Internet Software & Services

India

Sector View: **Attractive** NIFTY-50**: 24,734** **September 04, 2025**

Delivery fee comes in the GST ambit

The GST council has notified the GST rate on local delivery services through e-commerce companies at 18% (versus no rate notified earlier). While Zomato and Swiggy have been paying 18% GST on the platform fee, they have not been paying GST on the delivery fee and will be liable to do so hereafter. The companies have already been increasing platform fees, which will likely offset most of the ~Rs2/order impact. The cost for the consumer will increase, although even for the cohort with the highest transaction frequency (~200 times a year), the impact will be ~Rs400 per year, manageable in our view.

Delivery fee rendered via e-commerce platforms to attract 18% GST

The GST council has notified the GST rate on local delivery services through e-commerce companies at 18% (versus no rate notified earlier). Delivery companies such as Zomato and Swiggy have historically paid nil GST on delivery fees charged from consumers in the absence of the notified rate, treating this fee as income in the hands of the delivery rider. Once the GST rates come into effect, these companies will have to pay 18% GST on all delivery fees earned from consumers in both food delivery and quick commerce businesses. We note that companies have already been paying 18% GST on other consumer charges, such as platform and handling fees.

Companies can witness additional charge of Rs2/order from 18% GST

According to Zomato's quarterly disclosures, the company earned an average delivery fee of ~Rs11.5/order in the past four quarters. The quantum of this fee has been coming down on account of a higher proportion of Zomato Gold orders, which attract no delivery charge. An 18% GST rate on this fee would entail an additional charge of ~Rs2/order.

Higher platform fee can come to the rescue

In the food delivery business, Zomato and Swiggy have steadily increased platform fees to ~Rs9/order in 1QFY26 from nil in 1QFY24. This was done to offset the impact of free deliveries via Zomato Gold/Swiggy One membership programs. Media reports as well as apps of these companies indicate that the platform fee, at least in metros, has been hiked to Rs12-15 for Zomato and Swiggy. The actual pan-India blended increase could be lower, although it does seem like companies will manage to take Rs3-4/order of price hikes. These price hikes can completely offset the impact of the imposition of GST on delivery fees and generally high inflation in delivery rider wages.

QC businesses will see lower impact from GST on delivery businesses

The customer delivery charge monetization by QC players is low, with most still offering free deliveries on most orders. Blinkit offers free deliveries for order values higher than Rs200 in select locations, while Instamart offers nil delivery fee via Swiggy Super. The impact of higher GST on delivery fees in this segment will thus be limited.

Full sector coverage on KINSITE

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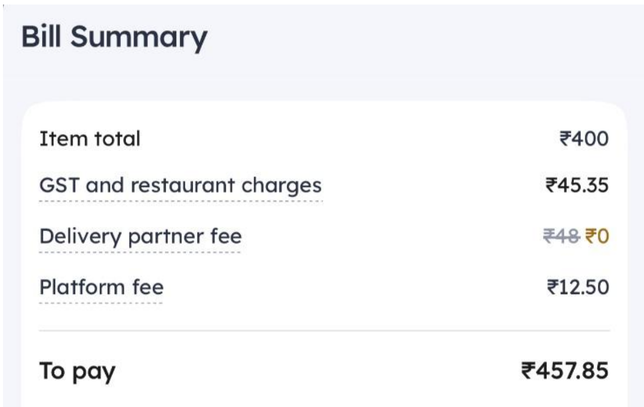
Platform fee hike can completely offset the Rs2/order GST impact

Exhibit 1: Constituents of Zomato's food delivery revenue, March fiscal year-ends

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Reported revenue (Rs mn)	19,420	20,120	20,720	20,540	22,610
(+) Actual customer delivery charges paid (Rs mn)	2,610	2,530	2,410	2,460	2,730
(+) Gross platform fees paid (Rs mn)	940	1,230	1,690	1,860	2,130
(-) Platform fee paid (already included in revenue) (Rs mn)	(410)	(480)	(690)	(770)	(890)
Adjusted revenue (Rs mn)	22,560	23,400	24,130	24,090	26,580
Per order calculation					
Estimated number of orders (mn)	212	220	220	215	234
Customer delivery charge (Rs/order)	12.3	11.5	10.9	11.4	11.7
Impact of 18% GST (Rs/order)	2.2	2.1	2.0	2.1	2.1
Gross platform fee (Rs/order)	4.4	5.6	7.7	8.7	9.1

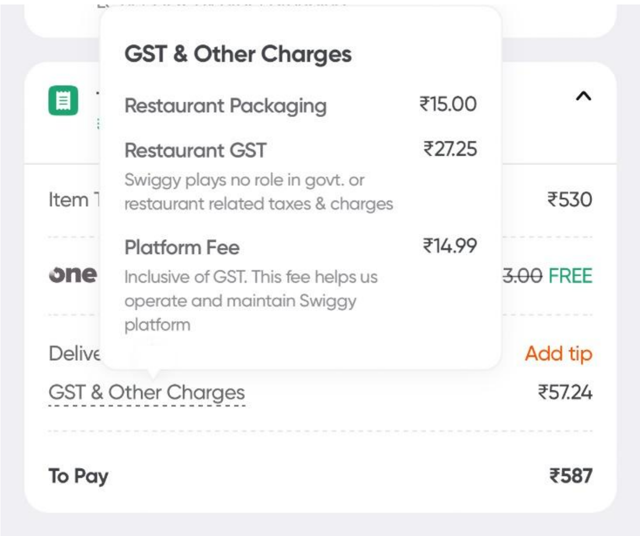
Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Snapshot of Zomato's food delivery platform fee



Source: Company, Kotak Institutional Equities

Exhibit 3: Snapshot of Swiggy's food delivery platform fee



Source: Company, Kotak Institutional Equities

Exhibit 4: Eternal's SoTP-based Fair Value of Rs375

	Sep-26	
	Rs bn	Rs/sh
DCF-based valuation of the food delivery + going out business (Rs bn)	1,195	126
DCF-based valuation of Blinkit (Rs bn)	2,087	220
Valuation of District at 3X Sep-27 revenues (Rs bn)	38	4
Valuation of investments (Rs bn)	13	1
Net debt (cash) (Rs bn)	(222)	(23)
Equity value of the company (Rs bn)	3,555	375
Fully diluted share count (mn)		9,468
Fair value (Rs/share)		**375**

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: Swiggy's SoTP-based Fair Value of Rs425

	Sep-26	
	Rs bn	Rs/sh
DCF-based valuation of the food delivery + going-out business (Rs bn)	805	323
DCF-based valuation of Instamart (Rs bn)	223	90
Value of investments (Rs bn)	14	5
Net debt (cash) (Rs bn)	(17)	(7)
Equity value of the company (Rs bn)	1,058	425
Fully diluted share count (mn)		2,489
Fair value (Rs/share)		**425**

Source: Company, Kotak Institutional Equities estimates

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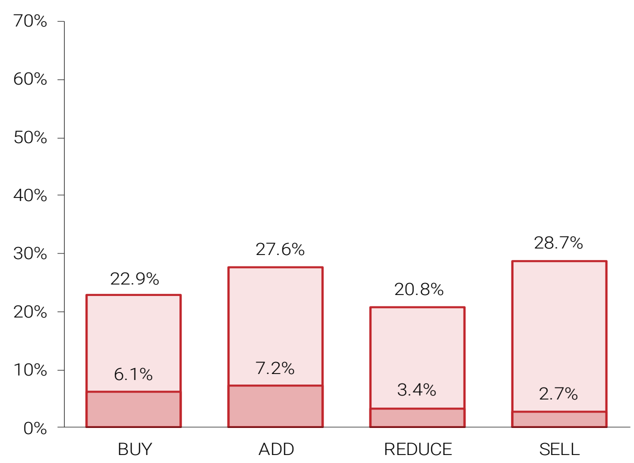

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Source: Kotak Institutional Equities

As of June 30, 2025

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