

Internet Software & Services

India

Sector View: **Attractive** NIFTY-50: **26,068**

November 24, 2025

Labor codes: Implementation finally underway

The government has approved the implementation of four labor codes with effect from November 21, 2025. These codes were passed by the Parliament in 2020 and were awaiting implementation. According to PIB, 29 labor laws have been consolidated into four codes with the aim of easing compliances and modernizing outdated provisions while safeguarding workers' rights. Platform companies (such as Eternal and Swiggy) will need to contribute to a social security pool, which will be used to provide social security benefits to gig workers. A central minimum wage, higher than the current minimum wage, may have an impact on wage bills for employers across sectors.

India's labor codes come into force; exact rules awaited

The government has approved the implementation of four codes (the Code on Wages, the Industrial Relations Code, the Code on Social Security and the Occupational Safety, Health and Working Conditions Code). We believe the full implementation of these codes will happen as and when specific rules regarding the codes are framed by states.

Gig workers to be eligible for social security benefits

The code on social security extends to all workers, including unorganized, gig and platform workers. Under this code, aggregators will contribute 1-2% of annual turnover, capped at 5% of payments to such workers. For now, it is unclear whether this quantum will suffice for proposed PF payments or will only be used to provide benefits such as life, disability, health and old-age benefits. Assuming companies such as Eternal and Swiggy have to shell out an incremental 5% of annual payments to workers, the food delivery businesses could see an impact to the tune of Rs3.2/order, while QC businesses could see an impact of ~Rs2.4/order. We believe companies would pass on the impact of these to consumers with time via higher platform fees or other charges.

National minimum wage to be fixed by the center; states to follow suit

The code of wages establishes a statutory right to minimum wages for all employees across organized and unorganized sectors. A statutory floor wage shall be set by the government based on minimum living standards, skill levels, etc. States can choose to have a different minimum wage, though it cannot be below the center-mandated minimum wage. For now, it is unclear if minimum wages are applicable to only full-time employees or if gig workers are also included in this ambit. Gig workers may work with several platforms at any time, and hence the implementation of minimum wage for now is unclear.

Staffing companies such as TeamLease to benefit over the medium term

Ease in labor-related compliances should be a positive for organized staffing companies such as TeamLease. The benefits will, however, accrue over the medium term, assuming easier labor codes aid formal sector employment. Near-term impact will be contingent on exact rules, which are awaited.

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Gig workers to be eligible for social security benefits

The Code extends social security to all workers including unorganized, gig, and platform workers, covering life, health, maternity, and provident fund benefits, while introducing digital systems and facilitator-based compliance for greater efficiency.

Inclusion of Gig and Platform Workers. New definitions are included—"aggregator," "gig worker," and "platform worker"—to enable social security coverage. Aggregators to contribute 1-2% of annual turnover (capped at 5% of payments to such workers).

Social Security Fund. A dedicated fund to finance schemes for unorganized, gig, and platform workers, covering life, disability, health, and old-age benefits has been proposed. The amount collected through the compounding of offences will be credited to this fund and used by the government.

Platform companies provide some benefits, may need to provide more

Assuming platform companies such as Eternal and Swiggy have to contribute a maximum of 5% of current payouts to delivery riders into the dedicated fund, it could imply a Rs2-3 incremental cost per order. However, these companies already provide (1) insurance with accident cover up to Rs1 mn, (2) health insurance cover up to Rs100,000, (3) loss of pay coverage and (4) maternity benefits up to Rs40,000. If the government mandates creation of a corpus to fund benefits, some of these benefits provided by platform companies may move to the corpus. We believe incremental impact to companies such as Eternal and Swiggy may not be very large.

Incremental impact from contribution of funds toward social security may not be large for Eternal, Swiggy

Exhibit 1: Estimated impact of higher social security contribution (Rs/order)

	Food delivery	Quick commerce
Payout to delivery rider (Rs)	63.0	47.0
Incremental maximum payout as % of delivery rider payout (%)	5.0	5.0
Implied incremental payout to delivery rider (Rs)	3.2	2.4
Insurance and other benefits already paid out	Health, accident, loss of pay and maternity insurance	
Actual incremental impact on companies	~Rs1-2/order	

Source: Kotak Institutional Equities

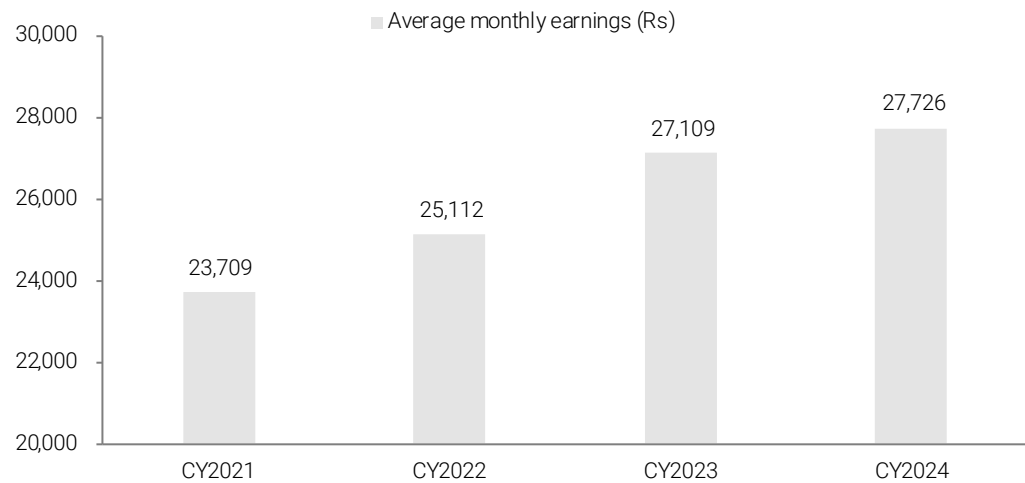
The imponderables. Implementation and distribution of social security to gig workers will not be straightforward. The government has already started collection of job details etc. via e-shram, a correct step in our view. It would, however, need to formulate policies for equitable distribution of social security as: (1) hours of work across workers are not standardized, (2) gig work witnesses extremely high attrition, making it difficult to identify beneficiaries, and (3) gig workers may work across different companies at one time, making attribution difficult.

Eternal's gig workers earned monthly gross wages of ~Rs28k in CY2024

We refer to Eternal's disclosures on wages of gig workers in the food delivery business. The average monthly earnings for its delivery partners (calculated for delivery partners who logged-in for at least eight hours per day and 26 days per month) increased to ~Rs28,000 in CY2024. Even after accounting for estimated fuel cost (~Rs5,000 per month), we believe in most cases it would be higher than prevailing minimum wages. Further, this is pan-India wage and we believe wages in metro cities would be higher than this average.

Eternal's delivery partners earned ~Rs28k per month on an average in CY2024

Exhibit 2: Average monthly earnings of Eternal's delivery partners, calendar year-ends



Notes:

(a) Above data represents the average monthly earnings for delivery partners who logged-in for at least eight hours per day and 26 days per month.

Source: Company, Kotak Institutional Equities

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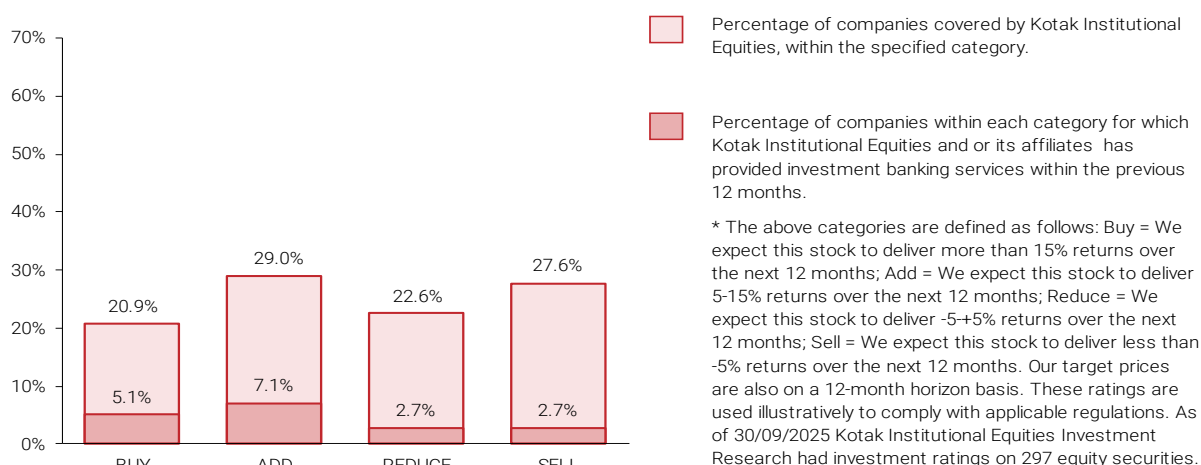
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Corporate Office

Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block" Bandra Kurla
Complex, Bandra (E) Mumbai 400 051, India
Tel: +91-22-43360000

Overseas Affiliates

Kotak Mahindra (UK) Ltd
8th Floor, Portoken House
155-157 Minories, London EC3N 1LS
Tel: +44-20-7977-6900

Kotak Mahindra Inc
PENN 1,1 Pennsylvania Plaza,
Suite 1720, New York, NY 10119, USA
Tel: +1-212-600-8858

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Details of	Contact Person	Address	Contact No.	Email ID
Customer Care/ Complaints	Mr. Ritesh Shah	Kotak Towers, 8th Floor, Building No.21, Infinity Park, Off Western Express Highway, Malad (East), Mumbai, Maharashtra - 400097	18002099393	ks.escalation@kotak.com
Head of Customer Care	Mr. Tabrez Anwar		022-42858208	ks.servicehead@kotak.com
Compliance Officer	Mr. Hiren Thakkar		022-42858484	ks.compliance@kotak.com
CEO	Mr. Shripal Shah		022-42858301	ceo.ks@kotak.com
Principal Officer (For the purpose of Research Analyst activities)	Mr. Kawaljeet Saluja	Kotak Securities Limited, 27BKC, 8th Floor, Plot No. C-27, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051	022-62664011	ks.po@kotak.com

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