Urban Company

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Operator: Welcome to Urban Company Ltd.'s Q1 FY27 earnings conference call. We have Mr. Abhiraj Singh Bhal, CEO and co-founder, and Mr. Abhay Mathur, Chief Financial Officer, from the Urban Company Ltd. management team on the call today. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the management's remarks. Please note that this call is being recorded, and the audio call and transcript will be available on the company's website. Additionally, this earnings call is scheduled for a duration of 60 minutes. If you wish to ask a question, please use the raise-hand feature available on your Zoom dashboard. We will announce your name on the call and unmute your line, after which you may proceed with your question. Our results and shareholders' letter have been published on the exchanges and uploaded to the company's IR website. Before we begin the call, I would like to remind all attendees that some statements or comments made on the call today by the management may be deemed forward-looking and hence may involve certain risks and uncertainties. Such statements or comments are not guarantees of future performance, and actual results may differ. Over to Mr. Abhiraj Singh Bhal for the opening remarks.

Abhiraj Singh Bhal - CEO & Co-founder: Thank you very much, Bhavya. Good evening, ladies and gentlemen, and welcome to Urban Company Ltd.'s Q1 FY27 earnings call. Let me start by saying that Q1 was a very strong quarter for us, perhaps one of the best in the history of the company. Growth was broad-based across the business, and our core business became even more profitable.

Getting to the specifics, on a consolidated basis, Q1 NTV grew 42% year-on-year to reach 1,465 crores, and revenue grew 44% year-on-year to reach 528 crores. Total orders reached 13.2 million, up 79% year-on-year. We also added around 1.2 million new customers, crossing the 1 million mark for the first time in a quarter, and our annual transacting user base grew to 9.3 million. Now I would like to highlight four important takeaways or points before we start the Q&A.

The first is that our core India services business, excluding InstaHelp, is accelerating, with margins also improving year-on-year. India consumer services grew 29% in NTV year-on-year to reach 1,056 crores, the first time it crossed 1,000 crores of NTV in a quarter. This is the fourth straight quarter of acceleration, up from 10% at the same time last year to 19%, then 21%, then 26%, and now 29% year-on-year growth. Adjusted EBITDA margin was 6.9% of NTV, up from 5.2% in the same period last year. Our core business continues to compound well based on consistent quality, customer trust, increasing partner earnings, and the densification of our micromarkets.

The second point I want to highlight is that our international businesses are now scaling fast and profitably and will become the second core profit engine of Urban Company Ltd. in the coming periods. NTV grew 76% year-on-year to reach 237 crores. Both the UAE and Singapore delivered profitable growth. Our JV in the Kingdom of Saudi Arabia also grew very well, with margin improvement.

The third point that I want to highlight is that Native continues to demonstrate strong growth with improving margins. NTV grew 51% year-on-year to reach 119 crores, and net revenue grew 60% year-on-year to reach 95 crores. Adjusted EBITDA loss narrowed to 7.3% of NTV from 11.4% a year ago, an improvement of 410 basis points. As our early water purifier cohorts complete their first replacement cycle, about 75% of them are renewing filters through us, which adds a recurring, high-margin revenue stream.

Fourth, InstaHelp is our largest investment to date, and this business continues to scale. We delivered 3.82 million orders, up 43% quarter-on-quarter. The adjusted EBITDA loss stood at 132 crores. Loss per order improved from 447 rupees in Q4 to 346 rupees in this quarter as micromarket density built up. We are investing aggressively in InstaHelp to cement our leadership in a category that we believe is of strategic importance to Urban Company Ltd. We have also articulated a better view on the size of the prize in the shareholders' letter. We believe the addressable market in the top 15 cities ranges anywhere from 7,000 to 12,000 crores in NTV. Given the competitive dynamics, we have shared what we can on InstaHelp in the shareholders' letter and will not go beyond that on this call.

Regarding the consolidated P&L, adjusted EBITDA loss stood at 65 crores, but this was almost entirely driven by the InstaHelp loss of 132 crores. Excluding InstaHelp, the rest of our operations delivered an adjusted EBITDA profit of 67 crores, which is more than 100% growth from the same period last year, specifically 116% growth. I also want to highlight that we ended the quarter with 2,019 crores in cash and treasury investments on our balance sheet, which is only about 2 crores lower than where we ended the last quarter. Our balance sheet remains very strong, and we continue to have a very strong and core profitable engine even as we invest in InstaHelp. We continue to retain our guidance of consolidated adjusted EBITDA break-even by Q3 FY28 and 1,000 crores of adjusted EBITDA by FY31. With that, I will hand it back to Bhavya to open the Q&A.

Operator: Thank you, Abhiraj. We will now wait for the question queue to assemble. As a reminder, if you wish to ask a question, please use the raise-hand feature available on your Zoom dashboard. We will announce your name on the call and unmute your line, after which you may proceed with your questions. The first question is from the line of Mr. Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria - Morgan Stanley: Hi, I hope I am audible.

Operator: Yes.

Gaurav Rateria - Morgan Stanley: Hi, congratulations on the great performance. My first question is on your proposition around cheaper, faster, and better that you discussed, and the flywheel has visibly been working over the last two quarters, driving acceleration. At what point in time can we make a bold statement that the growth trajectory has shifted upward from an India consumer services NTV growth perspective, because this flywheel is now suddenly giving you the results that we have been waiting for for some time?

Abhiraj Singh Bhal - CEO & Co-founder: That is a good question, Gaurav. I will just take a minute to talk about this flywheel that you referred to. As we have articulated in the letter as well, our India consumer services business is not a single marketplace. It is actually more than 50 service categories across hundreds of thousands of micromarkets, and therefore we have to build up this density across all of those service-micromarket combinations while ensuring that our quality is not just consistent but actually improves year-on-year, partner earnings improve year-on-year, and overall fulfillment times keep coming down.

This is a flywheel that starts to rotate better with densification. As the category-micromarket combination becomes denser, partners end up being utilized much better. Consequently, their earnings improve and their churn comes down. Partners then tend to spend much longer on the platform and become more tenured. Because their earnings are improving and they are more dependent on the platform, our ability to invest in their quality, training, SOPs, tooling, and technology improves further. This improves end-user quality, builds trust, and, very interestingly, also brings down fulfillment time.

This has allowed us over the last two quarters to roll out UC Instant, which is basically getting all our core services, whether salon, cleaning, AC repair, electricians, plumbers, carpenters, and others, to users within 30 to 60 minutes. Users no longer have to wait and plan. That further improves word of mouth, usership, user retention, and frequency. This is what we are seeing play out. It has been playing out for the last few quarters.

Regarding when we can make a bold statement around our growth, as management, we have always refrained from giving any forward-looking guidance on this business. We believe the business is compounding very well. We believe growth is accelerating. More importantly, this is not coming as a trade-off with margins; it is actually coming with improving margins. Our long-term guidance for this business was a 9-10% adjusted EBITDA margin as a percentage of NTV, and this quarter we have already demonstrated that we are at 6.9%. Therefore, we feel fairly confident about reaching that long-term guidance.

I do want to highlight a couple of things so that we also do not get too far ahead of ourselves. First, the 29% year-on-year growth that we are seeing is against a base in the same quarter last year where growth was somewhat muted because of unseasonal rains and monsoons. Therefore, some of the acceleration is also due to that impact. Nevertheless, we feel that, on the whole, the acceleration is broad-based, secular, and strong.

The second point I do want to highlight is that margins in this business tend to have a certain amount of spikiness in the AMJ quarter as well as in the OND quarter. Therefore, margins are best viewed year-on-year. On that basis as well, the business has delivered a very healthy 170 basis points improvement in adjusted EBITDA margin.

Overall, we are very happy with where things stand. We want to continue to focus on what is in our control: user quality, fulfillment times, partner excellence, and enablement. Growth is an outcome of that; it is not really in our control. We are obviously pursuing as much growth as we can.

Gaurav Rateria - Morgan Stanley: Thank you for the detailed answer, Abhiraj. My second question is on the InstaHelp segment. I saw that you have put out a TAM estimate this time and also made very transparent and prudent comments around why margins should be structurally lower in this business compared to the core India consumer business. I am trying to understand why the segment should deserve this much time, attention, and management bandwidth. Is it also the fact that competitors using this segment can start venturing into the other core categories that we have? Do they get any right to win in the core categories simply because they are present in this segment? I am trying to understand the various strategic aspects of how we are thinking about this business from a medium-term perspective.

Abhiraj Singh Bhal - CEO & Co-founder: We think InstaHelp is strategically very relevant to our platform. It is a high-frequency category that allows us to enter the home on a weekly basis rather than on a monthly or quarterly basis, which is the frequency that our core consumer services business enjoys. If we invest ahead of the curve in this category, I think it creates a very strong volume moat around our core business and allows a user to use the app multiple times a month. In the long term, we think that will be very beneficial for the overall platform.

The first point I want to make is that we see our investment in InstaHelp beyond just the ROI from the category itself, because we visualize the category within the larger scheme of the platform that we are building.

The second point is our view on the TAM. We have given a bottom-up assumption on where we think the TAM is in the top 15 cities, and our view is that it is anywhere from 7,000 crores in NTV to about 12,000 crores. Given that view of the TAM, I think it is even more important for us to be aggressive, capture that TAM, and capture a disproportionate share of the profit pool of that TAM. That is one of the reasons why we have been aggressive and will continue to be aggressive with the scale-up of InstaHelp.

My last question from me is on the capital allocation framework. By Q3 FY28, you would get close to break-even at the consolidated adjusted EBITDA level, right? Would that be the time when you would start thinking about allocating more capital to new segments within the existing categories, such as Native, or trying to figure out what could potentially help you further expand the overall addressable market in each of the areas, such as new geographies in the international business? I am trying to understand how you are thinking through capital allocation from a 2-year perspective.

Abhiraj Singh Bhal - CEO & Co-founder: From a 2-year perspective, if I go segment by segment, I think the India consumer services business will continue to remain profitable and generate cash. We will continue to be disciplined in our execution and grow with sustainable margin improvement. We are not looking to squeeze all the margins out overnight. We want to be disciplined and maximize growth while ensuring steady improvement in margins. Some quarters will be up and some quarters will be down, but directionally, I think the India consumer services business will be a cash-generating business going forward.

We hold the same view for international markets, including the UAE and Singapore, which are wholly owned subsidiaries, are profitable, and we think will continue to remain profitable. We want to maximize growth there. Again, we do not want to maximize profits in the short term. We think the market runway is tremendous, and these businesses are growing at a very healthy pace, as you can see. Therefore, we want to maximize growth there while making sure that these businesses remain profitable.

Our joint venture in the Kingdom of Saudi Arabia is also growing exceptionally well, and we now believe that we have a line of sight to profitability in the coming quarters in that JV as well.

Coming to Native, I think Native has done exceptionally well in terms of growth and margin improvement. Again, I would say something similar for Native: we now have a line of sight to profitability in Native over the next few quarters, and the incremental capital between now and when Native starts to generate cash, in our view, will not be very substantial.

The real area where we are investing today is InstaHelp. It is fair to say that over the next 2 years, if not longer, InstaHelp will continue to require investment. For InstaHelp, we are evaluating quarter-on-quarter what the right level of investment is. As our view of the market, competitive intensity, and size of the prize evolves, so does our view on capital allocation.

I think you are right that when we reach the overall adjusted EBITDA break-even stage, hopefully by the latest in the next 18 months or so, it will be an important point in time for us to step back and start analyzing, based on our capital allocation framework, where to deploy the capital on our balance sheet to grow faster. I do not see us entering any new international markets. We are focused on India and on deepening our penetration in India, and I think that is where most of the effort will go.

Gaurav Rateria – Morgan Stanley: Thank you. All the best.

Abhiraj Singh Bhal – CEO & Co-founder: Thank you.

Operator: Thank you, Gaurav. Our next question is from the line of Mr. Manish Adukia from Goldman Sachs. Please go ahead.

Manish Adukia – Goldman Sachs: Hi, good evening, and thank you for taking my questions. Again, congratulations on a great set of results. My first question is a follow-up to your last comment to Gaurav's question, where you mentioned that there are no plans to enter any new international markets. Given your track record in the three markets where you operate, particularly the UAE and Singapore, which have not only continued to grow very fast but have also now shown a proven model of profitability, why should you not be able to export that same model to a few other markets and expand it, particularly when your India core services business is generating cash, Native will become profitable in a few quarters, and I will come to InstaHelp in a moment as my second question? I am trying to understand why you would not enter new geographies when you already have a playbook for making them profitable while growing.

Abhiraj Singh Bhal – CEO & Co-founder: Thanks for the question, Manish. There are two parts to the answer. First, purely from a management bandwidth standpoint, we have our hands full with the India business opportunity, as well as with doing justice to the opportunities in the UAE, Singapore, and the JV in Saudi Arabia. We believe these markets are only getting started. As you can see, the growth rate is extremely healthy: 76% year-on-year growth in NTV terms. Even if I remove the currency impact, it is a very healthy 58% year-on-year growth. The opportunity size is large in these three geographies, just as it is extremely large in India. We want to make sure that all our attention as management goes into doing justice to these opportunities. That is the first and probably the most important reason.

The second is that I do not want to trivialize what it actually takes to enter and win in a market. It takes much more than just great execution. Often, the playbooks have to be customized for that particular market, and, to be honest, you need a little bit of good luck, timing, and favorable conditions on your side as well. We have had that with us in the UAE and Singapore, along with exceptional execution by our teams there. But we have also seen the flip side of this in Australia and the US in the past, when we launched there before and around COVID, and we did not have that luck on our side.

We have seen the story of our internationalization play out over a few years, and I think what we have concluded is that the markets where we are present are very large. We are better off, as management, focusing all our attention and energy on these markets, particularly India. Perhaps in a few years we may change that thought process, but at least for the next few years, I think we have our hands full with the opportunity available in India, the UAE, Singapore, and the Kingdom of Saudi Arabia, and we want to remain sharply focused on these markets.

Manish Adukia – Goldman Sachs: Thank you, Abhiraj. That makes a lot of sense. Thanks for answering that. My second question is on India core services and the margin profile of that business. Given that in Q1 you are already closer to 7% of NTV and you have guided for 9–10% of NTV, which now seems much nearer to the medium term than it perhaps did earlier, and given that growth is still accelerating for the business, do you think there is now a probability that you may actually do better than what you have guided on that 9–10% margin profile and exceed that number? Or would you intend to cap that margin at 10% or thereabouts, and beyond that, whatever the margins are, simply look to reinvest in growth? Any color there would be helpful.

Abhiraj Singh Bhal – CEO & Co-founder: Our goal right now is to get to that number, but not to rush to get there. We want to make sure that we do justice to the market opportunity and the TAM and prioritize growth above all else. Thankfully, in this business, growth and margins are not at odds with each other. The faster you grow, the more margin you unlock, and we have demonstrated that consistently over the past few quarters and years.

Therefore, priority number one very clearly in that business is to grow fast, and priority number two is to continue to show margin expansion. Once we get to the 10% stage, we will have the option to decide whether we want to take it up further, whether we want to start reinvesting to grow faster and keep it at that level, or pursue other options. We will take the right call for the business at that point in time. I think we are still some distance away from that, so right now the focus remains on doing justice to the opportunity ahead of us in terms of growth and ensuring disciplined improvement in margins year-on-year.

Manish Adukia – Goldman Sachs: Very clear. My last question is on InstaHelp and, again, perhaps delving a little deeper into your response to Gaurav's earlier question. First, from a market positioning and profit pool perspective, as you said, you think you should be able to capture a disproportionate part of that profit pool at some point in time. However, given that you have revisited your TAM assumptions this time and are also explicitly calling out that margins here would be structurally lower than in the core businesses, do we now have enough comfort and confidence that this segment can be profitable at all? Without assuming material consolidation, let us assume that there are two players in the market. Even in that scenario, do you think this segment could have any profit pool in the foreseeable future?

Second, even in a scenario where it does not have a profit pool, given what you articulated earlier about this segment being strategic and driving engagement for your core business, as long as the business continues to operate within a narrow loss range, would you still be comfortable continuing to operate it in the medium term even if the profit pool is not large enough? I would appreciate your thoughts. Thank you.

Abhiraj Singh Bhal - CEO & Co-founder: Let me delve a little deeper into both the TAM and, emerging from the TAM, our view on the profit pool and how we want to execute. The TAM, as we have articulated in the letter, is, in our view, between 7,000 and 12,000 crores. There is a base-case assumption that assumes 7-8 million monthly transacting households doing 3 transactions a month at the full price of 300 rupees AOV and 200 rupees per hour.

To put things in perspective, that already assumes that annual transacting usership will probably be around 20 million households, because that is usually the ratio between monthly transacting users and annual transacting usership. We have seen that in our core businesses and in other categories such as food. In the bull case, where we are able to unlock a model that goes beyond the working model we have right now and do it profitably, the TAM in the top 15 cities can perhaps expand to 10-12 million monthly transacting households. That automatically translates into 10,000-12,000 crores of NTV.

I would also like to call out one specific thing around this TAM and its nature. If you look at the old adage that you should judge someone by their actions, not their words, and actually look at the actions of the three players in the market over the past 6 months, all of us have limited ourselves to micromarkets where the household coverage today is only about 3.5-4 million households.

Most of the investment today is not going into expanding coverage and bringing many new users into the TAM. It is actually going into artificially subsidizing orders, largely from repeat users. Urban Company Ltd. is as guilty of doing this as everybody else because of a certain competitive dynamic, and we are prioritizing leadership right now above everything else.

We believe it is a matter of time before the broader market is able to see what we already see in our most penetrated micromarkets. Our assumptions on the TAM that we have laid out come from our full understanding of all the micromarkets that can be served well in the top 15 cities through our core business, among other factors.

The bull-case assumption that we have given here of 10,000-12,000 crores is, in our view, a bull-case assumption. We are not being conservative in this range of TAM. Our base-case assumption is 7,000-8,000 crores, and the aggressive assumption is 10,000-12,000 crores. Our conservative assumption would be even lower.

Management: That conservative assumption would assume that usership falls as prices go all the way to 300. In this TAM assumption, we have assumed that usership does not fall; it retains that 3-orders-per-day level. That is simply our view on the matter.

Given this view, we believe that it is even more important for us to be aggressive over the next few quarters. We have a clear view on which micromarkets within the overall addressable TAM matter, how we win a disproportionate share in those micromarkets, and how we win a disproportionate share of this early TAM. We think this battle will largely play out over the next few quarters, which is why we want to be very aggressive right now, so that, first, we capture a disproportionate share of the TAM, and second, we capture a disproportionate share of the profits.

When will pricing correct to its full potential? It is very difficult for us to say. However, whenever it corrects, the player that has a disproportionate share of the TAM and the more profitable segments within that TAM is likely to enjoy the maximum share of the profit. That player will see the least correction in order volumes when pricing goes up fully. That player has the maximum likelihood of breaking even and eventually running this business slightly profitably at a very low margin.

We have also articulated that we do not think the margin profile of this business, given everything we understand about it, will reach anywhere close to that of India consumer services. It will, in all likelihood, be a low-single-digit category. We certainly have no intention of making any money from this business over the next 5 years, and our assumption is that this business has to break even by FY31. We would be happy if it gets there.

Manish Adukia – Goldman Sachs: Very comprehensive and very clear. Thank you, and all the best.

Operator: Thank you, Manish. The next question is from the line of Mr. Sachin Salgaonkar from Bank of America.

Sachin Salgaonkar – Bank of America: Hi, Abhiraj and Abhay. Congratulations on a great set of numbers. I have three questions. First, let me start with InstaHelp. Both your competitors in this space are of the view that the AOV of the segment is not going to increase and might remain low. What gives you comfort that the steady-state AOV could eventually be 300 if both your competitors believe that, directionally, AOV will remain relatively low?

Management: Sachin, we have articulated that AOV has to reach around 300 for this business to break even. Let me explain why. Today, on average, our view is that, sustainably, the service professional has to be paid anywhere between 130 and 160 rupees per hour. Let us use a rule of thumb of about 150. Why 150? Because at best, even if you achieve incredible utilization at full potential, you can utilize the service professional for about 140–150 hours in a month.

That assumes they are working 25 days in a month and that you are utilizing them for 6 hours of utilized time on a base of perhaps 8–9 hours of time that they give you, which is around 65%. At that point, their net earnings clear the threshold of about 20,000–22,000 rupees, which we feel is the minimum required net earnings for this category to be attractive and to be able to attract supply from the offline market, where they are making around 15,000–17,000 rupees.

That is why there is a range of 130 to 160. In our view, 150 is the bare-minimum sweet spot. Unlike quick commerce, beyond a point, this category benefits from utilization and densification, but beyond that, the benefit levels off at a certain point. It is not possible to keep utilizing this individual more and more. If you squeeze the payout too much, it shows up in other ways, including higher churn and therefore higher onboarding costs, training costs, and so on.

One way or the other, our view is that sustainable pricing and sustainable earnings are at that level. We have this view based on 11 years of operating across more than 50 categories and seeing this play out many times. I would not like to comment on how prudent our competitors' view is.

If the category has to clear gross-margin break-even at 150 rupees an hour, then, for all the other costs that we incur, including customer support, marketing, team costs, training costs, and so on, we believe that pricing has to be at least 200 rupees per hour. Whether the category will get there and how user behavior will evolve at that point is something we do not know.

We have seen evidence of the category reaching that level in micromarkets that are not as competitive. Obviously, the rate of growth and the rate of penetration are affected, but enough users are willing to reach that level. That gives us the confidence that eventually the category can get there. We also believe that we need that additional 50 rupees for this category to break even and meet all our costs.

How soon will it get there? Will it take a couple of years or 5 years? We do not know. We are taking the worst-case assumption here, which is 5 years, and this will be a very gradual build-up to that point, given the competitive intensity that we think is likely to continue for a while.

Sachin Salgaonkar – Bank of America: Very clear, Abhiraj. My second question is on the core business. As you rightly pointed out, it continues to surprise positively. I understand that management does not want to give any guidance on this. However, the way we look at it, there is no real reason why growth may not accelerate further from these levels. First, you are expanding more into tier 2 cities, where growth will eventually pick up. You mentioned beauty as a category, but I am sure other categories are also scaling up as you densify there.

When we think about the TAM for this space, is there a rethink that this TAM might be larger than what you had previously thought? In the call, you earlier articulated that there is perhaps a positive read-through from InstaHelp, and one cannot miss that since you accelerated InstaHelp, your core business has also started to move up meaningfully. When we think about the TAM and the opportunity here, and given that competition has hardly anything in this space, how big could this market be? How should we think about the medium-term opportunity for this space?

Management: Yes, Sachin, we also believe the TAM here is very large. If anything, every year we feel that we have underestimated the TAM. For instance, it is quite visible that our tier 2 markets are performing even better than tier 1, and honestly, I think we are only beginning to do justice to that potential in the tier 2 markets.

The TAM is large, and I think we are only getting started. If you look at the size of the TAM, even in our oldest and most penetrated cities, such as Delhi-NCR, and in some of our oldest categories, we have a fair amount of headroom to go. That is one of the reasons why our oldest micromarkets in these cities continue to perform very well.

Can it grow faster than 29%? I would again reiterate that I do not want to get ahead of ourselves or set the wrong expectations here. I think the 29% does have some benefit from the low base last year. It was only a few quarters ago that we were growing at 19% or 17%, and so on. We have seen acceleration: 19% moved to 21%, then to 26%, and then to 29%.

At our end, we will continue to do whatever is in our control: focus on the basics, great quality, supply sufficiency, better fulfillment times, and customer excellence. Growth rates are an outcome of these factors. I would not get too caught up with one quarter here or one quarter there. Secularly, we would like to grow at a very healthy pace and do justice to this opportunity while improving customer trust and customer quality. That is our focus, and if I take a 5-year view, there is no reason why this business cannot be significantly larger than it is today.

Sachin Salgaonkar – Bank of America: Very clear. My last question is on AI and how you are using AI. The question is from the perspective that you mentioned AI as one of the reasons for the margin improvement we are seeing in the core business and across businesses. I want to understand how much of the AI-led benefit is already being factored in and how much room there is to further improve margins as you continue to leverage AI.

Management: We are still early in fully leveraging the benefits of AI across all aspects of our business. We believe we are making an aggressive push to become an AI-native company. To give you a few examples, a lot of our support on both the supply side and the customer side, if not all of it, is now AI-led.

Significant efforts are going into supply-side onboarding through AI. We are now leveraging AI in training for the supply side as well. Quality control and quality audits inside the job, across millions of jobs through proof-of-work audits, and so on, are happening through AI. We have started to leverage AI very meaningfully in fraud detection and fraud control across the marketplace.

More than 90-95% of our code is now written by AI, and we are seeing significant leverage in our engineering costs and headcount. All our other teams are also aggressively deploying AI. For example, our entire marketing team is now leveraging AI end-to-end, from creative creation to campaign deployment, campaign optimization, learnings, and redeployment.

Our finance and HR teams are using AI end-to-end. This is a huge technological shift, and we want to be at the forefront of it. In terms of the impact on margins, we have started to see it show up, but there is a long way to go.

We are also thinking about AI not just as an efficiency and cost-improvement lever, but more importantly as a lever that can help make our marketplace significantly healthier and improve our quality of service and experience for end users. That is the primary goal, and we believe AI can help us get there.

Sachin Salgaonkar – Bank of America: Very clear. Thank you, and all the best.

Operator: Thank you, Sachin. Our next question is from the line of Ms. Garima Mishra from Kotak. Please go ahead.

Garima Mishra – Kotak: Thank you very much for the opportunity, and congratulations on the results. My first question is on the India business itself, which has shown meaningful acceleration over the last few quarters. This quarter in particular, you called out the beauty segment as one of the important contributors to growth. What specifically has driven faster growth in this segment, and is this growth sustainable? I also ask this in the context that competition in this vertical also seems to be fairly high.

Management: Thank you, Garima, for the question. The beauty segment has definitely seen a resurgence in growth over the last 2-3 quarters, and we have been working hard to achieve that. One of the things we have done aggressively in this segment is work with our supply side to improve the overall quality of service, including retraining and retooling many of them. We felt that this was an area where we had perhaps underinvested a couple of years ago. Therefore, for the last year or more, we have been working hard in this area.

We have also been driving a mobility program to ensure that all our service professionals in the beauty space, most of whom are women, have access to a two-wheeler. About a year ago, only a minority of our professionals had two-wheelers. Today, that number is a majority, and we are working hard to ensure that the number gets closer to 100% over time.

Put simply, this means better quality of service for our end users and better fulfillment times, especially as mobility solutions are unlocked along with densification. We have also expanded our assortment quite meaningfully this year. For example, we have launched a set of Japanese facials in our Salon Luxe category. We have also launched, in partnership with Forest Essentials, a new line of Ayurvedic facials and solutions.

We are constantly innovating on the assortment to stay one step ahead of the curve. My team tells me that Korean facials and Korean beauty are now trends of the past, and that the new trends are around Japanese facials and so on. This is an area where we had innovated in the past. The idea is to stay one step ahead of the curve in terms of assortment, quality of service, and fulfillment times.

Competition is always going to be competition, so I think that is a healthy thing. It keeps us on our toes and helps us improve.

Abhiraj Singh Bhal – CEO & Co-founder: We have to make sure that we are winning on our proposition for the user, which is faster, cheaper, and better.

Garima Mishra – Kotak: Understood. My next question is on InstaHelp and the TAM assessment. I understand your point about household clusters and how that limits the number of households that can potentially be customers of this service. However, do you think there is a possibility for the frequency that you have pegged at 30-40 times annually to ultimately be higher?

Abhiraj Singh Bhal – CEO & Co-founder: For that to play out, the category has to go from being a backup service to a primary service. We have not necessarily seen adequate evidence of that happening at scale. There is certainly a sub-segment of users who are doing that.

It is generally a stage-of-life point. Bachelors and younger users tend not to want to commit to using a service every single day, so they are comfortable getting InstaHelp 2-3 times a week. Consequently, their usership can look more like 8-10 times a month. That segment is not tremendously large.

We feel that offline pricing of anywhere from 80 to 100 rupees per hour, or at the highest 120 rupees per hour, is very competitive for the full-month subscription use case, and it will be difficult for us to compete honestly. Also, the 30-40 transactions in a month is data that we are seeing right now at highly compressed AOVs.

In our experience of building marketplaces and learning from others, larger future cohorts rarely behave better than early cohorts. Usually, the usership of future cohorts only deteriorates. All things considered, we think that if the category can actually settle at 3 transactions a month once pricing fully corrects, for 10-12 million monthly transacting households, it will be a home run.

Garima Mishra – Kotak: Understood. That is clear. My last question is, again, on the InstaHelp vertical. We often see that the existence of multiple players offering similar services and also incurring cash burn results in some eventual consolidation. Are you seeing any signs of this happening in the InstaHelp-type vertical anytime soon?

Abhiraj Singh Bhal – CEO & Co-founder: The category is still at a relatively early stage, and the competitive intensity and category evolution are still too early for some of that to play out. Our sense is that what we are seeing, the market will eventually see. Capital markets, especially on the private side, will move beyond the narrative and look at the actual health of the business, the size of the prize, and what can be built here.

We would like to ensure that we continue to sustain the pressure on our private-market competitors, continue to remain in a leadership position, and increase our market share so that we are the eventual winners of this category. We made our position clear in the last earnings call as well: we are playing to win, not playing to look elegant. We do not want to give an inch away.

We think this market, like most home services markets, is winner-take-all, and trust compounds to the number-one player. We do not think this is a very large, unbounded market that can support multiple winners. We want to be the eventual winner here, and that is what we are pursuing.

Operator: Perfect, Abhiraj. Thank you very much, and I wish you the best. Thank you, Garima. The next question is from the line of Mr. Shrinath V from Bellwether Capital.

Shrinath V – Bellwether Capital: Hi, Abhiraj. I would like to hear your thoughts on the significant incremental addition of annual transacting users in core India services, at about 5 lakh quarter-on-quarter, which is a significant step-up. I want to understand whether this is largely organic in nature. What kind of app downloads are we seeing? How are the upper-funnel metrics playing out as growth acceleration becomes visible in India services? Anything you can call out or share on that would be helpful.

Abhiraj Singh Bhal – CEO & Co-founder: Shrinath, thanks for the question. We are fairly happy overall with the pace at which the number of transacting users has grown this quarter, as you rightly articulated, by more than 0.5 million, and also with their spending.

I do want to point out that this is a seasonally exciting quarter, so some of that is also seasonal, Shrinath. Otherwise, I think the secular trend is looking solid. All the funnel metrics are moving in the right direction. We have seen an improvement in traffic, MAUs, DAUs, and consequently MTUs. If anything, conversion rates are improving as trust improves.

Our fulfillment rates have also improved, from order placement to fulfillment, and there is some benefit from that as well. All of this is coming together. I do want to highlight that this is not the result of more aggressive marketing. In fact, year-on-year, in the India consumer services business, marketing spends were 24 crores in the same period last year and 25 crores this year. Therefore, marketing spend has been more or less flat, but we have been getting a much better ROI on our spending there.

Shrinath V – Bellwether Capital: Fantastic. In the next shareholders' letter, if you could share an indexed value of some of these traffic figures or something similar, just to give us a sense of them, that would be interesting.

My next question is on training and has two parts, both for InstaHelp and for India core services. Could you help us understand how our training capacities are developing in InstaHelp? Have we been able to increase them significantly? For example, in the location where I live, last weekend I could not get InstaHelp because it was sold out. How are the training capacities developing?

I have the same question for core services. As we see a gradual acceleration of growth, and given that our existing professionals have better utilization, I think we would still need some growth in training. How is that developing, given the more diverse services under that basket?

Abhiraj Singh Bhal – CEO & Co-founder: That is a good question, Shrinath. On core services, we are definitely very mindful that we need to ensure we have adequate training infrastructure and sufficient trainer capacity, while also leveraging AI to make overall training more efficient. This is a big and important focus area for the company right now and for me.

I would say that we have the engine running smoothly and well-oiled right now, so we are able to cater to the growth. Even for the next few quarters, I think we have a very clear plan in place. We are in a comfortable position in core services, but we continue to focus on this meaningfully.

On InstaHelp, it is all hands on deck right now. The pace of supply addition has been very high. Consequently, keeping pace with our training infrastructure and trainer capacity, and making sure that training efficacy also improves, are all important priorities. We are not just adding more training rooms and more trainers to the problem; we are also making sure that training becomes more effective and that the ROI on that training improves. All of these areas are a work in progress. That category will take a little longer to settle down. So, yes, it is all hands on deck right now.

Shrinath V – Bellwether Capital: Thank you very much, Abhiraj. Fantastic.

Operator: Thank you, Shrinath. Moving on to our final question of the evening, I call on Mr. Pranav Kshatriya from MK Global.

Pranav Kshatriya – MK Global: Hi, thank you for the opportunity. My question is on Native. We have seen good scale-up despite operating in only two categories, and I see that some of the products you are launching are more premium. Is that shift essentially driven by the more premium customers that you have? The second part of my question is how we should think about the number of categories over the medium term, because the two categories in which you are present are fairly small. How should that play out over a period of time? Thank you.

Abhiraj Singh Bhal – CEO & Co-founder: Thanks for the question. On Native, our goal has been to ensure that the quality of our products is truly exceptional and world-class. That is the bar and benchmark that we have maintained from day one.

Back in October 2023, when we launched our first set of water purifiers, M1 and M2, they completely changed the language of the category. The category had largely focused on a razor-and-blade model and on convincing customers to get their water purifier serviced every few months. We came out with a very innovative, high-performance device that required no servicing or filter changes for 2 years, was smart, was fully integrated with the Urban Company Ltd. app, and was backed by the exceptional service fleet that we have.

This allowed us to rapidly gain share in that category and, more importantly, serve consumers better. It also changed the language of the category, with some of the existing incumbents and new players somehow trying to live up to that promise.

As the rest of the industry has barely caught up, our view is that we have taken that language to the next level with M3. We are now launching a 3-year, no-service-needed, very high-quality machine with a stainless-steel tank, adaptive mineralizer, pH balancer, and so on. This takes the category to the next level.

Yes, it is a premium product, but if you look at the lifecycle ownership cost, it is actually much lower because for 3 years you do not need any servicing or filter changes. Therefore, the cost of ownership comes down and, more importantly, the hassle comes down. A consumer durable is supposed to remain durable. That is what we are trying to do here.

Even after 3 years, you get one comprehensive service from Urban Company Ltd., and you are again set up for 3 more years. I think this is a completely different paradigm in the water purifier business.

Similarly, if you look at our Native Lock Ultra, the most recent smart lock that we have launched, it comes with an inbuilt camera feature that is extremely seamless. The moment you come in front of the smart lock, it automatically unlocks the door. It has many other features, such as a lurker alert, so that if somebody is lurking around your house, it alerts you, and so on. It also has very comprehensive, state-of-the-art security features, is completely tamper-proof, and so on.

It has been very well received by the market and is highly rated on online platforms. We are very pleased with the progress of these two categories. We think there is a lot of work to be done in both categories.

If at all we venture into another category over the next 5 years, perhaps we will enter one more category, but that is about it. We do not want to proliferate too much. We think there is a lot of work to be done in water purifiers and smart door locks, and we would like to do justice to those categories. Perhaps, over a period of time, we will assess whether there is one more category that Native would like to enter. That is about it.

Pranav Kshatriya – MK Global: When you enter a new category in the future, would you want to constrain yourself to premium products, or would you want to be present across the entire range?

Abhiraj Singh Bhal – CEO & Co-founder: That is a good question and goes back to the strategy of Native. Let me start by saying what we are not trying to do at Native.

Management: At Native, we are not trying to build a consumer durables company or become a consumer durables player. That is not our strategy, and we certainly do not think we can compete by being everywhere for everyone.

What we are trying to do at Native is serve an underserved market that overlaps with our core users on the Urban Company Ltd. platform and enter categories that have very strong adjacencies to our core services business, with superior, tech-first, new-age products that can capture a disproportionate share of the profit pool of that industry, even if they do not capture a disproportionate share of the revenue.

It is our view, and a considered view, that a meaningfully larger share of the profit pool sits at the top relative to the revenue. Therefore, we want to remain in the premium segment and serve our users. We have 9.3 million annual transacting users, representing the top 9.3 million households, or approximately 8 million households, in the country.

We want to serve them more deeply through Native as an extension of our core services business. This allows us to move from being merely a home services company to becoming a home platform and a services-and-solutions player. That is how Native is deeply intertwined with our overall home platform strategy.

Whatever fits into this strategy, we will do, and whatever does not fit into this strategy, we will not do. However, we are certainly not building a consumer durables business through Native. The idea is to build a strong solutions business that is extremely synergistic with our services business and our platform.

Pranav Kshatriya – MK Global: Thank you for such a detailed answer. I wish you all the very best for the future.

Operator: Thank you, Pranav. Thank you, everyone, for your participation. You may now disconnect your lines. Thank you, and enjoy your evening.