Management Discussion

Unidentified Speaker - Host/Coordinator, Rathi Capital
Good afternoon, everyone. Just give us 2 minutes. We'll start in 2 minutes. Just let the people join in. Will start,

Nikhil - Moderator, Rathi Capital
Nikhil. Yeah. Good afternoon, everyone. Ladies and gentlemen, welcome to the Q2 and H1 FY27 earnings conference call of Rentomojo Limited hosted by Rathi Capital. As a reminder, all attendees will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. If you have any questions, please feel free to press the raise hand button. We will call on you in turn and unmute your line so you can speak. Important note, if you need to ask a question, please ensure Microsoft Teams has permission to access your microphone when you log in.

Otherwise, you will not be able to unmute yourself. Please note that this conference is being recorded. Kindly also note that the audio of the earnings call is corporate material of Rentomojo Limited and cannot be copied, rebroadcasted, or attributed in the PR media without specific written consent of the company. Please note that anything said on this call that reflects the outlook towards the future, which can be construed as a forward-looking statement, must be reviewed in conjunction with the risk that the company faces.

A copy of the disclosures is available in the investor relations section of the website as well as on the stock exchanges. To give you an in-depth understanding of the company and answer all your queries, we have from the management side today Gitanj Bermania, who's the chairperson, managing director, and CEO, and Hakeem Jainwala, who's the chief financial officer. I now hand over the conference to Gitanj for his opening remarks. Thank you, and over to you, Gitanj.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Uh, no, thank you, thank you, thank you, Nikhil. Uh, you know, good morning- uh, actually, good evening, everyone, uh, and thanks for joining us. Uh, these are 2nd quarterly results presentation since becoming the listed entity. And basically, I want to take a moment to actually revisit what we are- what we actually said and what we are trying to build at Rentomojo. In our last interaction, we did spend some time explaining why we believe renting furniture and appliances is increasingly becoming a new consumption model in India.

We just want to double-click on that. I think as India urbanizes, households become smaller, societies go through a massive technological shift, and as people move more frequently between cities and homes, the need for flexible models of ownership and consumption will only go up. That's our belief. One interesting way to look at the opportunity is through a metric what we call purchase displaced. If you look at in Q2 alone, the value of purchases displaced by our consumers stood at close to about 450-odd crores, which grew, you know, almost 60% year on year.

I think this represents the value of the household products that customers would have eventually purchased instead of a rent. So that's an important metric for all of us. And I think this is an important distinction as well. Because we are sort of participating in a much larger household consumption story, monetizing it through the subscription rentals rather than one-time purchases. So that's a very interesting one. The second interesting aspect is, of course, the predictability of the

business, which I want to talk about.

That unlike a typical transactional business that has to start every quarter from zero, we enter each quarter with an existing base of subscribers already. And a little bit of contracted rental revenues. Every new subscription that we add to the base, the existing assets continue to generate revenue over their contractual tenures. And we did mention a metric in the prospectus as well, something like contractual revenue. So if you look at our contractual revenue tied in at the end of Q2, actually stood at close to about 690-odd crores.

This gives us a little bit of visibility and predictability into the future. Now, the third most interesting aspect that I want to touch upon is the profitability and the capital efficiency. If you see our, you know, of course, you know, I've mentioned this across the prospectus and even in the Q1, that our assets can generate revenue across multiple consumer and rental cycles, allowing us to, you know, combine growth with healthy margins, strong cash flow generation, attractive return on capital.

What makes Rentomojo super interesting is actually not just one, but the combination of all 3, you know, interesting variables that I just spoke about. So as I take you through the, you know, rest of the slides today, I would love for you to focus on 3 aspects which we will talk about and further, you know, as we go forward. I think these are the broad 3 areas that we want to touch upon again and again. One, which is the size of the opportunity and how we are capturing it, of course. The second is the predictability of the subscription revenues, you know, related with respect to the subscription business that we have and the contractual revenues.

And the third is, and the most important, is not just the growth of the company but profitable growth of the company, how we are delivering this profitably. And the most important would be how these profits are converting into actual cash flow from operations. What is the translation of this profitability actually in terms of the cash flow from operations? These are some of the 3 aspects that I would love to touch upon as we go forward. I'll quickly jump upon and I'll come back, of course, on the, you know, because H1 was also an IPO.

So, you know, how we use the IPO proceeds, maybe, you know, me or, you know, Hakim, Aditya, any one of us will touch upon a little bit on that. Now, you know, purely if you look at just the financial metrics, the revenue of operations went up by almost 52% YOY. Quarter on quarter, quarter also it went up by almost a lot, 12.5-odd percent. Uh, now EBIT, EBITDA, and PAT is where a little bit of volatility is what you would see today. If you see, EBIT went up by 52%, but quarter on quarter it went up by 86%.

Uh, EBITDA on the same period went up by 53-odd percent YOY, and quarter on quarter was almost 44%. And if you remember the quarter one, uh, you know, and I'll of course explain why this volatility is happening. PAT, in fact, it seems to be on a reported number, went down by 62-odd percent, and, you know, quarter on quarter went up by 132-odd percent. So you can see the volatility here. I think, uh, you know, definitely the accounting adjustments and one-time exceptional items can sometimes significantly distort the picture of a, you know, uh, business performance.

And, you know, I think it's better to look at normalized numbers because of that, which will be devoid of any kind of exceptional items or any kind of uh, you know, one-time, uh, accounting adjustments. So, you know, so if you look at just the normalized- and, and I'll cover some of the bridge towards the EBITDA to, you know, normalized EBITDA to reported EBITDA, you know, as we go forward as well. But if you look at the normalized EBITDA, the picture looks a lot more same from here on. The normalized EBITDA went up by 52-odd percent quarter on quarter.

Also, it went up by 12-odd percent, 12.6-odd percent, whereas PAT went up by 52-odd percent and quarter on quarter went up by 9.4%. EBIT behaved very similarly to EBITDA, jumping up by 50-odd percent and at 12.6-odd percent quarter on quarter. The return on capital employed and return on equity saw minor compression also because of the IPO proceeds. Sadly, the net worth of the company has, uh, you know, increased by the corpus that we took, roughly about 150-odd crores is what we took from the market, but still it's, you know, quite ahead of the 20% and above that we continue to maintain as we continue to grow the business.

That's, that's been our aspiration since the very beginning. Now, you know, let me jump onto the bridge between the actual reported EBITDA and the normalized EBITDA. I'll focus more on the EBITDA and PAT numbers here. If you look at the Q2 FY26, there's not much of a difference between EBITDA and normalized at all. It was Rs 38 crores reported and Rs 38 crores was normalized. If you look at Q1 FY27, the reported EBITDA was roughly about 40-odd crores, but normalized was around 52. And I did speak about in Q1 about the unfortunate fire loss, which of course, you know, nobody- there was no human tragedy, etc.

So, you know, that was a one-time exceptional loss that happened because of which the EBITDA went down to about 40. If you look at Q2, You know, there are 2, you know, exceptional items that has happened. One is a reversal of liability on account of gratuity and leave obligations. That is roughly about 1.2-odd crores that we gained out of, and about IPO expense of about 80-odd lakhs. So net-net, you know, in fact, reported EBITDA went up slightly by about 40-odd lakhs, whereas the normalized EBITDA, which is the right way, you know, to gauge the performance of the company, turned out to be close to about 58-odd crores.

So in, in a sense, if you look at from Q2 to Q2 FY26 to FY27, the EBITDA jumped from 38-odd crores to 58.8. From Q1 to Q2 also, it jumped from 52 to 58 if you look at purely normalized behavior. Now purely from a PAT perspective, that's, that's where the biggest, you know, volatility would be seen and the most roller coaster ride is I think here. If you look at PAT, you know, for Q2 FY26, the reported turned out to be almost Rs 48 crores, definitely on account of the deferred tax asset that we had to create, which we of course disclosed in the prospectus as well.

About Rs 33-odd crores of deferred tax asset is something that we had to create. But normalized for that, you know, quarter was only about Rs 15.7-odd crores. Versus if you look at Q1 FY27, we had to of course take an expense for the deferred tax asset that we created in September. So roughly about, you know, Rs 2.7-odd crores came because of that, and about Rs 11-odd crores came because of the fire loss. So if If you see, the reported PAT turned out to be 7.8, whereas the normalized was around 21, in fact 22-odd crores.

And for this quarter, we had to take another expense of the deferred tax asset that we created in September of '26, which was roughly about 6-odd crores. There was a reversal of the liabilities again associated. The same 2 line items that impacted EBITDA are coming here as well. Because of which, from a reported standpoint to a normalized, we are looking at a 24-odd crores of PAT. So PAT, when we look at, you know, the reported number seems to be going down by 62, quarter 2 Q1Q going up by 132, but normalized gives a very healthy picture jumping from 15.7 crores to about 24-odd crores of normalized PAT altogether.

If you look at now, these are, you know, more from a business performance, but of course the drivers for it, some of the revenue growth that happened roughly about 52-odd percent Of course, I keep saying one is because the predictability of the business. It's not that whatever items which are getting ordered is translating into the revenue for the same quarter. Of course, a portion of it is

getting translated into the same quarter, but the historical CapEx already deployed is also giving us revenue.

So there's a little bit of a predictability in the business because of that. But if you look at the, you know, the other 3 drivers which impacted the revenue growth is, of course, the subscriber and the gross items ordered went up by almost 40%. 45% year on year. Quarter on quarter also, it went up by almost 16-odd percent, which is the displacement that I was talking about, that if you look at almost 3.8 lakh items got ordered on the platform equivalent to almost 450-odd crores of purchase displacement that we saw.

The other variable is, of course, you know, the revenue per item went up by marginal, you know, about 4.65% as well on a quarter-on-quarter perspective, whereas the item per user was roughly You know, stable at roughly 2.8 item per user while maintaining an occupancy at our, you know, target levels of what, 83 to 85. 83 numbers is what we are consistently looking at. So these were the 3 drivers. Subscriber also jumped. You know, subscribers jumped largely because the traffic was up by almost about a 50-odd percent.

Our RENTOMOJO keyword was up about 66-odd percent, in fact. And, you know, all the distribution channels fired, you know, very, very beautifully. All the subcategories, the core categories, and even some of the new introductions fired beautifully. Those became some of the contributions to the kind of item growth that we saw, combined with the revenue per item and the item per user that gave us revenue growth of almost 52% to all of us. Now, if you look at purely from, you know, that these were more quarterly, but H1 also has a very similar trend.

So if you look at revenue from operation, that is also up 52%. EBITDA, this is the reported numbers because of the fire loss. You know, the EBITDA, you can see the margin compression a little bit on the H1 to about 37%, predominantly because of that fire loss. You know, but the reported EBITDA also went up by 36-odd percent. But on this slide, what I really want to focus on again is the OCF by EBITDA, which is the cash flow from operations translation from EBITDA, which is almost close to about 110-odd percent.

So if we are generating 100 crores of reported EBITDA, almost 110-odd crores of cash got generated in the business, which further fueled more CapEx expansion for us. Yeah, this normalized would be a better way to look at even from an H1 perspective in which you can see the numbers. It's well intuitive that almost every other number went up by almost 50-odd percent. In fact, the PAT is up 60-odd percent from a normalized perspective and touching close to about 17-odd percent in terms of the margins.

For us. A little bit, uh, as the CapEx expansion happened, of course, you know, almost 190-odd crores of CapEx was procured, uh, within the H1. Uh, you know, some part of it, of course, was a little bit of warehouse CapEx as well. Uh, some got scrapped. So almost roughly about, if you look at 172 to 170-ish odd crores of increase that were- that happened on in terms of the purchasing of the new CapEx. Which went from 529-odd crores to almost close to about 702-odd crores. The next, the net fixed assets net of depreciation went up from 426 to about 565 within the same period.

Now, you know, out of this 172 to 170, you know, then we of course financed a little bit through external debt and a large part through our own accruals. Which is what I was talking about, the CFO for 110-odd crores. So if you look at the debt, went up from, you know, roughly about 40 to 45-odd crores, went up from 187 to about 230-odd crores in terms of the debt. But the point to be noted here is because of the proceeds also that we raised from the market, uh, there's of course cash on the banks that we have.

So if you look at, subtract some of those cash and cash equivalents, I think the net debt, uh, was only about 130. So if you look at purely from a balance sheet strength perspective, net net cash debt to equity is only about 0.3x, uh, which is healthy. This- these are the kind of, uh, you know, while growing the business at almost, you know, let's say about a 52-odd percent, the debt to equity, the net debt to equity stayed about 0.3x only. Uh, of course, you know, uh, net, uh, that's partly also because a little bit of beef up that happened on the net worth because of the IPO proceeds of it.

Um, uh, debt to EBITDA is also closer to about 1.16. Net debt is very, very healthy, close to about 0.66 only. Uh, I think, uh, Vinod Tissa have explained, if you look at the operating cash flow to EBITDA, that consistently demonstrates on, uh, you know, the principles on the accounting policies and the kind of strategical steps that we take in the business, uh, what we generate as a reported EBITDA actually translates into a cash flow also. So again and again, I think you can see the trend. It's fairly intuitive that it's, uh, very much upwards of 109-odd percent.

Uh, the CAPEX has been growing at a good 140%. Um, you know, for the last entire year, we had purchased close to about, you know, 170-ish odd crores, uh, 175-odd crores of CAPEX. This year in H1 alone, it has been close to about 190-odd crores. Uh, so that, that only demonstrates the kind of future potential in terms of the growth because the CapEx is increasing faster than the revenue growth that we are seeing right now. Now, you know, similar drivers on the operating drivers as well. Almost 700,000 items got ordered on the platform, equivalent to a displacement of close to about Rs 850-odd crores.

Live subscribers went up by 42-odd percent. Live items went up by 44-odd percent. Our square feet capacity are growing up by about 51-odd percent. The store count, which is the expansion areas for us, has grown up by 43-odd percent. The revenue per item, as I mentioned briefly, uh, you know, in, in the earlier slides, has gone up by almost 6% from an H1 perspective, uh, and occupancy has remained at our target levels. I'll take a quick pause here and, uh, would love to open the floor for any questions that you have from the management.

Nikhil - Moderator, Rathi Capital
Thanks. Thanks, Gitanjali. Just as a reminder, if you have any questions, please feel free to press the raise hand button. We will call on you in turn and unmute your line so you can speak. The first question is from the line of Jatin Jadhav. Jatin, please go unmute yourself and go ahead with your question. I've brought you on screen.

Questions & Answers

Jatin Jadhav - Analyst
Am I audible?

Rohan Nagpal - Analyst
Yes, please,

Nikhil - Moderator, Rathi Capital
Please go ahead.

Jatin Jadhav - Analyst
First of all, thank you so much for the opportunity. Congratulations on a great set of numbers and very well explained. And all the metrics. Uh, so I find the business very interesting. I just wanted to

understand, uh, since you guys are seeing a huge runway ahead, and, um, how are we planning to fund the operational CapEx? So there will be a slight mismatch between the cash flows and the requirement which we, which we see, uh, going ahead just to, uh, be on the similar trend line of growth, uh, for live items purchasing or something on those lines.

So will it be financed, uh, externally, that component will always be there. If you can just help me understand the entire picture.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
There are, you know, Jatin, there's a very interesting question. Let me put in a little bit more highlight on this. You know, the biggest constraint for the entire industry had always been debt, right from the very beginning when we started back in 2015. First was, of course, you know, to reach a phase where the company was capable to raise more and more external debt from outside. Then the second phase came where the business and the, you know, earlier CapEx that we had deployed in '17-'18 itself has generating so much of cash in the business that itself is powering the CapEx, lessening the dependency on the debt.

So that's the phase 2 which we are in right now. If you see, last year was roughly about 170-odd crores of CFO and roughly about 175 to 177-odd crores of CapEx that was taken. So if you see, that was predominantly financed through the accruals itself. But today, since the growth rate itself, you're seeing the numbers, the gross items are being ordered at 45-odd percent. So up to a certain growth rate, of course, you know, in the waterfall, of course, you will use your accruals to finance- uh, not finance, I mean accruals to fund most of this CapEx.

The second opportunity you will get, of course, with respect to external debt. But within that, you'll have to be within the confines of the debt-to-equity and a stable, you know, risk-taking ability of the balance sheet, which is where I mentioned that the net debt cash-to-equity was only about 0.3x if you look at it. So that's the main important part, which is in this phase that becomes a little bit of a constraining factor. And in the what-if world, debt comes at the second, uh, you know, priority.

Third is of course the focus will start happening in a few years on the free cash flow generation, uh, you know. But right now we're focusing on deepening our cash flow from operation and the translation of that in terms of the cash flow- uh, sorry, EBITDA- and the translation of that in terms of the flow. So this is- these are the 3 phases, uh, how I'm looking at this business going forward.

Jatin Jadhav - Analyst
Got it, got it. Uh, thank you so much for that explanation. Uh, so my second question was, since we are adding a couple of new- I won't call SKUs, but different types of items, uh, so the average revenue per item, uh, do you see, uh, it exceptionally growing or probably taking a jump, or it will linearly grow as and when the adoption increases for new items? Let's asset to be rented?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
I can, for this specific part, see, growth is going to be the most important, uh, you know, I know from a discussion point also it's going to be the most important one. Uh, I can, I can give you confidence more from a historical number perspective that from an H1 to H1 it has grown 6%, and in fact 6% growing on a blended basis when the denominator is the entire base. It's not that I'm not even talking about monthly here. So monthly would be some different number. So definitely, you know, on

a, you know, on an H1 perspective, looking at the denominator effect, it has moved up by 6-odd percent.

Uh, so I'm confident, but I don't want to set any expectations on the growth going forward. In fact, uh, whenever we have met some of the market participants and, you know, our stakeholders new and old, we've continued to maintain that, you know, item per user and revenue per item is not something as a variable that we are banking in terms of when we are giving you the targets.

Jatin Jadhav - Analyst
Got it, got it. Thank you so much for answering my questions. I'll get back into the queue. All the best.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Thank you, Jatin. Thank you.

Nikhil - Moderator, Rathi Capital
Thanks, Jatin. The next question is from the line of Kushagra Bhatter. Kushagra, I brought you on screen. Please unmute yourself and go ahead with your question.

Unidentified Speaker - Host/Coordinator, Rathi Capital
Kushag, please unmute yourself.

Kushagra Bhatter - Analyst
Sorry, am I audible now?

Unidentified Speaker - Host/Coordinator, Rathi Capital
Yeah,

Kushagra Bhatter - Analyst
Okay. All right, uh, thanks for the opportunity, uh, Gitanjali and Hakim. Uh, congrats on another great set of numbers. Uh, a couple of questions. One, uh, so Gitanjali, if you can maybe give more color on or more perspective on the color of growth, let's say on 3 parameters, right? One is like the geographic color, which would be, you know, the cities where the incremental growth is coming from, like the share of top 5 cities. Is it still somewhere around 85-odd percent or the incremental growth has more contribution from the non-top 5 cities?

The second would be the product segment color, which is, let's say, the mix of different products between all the categories which you mentioned in the presentation, washing machines, refrigerators, beds, other home furniture, etc., etc., right? And the third color would be again on, let's say, the sales channel. How is the mix between, let's say, online experience stores, the broker channel? If you can give some numbers, some color around that, that will be great.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Kushak, on definitely the cities, we did mention in the prospectus as well that some of the newer cities are performing pretty well. We continue to open up new cities as a combination of revenue experience, both because, you know, a lot of people, you know, which is a big differentiation in the market that we provide free relocation as well. You know, I don't think any of the, you know, anybody else provide free relocation as a service in my estimate. So that helps us, you know, not

only, you know, the cities, new cities not only help us expand but also provide a greater experience to our users.

Having said that, we continue to see a greater growth and a larger focus from the core cities itself. There is a lot of depth which is existing, which is present in the existing cities, and we're just capitalizing that. Case in point, the kind of a Rentomojo keyword growth that we are seeing in the existing core cities itself has been phenomenal. At a blended level, pan-India, as I said, it was close to about upwards of 60-odd percent. Now, so that's been the core focus. Core cities becomes the biggest focus.

Focus for us. Uh, you know, the growth across category is very broad-based. Of course, the core- all the core categories are firing, uh, pretty well. Uh, you know, I won't be able to pinpoint. Of course, you know, we have added a couple of other categories, uh, as well, like water purifier, which might be contributing slightly. Uh, you know, uh, you know, but, but across- so, you know, the, the, the mix is very much broad-based. Uh, let me just put it Yeah, from a distribution, you know, I can, I can obviously always connect offline and maybe share more on BroadColor in terms of distribution.

Kushagra Bhatter - Analyst
Sure. The second question would be on, you know, this metric on items per user. So maybe if you can give more sense, let's say if this number of 2.8 times per- 2.8 items per user is sort of of capping out for Rentomojo? Because, or, or if you can, let's say, uh, speak about how the cohorts are looking like. Let's say the top quartile customers would have a much higher number of items per user, right? So how are the subscriber cohorts evolving for you? And eventually, how big can this lever be, uh, let's say when you think about the future growth for Rentomojo over the medium term, right?

I'm super optimistic,

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Uh, let me just put it this way, that, you know, from an item per user perspective, I'm very optimistic. But as I said some time back, that I'm not not- when we are giving you any kind of expectation setting, let's say for this year, let's say about a 95 to 90-odd crores of PBT, I'm not baking in any kind of item per user growth in that. Let me just put it this way.

Kushagra Bhatter - Analyst
Are we

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Consistently working and brainstorming on several ideas and we have consistently demonstrated item per user growth going from 2.3 to 2.8 historically? Absolutely yes. We have demonstrated historically. Are we baking in in terms of the assumptions going forward? That is a little bit of a black box

Kushagra Bhatter - Analyst
Got it, got it. Awesome. And the last one would be, before I get back in the queue, if you can give some more color on how are you thinking about, you know, given the solid balance sheet with the IPO proceeds as well as this massive cash generation which the business is doing, how should one

think about the annual CapEx run rate for FY27 and also in terms of the next 2 years Is there a number in mind in terms of net debt to equity which you're comfortable with? Because just going back to the pre-IPO levels of net debt to equity can also give a good boost to the growth rates, right?

So just if you can share your thoughts on this.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
This is coming more from my strategical lens and, you know, how I want to position and grow the company. My bigger focus is to be within the constraints of the return on capital upwards of 20-odd percent, of course. But at the same time fully focus on powering more and more growth. So if you see which we disclosed in the prospectus, our growth rate CAGR was roughly about 40-odd percent, which the trend was around 35, then 40, then 45. If you see the Q1 numbers also 50%, Q2 numbers was also 52%, and let's see what happens.

So the focus area and my lens is of course to grow more and more. More. Uh, so from that lens, what I- of course, the second constraint will come into the picture, which is again the net debt to equity. Or, you know, purely from a little bit more conservative lens, you can look at net debt to equity also. I think, uh, you know, for some companies, some of the, you know, stakeholders might be comfortable at 0.5, some might not be comfortable at 1x. But I think at 1, you're looking at a super powerful growth.

Sharon - Analyst
So first in the waterfall,

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
First in the waterfall, of course, there's a lot of accruals which is any which way coming into the Other than 10-odd crores, if you look at this run rate itself, you can, you know, of course, you know, maybe in this call I can talk about a run rate perspective because you can multiply it by 2 and look at where EBITDA and CFO would end up. But of course, you know, H1 is more revenue numbers for us and H2 has historically been more profit and cash flow numbers for us, historically. So you can, you know, maybe we can look at what will happen in the future, but it seems the cash flow position is strong.

Our balance sheet is sitting at 0.3, so you know then the focus area for the business is of course to grow further because there is a large cushion in terms of the own accruals in the debt to equity which we already have.

Kushagra Bhatter - Analyst
No got it. An awesome thanks for all this and all the best guys.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Thank you Kushal.

Nikhil - Moderator, Rathi Capital
Thanks thanks Mushaka. The next question is from the line of Kunal Sharma. Kunal, I have brought you on screen. Please unmute yourself and go ahead.

Kunal Sharma - Analyst
Yeah, I'm audible?

Nikhil - Moderator, Rathi Capital
Yes, we can hear you well.

Kunal Sharma - Analyst
Yeah, thanks, thanks for the opportunity and congrats on good set of numbers, Gitanjali. So Gitanjali, wanted to understand on the industry, broader industry side. So currently the rent and penetration of the total furniture and appliance purchase volume stands 1% and 1.4% respectively. So wanted to understand that value-wise it is roughly at Rs 2,000 crores. So according to you, could- what could be the potential TAM and the penetration, let's say, for the next 4 to 5 years down the line? Because the business is highly dependent on the scalability, uh, of the respective industries and, uh, total addressable market.

Can you just throw some light on it?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
So see, the early adopter base in this segment is of course coming from people, uh, those who are looking for a fine balance of flexibility solution and affordable solutions. For just affordability, I think there are many solutions out there already. For just flexibility also, there is a thing called furnished apartment as well. So somewhere we stand right in between from an early adoption perspective. So I think they're close to about 4.8 crore rental apartments out there. And of course, I'm talking about more top to bottom.

If we at all meet in person, happy to take you through some bottoms-up approach as well. Well. But purely if you distill that in terms of, you know, some of the age cuts and the income groups that we have, they're close to about 3.8 crore apartments which are out there. So that becomes purely from a household strength perspective, that becomes the overall. And I think overall, I don't think industry-wise we would have taken more than- I think not more than, you know, maybe 15 to 20 lakhs households so Because the larger problem was, of course, the rental keyword strength which is out there.

If you look at the, you know, household rentals as a fraction of the number of rental apartment searches which are happening, it's still, you know, suboptimal right now. And so the awareness is not there, and we are consistently increasing that awareness, which, you know, which, which in part is reflecting on the kind of CAGR that the industry is seeing in terms of the keyword strength, which is growing upwards of 25-odd percent, 20-25-odd percent. In between that, in, in, within that, Rentomojo keyword is growing at 60%, at least, you know, from a Q2 to Q2 perspective.

Uh, so that's, that's the depth is high. We need to really solve for a lot of awareness, uh, as we go forward. Um, and that, that's the thing in market, uh, creations. At the end of the day, uh, we are also consistently, you know, uh, the historical trend should give us a lot of comfort in terms of the kind of you know, growth rate that you can expect in the future, which is roughly 38%, 35% going up to 40%, 45-odd percent, then 50%, then 52% in terms of the growth rate. That's the kind of revenue growth rates that we have been seeing for the last few quarters.

Kunal Sharma - Analyst
And a follow-up, just a follow-up on this 4.2 crore rental apartments, are these furnished or

non-furnished that you are considering?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
See, in this, of course, uh, you know, in the- so when you look at the entire market space out there,

Kunal Sharma - Analyst
Only

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
About 10 to 15% of the base is roughly about furnished. The rest in India, if you look at some of the other geographies like Vietnam and all of that, you would find 50 to almost 40 to 50% of the base being in furnished. Uh, so India is a very interesting, uh, you know, space to be in where almost 85% is within semi-furnished to unfurnished. So maybe you can subtract a 10-15% out of that 3.8 crores. But we have certain- it's not that the consumer is only coming from unfurnished. Even from a furnished standpoint, you can take a water purifier, you can take an air conditioner for a little while.

You might not have that guest room furniture out there, so you might want to furnish it. So, you know, of course, maybe the item per user within that section of 10-15% can be slightly lower.

Kunal Sharma - Analyst
Over. Got it. Super, super. Uh, so my, my second question on the, uh, our experience stores. So during quarter that we have been added 7 stores and mostly in the tier 1 like, uh, Delhi, Mumbai, and Pune. So wanted to know your strategy, strategy behind our store opening where the metros are well established, right? And therefore we are, uh, expanding in the same cities. So So how do you look at the other tier 1 cities or tier 2 cities such as Ahmedabad, Lucknow, and- I think we're

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
There in a couple of other cities as well. Smaller cities also you'll find our retail stores. Uh, you know, there is of course a certain science with which we are opening some of these stores. We have the learning of the last 3, 3 and a half years on this now. Uh, you know, if you look at the first year when we started off retail, we didn't open more than 3 to 4 stores. That's been, you know, one of the strong- you know, one of the things that we also take pride on is the kind of experimental budgets that we take internally.

And retail was an experiment for the first 1 year. And, you know, we learned a lot over the course of last 3, 3 and a half years. And we are now- there is a certain science to it with which we increase, which is also consistently improvising, uh, month on month, um, uh, where we are opening, uh, you know, etc., etc. So that, uh, um, but, but, but now to come back on what you said, we are opening broad-based across, uh, the, you know, cities that we are presenting.

Kunal Sharma - Analyst
Yeah, yeah. So my question on the tier 2 side, where is the Ahmedabad and the Surat and other Lucknow and Indore, where, what, what we are targeting for going forward as far as the- I won't

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited

Be able to comment too much on the target, uh, but I can tell you that, you know, we're definitely there in some of these other locations as

Kunal Sharma - Analyst
Well. And one last question on our latest NCLT matter. So could you please throw some light there? Where are we standing today?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Uh, it's been, you know, I think, uh, there is, uh, some hearing in December, uh, that will happen. Uh, but as I said, you know, since the matter is completely sub judice, I don't want to, you know, talk more, more than what we have already disclosed in the prospectus. And we continue to speak about it, uh, you know, since the matter is sub judice. You know, I don't. The only thing that I can say is, you know, the news on the profitability and, you know, the prospects of the business has been out in the media for several years now.

And there has been many people, you know, who had more belief stayed in the organization, who didn't have belief left in between. The news, we have been consistently, and this is our strongest, one of the strongest pillars that we have been, you know, and we'll double down on the transparency. XNSE, uh, you know, we have been super transparent with most of our shareholders and we'll continue to double down on that.

Kunal Sharma - Analyst
Got it, got it. I have a few more questions, but I'll join back in a few. Thanks, thanks, guys.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Thank you.

Nikhil - Moderator, Rathi Capital
Thanks, thanks, Kunal. Uh, next question is from the line of Amar Nath Bhakat. Uh, Amar, I have brought you on screen. Please unmute yourself and go ahead with your question.

Amar Nath Bhakat - Analyst
Can you listen? Yeah,

Nikhil - Moderator, Rathi Capital
We can, we can hear you. Go ahead, please.

Amar Nath Bhakat - Analyst
Yeah, hi, management team. First of all, super congratulations for what you have promised to the IPO and what you are delivering. In fact, it is better than what the people have thought during their time, and congratulations to this. Uh, just to go by, just to go by your words during the IPO and as well as after As the business gets matured, your trust towards the banks and other financial institutions might have been improved because your profitability, your cash flow, all is showing the results.

Now my question is, is it really creating an impact on your debt capacity as well as on your cost of debt? Because your risk profile to your business as you get mature and show the performance might have been going down.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
So, uh, thanks for bringing this up. Uh, you know, and we, we mentioned in the con call presentation as well that the cost of debt, in fact, marginally has gone down. Uh, the marginal that we took at almost 8.6-odd percent, we're already a rated entity now. We're a CRISIL-rated entity. Uh, in fact, uh, we have started the process again, and, you know, hopefully we'll- you'll see a revised rating fairly very soon. But we're already Uh, you know, raising, uh, debt at some really low numbers, you know, almost close to about 8.6-odd percent, as I said, at the latest debt without any, uh, you know, uh, encumbrance or anything like that.

So 8.6-odd percent, that goes on to showcase the strength of the cash flows in the balance sheet altogether. Uh, you know, uh, all the numbers that I just, uh, you know, mentioned on the balance sheet, all of those are looking at, uh, you know, us raising at marginal, very low, uh, rates for- from a marginal debt standpoint. Uh, and we're raising from some of the largest, uh, you know, private and public sector banks now. Uh, so, you know, uh, and, uh, you know, building and strengthening our relationships with them.

Amar Nath Bhakat - Analyst
Yeah, so all your debts mostly, is, is there term debt or you're using the working capital mostly?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
No, these are all long-term. This is all long-term debt. Uh, and for working capital

Amar Nath Bhakat - Analyst
You don't need,

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Right? No, working capital is, uh, you know, frankly it is a negative working capital business.

Amar Nath Bhakat - Analyst
Negative. And that's why you're seeing almost around

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
110-odd percent translation from EBITDA. Uh, so yeah, so, you know, I, I don't think working capital is what we are, uh, you know, case in point, there are some levers that we can pull from a working capital perspective, but, you know, right now we're, uh, fully focused. As I said, and I continue to maintain, that the accruals itself is so strong, uh, that, you know, debt is coming as a second in the waterfall, and that is coming at from really good partners, strong partners, and some at some really good rates.

Amar Nath Bhakat - Analyst
And just to extend on this, you say you are already accredited by PRISIL, and of course that will be having the impact on your debt cost as well. But as the situation is moving towards higher cost of debt because the interest rates keep rising, and the situation also shows that the prices situation because of inflation and RBI constantly increasing the rate. Do you foresee that

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
It

Amar Nath Bhakat - Analyst
Will have any impact on your cost of debt?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
No, no, no, right? Uh, you know, not that I want to tell my shareholders that I'll be fine at even 12.30-odd percent, uh, which, which I don't see a possibility of reaching, uh, soon. Uh, but having said that, the sensitivity of the, uh- that's the best thing about this business. It's not that we're managing money. Money. See, if it would have been a co- any kind of other business in which, which is a spread is being managed, you know, that's where the, you know, implication of a cost of financing is the highest.

If you- in this business, the sensitivity of cost of financing is not as high as some of the other factors like an occupancy or useful life, which is what we disclosed as some of the important variables in the prospectus as well. So occupancy at 85%, that is more important, Possibly your cost of financing at 8.6 versus a 9.6 versus a 10. Having said that, it's not that we're taking it lightly. Because of the balance sheet strength, this is consistently going down, but purely I'm talking from a sensitivity standpoint.

It's not that when a lower cost of financing happens, it doesn't impact your return on capital.

Amar Nath Bhakat - Analyst
My second part of this, as you really started this water purification part, if you can give- throw a little more light about that part of the business. Business. Uh, from the last 2 calls including the IPO, we're hearing that this particular product, though the base is very small, but it's growing at a very faster rate. If you can throw a little more light, is it that you are manufacturing those water purifiers through outsourced model and putting into the rent business? And also you are selling and privately?

We don't sell,

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
We don't sell. We, we don't want to confuse the, you know, we, we don't have dual revenues coming in which are cannibalistic nature. Uh, so we're not selling for sure. Uh, but at the same time, what I would say is, you know, we mentioned in the prospectus that it is smaller base, albeit a smaller base. Uh, you know, that category has performed well. I'll leave it up to that.

Amar Nath Bhakat - Analyst
And are you thinking for introducing something similar? Say, for example, if you do it in the water purifier, maybe water purifier or air purifier, especially in the Delhi region and others, if there's something on the plan, because this one is a big success, as you say, even if the base is small. So are you guys looking to introduce something?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
We have never looked at us like a furniture company. We have never looked at us like an appliances

company. You know, we already do have air purifiers, by the way, on the platform. As the AQI levels in Diwali is turning out to be 1,000, which we all should be scared about. You know, of course, that is, you know, there is a, you know, how that will perform in terms of the revenues and items, you know, of course, that might happen. But purely from a need perspective also, I think it's important.

Amar Nath Bhakat - Analyst
Okay, my last question, sorry to say this, is awareness part of it? As you already explained, and we all know, the scale of this business could be the sky is the limit. How quickly the customers or the addressable market get aware about such a business being existed in India, because still it is a very low maturity business at the moment. So are the company has a plan for advertisement or something like that to improve the awareness and to give a little more force towards those? Because that is where the growth could be probably influenced more?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
In a market creation, the biggest, uh, thing is as you continue to, you know, and in fact, if you look at our BNL, the, along with some of the other expenses, maybe other expenses as a fraction of the revenue has gone up very, very marginally. But, you know, marketing and advertising as a fraction of the revenue has gone up, uh, within the last several quarters, uh, but still fairly within the limits that we want to keep because every marginal consumer that, that you acquire can come at a slightly higher, uh, so, so it's not just about, you know, as I said, I'll go back to what I said initially, that we're looking at sustainable growth where we're looking at a growth which is compounding at healthy return on capital.

And I think, uh, that's, that is one way we come back and strategize our marketing budgets.

Amar Nath Bhakat - Analyst
Thank you. I have some question, I'll call back in the

Nikhil - Moderator, Rathi Capital
Queue. Thanks, thanks, Amar. Uh, the next question is from the line of Sharon. Uh, Sharon, I brought you on screen. Uh, please unmute yourself and go ahead with your question.

Sharon - Analyst
Yeah, congratulations for good set of numbers. So I have 2 questions. The first thing was on the, uh, revenue growth. Like, I have seen you repeatedly talking about first half as revenue accretive and second half as profitable and cash flow generating. But what I've seen over the last year and this year also, I don't see any cyclicality in the revenue. Like your revenue, since it's a market creation story, I don't think it has never dropped quarter on quarter-wise. It has been consistently growing.

So just wanted to clarify on that part of

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
It. In a selling business, cyclicality in terms of cyclicality would appear within the same quarters. But, you know, and that's where the second point which I started the presentation with is fairly important, which is the predictability of the business. See, every quarter that we jump in, we are jumping in with the existing set of subscribers already. So you would see a lesser growth rate quarter on quarter, maybe, maybe historically is what we have seen, but the revenue will consistently go up.

Sharon - Analyst
Yeah, that's my point. So you will not see a decline. Seasonality will

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Not appear in that.

Sharon - Analyst
Yeah, true. That's my point. And, uh, other point, uh, like, uh, if I see your last year margins, uh, H1 and H2-wise, uh, is the H2 more, uh, margin accretive? As you said, it's, uh, profitable because last year it was around 40% H1 and I think H2 was around 40 to 43%. So is this the typical nature? Why, why is it

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Sorry, can you come again?

Sharon - Analyst
Yeah, so if I split your margin H1 and H2, so last year it was adding around 40% or maybe 41% H1, and H2 was around 42 to 43%. And as you said that in your H2 it's more of cash flow generating and profitable, so should we expect similar this year? And why is there a, uh, H1 and H2? I can only bank-

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
I can only bank on the historical numbers. As I said, you know, historically that has happened. Happened. Uh, you know, I would- then maybe I would love to come here in some of these calls and, you know, try and, uh, surprise, but I would shy away from, uh, uh, you know, clearly saying, uh, what will happen. Historically, you know, this is what has happened, that H2 has been slightly better margin.

Sharon - Analyst
Yeah, what's the reason behind it? Maybe a marketing expense at your That's the reason like why H2 has been historically margin accretive more.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
This is where your seasonality, you know, variable kicks in.

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited
So to add, Gitanjali, if I may add something.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Yeah,

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited
Please. So, Sharon, typically H1 is where the items get deployed more and all our costs are linked to item deployment. This is very different from a transaction business where the costs are linked

exactly with the revenue. Here the costs are linked with item deployed because the revenue is cumulative revenue. Some of the items which are already delivered in the previous months will keep generating revenue, but there is no cost to it. So that is the reason the H1 is more where we deploy more items and H2 is where we deploy lesser items.

So that is the reason that- because of the seasonality. Yeah, because of the seasonality.

Sharon - Analyst
Yeah, that makes a lot of sense. Yeah, thank you. Congratulations on a good set of numbers and hope you continue to deliver it. Thank you.

Nikhil - Moderator, Rathi Capital
Thanks, thanks, Sharan. The next question is from the line of Rohan Nagpal. Rohan, I've brought you on screen. Please unmute yourself and go ahead with your question.

Rohan Nagpal - Analyst
Hi, thanks for taking my question. So, Gautham, so just wanted to understand on the CapEx, on the CapEx that has been incurred this year. I think last year it was split about 45%, 55% through fiscal '26. Is that a similar- should we expect a similar pattern this year as well, or was the CapEx front-loaded in '26? 7?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
No, if, if CapEx is front-loaded, you- that would come in the occupancies. Uh, so in fact, occupancy- not that we've intentionally wanted to increase the occupancy, but you know, you can see occupancy is increased from 83 to 86. Uh, so if it's a very front-loaded, uh, you know, CapEx investment, uh, so I'll, I'll come back to, you know, what I said, that 172-175-odd crores, which was the last year, entire full year we purchased 170-odd crores. This H1 itself has been 170 to 175. So you can maybe take a, you know, double the measure and calculate more from a CAPEX rate perspective for the year.

Rohan Nagpal - Analyst
Okay, understood. That's helpful. The other thing I wanted to understand was I think marketing spend is something that gets clubbed under other income, right, or other expenses. Correct. Okay. Yeah. So, I mean, so it's not really visible on the presentation, the declared results. So could you just talk a little bit about how marketing spend has moved over the last couple of quarters and how it's split across brand marketing versus performance marketing?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
It's been quite stable, you know, for the last couple of quarters and, you know, for maybe the bifurcation between them, we've been happy to take it in-person

Rohan Nagpal - Analyst
Okay, sure. And the last thing was on the customer lifetime, I think the IPO prospectus said that the average life of a customer is about 18 months. Is that- does that continue to be the case or is there any movement? Yeah,

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
That has been quite, you know, back long back it used to be 16, it has jumped to 18 and it's been quite stable at that.

Rohan Nagpal - Analyst
Okay. And okay, so one last thing. So I can see that the purchase displaced has increased 8% sequentially and it's up about 61% year over year. And that's against item or gross items ordered of like 45% year over year and 16% sequentially. So the value of each item that's being deployed seems to be going up. Is that primarily linked to, say, inflation-linked increases in the prices, or is there a change in the mix of items that are being ordered?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
No, actually we haven't changed any of the methodology. See, this is more of a number to give you the- see, the biggest question that we used to get was Because if a transacting revenue company is doing about 1,000-odd crores or 1,500-odd crores, they are doing about a similar number of items ordered on the platform. So that's why we brought this concept to showcase that this is the scale of the company that we are all in. Don't compare a subscription revenue business with a one-time transacting business.

And that's why this methodology was brought in to give you flavor of- and this is an important- but more than the value in which I'm saying that the methodology has not changed. Changed from whatever we disclosed in the prospectus to now.

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited
Yeah, just to add, Gitanjali, Rohan, this, the, what you're saying that 45% is the item ordered growth, but purchase displays has grown by 60%. This is, reason of this is AC, because in H1, from April to till June, July, there is a considerable set of AC and And our CapEx is, uh, uh, the AC CapEx is almost 3 to 4 times of our normal CapEx. So this distorts this, uh, both the numbers. I, I

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Don't think it's only, you know, see, these are 2 separate metrics. And, you know, I would, I would encourage not to really link, uh, revenue growth because that is also coming from the historical periods also. What we are talking about is that H1, what sort of a number of items got ordered ordered, but the revenue is coming from previous, uh, you know, H2 of the last, uh, financial year as well. So, uh, you know, what sort of items ordered strength will give you some bit of an understanding on the future revenues going forward and the kind of, you know, demand that we're generating in this quarter or this H1?

Rohan Nagpal - Analyst
Fair enough. I mean, so what I was, uh, what I was getting at was I think the, uh, implied value per item in Q2 last year was about 10,600. Um, this year it's about 11,700. So is that- is the value change driven by an underlying mix or is it that there is just like the cost is slightly different? Yeah, some bit of the contribution would change.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
As Hakeem was saying, maybe it could be because of air conditioner, it could also be because of sofa, it could be also because of any category where the CAPEX per item is slightly higher.

Rohan Nagpal - Analyst
Got it. Fair enough. Thank you so much.

Nikhil - Moderator, Rathi Capital
Thanks, thanks, Rohan. Uh, we'll take the last question, uh, you know, for the day today. Uh, the last question is from Della Desai. Della, I've brought you on screen. Please unmute yourself and go ahead with your question.

Della Desai - Analyst
Sure, thank you so much for the opportunity and congratulations on a good set of numbers. I just had a few questions. Uh, first on the makeup of the revenue growth, right? So most of the growth is coming from subscriber additions, right? So about 42% growth is subscriber additions. And then we have average revenue per item, which has been flattish Q-on-Q, and average item per user has also been flattish Q-on-Q YOY. So apart from the subscriber growth, how do we see the other 2 metrics going forward?

And specifically on average revenue per item, we see that last year in Q2 the average revenue per item had moved up. This year it has moved down. So how do we think about this AC seasonality? Because last year also first quarter would have that impact of AC, right, versus second quarter. So if you could help me understand this.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
Yeah, I think revenue per item, you know, ideally will become more normalized if you look at more from an annualized perspective. And, you know, we mentioned in the prospectus that revenue per item and even item per user had gone up, uh, you know, purely from an analyzed, uh, so definitely because the seasonality of AC and some of the higher CapEx items, revenue per item might see a little bit of a dip in the H2. Item per user had, had grown, you know, from a year-on-year perspective, which we disclosed in the, uh, you know, prospectus.

Uh, I'm confident on going forward, uh, but don't want to comment on, you know, let's say what sort of a- we are of course planning a little bit of a growth coming from there as well. But, but some of the biggest drivers is right now subscriber additions itself, which is coming at the back of, you know, most of the distributions firing, you know, traffic being almost 50% ups between quarter to quarter, uh, you know, uh, all the subcategories on a broad base basis firing pretty well.

Della Desai - Analyst
Got it. And, uh, do- like, what visibility do we have at growing at this 40-50% sort of a clip in terms of revenue? Like, how long can we grow at this clip, uh, going forward?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
See, the, the depth is fairly high. It's all about execution at the end of the day. And what gives me confidence is the historical measure that, you know, it was 35-38%, then 40, then 45-odd percent,

then 50, then 52-odd percent. So we're consistently- I think we're doing some of the aspects where purely from an execution standpoint that the growth is coming. So we'll continue to invest and keep finding those levers. The depth is there.

Della Desai - Analyst
Got it. And one last question, given that this is- the organized market is largely a duopoly today and we are larger, right? Do we want to get that head start and sort of go aggressively aftermarket share in this environment where we're obviously the better funded today player? From that perspective, do you think that the growth can further increase from here as well? And what impact would that be on margins? Because this quarter we see that sequentially and year on year it's come off slightly, a few bps, right, the margins.

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
In fact, I would say we are trying to go aggressive only. Because I think in most of our conversations with some of the market participants in the last couple of quarters, we were mentioning around 30 to 35% of item growth. We in fact delivered a 40- sorry, revenue growth, and we in fact are delivering about a 50. So intentions are not, uh, you know, capped at, you know, uh, we definitely, we want to be super aggressive. Do we have the strength on the balance sheet and the muscle to, you know, it's not just about, you know, the cash on the balance sheet, which we of course, uh, it is, you know, fairly comfortable, but at the same time, the business is generating a lot of accruals.

So the is to grow actually much higher rate, uh, but that, that, that, that, of course, that growth rate should come at the right return on capital. But, uh, you know, as I said, uh, if, if we on a conservative measure, if we would have, you know, told a couple of market participants around 30-35% or, uh, you know, 40% of revenue growth, we in fact have, you know, surpassed

Della Desai - Analyst
That. Got it. Uh, and how do we think about margins from here? Because, um, you know, if we plan to maybe enter newer markets, would the CAC sort of move up maybe in the near term?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
See, purely from a new market perspective, you know, it would- even though, you know, some of the new, let's say, cities or channels are contributing at a higher CAC, uh, because the contributions are less, it doesn't impact us, you know, at the overall basis. Um, uh, you know, sorry, I, uh, can you come on your question again? Sorry, there was a little network issue, I think.

Della Desai - Analyst
No, I was just asking if, because we are planning to enter some newer markets also, right, and we are growing at this clip where most of the growth is coming from subscriber additions, my question is if that might impact customer acquisition costs in the near term, and would that have any impact on the EBITDA margins?

Geetansh Bamania - Chairperson, Managing Director, and Chief Executive Officer, Rentomojo Limited
No, no, no. In fact, you know, the EBITDA margin has remained close to about a 40-41-odd percent even after reinvesting so much of operating leverage back into all of these costs. So we do have a

buffer. We can always, you know, curtail a little bit and take a little bit of a buffer away from maybe an experience investment that we're doing. So I think there is a decent buffer, and we are right now maintaining at 40-41-odd percent. If we have to increase it, we might be able to take it from some of the other buffers that that we have.

Uh, you know, having said that, we continue to see a large section of the growth coming from the major core cities. Uh, so we are not really dependent on the, uh, you know, new city launches which are happening for us. In any which way, some of these newer cities are contributing less today. Uh, you know, what used to be, I think, I think around 90-91% is still coming from some of these core cities itself.

Della Desai - Analyst
Got it. Very helpful. Thank you so much for this.

Nikhil - Moderator, Rathi Capital
Thanks. Thanks. Thanks. Thanks, Delva. That was the last question for today. Thank you again for your time and participation. On behalf of Rentomojo Limited, this concludes today's conference. For any questions, please, please feel free to write to us on the email IDs mentioned on the invite. We appreciate your engagement. You may now disconnect. Your life.