeven in sometime and we will still have a significant amount of money left in the bank. And however if and when we decide to raise more capital that will be to essentially go after more growth opportunity which are not part of the current plan, I mean that really depends on how easy it is to raise capital, nothing else.

Moderator: Thank you. Our next question is from the line of Gaurav Malhotra of Citigroup. Please go ahead.

Gaurav Malhotra: Just a couple of questions. First of all, since you mentioned that the ability to raise more capital will drive whether you participate in other growth opportunities and that is something which even Sanjeev in the InfoEdge conference call had sort of highlighted. So just wanted to get your sense as to, is capital becoming more and more difficult for internet companies as a whole and say how difficult is it now versus six, nine months back? And a follow-up would be, we are also hearing that some of our peers are in trouble, they are sort of compressing and scaling back the businesses, is that also got to do with capital or there is something more to it?

Deepinder Goyal: So for us, we have actually never gone out and raised money for ourselves, I mean in general we have always believed in focusing on execution and we have had investors call us and actually that is the best kind of conversation to have with people. So we have never ever thought that raising capital is the only way to do this, I mean the thing that I tell our people internally is that running a company or doing a startup is like driving a car and you do not drive a car from going from one fuel station to the next one and then to the next one, at the end of the day you have to go for a longer drive as well. So at any given point in time we would always want to go for the longer drive. So it just depends on, I mean if the market is good and if the investors have appetite for the growth story that we have, and of course we have to find capital at the right price. So if all of these things come together we will raise otherwise we do not need to and we are fine either way, I mean either way we are going to build a very large outcome and I think that is going to be great for everyone. Does it make sense ?

Gaurav Malhotra: Yes. So just if, not for you in particular but for the industry as a whole, is it becoming difficult especially us one or two of your peers are facing trouble and they are sort of scaling back?

Deepinder Goyal: So I would actually not want to comment on how our peers are doing, but I think I would just say one line that the biggest problem that our peers have is customer acquisition cost and that just throws the entire economic model for them out of way and we do not have that. And I think as I said earlier as well, that is the biggest unfair advantage we have in our business and I think that is the reason why we are going to win the market.

Moderator: Thank you. Our next question is from the line of Ravi Menon of Elara Securities. Please go ahead.

Ravi Menon: Deepinder, if I could ask you about the gross profit levels, if I might use that term broadly, between the different models I mean between your Enterprise side which is a SaaS kind of service, between the ad based revenue and the order deliver, how would you say roughly they stack up in the order and if you have any rough numbers to share that all it would be great.

Deepinder Goyal: So the ad revenue business is the most profitable when it comes to gross profit margins, we actually do not calculate gross margins the way other people do, what we do is that we see how much are we paying our sales force. So for every dollar that we use to pay our sales team which goes out and sells that space to restaurants, how many dollars do they bring back. So in general if we are spending $1 on our sales team, they are bringing like $4 to $5 back to us in terms of revenue and that is 75% to 80% gross margin. In the longer-term I think our net margins should easily fall between I think 40% to 50% odd and I think ad sales is going to be the most profitable, the main stay of the business. And Order serves two purposes, first, it keeps traffic share within Zomato and I think in the long-term as well there is a lot of advertizing and monetization which will happen on the delivery side of the business and there is going to be a commission based revenue as well and the commission based revenue I think will get to about 25% net margins but going beyond that would actually be very-very hard. Looking at our global competitors which are public, I think that's pretty much about the range that they fall in and I think we should be able to get that in India as well. Again, it comes back to the same thing, we do not have customer acquisition costs and that just makes the business slightly easier for us even at the ticket prices India offers to us.

Ravi Menon: I would like just a clarification, when you said $1 paid to sales gets you $4 in revenue, is that like $4 in that month alone or the annual subscription amount?

Deepinder Goyal: That month alone, it is like-for-like in terms of time.

Ravi Menon: Okay. And the sales commissions too are paid so there is a tail to it or is that just like one time commission?

Deepinder Goyal: So the $1 actually includes all commissions which are paid on a monthly basis, they are fully loaded cost, it is like travel, reimbursement, phone calls, everything is $1 and then on a monthly basis our sales cost, I mean if you look at every month on an ongoing basis every month if we are paying x to our sales people they bring in revenues 4x to 5x, it just bakes in everything.

Ravi Menon: And just to clarify, so if a sales guy brings in a restaurant and he gets a commission immediately there is also something when each time the customer renews or the next month is paid out as well, that would be some share paid out to him as well, right?

Deepinder Goyal: Yes. And that is part of $1 again.

Moderator: Thank you. Our next question is from the line of Arya Sen of Jefferies. Please go ahead.

Arya Sen: Just wanted to understand, what is the monetization model in booking a table? And also in the order delivery are you doing any delivery in-house, I mean are you even planning to do any delivery through your own network or is it all outsourced or how will that work?

Deepinder Goyal: So on table reservations our monetization is a flat fee that we are charging restaurants on a per month basis to use our system, and all table reservations that the restaurant might get from Zomato or from the visits on their own websites or from partner websites are going to be free. So it is a flat fee for table reservations and the pricing is different for different markets based on the currency, I mean different markets have different paying capacity so customizing the pricing for different markets. On delivery we do not actually, I mean within Zomato we are not delivering orders for customers, we do not have any kind of logistics force to deliver these orders, however we have invested in Grab and Grab is doing very-very well with us and we are actually acquiring restaurant partners and they get onto our platform for accepting online orders and Grab is fulfilling those orders.

Arya Sen: So when you mention that there are certain restaurants which usually do not delivery which will come into Zomato, that will usually be through the tie-up with Grab?

Deepinder Goyal: Absolutely.

Arya Sen: And will those be exclusive or could they then go on to be on Foodpanda and TinyOwl as well?

Deepinder Goyal: Actually great question, that is one of the other big competitive advantages we have against any one, 40% of the restaurants on Zomato are actually exclusive to Zomato. So if you look at the list of the restaurants that we have in any city you will actually find most of the good ones on Zomato and you will not find them on any other player, that is also part of the reason why our ticket prices are much-much higher than our competitors.

Arya Sen: You have an exclusivity agreement with them?

Deepinder Goyal: Yes.

Arya Sen: And what is the period of this exclusivity agreement?

Deepinder Goyal: Three year exclusivity.

Arya Sen: And going back to the booking thing, just wanted to get a sense, in India say in NCR market what would be the range of that flat fee per month?

Deepinder Goyal: See, in India it would be about Rs.10,000 a month per location.

Moderator: Thank you. Our next question is from the line of Ankur Rudra of CLSA. Please go ahead.

Ankur Rudra: Deepinder, could you maybe elaborate if you have any plans to enter the food marketplace model in India or any of the other markets?

Deepinder Goyal: Sorry, I did not get the question Ankur.

Ankur Rudra: The marketplace model like TinyOwl, Homemade or Holachef, is that something that interests you?

Deepinder Goyal: Not yet, but we are closely watching the space, again, I think we do not want to put in the effort of building this market, so since we have a user base I think we could certainly do with the second mover advantage into this market.

Ankur Rudra: Right, but it would be a different market because your restaurant relationships would not translate as much as they have in order?

Deepinder Goyal: They would not but building one side of the marketplace is never ever hard, it is building both the sides of the marketplace simultaneously, that is actually the hardest thing, so chicken and egg as they call it, so in this case we have the chicken, we just need to find the egg. So it would not be very-very hard for us to build this business.

Ankur Rudra: And has there been any impact on competition in the evolution of take rates over the course of this year and order, because you entered the market, is that broad take on for everyone?

Deepinder Goyal: Not really, I think since we were very sure of our low customer acquisition cost our take rates are slightly lower than our competitors anyway, and I do not think that the market has reached a stage where take rates determine which players restaurants work with, so I think that's still a couple of years away from now.

Ankur Rudra: And just generally, if you could talk a bit more about the B2B2C parts of your business which is clearly new, but the kind of competition you face in some of the more mature markets would be a bit more serious yet than what you have seen on your traditional ad site. So is there any plan about how will you go around advertising, marketing, etc around this, how the dynamics will be different to what you have seen so far?

Deepinder Goyal: So when we say more competitive markets, I mean there are pretty much four cities in the US and London maybe, you can just say everything else is Greenfield for us. So we are actually trying to grab market share from our competitors in London and we are not even focusing on the highly competitive markets in the US, we are actually just going after the cities in the US which do not have strong competition for us. So yes, most of our markets we do not face a lot of competition and we are already the largest player in most of these markets.

Ankur Rudra: So you are basically saying in the greenfield market there is an opportunity for you to create a presence where perhaps an existing competitor did not chose to do so, that will be the only reason why there is no competition?

Deepinder Goyal: Yes.

Ankur Rudra: And what gives you the confidence, I mean clearly if this is relatively a mature space, I mean OpenTable has been around this for a very long time, why do you think now there is opportunity versus before? Just your thoughts there would help.

Deepinder Goyal: So OpenTable is a mature company but the fact of the matter is that they are not in a lot of cities around the world, I mean most of the markets that we are super strong they have pretty much zero overlap with OpenTable as of now. And I think if you really look at the distribution of restaurants across OpenTable, I mean I do not know this for sure but I am sure the ballpark is right, you would see that two-thirds of their restaurants are in five cities in the world, so maybe 75% of the restaurants are just in five cities in the world, nothing else.

Ankur Rudra: And from a sales perspective do you think you have to make any changes to the kind of you people you have had to make such sales versus before operationally?

Deepinder Goyal: So we have two sales teams now in most of the countries where we are focusing on ad sales as well as enterprise products. One is focusing on ad sales and the other one is focusing on all the enterprise products in one shot because a restaurant might want table reservation first of they might want Whitelabel products first, so we are making sure that only two people from Zomato are the points of contact for every business out there.

Ankur Rudra: And just lastly in the markets where you have struggled to take market share, you have taken a structural approach of Enterprise versus Full Stack, but what would make you prune down your markets further to sort of streamline the business maybe a year and a half out?

Deepinder Goyal: So we do not have any plans to prune down any of our markets, I mean we have a breakeven plan and in about three odd months you would see lot of our markets profitable and some of our markets will not have done any profit, so things should balance out. And there would be some markets which will be turning in lot of profit and there will be some markets which will be turning lot of losses as well. So it is that curve that we need to balance overtime and I do not think if we execute well we will get to a point where we need to prune down any of our markets.

Moderator: Thank you. Our next question is from the line of Nikhil Pahwa of MediaNama. Please go ahead.

Nikhil Pahwa: I was just wondering if you could tell us about how you are placed organizationally for growth because you have had a lot of senior people leave in the last three to six months, so what is happening there?

Deepinder Goyal: So when it comes to hiring senior people it is just like a marriage, you always want it to work but rarely it does not work and most of what gets in the media are the people who actually leave for some reason or the other but nobody talks about a lot of those people who are actually still here and are driving the business. So in general we do not have a lack of bandwidth problem at the senior management level, we have adequate number of great people to actually cater to all our markets and all our businesses.

Nikhil Pahwa: And how do you see that growing in terms of adding more bandwidth capacity?

Deepinder Goyal: So we do not need to add any bandwidth right now, we have leaders everywhere, we have leaders for every business function and we have local leadership in all the countries in place, so we are not actively looking for people right now. Having said that, we have this team we call Global Growth Team and we always make sure that we have a couple of people in the team to actually fill in for the more urgent bandwidth requirement that come up.

Nikhil Pahwa: Just in terms of the US business, have you seen any users moving out of what was earlier Urbanspoon, how has the market reacted to the switch and what will it take for you to make that one of your Full Stack markets?

Deepinder Goyal: So we got a lot of negative reaction early on when we switched from Urbanspoon to Zomato, so a small chunk of users who were actually contributing to maybe like 90% of the thing that you hear from the market. And when I say that, we did see a percentage of the users leave us as a platform when we switch from Urbanspoon to Zomato. However, there were enough users who liked Zomato so much that the word of mouth also kicked in and we compensated for the loss that we had from those users. So it has been almost six months since switched from Urbanspoon to Zomato and our traffic in Australia and Canada is actually more than what Urbanspoon had and US is now like very-very close to what it was. And to make US a Full Stack market I think we need to like double our traffic from here on and doubling our traffic in the US which is already sizable chunk is not going to be easy, but we think it is doable.

Nikhil Pahwa: Just in terms of rolling out order in India, what is the approach that you are taking in terms of identifying cities and in terms of where competition is already present or has built the market for you?

Deepinder Goyal: So we are in 14 cities in India right now with online ordering business and that is most of the online business out there, that is most of the restaurants, that is most of the users. And we are actually not picking our battles in terms of saying, Hey these are the cities we will focus on and these are the cities we will not focus on, every city is equally important to us and we have local leadership everywhere for the online ordering business to make sure that we succeed and come out on top in each city that we are in.

Nikhil Pahwa: Can you also elaborate on what are the challenges we faced with Cashless and whether that is a product that you are going to continue with or not?

Deepinder Goyal: So Cashless we have already discontinued and Cashless was piloted in Dubai, what we figured out and we also published a very detailed blog post on that is that using Cashless was not a part of natural flow of users who use the model. So like it is for the online ordering business people are already calling from the Zomato app to place their orders, so now I mean for the online ordering business they just need to press the button next to the call button and not press the call button, so that is part of the natural user flow. Cashless business we needed users to actually open Zomato while entering a restaurant after they have already made the choice of where they want to go. So people were not used to opening Zomato at that point in time, so it literally came down to the point where we had to pay customer acquisition cost for our own users who are already using Zomato to actually make them transact on Cashless. And longer term we knew that this business is not going to sustain, on payment business you need very large scale.

Nikhil Pahwa: Just one last question on order, from what you are saying has changed as if you are competing with your own calling feature there, so what are you doing to transition users to ordering there?

Deepinder Goyal: So it is a lot about education, and we have pop ups so for example if you press the call button we show a small message saying that, Hey if you are going to order let's try out online ordering feature and most and most of the messaging actually does not have discount associated to them. Now if a user dismisses this pop up three time and we some time switch this feature on from the back end that the fourth time the person calls any restaurant we will throw in a 10% off and make that user try it. So we do these things. Overall we are growing 50% month-on-month and just to make sure that the quality of our operation stays intact we do not even want to grow faster. I mean we can actually grow 400% month-on-month if we want, but we will have to spend some money on it, but we do not want to. So I think this is a healthy pace for us, our customer cohorts are looking extremely good and we do not want to lose that quality going forward.

Moderator: Thank you. Our next question is from the line of Miten Lathiya of HDFC Mutual Fund. Please go ahead.

Miten Lathiya: I do not know if you have addressed this but how many markets would you be profitable by the end of this fiscal?

Deepinder Goyal: So end of this fiscal we are looking at eight countries to be profitable, I mean that is our internal target, I will be happy if I….

Miten Lathiya: And in terms of time taken to go from last year same time probably when we were talking we were about profitable in just three markets, are these the same five markets which would have been launched in the order of sequence in terms of timelines or not necessarily?

Deepinder Goyal: Yes, they are the markets in that sequence, having said that there is also Turkey, we are also expecting to breakeven in Turkey by January and that is does not fall in the order of sequence. Turkey we actually acquired a company Mekanist, so it was our largest competitor, so now we are pretty much only product in our class of product.

Miten Lathiya: And between, so for the balance 12 odd or 14 I think odd countries that would yet to breakeven, would we be the number one or sort of dominant player or what are the markets which pose a challenge where you are not number one in terms of at least traffic share?

Deepinder Goyal: Some of these markets are very-very new, I mean we launched Malaysia last week and we launched Italy about four months ago. I mean some of these markets we just do not have age on their side when it comes to maturity and profitability. And then there is US for example where we have a long way to go, we need to double our traffic first before we even think about how the financials are going to look like in the US.

Miten Lathiya: So let's say if we give this thing one more year's time, should we say that barring what you launched this year and the US, rest of the markets look like they are on track to breakeven?

Deepinder Goyal: So if we do not start investing heavily in new businesses in these markets, certainly yes.

Miten Lathiya: As in you do not go into online food ordering in these markets, is that what you are saying?

Deepinder Goyal: Yes.

Miten Lathiya: And when you are talking about your current breakeven plan, that does not build in the online food ordering business in these countries for the current cash to last out sort of?

Deepinder Goyal: It does build online ordering in five countries, so we already have online ordering in India, UAE, South Africa and Australia and we are launching online ordering in Philippines very-very soon. So these are the five countries that are part of the current plan that will have online ordering in. Any future expansion in online ordering into other countries will depend on more capital being available to us.

Moderator: Thank you. Our next question is from the line of Manu Toms of VCCircle. Please go ahead.

Manu Toms: You have shared your concerns with the employees some time back, you might not meet the revenue target this year and you have hinted at some underperformance, so some thought on that?

Deepinder Goyal: So on that, see every sales team needs pressure to work and the email that I sent out was an internal email and that is part of a regular conversation that we keep on having with our sales team. And the other thing is that there is a lot of context behind that email, I mean internally people get it, internally people are actually quite kicked at reading that email and there have been a lot of conversations around these things and you have to put things in that context. What leaked in the media was actually parts of that email, it was not even the full email. So if you completely read it out of context I think it is going to look like the way it looked like to you.

Manu Toms: And what about your concerns about not meeting the revenue target?

Deepinder Goyal: So if we execute well we will meet our revenue targets and that is the case with every company at any point in time, you have to execute well to meet your revenue targets and this was just a nudge in that direction, like always keep working hard and these are the things you should not be worried about and let's just focus and we will meet our revenue targets.

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

Parag: Hi, this is Parag here. So Deepinder just two questions, one relating to the earlier, the one that was just asked earlier. So you did mention that based on the way your things are moving right now you could at least double your revenue, but do you think that is lower than what you were let's say expecting at the beginning of the year or is that pretty much in line with your expectations?

Deepinder Goyal: So this is in line with the expectations of our investors from us, but of course our own expectations from us are a lot more than that and we are aiming to hit that and not just this.

Parag: And my second question is, we have picked up stuff around companies laying off employees and you have had some layoffs as well which is largely because you are expecting the way you are going to do business to be different from what it used to be earlier, so how do you think that changes now, it says that you are going to use technology to do what the feet of street was doing earlier. How exactly does that play out and is this a model that can work out in emerging markets as well or is this more for developed markets?

Deepinder Goyal: Actually that is a model we are using for every market, so this is also part of the big learning that we got from Urbanspoon, so the way Urbanspoon used to manage its content was it did not have any feet on street so it was a complete opposite. And the bigger fact behind all the changes that we did was that 40% of the restaurants on Zomato account for 92% of the traffic. So what we said that, Hey do we really need to put in all those feet on street behind the rest of the 60% which have 8% off the traffic, and this 8% is also the lowest quality traffic that we have on Zomato. So we really just rationalize the way we look at our business and we have done it everywhere. And I know that everybody heard that most of these layoffs were in the US, but the fact of the matter is that 50% of our listings are also in the US. So the US got impacted the most when it comes to these changes.

Parag: And maybe one just last question, have you already started monetizing Zomato Order as yet in terms of commissions or is that something that you will only rollout as you gain traction in it?

Deepinder Goyal: We are already monetizing and the business is doing well, we are quite happy at how everything is going on in the Order side.

Moderator: Thank you. Ladies and Gentlemen, that was our last question. I now hand the floor back to Mr. Goyal for closing remarks. Over to you, sir.

Deepinder Goyal: Thank you everyone for patiently hearing out all the answers and look forward to talking to all of you maybe six months from now. Thank you so much.

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