"Zomato Conference Call"

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

Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Conference Call of Zomato. Joining us on the call today are Mr. Deepinder Goyal – Founder and CEO. As a reminder, all participant line will be in the listen-only mode and 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. I now hand the conference over to Mr. Deepinder Goyal. Thank you and over to you, sir.

Deepinder Goyal: Thank, Vikram. Hi, all. Thanks for joining the call. Let me start with saying that Zomato is in a great space and as a Company we are also in a great shape right now. Last year at the beginning of the last financial year when the market was good and we were able to raise a large amount of capital we actually decided to go after a lot of big opportunities in front of us in terms of the geographies that we could expand to and we launched a few countries and we also had made a few acquisitions in the recent past. And then, mid-last year the market shifted and a lot of competition in our home markets, and when I say home I mean India and UAE, the competition also intensified quite a bit and we had to take a lot of steps, and I would say in hindsight that we had to take the right steps to align the business to make sure that we actually are a sustainable profitable business over the longer term.

So what do these right steps mean? The right steps mean that we had to be prudent in terms of where we really deployed the capital where we had and we also had to be prudent in terms of where the management was spending its time on. And as a result of the focus on 14 countries, out of all the countries that we had expanded to we actually narrowed down our focus to 14 countries which also meant that we had cut down our burn on a lot of high burn and high risk geographies that we had ventured into. So right now every market apart from these 14 countries is being managed out of India remotely. As a result of all these things we have got our cost down drastically, our burn rate peaked at $9 million sometime early last year, and right now as we speak, in May, our operating burn will be close to $1.6 million to $1.7 million. Over the last six months we have also doubled our revenue and we have been able to double our revenue while actually bringing down all the cost and bringing down all the high risk, high burn areas.

We have had a very-very successful launch of our online ordering delivery business in India and UAE and the business is almost a year old. The India delivery business is currently about 20% of our India revenues and the best part of our business is that the unit economics are positive. We make about Rs.20 contribution margin on all orders we receive in India and we make about Rs.50 contribution margin on all orders we receive in the UAE. And our average order value in this business are more than 1.5 times the size of our competition which actually makes our business way more viable than pretty much anyone else and the average order values multiplied by our order volumes also makes us largest player by GMV in this market in both these countries that we are talking about.

So that is the overall shape of the business and a brief summary of where we are and happy to take questions now.

Moderator: Thank you, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Ranjeet Kumar Jaiswal from Jefferies. Please go ahead.

Ranjeet Kumar Jaiswal: Sir, I would like to know how many restaurants are listed on Zomato platform in India, and out of them how many are paid listings, in terms of how many pay for advertisement?

Deepinder Goyal: We have about 70,000 restaurants listed in India right now and the paid listings are going to be roughly close to about 6% of them are paid listings right now.

Ranjeet Kumar Jaiswal: So as of latest figures, maybe for the month of April, what is the average number of orders per day in India and what would be the average order size?

Deepinder Goyal: So we track this business on a weekly basis, a month's sales is actually way too long, our monthly growth rate on this business is about 30% and our daily average over the last week has been about 26,000 orders, 25,000 to 26,000 somewhere in that ballpark. And our average order value in India are at about Rs.480.

Ranjeet Kumar Jaiswal: So you had mentioned that we have withdrawn from 23 countries and cut down to 14 countries, so these nine countries which are those countries where we have withdrawn?

Deepinder Goyal: They were mostly the countries where we had only just launched and we were not market leaders yet, so there was easily going to be a lot of losses in terms of, I mean their incubation period that I would classify as business has to have over the next year or two years in all these markets. And all the markets that we are left in, they are pretty much the markets where we are already market leaders in the classic side space. To give you the names, I mean technically we are present in the US and US we actually entered through Urbanspoon acquisition and Urbanspoon acquisition was made for Australia more than the US and US we experimented a few things, things did not work out as we were planning them to so we pulled out of US. The other markets are Chili, UK and we pulled out of Ireland as well and we pulled out of Sri Lanka as well, the market size was just way too small for us to be spending time in. So we have actually cut down on high burn and high risk areas, and when I say high burn, high burn comes from two things, one is actual cash and the other is management time. So we optimize where we spend our time on and we optimize where we spend our money on.

Ranjeet Kumar Jaiswal: So you have mentioned that we are going to operate in these locations from India, so we will continue our operations in these regions?

Deepinder Goyal: So the product is still working and the product is still growing as well in all these markets. And see the most important part of our operations is maintaining and keeping the content up to date and in the markets that we focus on, in the 14 countries that we are still very-very focused on, we have feet on street approach to solving this problem, everywhere else we are taking remote management approach to solve this problem. And we primarily learnt the way of doing this from Urbanspoon because Urbanspoon did not have feet on street model, while feet on street has its fair advantages and disadvantages as well, it is certainly better when it comes to content quality, but Urbanspoon was number one player in Australia by a huge margin without even setting foot in Australia. So these markets are still being managed out of India in terms of content, the product is still working and the product is also growing.

Ranjeet Kumar Jaiswal: Sir one last question, of all the total revenue what would be the split between India, UAE and other countries?

Deepinder Goyal: If you look at the entire last financial year, India is about at 45% and UAE is about 20%, so about 65% is India and UAE, the rest of it comes from all over other countries. Right now as of May, India and UAE add up to close to 50-ish% of our revenue and it is dropping in share in about 2% points every month on month because all the other markets are going way faster then these guys because they have a smaller base right, and there are a lot of markets. But that does not in any way mean that India and UAE are slowing down on in terms of growth, they are also going fast but they have a large base live up to…

Moderator: Thank you, Mr. Jaiswal. We have the next question from the line of Shalin Kumar from UBS. Please go ahead.

Shalin Kumar: Just few questions from my side, you just mentioned that you have moved out from nine countries, we do not have any sort of presence from these countries, is my understanding correct?

Deepinder Goyal: We do not have any physical employees in these country but we have teams here in Delhi in our headquarters which actually focuses on content on in these countries.

Shalin Kumar: But basically our USP is feet on street and then we keep on updating, that is the USP we have to keep on updating the pictures and the menu thing, so how are we going to manage that from team in India?

Deepinder Goyal: So I guess it gave us a lot of tech and tech was based on calling and based on social network analysis which can be put into good news in all these markets that we are talking about, you cannot really put the tech into good use in India for example, because we are those platforms which people would want to take in India and everywhere. So everywhere else we have a lot of tech to help our team out here to essentially have eyes and years on the ground. Having said that, the kind of approach we are taking is not optimal, it is not as good as having feet on street, I will say it is like 60% - 70% as good, but we are certainly doing a better job than most of our competition in these markets, minus the US of course because US is completely different ballgame.

Shalin Kumar: So is there any scope of monetizing in any of these markets or it is just that we will be present there and no monetization?

Deepinder Goyal: See, the way our classified business works is that you have to get to a certain threshold of traffic before you are able to monetize. And so far we have a lot of traffic, I mean we used to literally like put feet on street everywhere and say that let's do 100% job in every market we are in. And right now we are saying that let's make sure that the money and the management **0:12:21.1** and their bandwidth goes down to the markets where we are the leaders already. So it is just that and the way the traffic is going, let's say in 12 months or 18 months or 24 months, I mean we do not know how long this model will take for us to flip over the threshold of monetization whenever it happens, I mean putting the team back into place in the classics is not on the table because that would be very low investments more to get into these markets.

Shalin Kumar: But we will be investing in form of getting the digital traffic either through Google Clicks or ads?

Deepinder Goyal: We typically don't spend on marketing, all our category sales is organic, our main marketing budget across the world was $25,000, so it is that much and so we will just let the traffic grow and it is growing well, so let us see where this growth is, it is quite early days to see.

Shalin Kumar: One more question form my side, it is a little strategic and a little broad, so what is the kind of a market share do we have in few of the key countries, if you can talk about a bit and the penetration level where you believe that the industry is and the headroom for growth, let's say India, UAE, Indonesia, maybe a bit of UK.

Deepinder Goyal: So India, UAE, so all these countries we actually… it is very hard to track market share like ComScore and everything all of these things are very 1990s. So now-a-days it is very hard to track market share. However, when we anecdotally check with the restaurant owners, like how much business we are driving to them vis-à-vis like a lot of other players in the market, we are easily above 75%. And there are some large chains, I mean some very well known brands for whom we drive sometimes 60% of their delivery business. So the market shares not just in terms of online restaurant discovery but just in terms of restaurant traffic as well and the footfall in restaurant is also very-very high. Now it is hard for me to put a good number to it but were not facing any market share problem, you can confidently say that in all the 14 countries we are in we are the largest, if not the only player in the market in our space.

Shalin Kumar: That is primarily in the discovery space we are talking about, right?

Deepinder Goyal: Yes.

Shalin Kumar: Just want to get a sense of our size vis-à-vis the biggest competitor, if you can talk about Yelp vis-à-vis Zomato in US and Just Eat vis-à-vis Zomato in UK? So sizes or the digital traffic or anything, any number you have, just to get the understanding of the size where we stand here.

Deepinder Goyal: Yelp's restaurant listing traffic in the US could, I mean it is definitely more than double of us and so Yelp is a clear market leader in the US. Just Eat operates in the transaction space which is not a direct competition for our listings business in UK, having said that both UK and US are not the focused markets for us, so these are markets that we are remotely investing in terms of traffic and content and some day we will get, let's see where these markets go, I think the main conversation points for today should be the 14 markets that we are the leaders.

Moderator: Thank you. We have the next question from the line of Sandeep Muthangi from IIFL. Please go ahead.

Sandeep Muthangi: I had a quick question on the delivery strategy in India, do you want to primarily go with the restaurants leveraging their either feet on street of them tying up with the delivery networks or do you want to invest a bit more time and money into building your own delivery.

Deepinder Goyal: For the orders that we do right now, about 80% are delivered by restaurants and 20% are delivered by us through our logistic partners. So now let's talk about both these businesses, the reason why any new delivery aggregator would want to do delivery on their own is that they do not get restaurants to play ball with them, and I had a food delivery business back in 2005 when I just graduated out of college. The biggest problem that we used to face was that restaurants used to de-prioritize your orders because first of all you are paying take rate and commission on those orders, the second thing is that it is not your customer exactly, right, so it is an aggregator's customer, we always used to have a very low quality of service compared to if you are calling and ordering food. Now back in 2009-10 if Zomato would have gotten into food delivery we would have faced the same problem and we would have had to have our own last mile logistic network to be able to solve this issue. Now right now we are in 2016 and we drive a large chunk of the restaurant business and our reviews platform is a very-very powerful platform which gives us a lot of leverage over the mindset of a small business owner. So let us say now a restaurant is getting three orders over the phone and one order through Zomato, what practically happens in most of the cases that our order is on higher priority than the phone order because the restaurant knows that this is a Zomato customer and if the service is bad he is going to get a bad review on Zomato and is going to hurt them in the longer term. So these 80% orders that are delivered by restaurants themselves, our average delivery time for these orders is 38 minutes and I think it is in within plus minus one or two minutes range of all the aggregators who do delivery on their own. So we do not actually face much trouble when it comes to this and restaurants can actually make the unit economics of delivery work very well as well. That leaves me to the second part of the delivery business that we have, the 20% where our delivery logistic partners actually deliver. So now as I mentioned at the start of the call as well, we make Rs.20-odd as a contribution margin, net, after everything on our online ordering business in India. We literally make Rs.(-)2 on this on this 20%. So we actually lose money inspite of the fact that we have outsourced delivery to someone else and the delivery boys of the companies only cater to food during lunch and dinner and they do ecommerce deliveries during the rest of the day. Now even those guys, our logistics partners are not able to make their unit economics work very-very well. Of course we are going to be at scale advantage when it will come to like delivery, logistics, utilization and so on and so on. But will it get to the kind of margin that we see on the other side, like the Rs.20 margin? I do not see any path to get in there if we do delivery on our own or even if we outsource delivery to someone else. So restaurants know their local areas very-very well and they are best equipped to do delivery on their own.

Sandeep Muthangi: So you said you are only delivering in India and UAE while you are pretty dominant in these other geographies, and if you have such a low cost expansion strategy especially in delivery, what is preventing and what is the kind of filler where while from rolling out this delivery out quicker in Australia or New Zealand or some of these other geographies where you are pretty dominant?

Deepinder Goyal: So first of all dominance has different levels, I mean within that you can define a level one, two, three and while we are the market leaders and the largest player in Australia as well as New Zealand I think there is still like six, maybe 12 months to go to get to that level of traffic when we can do these things very-very efficiently. India and UAE, we have abundant CAPEX that we will be able to like literally funnel the classified business users to our online transactions in few days. The other key problem is that India and UAE, and Philippines as well, I mean we just started in Philippines in delivery, so it is not like we have not expanding but these markets have to be delivery markets by themselves we are saying. Australia, nobody orders food, I mean the largest player in Australia has been there for almost like seven, eight years now and their volumes are pretty much the same as our India volumes right now. So the markets are not delivery used cases. Now we are also the market leaders in Turkey for example in the classified space, but we have a very strong large competitor in Turkey in the delivery space and it would be foolish for us to fight that competitor. And the kind of approach that we are taking in markets like Turkey is that we want to partner with these guys who hold very-very large and build in ecosystem of food in that country rather than saying that everything is my turf and I am going to do everything on my own.

Sandeep Muthangi: Just one final question, beyond the delivery and the classifieds, at one point of time you also had products like Base and other stuff, are you still pursuing the SaaS opportunity in this space?

Deepinder Goyal: So there are several other businesses, one is the table reservation business which is a much immediate and near-term opportunity for us and we have been experimenting with the right model in various markets over the last four to five months. We have a good hang of it now, so we are going to expand in little more rapidly in that area starting with some of our key markets like India and UAE first and then we will take the business everywhere else. Today's point of sales system is more or less R&D for us, I mean we acquired MaplePOS last year, we have a 10% team which is actually working with some very-very important clients, very-very important restaurants in Delhi and we are learning from the way they use, I mean we do not want to run an enterprise software business like an enterprise software business, we want to see whether we can actually achieve consumer software kind of scale on the enterprise software side of our business. Because if we literally go down the path of running a SaaS business, a very hi-tech SaaS business for small businesses, I mean I do not think that is something that we know how to do.

Moderator: Thank you. We have the next question from the line of Rajiv Sharma from HSBC. Please go ahead.

Rajiv Sharma: Just couple of questions from my side, I just missed out on that Rs.(-2), if you could repeat that please, you mentioned Rs.20 contribution margin, but there was some Rs.(-2), I just did not get that, what was that Rs.(-2)?

Deepinder Goyal: So the 20% order which are fulfilled through our logistic partner, we actually lose Rs.2 per order on them, we are working very closely with our partners to build tech and build in the efficiency to get into the green, but it is not easy at all. Making last mile logistics work in the food space is very-very hard.

Rajiv Sharma: The other question was, you mentioned that in India your penetration is 6% in terms of paid clients, incrementally now that yesterday Sanjiv mentioned that the revenue should double this year, Rs.300 crores - Rs.350 crores, so will this be from price hikes with the segment and most of this seems to be the night life, the pubs and other kind of restaurants? And how is the penetration coming from the normal QSRs?

Deepinder Goyal: So penetration is good, depends where you put your sales focus on? For example, Delhi has about 10% penetration when it comes to restaurants and I mean all kind of averages lie actually, so you have to split every city into different neighborhood and see that how long as the sales team been here and what is the penetration they have gotten there. Let me give you the best example we have got, places like Hauz Khas in Delhi, we have been selling there for quite a while and more than 50% of the listings in these areas are actually advertising user base and that actually includes the long tail of like dining out of QSRs or pretty much everything. And 65% of the restraints in Pritampura in Delhi advertise with us and Pritampura is not a night life kind of a neighborhood. So I think we have just scraped the tip of the iceberg when it comes to ad monetization and there is a lot more room to grow even in India and UAE where we have been doing this for quite a while now. And we have been smarter and smarter on ad monetization and what we also notice that chains like people like Dominos, Burger King, Dunkin, all these guys, they spend 40% of the restaurant advertising, they actually comprise of 40% of restaurant advertising spend in the country and they are pretty much 2% of our revenues. So there are huge segments of advertising spend that we need to go after and we have very recently aligned a team and our advertising products as well to be able to go after these market segments very-very aggressively.

Rajiv Sharma: So on your product it is more of banner ads, so would not there is a physical constraint and it will be price hike at some point of time which will have to kick in to drive this growth?

Deepinder Goyal: Not really, I think it is just about our sales people focusing on the right target audience, so we need to get out of the safety mode and we need to focus more neighborhood but we need to restrict the sales team to go to the right segment. I think it is more about focus and the way we execute other than price hike.

Rajiv Sharma: And just couple of last questions, in terms of your cost base today, 58% is India and UAE in terms of revenues, what will these markets be in terms of the cost base and the cash burn?

Deepinder Goyal: I do not have these numbers handy right now.

Rajiv Sharma: And just lastly, this Urbanspoon write-off of Rs.104 crores, is it do with US or it is to do with the entire Australia, Canada, US?

Deepinder Goyal: So there is no geographical aspect to it, when we acquired the asset we actually allocated the amount of money we had invested in different buckets and then we took a look back at those numbers, some of them were not actually relevant any more. For example, the Urbanspoon brand, there are various things like goodwill this and that, it has got nothing to do with the geography, it has got pretty much to do with us accounting heading.

Rajiv Sharma: And you expect to be EBITDA breakeven anytime soon in the next six months or so?

Deepinder Goyal: We hope to, our revenue is growing well, our run rate is fairly down and our advertising business is growing at about 11% month-on-month, our food delivery business is growing at 30% month-on-month, so let us see where this takes us and we do not need to raise another round, we have 18 months of runway in front of us at current rate. And we might breakeven in six, maybe nine, maybe less and let's see how we actually execute this going forward.

Moderator: Thank you. We have the next question from the line of Abhiroop Varma from Karvy Stock Broking. Please go ahead.

Abhiroop Varma: I have two questions here, like 200 million fund in FY16, what is the status of that fund rise and why it has been delayed?

Deepinder Goyal: Sorry?

Abhiroop Varma: Actually we heard that 200 million you are raising fund in April FY16.

Deepinder Goyal: I have no idea what you are saying, to be very honest.

Abhiroop Varma: In one of your February press releases when you talked about Zomato breaking even in six markets there was a mention about $200 million new fund raise plan in April 2016, any update regarding that?

Deepinder Goyal: That was we actually said that in maybe September last year, but the business corrected really well and we didn't need to raise, so we dropped that plan.

Abhiroop Varma: And what is the cash levels at present, cash balance?

Deepinder Goyal: Cash balance at the end of March was about $35 million in the bank.

Abhiroop Varma: And what is the cash burn rate, like on a monthly or quarterly basis?

Deepinder Goyal: So it is anyway between 1.6 to 1.7, I mean we will be slightly between 1.6 million to 1.7 million.

Abhiroop Varma: And one more thing, we have seen that outdoor advertising which is like a banners and all, Zomato advertising, so what is the strategy behind that because we see outdoor marketing is actually expensive than digital, why not everything on digital advertising?

Deepinder Goyal: So digital advertising does not give us the scale benefit, so we actually did outdoor advertising for our online ordering business and the problem we are trying to solve was that we have about 8.5 million monthly unique from India and they were not actually aware that they could order food from Zomato as well. And we just wanted it to be a very-very out there-ish awareness campaign for like pretty much everyone who is relevant for us as a user. So it was a onetime thing, it ran for about 20 days and that was it.

Abhiroop Varma: And one more question here, why the average order ticket size that price has been dropped because on February news we have seen that ticket order size is Rs.575 and now you have mentioned it is Rs.480 average ticket size, why it has dropped?

Deepinder Goyal: So it actually dropped because we have restaurants who are discounting on a real time basis on our platform, so we as an aggregator do not offer any discounts to our users, the percentage order volume which is discounted by us like close to 2% or maybe even less than that right now. But 27% of the orders that are placed through Zomato have some kind of discount applied to them and most of these discounts are directly put up on Zomato by the restaurants themselves, that's where the average ticket price drops.

Abhiroop Varma: What is your percentage of the cash burn you are spending on cash backs and all, so if you would be able to quantify that.

Deepinder Goyal: Clearly because of discounting, real time discounting by the restaurant which actually is a huge leverage for us in this market place which brings the AoV (average order value) down.

Abhiroop Varma: So I had one last question on this order like per day orders, it is like I heard in September when you mentioned that 40,000 order per day will take us to the breakeven base, so now you are saying orders has come down 25,000 to 26,000 orders per day.

Deepinder Goyal: They have not come down, we said 40,000 orders will take us to breakeven and that was a futuristic estimate of what we need to get to be breakeven and right now we have gotten to 25,000 orders per day. And now the way the numbers are looking right now, we have actually improved our unit economic backward a bit, right now if we get to the 35,000 orders a day the entire order business will breakeven fixed plus variable.

Moderator: Thank you, Mr. Varma. We have the next question from the line of Ankur Rudra from CLSA. Please go ahead.

Ankur Rudra: First question is on the delivery business, you clearly been probably through a learning cycle and how delivery works from our cost perspective and trying to automate some of the orders, taking at the restaurant and at the beginning of the year and that changes. Just wanted to know how are you doing it now, is there any learnings from that in terms of how restaurant partners take the orders from Zomato and what are the operational efficiencies you can still achieve going forward?

Deepinder Goyal: So we actually have to dissect this again, the averages do not tell us much, 80% of our orders are like completely automated right now, so the user places an order, the phone that we have placed at the restaurant rings and the restaurants accepts the order and then he delivers on his own. So that is the total volume of 80%. 20% of the orders are still supported through the call center because of two reasons, one, first of all the device at the restaurant might not be working and sometimes the battery is out of charge or the device is not reachable because the telecom networks are not reliable in those neighborhoods. The other reason why we would have to do a manual transmission is because order volumes at those restaurants are low, that is a very-very long tail and it is not cost effective for us to put a device and incur that data cost on that device. I mean that is the ratio of how the automation works, typically whenever a user places an order the order gets accepted by the restaurant within like 30 seconds, so it is not a big wait for the users, completely automated and we do not have any manual intervention at all until the order is delivered for about 80% of the orders.

Ankur Rudra: So once the order is accepted is there any follow-through required, any percentages you can share there where user has to follow through or you have to follow through an non-automated system?

Deepinder Goyal: I do not have the number for the 80% but of the 100% we have customer support issues with about 4% to 5% of the orders, sometime it is like order is late or can you please change this or can you please cancel this order and that number is going down overtime because our menu database system, all those things and we have also given restaurants the technology, I mean we have given them an app where they can tell us that this item is out of stock. So all these things combined is drastically bringing these support call volumes down.

Ankur Rudra: Just in terms of you did share some market shares earlier, but specific to India if you can share the market share for the delivery of the order business compared to peers, that would be helpful. And I think you did say that you think ComScore related data is not very helpful in many of your markets but I guess in those markets where you have taken a more remote approach, like US, UK and Australia, is it relevant there, if it is then if you can share what your shares are on ComScore and have you got alternate such sources?

Deepinder Goyal: We do not even look at ComScore or anything because the most important part of our traffic is app traffic and nobody has been able to track that well. So apart from downloads which you can technically track but a lot of our competition is spending millions of dollars on getting paid app downloads and we do not spend anything on paid app downloads and in spite of that we got 400,000 downloads last month. So you cannot actually do an apples-to-apples comparison.

Ankur Rudra: Your order market share, if you can share that, not the traffic but in terms of the order you are getting, if you have any estimates there?

Deepinder Goyal: Our estimate is that in terms of there are a couple of players who are bigger than us when it comes to order and volume but their average order values are very-very low compared to ours. Our estimate is that our competitors average order values are about Rs.275 and we are about

Rs.480, I think that is the estimate we have got. And while their order volumes might still be like 25% to 30% more than ours, but by GNV we are the largest and by order volumes we are not. But you also have to understand that the classified business that we are in is a winner takes all market and online foods delivery business is not a winner takes all market, that changes a lot of things.

Ankur Rudra: So in terms of shares is it basically just three of you, especially in your home markets?

Deepinder Goyal: Depends on the city where you talk about, I mean ever city has a slightly different dynamic, when consider India as a whole, yes there are three players.

Ankur Rudra: I mean because we have seen some of these players either shut shop or consolidated and we see themselves going away, so I was just wondering if that has improved for you from a market share perspective let's say from 12 months ago, obviously from 12 months ago but let's say from six months ago.

Deepinder Goyal: Those guys never even had market share to begin with, however I would say that even the other guys, the way the unit economics are working, I do not think they would have more than six to nine months left.

Ankur Rudra: In terms of your overall cost structure, you mentioned your burn is down to 1.6 million, just wanted to understand how much is this per month, how much of this has come from just moving to a remote management for those nine countries versus the steps you might have taken also in the core 14 markets?

Deepinder Goyal: So the core 14 markets, it has been pretty much the same, we have not done anything, apart from it we used to spend a little bit of money on marketing rarely and then we said that let us stop covering up for not being able to focus on product and we just shifted all our energy on building a better product and our retention is better and our customer acquisition has gone up on its own. So I think in those 14 markets it is just that we took out the marketing spend and nothing changed eventually everywhere else we moved to remote management and that brought the cost down.

Ankur Rudra: So from a structural perspective do you see cost of resources or cost of marketing from a traffic purchase perspective becoming cheaper as the overall ecommerce ecosystem comes and goes through terrible times right now?

Deepinder Goyal: I have heard that it has become cheaper, but we have actually moved to a paradigm that just focus on product quality and marketing will take care of itself. So I do not have a real time sense on what are the bidding prices per capita and so on.

Moderator: Thank you. We have the next question from the line of Ashwin Mehta from Nomura. Please go ahead.

Ashwin Mehta: Just wanted to get a sense from you in terms of from a potential perspective which are the most promising markets according to you after India, UAE where you are seeing the maximum growth?

Deepinder Goyal: The 14 countries we are in, like every city and we should not talk about countries as much as we should talk about cities, every city and country has a very potential. Now let me explain why I say that, in India we have a lot of people but they do not eat out that frequently and let's actually compare Delhi and Lisbon for this particular question. Lisbon has a lot less number of people but the frequency at which they eat out is very-very high, and the other thing is the ticket size in Lisbon are also very-very high. And when I look at the current market sizes if we say the Delhi market size as one unit, Lisbon would be two units in terms of market size, so Lisbon is twice the size of Delhi in terms of market potential for us. And the way we measure the market size is the number of restaurants into average ticket sizes for that city and there is humongous growth potential in pretty much all the 14 countries that we are in and if Delhi is one in terms of market size, India as a whole, I mean when I talk India I mean the top 10 cities, there is pretty much no depth outside of the 10 cities, India is 3.5 units in market size and the total number of cities that we are the leader cities in these top 14 countries add up to 24 units of market size. So the canvas for us is six times as large as India right now.

Ashwin Mehta: And given that the ticket sizes in some of these markets are large, are you looking at expanding on the food delivery space in some of these markets or that would be post breakeven once you start to generate more cash?

Deepinder Goyal: So right now we are focusing on India, UAE and Philippines, I mean India, UAE more than the Philippines and Philippines is a very new business when it comes to delivery. And we will see how our evolution in all these market goes and we might actually partner with other player, we might actually not do this on our own, we have not decided yet.

Ashwin Mehta: And just one last question, in terms of commissions that you charge, how does it differ across say fine dines versus the normal restaurants and QSRs and how is the mix being shifting for you lately?

Deepinder Goyal: So the commissions model is only on delivery side and our averages are about 8.2% right now, our average commission on the delivery side and the margin change with QSR, they are certainly on the lower end, I mean they are at the other side of the average where they would give us a 5% or maybe 6%. The bigger higher priced restaurants, I mean with higher ticket prices, they have bigger margins and they are able to give us more in terms of percentage as well. So there is of course a spectrum when it comes to this.

Ashwin Mehta: And obviously the ones which are the normal restaurants would possibly be the fastest growing ones for you or it is the other way around?

Deepinder Goyal: I think Indian user is actually gravitating more towards choice and they do not want to order from the same places over and over again and that has also led to the growth of our classified business in the first place and I think that also carries into delivery business as well.

Moderator: Thank you, Mr. Mehta. We have the next question from the line of Rishabh Chutgar from Enam Holdings. Please go ahead.

Rishabh Chutgar: Sir, just a couple of questions from my side, one, not that you have shared this earlier but can you share the take away that you have in the restaurant delivery order, I got the contribution margin but if you can share the take rate?

Deepinder Goyal: Take rate is 8.2% average right now.

Rishabh Chutgar: And just if you can share with us out of all the geographies that you are present, and I believe Delhi was the first geography that you were present, so how has the profitability over there sort of moved and is that a good way for us to build in the profitability in some of your other geographies?

Deepinder Goyal: So the advertising business in itself is very-very profitable, I do not have the city level numbers right now in front of me but I can give you a broad sense of how margins on the ad sales side. So let's say a fully loaded cost for our ad sales is x then they get a fixed salary, variable incentives, travel reimbursement and phone reimbursement, everything right. Let's say if the salesperson costs us is x typically 5x back in Indian market and the same number also applies to UAE as well, even if the cost of the sales person is that much higher because then our average revenue per advertiser in UAE is also that much higher. So the gross margins are 75% to 80% on fully loaded cost of sales is what we aim to get to when we are highly-highly penetrated in a market. However, if there are other markets where we are dominant but we do not have that much traffic we would still make like a 50% or 60% gross margin and getting 70% to 80% should be another year or couple of years.

Rishabh Chutgar: So you basically in most of your businesses both delivery as well on the advertising side cover the variable cost, it is now only the fixed overheads that need to be covered going forward?

Deepinder Goyal: More or less yes.

Moderator: Thank you, sir. We have the next question from the line of Ashish Chopra from Motilal Oswal Securities Limited. Please go ahead.

Ashish Chopra: Deepinder, just wanted to get a sense from you on how would the monetization play out across the mobile platform vis-à-vis the desktop platform as of now?

Deepinder Goyal: So monetization is not different for us, we actually have the same, I mean we sell the same SKUs to an advertiser that is based on the key words and the locations the user is searching and that could be on your mobile or on desktop. If the shift is happening very-very fast for us and we do not know like two years from now there might be completely like different third platform as well, so we just sell first irrespective of the platform the user is searching on.

Ashish Chopra: Because if I am not wrong then the monetization on mobile probably started sometime in the middle of the last fiscal right, FY15 if I read correctly?

Deepinder Goyal: Yes, that actually helped us in the average revenue per advertiser because when we started showing the same ads on mobile we were getting more ROI for them so overtime our average revenue per advertiser improved.

Ashish Chopra: So it is not really a separate sale from your end on the mobile platform vis-à-vis a desktop platform to the restaurant owner?

Deepinder Goyal: No, no.

Moderator: Thank you, Mr. Chopra. We have the next question from the line of Pranita from Goldman Sachs. Please go ahead.

Pranita K: I had a couple of questions, one is on the revenue share breakup, can you give us a sense of what is the breakup across your multiple product offerings?

Deepinder Goyal: You can comfortably say that most of our revenue comes from advertising and delivery right now and table reservation everything else is very-very small. Delivery in India, as I said 20-odd% of our revenue right now, and I am not talking year, I am talking last month, 20-ish% of our revenue is from delivery but the overall is about 7-ish%.

Pranita K: Another question, can you just give us a sense of anything on your acquisition cost, customer acquisition cost how has it come down over time?

Deepinder Goyal: I mean we do not pretty much spend anything on marketing any more, last month we spent $25,000 on customer acquisition and on marketing and most of our growth is organic and free. People like to use our product and they tell their friends. So that's how we do it

Pranita K: The other question was on headcount, so could you give a sense of numbers and also across India, UAE and the other countries?

Deepinder Goyal: We have about 1900 people overall across the world and India has about 1250 out of that.

Moderator: Thank you. Ladies and gentlemen due to time constrain we are taking the last question. the last question is from the line of Karan Shah from Avendus Capital. Please go ahead.

Karan Shah: What is your India App MAUs and what is the conversion rate to deliveries?

Deepinder Goyal: India overall MAUs are about 8.5 million. And about 2.5% of them have started placing orders online which is 97.5% more we have to grow.

Moderator: Thank you Mr. Shah. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Deepinder Goyal for closing comments. Over to you sir.

Deepinder Goyal: Thank you all for your questions and concerns. I hope I have been able to give you more clarity on the way the business has been going and shaping up. Thanks and talk to you again soon sometime.

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