

## We want to be a super-app for travel: MakeMyTrip CEO

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or MakeMyTrip, the pandemic opened up opportunities for transforming its business and solve all travel use cases, as it embarked on a journey to be a one-stop shop for all things travel, said co-founder and group chief executive Rajesh Magow in an interview. Speaking about expanding to smaller towns, Magow said it used the downcycle to improve its product add more language support and voice features, to be ready for the long-term opportunities. *Edited executs*:

## You came out of the pandemic with a stronger balance sheet. What did you do to achieve it?

Like the many tough times and down $cycles \, in \, the \, past, running \, a \, business \, is \,$ never a straight line, and always comes with its own challenges, roadblocks, etc. And the pandemic was clearly, in the context of the travel industry specifically, perhaps the mother of all the challenges. It was clearly different by any order of magnitude. But we believe the most interesting challenging situation invariably comes with a long-term opportunity, if you see it from that lens. If you do not, you will miss the bus. So, ours was a two-pronged strategy to deal with this massive challenge. One is crisis management, as at the onset of covid when the lockdown hap-

pened, it wasn't clear whether it will be there fortwolong years. Every-

body was conjecturing, nobody really had a cue. Our sense was that it will definitely be long—a year to 15 months—but we didn't think that it is going to be two years. Yes, there were recovery waves in between, but overall, it was like two-plus years from a full business recovery standpoint. But during these two years, though there was hardly any silver lining, in respect to our business, there was this opportunity of giving us time, bandwidth and ample resources, considering that regular business was not happen-



We have a tech and product team strength of 1,000-plus people, and the pandemic allowed us to think about what we can possibly do more. In many ways, we started attacking those areas that we could potentially transform, or those that would help us give the next level of growth.

## So, how did you use this tech and product team?

In terms of just new developments of the platforms or getting into new business and customer segment, we started investing our resources, putting people on the job to build multiple platforms. We had our B2C plat-

INTERVIEW form, which is the website and app, and we had started building our really corporate platform pre-pandemic but

corporate platform pre-pandemic, but we significantly enhanced capability and added more products in there. Then we built a travel agent platform, myPartner, and another, myBiz.

And then, we built a trip money platform, which is also a mini fintech platform, with three sub-verticals — insurance, consumer lending, and forex. We recently invested in a company called BookMyForex. Then we built an advertisement platform. So now, when you go on our platform, you will see our partners have the option to advertise on our platforms. So, it's not necessarily only transactions, but if somebody is looking

for visibility, like tourism boards, they

can leverage our platform.

It makes sense for them as their goal is to create more and more awareness about the destination, and we have the traffic, which is probably the most qualified high-intent travel traffic. I will say, building the new platforms, and

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**Rajesh Magow** 

co-founder & group CEO, MMT

ensuring we leverage our technology, product, and supply team, to focus more on what could be future growth levers, was one theme. Two, was about enhancing customer experience to a completely different level with several differentiated offerings with lots

of personalised contexts, rather than a plain vanilla booking. These were the two big themes.

You have been talking about going deep, catering to Bharat. Is there enough business opportunity?

Going deep into Bharat was a strategic thought we had during the pandemic. Over the last few years, the top metro cities, or let's say, top 10 cities, have been giving all the internet traffic

to pretty much all the categories that are into e-commerce business in India. The idea was to go beyond, build capabilities and competencies, and offerings for our customers, which can go beyond the 10 cities.

To give you some numbers, in every quarter, 30% of our transactions come from new users, while 70% come from repeat customers. Out of this 30%, 40% come from tier two, and tier three. So, about 12% of total transactions would be coming in from tier two, and three, and it's definitely growing.

To help growth, our platform now has support in Hindi and Tamil, for our flights and rail business. Bus and hotel are coming up. We want to test the two languages, and then expand to more. We are getting some traction already, and this is going to be our long-term initiative. We want to add potentially a voice feature, where you can speak into the mic, give instructions and book.

For redBus commuters, bookings, which were earlier across 5,000 towns, have now gone up to 7,500 plus unique towns. So, you can imagine where all it has penetrated. It is definitely beyond even tiers III and IV. A large part of India travels by bus and rail. If you look at destinations, about 64% are going to tier II and III cities. From a source perspec-

tive, 36% of bookings are coming from tier two and three cities. You reported small net profit in Q3. What helped you

turn profitable?
What was very interesting and most relevant post-pandemic, was the overall group turning profitable at a

scale, and not just bare unit economics. It was a function of a couple of things—some smart move on cost rationalization and cost modelling from the restructuring standpoint. Some, thanks to automation, and by moving from a fixed cost to a semi-variable or a variable cost structure, and then the overall recovery, as well as rationalisation of sales, promotions and dis-

## RBI MAY HIKE RATE BY 25BPS; WILL IT BE LAST IN THIS SERIES?



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onsidering the Reserve Bank of India (RBI)'s discomfort with sticky core inflation, we think the monetary policy committee (MPC) will go for another 25 basis points (bps) rate hike in the February policy. The decision will obviously not be unanimous, but the resolution will still likely pass on a majority vote. We also think the time has come for the MPC to consider changing the monetary policy stance from "withdrawal of accommodation" to neutral, as real rates have turned positive.

According to our own assessment, further rate hikes are not warranted at this juncture, considering that significant front loading has already been done, and real rates are likely to be positive by over IOObps in IHFY24, with respect to headline consumer price index (CPI) inflation, even at the current policy rate of 6.25%.

But, given that the current drop in headline CPI inflation is led primarily by softening food inflation, and that core inflation is still uncomfortably sticky at 6%-plus levels, RBI may therefore opt for an insurance rate hike, albeit a smaller dose compared to the past.

According to our assessment, with or without this rate hike, core inflation should start to ease from April-June below 6%, and average about 5.5% in FY24; therefore, a rate hike could be avoided at this juncture, as the risk-reward of further rate hikes is more tilted against growth compared to inflation. Our medium-term forecasts show that core inflation will continue to moderate over the next quarters, along with a sequential moderation of growth momentum, which is consistent with findings of past empirical research

The likely 25bps hike will be accompanied by a downward revision to RBI's headline CPI forecast. A downward revision is inevitable as October-December 2022 CPI averaged 6.1%, 50bps lower than RBI's forecast of 6.6%.

We are now forecasting FY23 CPI inflation to average 6.5% in FY23 (versus RBI's 6.7%), with January-March CPI average likely at 5.5% (RBI's latest forecast is 5.9%).

Our April-Tune (DB estimate 4.3% versus RBI

Our April-June (DB estimate 4.3% versus RBI at 5.0%) and July-September CPI (DB estimate 4.8% versus RBI at 5.4%) forecasts are also lower



The interest rate hike may be accompanied by a downward revision to RBI's headline CPI forecast

than RBI's CPI forecasts by 60-70bps. Overall, we are forecasting FY24 CPI inflation at 5% with risks biased to the downside.

But how long is RBI expected to pause before cutting the policy rates? In order to answer this question, we analyzed the past two decades' data to decipher how long the central bank has waited before hiking rates post a rate cut cycle, and cutting rates post a rate hike cycle. We find, the pause period before commencing a rate hike cycle is generally longer (in terms of months) compared to a pause period preceding a rate cut

Overall, RBI has waited 9-18 months, before starting a rate hike cycle, while the pause period before a rate cut cycle has been 5-11 months, according to our analysis.

Our view is that RBI will find it difficult to cut rates unless the US Fed is ready to cut rates Post February, we expect RBI to enter a prolonged pause and then start cutting rates from December 2023 onwards, converging with the US Fed's rate cut cycle, which would constitute about 10 months'

pause, assuming that the central bank hikes one last time in February.

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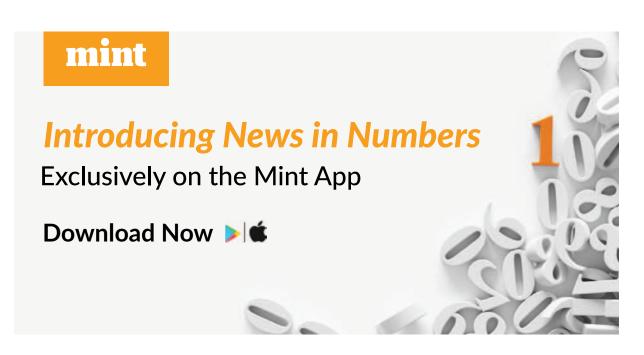
rates unless the US Fed is ready to cut rates. If the Fed easing cycle gets postponed, com-

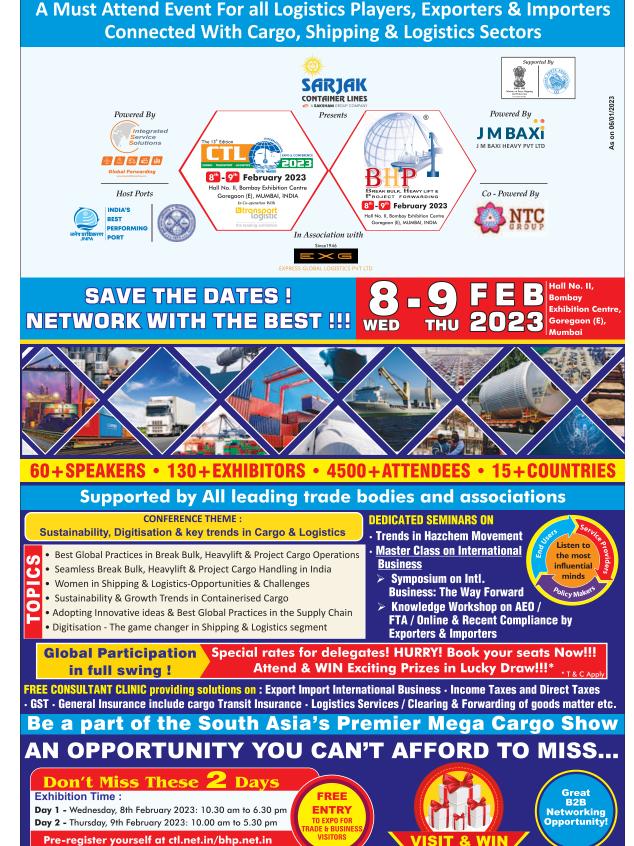
If the Fed easing cycle gets postponed, compared to our current baseline expectations, then it is plausible that RBI may also consider cutting rates after a few months, so as to not let the interest differential between the reporate and Fed Funds rate narrow below 100bps.

If the repo rate rises to 6.50% in February, then RBI can consider cutting lOObps between December 2023 and June 2024, bringing the repo rate down to 5.50% by mid next year.

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