

Management Discussion

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

Thank you. Good afternoon, everyone, for joining in. As this is our first analyst call, we might have not met all of you, so it is slightly important for us to give a little introduction to the business. But before that, let me start-off with the introduction about myself.

I come from a small town and grew up in the 1990s in a place called Bhilai. Most of us were -- when I was growing up in the 1990s, I think most of us were also living in joint families. And I remember very distinctly with my father and my mother, whenever we used to buy something like a TV or a washing machine, that used to be an aspiration for us, that used to be a way for us to tell the society that we have arrived. And that used to be a big aspiration for all of us.

In fact until 2015, between 1990 to 2015, the only way to meet those aspirations was to spend close to about six to seven times one's monthly salary to purchase everything. With India's average income at around INR30,000 to INR40,000, that has been the state of affairs to consume that aspiration. Most of us used to sacrifice and assimilate most of the savings and then purchase slowly and gradually. And that was the state of affairs.

Now, as I also became part of the organization with increased urbanization and coupled with increased mobility in the workforce, with accretion touching close to about 20% across the organizations, you name it, you look at an average LinkedIn profile these days, most of them are changing jobs every two years or so. We saw the society moving from a joint family setup to more of a nuclear and solo setups with potentially changing houses every two years.

In fact, as per the report where it's here, the average tenancy in India is close to about 19 months. So that's the kind of a society that we adopted since 1990 until 2015. With every move, every time somebody was moving away from the household, and of course with a job change, there was associated household changes that used to happen. And with every move came the compounding issues of relocation costs, breakages, repairs, disposal headaches, and the risk of obsolescence altogether. We have heard countless stories that somebody wants to join a new job, they want to join in the next seven days and they don't know what to do with the products and they just gift it to their friends and walk away.

There are countless stories in which people are spending INR15,000 to INR30,000 in terms of the cost just on relocating every time they move. So those were the kind of challenges that people were facing. And every couple of years, even the design and the technologies are changing across some of the consumption buckets that we deal in. So what used to be a big aspiration, like ownership used to be a big aspiration, and slowly and gradually as we moved into being a different kind of a nuclear/solo society, I think with the high mobility, that same aspiration became a lot more burden.

And that's where we thought that why not create a solution which is kind of create a best of both worlds, which is like give you a certain sense of credit and subscription at the same time. In rentals also, one doesn't have to pay that entire cost upfront, one doesn't have to deal with the compounding issues of ownership. The entire relocation, entire repairs, entire upgrades are all on the house for free. In fact, it's not even a liability, so one can just -- it's a pay-as-you-go model. I mean, that's why we all subscribe to a Netflix because, till the time that IPL match is happening, maybe I would want to possibly get a subscription of a -- for a certain channel and then post that maybe just walk away from it.

So that's the kind of a pay-as-you-go model and that's the kind of a benefit that this proposition gives you. So in a sense we realized that rental can be the best of both worlds. That's when we launched in 2015 and we imagined a different kind of rental. I think rental was there before that also but we had a different take on how rental should be. Rental was typically a very short-term sort of a phenomenon, maybe people were using it for a temporary purpose. We were the first ones to imagine that, let's launch -- as somebody is giving an indication to commit for a longer tenure, why not reduce the rentals and so on and so forth.

In the initial days, it was very difficult. We had to build supply and demand at the same time. So there were many challenges. While we were creating the demand, we had to also figure out the capital to purchase the assets that most of the people were asking on rent. So both of that we had to figure out together. Over many years, we have built and shaped this category over the last 11 years. In fact some of the market participants would have taken more capital, been around for a longer time, but we are steering this market from the forefront.

But we have super thanks to all the market -- all the players which are in this ecosystem. They're almost like our brothers in terms of making this market that because of all of us the market is consistently evolving. Even as per the Redseer's analysis shows that rental searches across furniture and appliances categories has been rising meaningfully since calendar year 2021. In fact, it has gone 2 times to 2.5 times since calendar year 2021 up to 2025.

So it is a very fast-growing market, displacing existing ways of consumption altogether. In fact, our internal analysis also shows that the keywords for furniture and appliances are growing at close to about 20%-odd percent. As for the -- in this market that we steered and created, we were the largest player by both revenue and subscriber as of H1 FY '26. So, that's been a short brief of the journey.

When of course we started, there was -- the concept was in a very different shape and form. Nobody knew rental, awareness was very, very less. Even today, it's -- the awareness is quite less for this kind of a proposition. But in FY '26 alone, we received approximately close to about 1 million items ordered on the platform. That's equivalent to close to about INR1,100-odd crores of purchase volume getting displaced from the market. If you take just the number of items and multiply with the average retail prices which would be running, that'll be close to about INR1,150-odd crores worth of purchases. That means if we were in the selling business, that's the kind of a demand that we were seeing.

In Q1 FY '27 alone, we have received close to about 3.3 lakh items on the platform, which is again equivalent to close to about a INR400 crores of displacement in terms of the purchases altogether. We believe that the number of items ordered is the most, single most important metric for understanding the company's growth and the future prospects as rest of the aspects just flows through in the P&L from that one variable.

Our items ordered grew almost close to about a 45%-odd year-on-year in Q1. This strong underlying demand translated into almost a 51% year-on-year growth in terms of the quarterly revenue from operations, which grew approximately from INR83-odd crores in Q1 FY '26 to about INR126-odd crores in Q1 FY '27. More importantly, I would say growth is one thing, but we delivered that without compromising the economics of the business.

If you look at our normalized EBITDA margin for several quarters have been closer to about 40% to 41%-odd over the last three years, even as we continue to reinvest some of the operating leverage in terms of expanding our offline footprint. In fact, by the end of Q1, we're already close to about 89

stores across pan-India. Our normalized EBITDA grew 50%-odd year-on-year between Q1 FY '26 and Q1 FY'27, from approximately INR35-odd crores to about INR52-odd crores, while at the same period, our normalized PAT grew almost 71% year-on-year from approximately INR12.8 crores to about INR22-odd crores.

The -- of course the operating performance for Q1 was strong. Thanks to the team that was very, very driven. But we did see a little bit of unforeseen fire at our Noida warehouses in July 2026, which we also disclosed in the RHP before the IPO happened. Most importantly, thankfully, there was no loss of life or injury to any of our colleagues. We definitely had sufficient insurance coverage for such unforeseen exceptional events that happens. But this even -- I mean, the loss represented -- the inventory which was there was close to about 2% of our overall gross base at the WTB [Phonetic]. But although this was slightly lesser or insignificant, but this did result in a one-time exceptional loss of approximately close to about INR11-odd crores, which reduced in flow-through -- reduced the EBITDA from about INR52-odd crores to about INR41-odd crores.

The same loss was one of the primary reason for the difference between the normalized PAT and the reported PAT. That same INR11 crores along with the non-cash deferred tax accounting for the balance, which is a non-recurring one. So this was more from a financials perspective. But PAT is one, but I would really like to stress on the fact that in a capex business, one of the most -- in our point of view, one of the more important ones is of course the EBITDA in the business, but at the same time how much of that EBITDA is translating into cash generation. If you see our cash flow from operations grew almost 50%-odd, 49.6% year-on-year with roughly about a CAGR of about 37% last few years.

We have been consistently at 100% plus EBITDA-to-cash flow from operations translation for the last three years. That goes on to possibly this is a good reflection of the quality of the earnings that we have. What we show in EBITDA actually translates into the operating cash flow. That's been the fundamental principle for us when we approach a certain P&L as well.

In fact, for FY '26, we generated close to about INR173 crores of operating cash flow, broadly covering our INR87.5 crore growth capex. So this self-funded growth has helped us consistently maintain a normalized return on capital of over 26%-odd percent including in Q1 FY '27. This along with the strength of our balance sheet and business economics helped us raise the incremental debt at close to about 9%-odd, in fact lesser than 9%. We ended March 2026 with in fact a healthy debt-to-equity ratio of about 0.6 and post which, of course, the primary proceeds from the IPO would have only strengthened the balance sheet.

With the compounding network effect of cash, which is pretty much utilized for accruals, historically we have seen we are becoming less dependent on external debt. Of course, we'll balance as the growth -- basis the growth behavior as we go forward. What gives us confidence in the growth behavior going forward, and of course, is the kind of behavior that we are seeing from our consumers with almost 50% repeat behavior, 60% of the demand being organic. I think both the metrics are strong indicators of the kind of experience and the value proposition we are delivering. Can we go a lot more better? Of course, that's what we are striving for.

Finally, I would just like to conclude and say that this was just a milestone for us. I mean, of course, Q1 happened and we are very excited about it. IPO was a big milestone for us. We have a long way to go. Rental today only displaces only a fraction of the overall purchase market. The opportunity ahead, in our point-of-view is humongous. And we're super- excited about the next phase of growth as we continue to build Rentomojo with a single most non-confusing purpose that we want to build a

new consumption model for the young mobile India where renting becomes a flexible alternative to purchase.

So that -- I'll just conclude here and yeah, we can carry on with the rest of the meeting.

Operator

Hakim, would you like to go-ahead?

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited

Yeah. Hi. Thanks Vinitha. Thanks, Geetansh, for such a good introduction about the business and taking everyone through the key parameters of the business. And this is our first quarterly results presentation as a listed company. So a warm welcome to all of you.

And Vinitha, can you go to the next page?

Operator

Yes, sure.

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited

Yeah. So, as you can see as -- and also highlighted by Geetansh a few moments back, our revenue -- we had a very strong growth quarter this -- in Q1, where our revenue from operation grew 51% Y-o-Y and 15% sequential to INR1,263 million. And our normalized EBITDA is also at a healthy INR523 million and a year-on-year growth of around 50%. And our normalized PAT is also at INR219 million with a 71% Y-o-Y increase.

We held our normalized EBITDA and EBIT margins at 41% and 23% respectively, while reinvesting part of the operating leverage into experience store expansion as well. We closed the quarter at 89 stores, up from 82 stores in March, and we also reinvested some of the operating leverage in our marketing initiatives, which helps us to grow the business. Our normalized PAT margin also increased from 15% to 17%, which is up around 230 basis points. And that is on the basis of finance cost efficiencies where we optimized our borrowing cost.

The finance cost increased 10% year-on-year, while the revenue grew around 51%, taking them from 7.59% of the revenue to 5.8%. Now, Vinitha, if you can just go to the earlier slide. Yeah, and beneath these financials, the item ordered, we have received 3,29,159 items ordered on the platform from our customers or subscribers and this is a key parameter which we track internally. And this is up 46% year-on-year and 27% sequentially.

Another key parameter is purchase displaced, which is the retail value of goods our subscribers chose to rent rather than buy, which crossed INR4136 million, which is up 52% year-on-year. And even on the ROI, our normalized ROI is around 28%. which is up around 198 basis points year-on-year, and we are growing at 50% with a stable return on capital. This is the thing I would like to -- I would most like you to take- away from this slide.

Going to the next slide. Yeah, so this is the slide which are the reported numbers exactly as filed with the exchanges last evening and also reviewed by our auditors, Deloitte. Starting from the top left, the revenue from operation has grown at a 51% year-on-year and 15% sequential basis. And the total income grew at 49.8%. There is a small element of other income, which has remained stable. It has not increased, and that is the reason -- that means that the total income is fueled by growth in the revenue from operation and not from other income.

And the growth is also supported by volume. My item ordered has increased 45%. Live item has

increased 41% year-on-year. Live subscribers have increased 36%. Our occupancies has remained stable at 85%, 86%. And on top of that volume, we grew our realization as well. Our average revenue per item rose around 6% year-on-year and around 7% sequentially to INR1,663 for this quarter. And we added assets, we kept them rented, and we earned more on each one of them.

And the reported EBITDA, EBIT, and PAT may appear to fall, but there are some non-recurring items in the financials, both in the current quarter as well as in the base quarters. And I will take you through the waterfall to give you more insight on that. Vinitha, if you can go to the next slide.

The fourth page. Yeah. So, this is the normalization bridge which we have created so as to give you an idea of what kind of non-recurring items we have removed from the calculation so as to get a normalized and sustainable EBITDA and EBIT and PAT. So starting with the Q1 FY '27, in the EBITDA and the EBIT bridge, we have added one-time fire loss. So Geetansh has already highlighted, I'm not adding much to it now. We had a fire in Noida warehouse where we lost some of the assets and total value of the loss is around INR113.7 million. So that we have added as -- it is a non-recurring item, exceptional item, and it is also marked as an exceptional item in our -- in our limited review financials.

And on the PAT, same 113.7 is also there, and there is a deferred tax asset also. So we had created deferred tax asset in September 2026. So the deferred tax asset is not there in the last June financials. So to make it comparable with the current Q1 FY27, we have highlighted this also as a normalization, so that analysts can have a clear comparison between two.

I would like to reiterate that we have not paid any cash outflow of tax in this quarter. The entire INR27.3 million is deferred tax, which is an unwinding of the deferred tax asset created. Yeah, so and -- similarly, in Q4 FY '26, which is the previous quarter, there is a non-recurring item of INR29.3 million, which is some old past liability which we have written-off. And again, in Q4, in the PAT bridge, you can see that there is a deferred tax adjustment where some of the deferred tax expense was created on account of unwinding of the deferred tax asset created in September.

Yeah, if you can go on the third, Vinitha. So after adding those normalization, our EBITDA margin have grown -- sorry, our normalized EBITDA has grown from INR348 million to INR523 million and has remained stable at 41%. Our normalized EBIT has grown from INR194 million to INR293 million and has remained stable at around 23%. Our normalized PAT has grown from INR128 million to INR213 million, which has increased -- the margins have increased from 15% to 17.3% because of the finance cost.

And on the ROE and ROCE, ROE has remained stable at around 27%, 28%. ROCE has remained stable at around 26%. We have been able to reduce our cost of debt consistently. In quarter one, my weighted-average cost is around 9.58%, and the latest debt which we have taken or availed is around 8.95%. So, we are borrowing at a very competitive rate versus what kind of returns we are generating. The gap is very lucrative.

So yeah, and we have also given Ind-As to IGAAP conversion in the annexures where -- and this can help those analysts who are modeling our business on the basis of IGAAP. So similar adjustments are there in the Ind-As to IGAAP. All our warehouse rentals and experience store rentals are -- gets converted into ROU, right-of-use asset, and because of that, the EBITDA -- Ind-AS EBITDA is little bit more than the IGAAP EBITDA. However, on the PAT level, PAT level are almost similar. So we -- our Ind-AS and IGAAP PATs are not very different.

I will take a pause here and I will open the cohort for questions.

Questions & Answers

Operator

Thank you. We will now open the call for questions. [Operator Instructions] Our first question is from the line of Bala Murali Krishna. Bala, please go ahead and unmute yourself and go ahead with your question.

Bala Murali Krishna - Analyst, Oman Investment Advisors

Yeah, good evening. I am Bala Murali Krishna from Oman. So it's a great journey, IPO -- it's a good listing also. And in the business perspective, so I would like to know, so from the existing cities where you are there, there will be some addition of new people coming into cities and they will take rentals, so that market will grow maybe at that 10%, 15%. And when -- what is the plan to enter any new geographies and in the current year or in two, three years down the line to have some exponential growth?

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

No, sir, definitely. Thanks, Bala. I think we definitely don't see this as just an urban phenomenon where most of the growth -- I think if India has to grow to a \$7 trillion to \$8 trillion sort of an economy, I think most of the other geographies will have to play a significant portion. Of course Indore and Lucknow won't be as big as Bangalore, but at the same time, which is something that we've disclosed in the RHP and the DRHP as well, that Lucknow and Indore are in fact growing at superb exponential rates. And this is something that we realized during the COVID timeframe where a lot of people were moving back to their hometowns and they were not availing this relocation as a free service and that's when they told us that why aren't you there in Indore and Lucknow.

And that's how slowly and gradually we started understanding that expanding the network base is also helping create that network effect that we want. So that's a great value-add that we provide to the consumer. So, expanding cities is not just a growth lever but also a great experience lever for us. And as highlighted in the RHP as well, these are some of the cities which are growing fabulously well. From time-to-time, of course, there is a certain list that we'll continue to expand the number of cities as we go-forward, AS we clearly don't see this just as an urban phenomenon.

Bala Murali Krishna - Analyst, Oman Investment Advisors

Yeah, thanks for this. So do you have any number of cities do you want to enter in this year, new geographies? Are you planning on that?

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

No, I would refrain from any future expectation setting. I would not. But it's definitely in the roadmap. If you see it as a lever, I don't know, I mean, as I said, it's a growth lever and experience lever both for us. How much of that will translate into what sort of a growth and all of that? I'll refrain myself from setting any expectations for the future.

Bala Murali Krishna - Analyst, Oman Investment Advisors

Yeah, thanks. And on the growth front, so I think in the last three, four years, you have grown around 40% CAGR. So we expect the similar kind of numbers in coming years also. But do you think any challenges to maintain that run rate either at EBITDA level or at revenue growth front?

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

No, in fact, if you see the -- of course, till FY '26 we had been growing at 40% CAGR, and that's something that we disclosed in the RHP as well. But in fact, between FY '25 to FY '26 itself, the growth CAGR was around 45%-odd percent. So it jumped suddenly in FY '25 to '26. And as you can clearly see in Q1, it's almost like a 50% up. So let me just restrict my response more from a quarter perspective. We are fairly hopeful of the historical trends that we have seen in the past.

And as I said, and I mentioned in the initial opening remarks as well, that the keyword strength is a great indication. I mean, just the -- most of the market today is actually growing at the back of a -- more of an organic behavior. It's not so much -- I mean, 2015, the paid funnel was almost non-existent. In fact, today there is a small portion of keyword funnel which is out there. And that's the reason because of the organic behavior, it's not that because of capital you can just purchase a lot of these consumers because the paid funnel is small.

So more and more if somebody -- the largest player in the ecosystem would have the biggest network effect to play out and potentially will have the capacity to grow. So -- and that is -- but certain degree of future can also be seen in terms of the way historically the keyword volume is growing.

Bala Murali Krishna - Analyst, Oman Investment Advisors

Yeah, thanks, sir. One small suggestion. So on the guidance front or any forward-looking statement, I think earlier you were bound to RHP terms, okay. Now you can share your business plan if you are comfortable. Maybe it could be -- most of the times it would be okay that things will happen and sometimes it will miss, but maybe you can rethink on that one whether you can restrict yourself on sharing or maybe you can share some outlook to the investors. It's a thing followed by all other companies also. I just -- I wanted to give you some color on that. That's all.

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

No, no, definitely. This was also our first one. So we're just trying to be -- we're also learning and trying to understand the expectations of everyone. We will definitely -- point noted and we'll deliberate on this and hopefully we'll be able to share you more guidance in the future.

Bala Murali Krishna - Analyst, Oman Investment Advisors

Sure, sure. Thank you. Thanks a lot. All the best, team.

Operator

Thank you. The next question is from the line of Pratham Kankariya. Pratham, please go ahead and unmute yourself.

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

Pratham, I think you're on mute.

Operator

Yeah, Pratham, please unmute yourself. We'll move to the next question. Maybe Pratham can join in again. Next question is from Della. Della, please announce your organization name and go ahead with your question.

Unidentified Participant

Hi, am I audible?

Operator

Yes, you are.

Unidentified Participant

Hi, Hakim. Hi, Geetansh. Congratulations on a good set of numbers. I had a couple of questions. So, given the growth has been quite strong at 51% and most of it has come on the back of subscriber additions, could you help understand the mix between organic-inorganic user traction in this quarter? And how should we think of this 36% subscriber growth number? Are these on additional impetus on, say, performance marketing, etc.? Also, if you could nuance the offline salience to this growth a bit more.

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

Sure. Sure, Della. I would be able to clearly give you an understanding of the traffic at least, 60% of our traffic is still coming organic. So you can -- that gives you an indication of where -- what is the biggest bucket for us in terms of the acquisition so far. Of course, in the last couple of years, we have also added offline as a spectrum, which you just mentioned. I would be able to say that that's almost has grown close to about 83% year-on-year. So that's an important strategy for us going-forward, but it's a mix of organic and I would say offline is also playing a little role into it. But paid continues -- from a traffic perspective, continues to be around that 30% odd, if you strike off the referrals again. So it's still important, but compared to the organic behavior, I think it's still less significant.

Unidentified Participant

Got it. And any sort of guidance to opening more centers, more experience centers in the quarter and the year?

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

It's -- I'll refrain again from -- being our first call, we'll also learn, I think, as we go- forward, and we'll be able to give more guidance in the future. But definitely, historically, you can clearly see that's been an important strategy for us because we actually, that goes on to show that our EBITDA numbers could have been a lot more better if we were not investing into this long-term strategy for us. But we continue to do that because that's the belief that we have. So there's a certain degree of cushion on the EBITDA side. And as of Q1 ending, we have added close to about 89 stores. So that's where we are ended in terms of the store strength. So we're consistently adding, since last two, 2.5 years.

Unidentified Participant

Got it. My second question is on seasonality in the business. So the first quarter came in at 51% top line with about 100 bps margin expansion year-on-year. So, for the full year, how should we think of the growth? Also, if you could nuance it with quarter-on-quarter seasonality, is the swing quite drastic or is it range-bound?

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

So the seasonality will not impact your Y-o-Y because...

Unidentified Participant

Yeah, even Q-on-Q, like just want to understand the seasonality in the business.

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

O I would urge, purely from my standpoint, I think the best way to look at this business is purely from a Y-o-Y perspective, because of course March kicks off with a lot of summer season, lot of lateral hirings and so on and so forth and slowly and gradually it gets coupled with a lot of people joining the workforce. So I think a lot happens. So, I think the first two quarters are definitely great from a revenue perspective and some of the other two quarters are also good from a profit perspective.

So -- but purely from a -- so that's where the seasonality exists, maybe I mean coupling of summer season along with lateral hiring is what gives us a great degree of -- because at the end of the day, there's been a big misconception I think that the business is for those young professionals, those who are just joining the workforce. I think it has a lot to do with the mobility that we're seeing in the ecosystem and the kind of switches that we see in the ecosystem.

In fact, as per the EPFO data 50 lakh jobs used to get added which has jumped up to close to about 2 crores a year till FY'26. So, that gives us a certain indication of the kind of mobility which exists and that definitely helps us. So if we ignore the seasonality Y-o-Y, historically have -- if a certain month, a certain -- given a certain Y-o-Y, but historically we have seen that that kind of gets retained.

Unidentified Participant

Got it. And this quarter you'd called out average revenue per item was higher about 7% year-on-year on air conditioners, right? So how should we think of it going ahead? Like, will that 7% sustain through the year given that there's seasonality in...

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

Hakim, have you mentioned air-conditioners specifically or would you like to take this?

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited

Yeah, Della. So, our business is very much cumulative business. So even one quarter deployment will not change the revenue or the RP so much because the revenue is built on the cumulation of the past deployments. So in -- only a proportion of the revenue for this quarter will come from the deployment of current quarter. Most of the revenue is coming because we have already deployed some of our assets in the past quarter. So this is a very -- I don't know whether I can say this, but this is very predictable nature of revenue because I -- once I deploy the assets, those assets give me revenue for the next 18 months. So yeah.

Unidentified Participant

Got it. That's quite clear. I just want to squeeze in one last question. So with roughly 3 lakh subscribers that we have at Rentomojo and probably another 3 lakh from peers and long tail, what's the kind of user penetration that we're looking at with maybe like 6 lakh of organized subscribers in

the market, how should we think of that market growth rate at large?

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

See, they're close to about -- roughly about 4.8-odd crores rental apartments, 3.8 roughly within the kind of income bracket that we perform in. Within that almost 1.8 crores pretty much churns out every year. Of course, one can argue that a couple of them would have a little bit of family, large family or a joint family also churning out every year. But I think the entire ecosystem sitting at, let's say, maybe 6 lakh, 7 lakh subscriber base today has not even acquired a fraction of the overall number of rental apartments within the income bracket that we're in, which is evident purely from -- if you look at some of the keywords like a rental keyword as a fraction of the purchase, it's just about close to about 1% right now.

So some of these indications only goes on to say that the awareness for this proposition is slightly lesser and the biggest driver for -- in absence for a large paid funnel the driver of the industry right now is the network effect that you can create with your own base. That's what we're seeing, that's what has been giving that 20% CAGR in terms of the keywords that we're seeing and the industry growth that we're seeing right now.

Unidentified Participant

Got it. This is very helpful. Thank you so much and all the best.

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

Thank you, Della.

Operator

Thank you. Our next question is from Manish Oswal. Manish, can you please announce your organization name and go-ahead? Manish, please unmute yourself. You're on-screen.

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

Is there an issue with the mute, Vinitha? Can you just check? I hope it's not. I hope people are able to unmute.

Operator

No, no, they have to -- as we already mentioned, they have to give permission to Microsoft for unmuting to allow access. If they have not done that then they will not be able to unmute. Okay, we'll take the next question from Dikshant Gupta. Dikshant, please go ahead.

Unidentified Participant

Hello, am I audible?

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

Yeah, Dikshant, you are.

Unidentified Participant

Yeah. Hi, sir and congratulations for the very good set of results. So I just wanted to understand a bit

of the unit economics, such as like what is your payback period and refurbishment cost, etc. So like say you purchase an asset for INR10,000, so what is the rental that you get on it and what is the refurbishment cost when it changes hands?

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

See, like any capex business, like a manufacturing or a hospital or like a hotel, this is of course like a -- if you put in \$100 how quickly are we getting that capital back and what sort of a multiple, revenue multiple that you can generate. So I think we mentioned that in the RHP as well that as per the 2017 cohort, it was almost like 5 times revenue was built on that indexed to \$100, of course. 2017 cohort was of course a couple of million dollars, but if you index that to \$100, that generated 5 times the return. I mean, 5 times the revenue multiple and about almost 56% of the products were still generating revenue for that cohort.

So that gives us a certain degree of sense of the kind of useful life that there is in the business. Of course the paybacks are lesser than the useful life, but of course -- yeah, that's what I would say. We haven't disclosed the payback as such, but there is a considerable difference between the payback and the useful life.

Coming back to the second question that you asked, which is the repair and maintenance as a fraction of the revenue, I think this is something that we disclosed, was around 6%, I think which is there in FY '26 as well. We spent close to about INR20-odd crores in terms of the consumables. This doesn't include the technicians and carpenters altogether in FY '26 it's out there.

We spent around almost INR20-odd crores on a gross block of roughly about INR460 crores to INR450-odd crores of the gross block that we had. So that's the kind of repair and maintenance that we spent and roughly about, I would say, INR49 crore to INR50-odd crores that was spent on depreciation. So roughly about INR70 crores that was spent on a gross block of roughly about INR450 crores to INR460-odd crores which gives you a 6 times sort of a life.

I mean, if you divide the INR460-odd crores divided by the INR70-odd crores, that's what it should translate to. So that's what I would say, Dikshant, for now. Okay.

Unidentified Participant

Thank you. And -- so are your stores running under the CoCo model and currently what is the online versus offline revenue mix?

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

It's completely company-operated, all the 89 stores are company-operated for us. The Y-o-Y growth in the offline that we have seen is roughly about -- as I said some time back, close to about 83%-odd.

Unidentified Participant

Sorry, 83%-odd is the growth or the share?

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

The growth.

Unidentified Participant

And what would be the share out of the total revenue?

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

This is something that we can take it offline. For more questions around the store economics or anything like that, happy to connect offline either with me or with the Raadhi's team, we'd be happy to assist you with that.

Unidentified Participant

Sure, sir. Definitely. I would like to connect with you all offline. Thank you.

Operator

Thank you. Our next question is from Manish Poddar. Manish, please unmute yourself and go ahead with your question.

Manish Poddar - Analyst, Invesco Mutual Fund

Hi team. So I have two questions. One is, if you can help me with the balance sheet situation right now. Let's say, what is like the gross block number? And how much is, let's say, the cash or debt number, which is there on the balance sheet today?

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

Hakim, would you like to take this?

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited

Hi, Manish. So, Manish, we have not presented the balance sheet being the Q1, so I would refrain from giving any numbers as of now. What we have disclosed is cost of debt is around -- the latest cost of debt is around 8.95%, and the average is around 9.5%-odd.

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

But, Hakim, maybe you can specify the FY26, where you were in terms of the debt-to-equity and what sort of a net worth addition happened? Maybe slightly more [indecipherable] of course, we can connect with him online and try and give him more picture.

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited

Correct. So, Manish, we had debt of around INR180 crore, INR185 crore in FY '26 with a cash of around INR35-odd crores. So net debt of around INR150 crore. And on that, the net worth was around INR290 crores. So we were at a very healthy debt-to-equity ratio of around 0.4-0.45. And with this IPO, we are raising around INR150 crore capital. We have raised INR150 crore capital, so my net worth will become around INR440 crore plus some profit, which will be added in the H1. So by September, it would be INR450 crore plus, and accordingly you can model the debt-equity ratio. The debt-equity ratio is still at a very healthy ratio.

Manish Poddar - Analyst, Invesco Mutual Fund

Okay, and just if I had to understand this, the purchase pattern which we generally do, so if you can help me understand, let's say last year, generally whatever you purchase in Q1, how much is that of the full year purchases, if I have to think about it?

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited

That number typically is not handy with me. Maybe we can connect offline and I can share that with you.

Manish Poddar - Analyst, Invesco Mutual Fund

Okay, no worries. Thanks.

Operator

Thank you. Our next question is from the line of Raj Shah. Raj, please unmute yourself and go ahead with your question. Please announce your organization name.

Raj Shah - Analyst, Fident Asset Management

Hi, are you able to hear me?

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

Yeah.

Raj Shah - Analyst, Fident Asset Management

Yeah, Raj here from Fident Asset Management. So I wanted to understand in terms of our growth. So going forward for the next say, next two to three years, what kind of growth can -- what mix of growth can come from subscriber growth? And I mean, just a mix between subscriber growth in terms of -- growth in terms of the number of items per subscribers and the ASP growth as these three mixes to understand the total growth that we can do?

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

Raj, historically -- again, historically we have seen the item per user move from roughly about 2.3 to as it stands today close to about 2.8-something. So that has been a pretty, I would say, decent lever in terms of the overall revenue growth that we are seeing. Subscriber additions continues to be the biggest lever in terms of the growth historically and item per user. Our RPI, I would say, the rent per item has remained broadly same historically. Let me give you that understanding. But predominantly it was a mix of subscriber and item per user that we are seeing change in the business.

Raj Shah - Analyst, Fident Asset Management

Okay, understood. And secondly, on the agreement that we have signed with Dixon, so currently, what are we sourcing from them? And because of this sourcing, what kind of cost-reduction can we see in terms of per-item basis, because these will be slightly lower cost as compared to branded products. So what cost reduction can we see and what is the mix that you see going-forward, I mean, over the next three, four years from this agreement?

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

So the discount, of course, depends a lot more on volume and the kind of terms and the kind of working capital terms that you have, etc., which also fluctuates a little bit. But I would say we -- with Dixon, we are predominantly getting our refrigerators and washing machines, at the moment. It's been an important relationship for us and we have -- but we are building these kind of relationships across -- with some of the other contract manufacturing companies as well. So, but predominantly

it's refrigerator and washing machine.

Raj Shah - Analyst, Fident Asset Management

Understood. And just lastly, what will be our gross block addition for this year?

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

For FY '26?

Raj Shah - Analyst, Fident Asset Management

'27.

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

'27, it's just been first quarter. I can talk about FY '26, that was close to about INR170-odd crores.

Raj Shah - Analyst, Fident Asset Management

Okay.

Operator

Thank you. Our next question is from Navin Koushik. Navin, please unmute yourself and go ahead with your question. Please announce your organization name.

Navin Koushik - Analyst, Ithoughtpms

Yeah, am I audible?

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

Yeah. Yeah, Navin.

Navin Koushik - Analyst, Ithoughtpms

Yeah, I'm Navin from ithoughtpms. So just a couple of questions. They're pretty much follow-ups to the previous participant. So first, just want to understand again the share of our gross block that we have from Dixon versus from other manufacturers and more on the economics part of it. So essentially, like, if you're doing further capex, like, what would our preference be with respect to private label versus other brands? So just want to understand a bit about this.

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

Navin, that number is not handy. We'll of course pull that number and maybe try and get you. But what I would say is we're not biased around a private label or our own brand or anything like that versus another brand. We still have Wakefit on the platform, we've got Duroflex mattresses altogether and wonderful relationships that we have with them. We, of course, take it from Haier, Samsung, there are multiple brands which are also running on the platform.

It all depends on the kind of demand behavior that we're seeing for a certain SKU. So the backend is more about, we're perfecting over and over many quarters and over many years we're perfecting our inventory prediction algorithm which doesn't bias between a private label or a non-private label at all. So, our procurement is completely dependent on the demand that we're seeing from the consumer. In some categories you might see the brand being an important parameter to take up

even on rental. In some categories, maybe price would be. So basis that we go ahead and purchase.

Navin Koushik - Analyst, Ithoughtpms

Got it. My next question would be on the fleet addition. So I don't know the exact numbers for like the gross block additions this year or next year. What I want to understand is how you evaluate adding to the gross block in the first place? And essentially, like, do we think about it in terms of budget or do we think about it in terms of size, in terms of market share? Like, I just want to understand how we go about planning like supply addition.

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

The supply addition, as I said, it's a complex inventory prediction algorithm that we have perfected over many years. See, for most of the typical, let's say, if you're in a selling business, all you need to figure out is what sort of a traffic which is coming in, let's say add to carts and whatnot, and look at the funnel. and try and estimate a certain degree of demand basis the impressions that you're seeing on the paid side, organic side, whatnot.

Here, the complexity is not just predicting demand, but also at the same time predicting churn. So there are several predictions which are happening. So I would say we have to predict demand, we have to predict churn, we have to predict how many we'll be able to repair on a daily basis and that has countless consumables at the back. We have more than 200, 300 SKUs and countless -- some 1,000 plus consumables at the back that we need to figure out, do an inventory prediction of them at the right time, maintain the inventory days for that. And if the consumables is there, maintain a prediction of the attrition of the technician and carpenters and somehow miraculously predict that how many of, let's say, a certain refrigerators will be able to push from a refurbishment bin to a deployable bin.

So these are three different predictions running at the back. Of course, as a company, we have tried to balance both growth and return on capital at the same time. That's why you're seeing a 40% growth and a good 25%, 26% return on capital last several years. So there is a certain degree of budget angle to it, as you rightly pointed out, that defines the traffic, that defines the multiple variables that flow- through, multiple variables that goes into churn, multiple variables that goes in terms of the refurbishment activity, then multiple variables that goes in terms of the supply chain because the vendors are all across pan-India.

So you need to use the supply chain somehow to ensure that your products are also reaching those warehouses on time, and that reflects on the occupancy. So we don't find 90% occupancy good, we don't find 65%, 70% occupancy good. So we have been able to see a good sweet-spot of around 83% to 84%, which has not been too aggressive in terms of the stock that we are seeing a little bit of warehouse capacity unutilized and at the same time not so conservative that we're consistently going out- of- stock. So we have been able to maintain 83%, 84% occupancy, which is an outcome, direct outcome of the inventory prediction model that we have.

Navin Koushik - Analyst, Ithoughtpms

Maybe a small follow-up on this. So, essentially, I just want some perspective on the funding angle of this, right? So -- and the scale especially. So essentially like cash- flow before financing for us was -- I don't think we had any cash- flow before financing for FY '26 and have also not earmarked any IPO proceeds for the same purpose. So I just want to understand at what scale of business -- I mean, or rather, does the scale of our current business have a bearing on how much supply addition

we want to do? So will it grow as the scale of the business grows, or...

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

I would say we are comfortable there. Let me not give you a great degree of guidance, but let me give you a lot of comfort that we are not restricted by supply at all. We're generating almost INR170 crores of operating cash flow for FY '26 and INR170 crores went in terms of buying capex with what Hakim mentioned, the debt-to-equity was not even 0.5 to 0.6. So you can imagine the kind of leeway that you have where a bulk of your accruals is going into capex, then comes the waterfall that you can take external debt and there also you can go up to a certain debt-to-equity. So we're definitely not constrained by our aspirations of growth. That's definitely not the case. That's something that I would love to give you that comfort.

Navin Koushik - Analyst, Ithoughtpms

Yeah, got it. Thanks a lot for your time. Yeah, this is very helpful. Thank you.

Operator

Thank you. Due to time constraint, we'll take the last question for the day. We have Chintan Shah. Chintan, please unmute yourself and go ahead with your question.

Chintan Shah - Analyst, Motilal Oswal Asset Management Company Ltd.

Hi, thank you so much for the opportunity. So I had two questions. So one is right now we are in a scenario which is inflationary, especially on the consumer durable side, and potentially we could also see some increase in interest-rate cycle over and probably next few quarters. So two things that I wanted to understand. One is, how does this inflationary and increase in interest rate scenario impact our business in terms of your subscriber behavior and growth perspective? And second, just wanted to understand our strategy to tackle this probably in terms of pricing, etc. So the two aspects if you can throw some light.

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

So Chintan, so I'll take the second one first. With respect to, of course, this is challenging times where a lot of interest- rate sensitivity has, but our business is not a spread business at the end of the day. It's a business of payback and useful life. It's a business of occupancy at the end of the day. So, marginal 1%, 2% here and there doesn't impact the return on capital that much. Some of you would have -- some of our earlier models that we would have given, most of us can calculate the sensitivity of return on capital on the interest rate, which is not going to be so high.

So that's one. B, of course, as these supply chain gets constricted a little bit, we have historically seen, let's say some of the costs going up in packaging, but repairs itself is almost about 6% of the revenue, so that doesn't impact that much. Some of the places where the pricing goes up, but see, we're not in the business of selling at the end of the day. And the benchmarks are also not clear. In some cases, maybe the benchmark as a proposition for the consumer can be purchased, for some it can be maybe a furnished apartment, for some it can be a secondary. So the benchmark is not as visible and any which way even if it's a 10% to 20%, 30% increase in terms of the price, imagine if you're paying that 20% increase in the next 18 to 20 months.

So that purely from a hit perspective, if you're in the purchase business, this hits because at 20% you're paying on day one. But if you're paying over a staggered -- in a subscription plan over many

months, that also helps you at the end of the day. So I think that should give you some sense of the lens where I'm going with these two variables.

Chintan Shah - Analyst, Motilal Oswal Asset Management Company Ltd.

All right, understood. Just two follow-up here. So one is basically suppose the cost has gone up, say around 10%, 15%-odd, there's a sharp increase suddenly that has happened on the consumer side. So probably your purchase cost, your supply cost increases. But how do you sort of pass this on? Is it like a gradual mechanism where you keep on gradually increasing prices, or is it more of a one-time activity that you'll do just immediately?

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

No, our rentals are always a function of the kind of procurements that we're doing. Let's say -- and that's a lever that is always there with us. Should we pass it back? Will it decrease something for us? But largely what I want to say is maybe a 10%, 15% staggered over an 18 to 20 -month period has not so much of a sensitivity on the conversion funnel or on the margins as we are giving -- as we're giving as much importance to. The sensitivity is less to the conversion funnel or to the margins, because it's staggered 18 to 20 months.

Chintan Shah - Analyst, Motilal Oswal Asset Management Company Ltd.

Got it, understood. That's clear. And just one more bookkeeping question. I mean, if you could just spell out the unrecognized contracted revenue as of end of Q1 FY '27. I believe FY '26 end it was INR293 crores. So the same number you can highlight for Q1 FY '27 end.

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

Hakim, you would have that handy. We just asked on -- just yesterday, I think.

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited

I think you're asking about contracted revenue, right?

Chintan Shah - Analyst, Motilal Oswal Asset Management Company Ltd.

Yeah, the unrecognized part.

Hakim Fakhruddin Ujjainwala - Chief Financial Officer, Rentomojo Limited

Yeah. So, the total contracted revenue which we contracted this quarter is around INR5,544 million [Phonetic], and unrecognized is around INR4079 million.

Chintan Shah - Analyst, Motilal Oswal Asset Management Company Ltd.

INR4079 million, INR408 crores. Okay, okay, got it. That's all from my side. Thank you so much for answering my questions.

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

Thank you, Chintan.

Operator

Thank you. That was the last question for the day. Thank you once again for your time and participation. On behalf of Rentomojo Limited, this concludes today's conference. For any questions,

please feel free to write to us on the email IDs mentioned on the invite. We appreciate your engagement. You may now disconnect your lines.

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

All right. Thank you. Thank you, everyone. Thank you.