Can Scale Become Profit? Unit Economics, Valuation, and IPO Readiness of Zepto in India's Quick Commerce Sector

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Abstract

India's quick commerce platforms have grown faster than almost any other retail format, yet most still lose money on every order. This study asks whether Zepto, one of the three dominant players, can turn operating scale into lasting profitability, and whether its proposed initial public offering (IPO) is a sound investment. Using Zepto's draft red herring prospectus, peer disclosures, industry reports, and public data for FY24 to FY26, I applied trend, correlation, unit economics, cohort, benchmarking, and relative valuation analysis, supported by field visits to dark stores in Kandivali, Mumbai. Zepto's orders rose from 133 million to 640 million, its gross margin moved from 0.36% to 18.12%, and its adjusted EBITDA loss per order narrowed from ₹136 to ₹79. Even so, net loss widened to ₹5,905 crore, newer customer cohorts retain more weakly than older ones, and Blinkit already runs close to breakeven per order. Peer multiples imply a valuation of US$5.1 to 10.9 billion, but reports from July and August 2026 put investor valuations nearer US$3 to 4.5 billion, and the listing has been deferred. Zepto is a high-risk growth case whose appeal depends on execution and pricing rather than scale alone.

Keywords: quick commerce, Zepto, unit economics, IPO analysis, dark stores, relative valuation, India

1. Introduction

1.1 Background

Quick commerce (q-commerce) delivers groceries and everyday items in ten to thirty minutes from small neighbourhood warehouses known as dark stores. The India Brand Equity Foundation (IBEF, 2026) reports that the market grew nearly 24 times in three years to roughly ₹64,000 to ₹65,645 crore (about US$7.4 to 7.5 billion) in FY25, and three firms, Blinkit, Zepto, and Swiggy Instamart, hold around 93 percent of it. Speed was the headline for a while. The question now is whether the model can earn money, because dark stores, riders, technology, and discounting cost a great deal and many platforms have grown by absorbing losses.

1.2 Review of Literature

Research on the sector falls into three strands. Consumer-behaviour studies find that instant gratification, time saving, and discounts drive adoption (Singh, 2024; Singhal & Sharma, 2026), and journalistic accounts describe the move from the kirana store to the app while noting that the leaders still lose money (Firstpost, 2026; Yadav, 2026). Operations studies stress localised dark stores, order management systems, and AI-led route optimisation (Paul, 2023; Ranjekar & Roy, 2023), and a review of 45 papers warns that high operating cost and cash burn threaten viability (Anaswara & Rajeswari, 2025). Profitability studies highlight thin margins, discounting, gig-workforce vulnerability, and the tension between scale and ten-minute speed (Agrawal & Kesarwani, 2026; Arun, 2025; Siwach, 2026; TCS Insights, 2026), while kirana-store research reports footfall losses for small retailers (Kasaudhan, 2025). Investor and consultant reports are more optimistic, arguing that Indian quick commerce has scaled with favourable economics and could grow above 40 percent a year to 2030 (Bain & Company, 2025; Blume Ventures, 2025; Chiratae Ventures, 2025).

1.3 Research Gap and Problem Statement

Most of this work is a consumer survey, an industry overview, or a case study of one firm. Little of it examines Zepto at the level of its own prospectus, connects unit economics, retention, valuation, and IPO structure in one analysis, or checks the numbers against what can be seen on the ground. The IPO has also moved faster than the literature, with reports of a deferral and a valuation reset within weeks of the filing. The problem addressed here is whether Zepto's operating scale and improving unit economics can lead to sustainable profitability, and whether its proposed IPO is a suitable opportunity for investors.

1.4 Objectives and Research Questions

The study has three objectives:

1. To understand the growth, drivers, and competitive landscape of the industry;
2. To analyse Zepto's business model and its operating and financial performance; and
3. To evaluate the proposed IPO using public disclosures.

They lead to four research questions. **RQ1:** What has driven the growth of Indian quick commerce, and how concentrated is the market? **RQ2:** Are Zepto's unit economics and cash efficiency improving in a way that points toward profitability? **RQ3:** How does Zepto compare with Blinkit and Instamart? **RQ4:** What do the IPO structure, valuation, and recent market signals imply for investors?

2. Methodology

2.1 Research Design and Data

The study is descriptive and analytical, combining quantitative analysis with field observation. Secondary data formed the core: Zepto's draft red herring prospectus (DRHP) and updated version (UDRHP), peer annual reports and market data, UPI data from the National Payments Corporation of India (NPCI), World Bank, MoSPI, and NITI Aayog series, the Redseer report cited in the DRHP, Inc42 and GSBR Research for market share, the Clay funding dossier, and news reports. The period studied is FY24 to FY26.

Primary data came from visits to a Zepto dark store at Hindustan Naka and to Blinkit and Instamart stores at Mahavir Nagar, Kandivali, Mumbai, where I spoke informally with delivery partners about earnings, insurance, accident reimbursement, rain protection, and treatment by store managers. There was no structured sample and I did not record how many people I spoke to, so this part is illustrative, not representative.

2.2 Analytical Techniques

Using Microsoft Excel, I applied trend and growth analysis, Pearson correlation between growth drivers and market size, unit economics per order, store, and user, benchmarking against Blinkit and Instamart, quarterly cohort retention analysis, and relative valuation with EV/Revenue multiples alongside Zepto's funding history (converted at ₹95.22 per US dollar, 5 July 2026). A discounted cash flow model was not used because negative EBITDA makes its assumptions speculative. A red-flag review organised the main regulatory, operational, and financial risks, and the field observations were set against the reported figures.

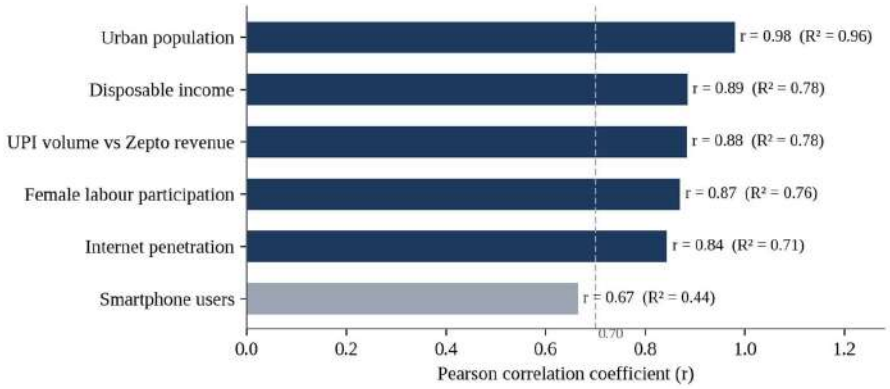
3. Results

3.1 Industry Growth and Its Drivers

The market grew from about US$0.04 billion in 2019 to US$7.4 billion in 2025 while internet use rose from roughly 30 to 70 percent of the population. Figure 1 shows how closely selected drivers track market size. Urban population fits best (r = 0.98); disposable income, UPI volume against Zepto's revenue, female labour participation, and internet penetration all fall between 0.84 and 0.89; smartphone users are the weak exception (r = 0.67), because handset numbers flattened after 2021 while the market kept compounding. These are correlations between trending series and describe a favourable setting, not a cause. (My first draft gave an R^2 of about 0.99 for UPI and Zepto's revenue; recomputing from the five-year series gives r = 0.88 and R^2 = 0.78, which is used here.)

Figure 1

Correlation of Selected Growth Drivers With Quick Commerce Market Size



Note. Seven annual observations for most series (2019–2025); six for income; five for UPI against Zepto's revenue. Sources: World Bank, NPCI, NITI Aayog, RedSeer, Indus Valley, IBEF.

3.2 Competitive Landscape

Blinkit holds an estimated 41 percent of the market, Zepto 29 percent, and Instamart 23 percent (GSBR Research). Table 1 and Figure 2 compare them for FY26. Zepto gets the most from each store, with 0.56 million orders per store against 0.37 million for Blinkit and 0.36 million for Instamart, and the highest revenue per store (₹19.9 crore). On profitability the order reverses: Blinkit lost about ₹3 per order at the adjusted EBITDA level, essentially breakeven, while Zepto lost about ₹79 and Instamart about ₹85. Zepto's average order value is also the lowest (₹390, against ₹547 and ₹746), leaving a smaller basket to cover the same delivery cost.

Revenue comparisons with Instamart need care: its order value of ₹746 is far above its revenue per order of ₹94, which suggests it books much of its income as fees, whereas Zepto and Blinkit record sales of goods.

Table 1

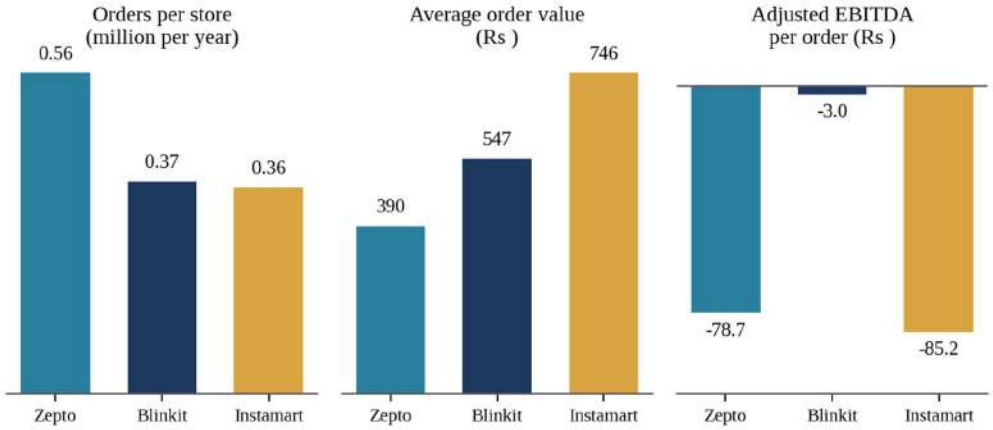
Benchmarking of Zepto, Blinkit, and Instamart, FY26

Metric	Zepto	Blinkit	Instamart
Orders (million)	640.2	916.6	412.2
Dark stores	1,139	2,243	1,143
Revenue (₹ crore)	22,624	37,779	3,859
Revenue per dark store (₹ crore)	19.9	16.8	3.4
Adjusted EBITDA (₹ crore)	(5,041)	(277)	(3,511)
Adjusted EBITDA per order (₹)	(78.7)	(3.0)	(85.2)

Note. Sources: Zepto DRHP, Inc42 Research, and study workbook. Parentheses show losses. Blinkit's FY26 growth rate is omitted because its base year is not comparable.

Figure 2

Store Productivity, Order Value, and EBITDA per Order, FY26



Note. Orders per store as reported by the source.

3.3 Zepto's Scale, Revenue Mix, and Unit Economics

Orders rose from 133 million in FY24 to 640 million in FY26, about 1.75 million a day (Table 2). Dark stores more than tripled in FY25 (337 to 1,029) but grew only 11 percent in FY26, while orders per store climbed from 1,325 to 1,677 and average delivery distance fell from 2.05 km to 1.73 km. This is the densification strategy at work. Growth is cooling, though: annual transacting users grew 245 percent in FY25 but only 26 percent in FY26, which suggests easy urban acquisition is largely done.

The revenue mix is broadening (Figure 3). Sale of goods fell from 87.7 to 77.7 percent of revenue, while advertising rose from 1.1 to 7.2 percent and platform services, absent in FY24, reached about 2.5 percent. Advertising revenue grew about 33 times, from ₹49 crore to ₹1,636 crore, with 2,468 brand partners spending on the platform. It needs no extra packing, storage, or rider, so it matters more to margins than its share suggests. Assortment deepened alongside it, with average SKUs per store rising from 12,312 to 49,602.

Table 2

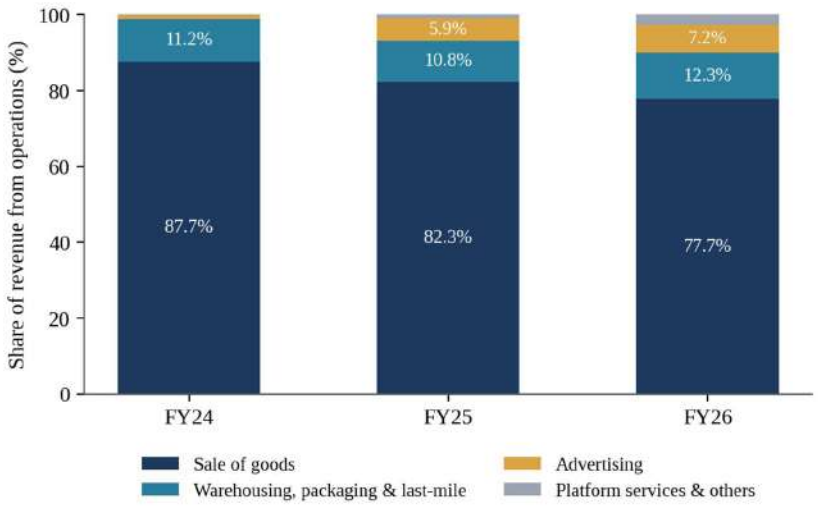
Zepto's Key Operating, Financial, and Unit Metrics, FY24–FY26

Metric	FY24	FY25	FY26
Total orders (million)	133	332	640
Orders per day per store	1,325	1,565	1,677
Dark stores	337	1,029	1,139
Annual transacting users (million)	11	38	48
Revenue from operations (₹ crore)	4,455	11,110	22,624
Adjusted EBITDA (₹ crore)	(1,125)	(4,522)	(5,042)
Free cash flow (₹ crore)	(1,241)	(5,333)	(4,330)
Closing cash and investments (₹ crore)	1,688	7,441	5,681
Revenue per order (₹)	335	335	353
Delivery cost per order (₹)	42	46	46
Advertising revenue per order (₹)	3.7	19.6	25.6
Adjusted EBITDA per order (₹)	(84.6)	(136.2)	(78.8)
Free cash flow per order (₹)	(93.4)	(160.6)	(67.6)

Note. Source: Zepto DRHP and study workbook. Parentheses show negative values.

Figure 3

Evolution of Zepto's Revenue Mix, FY24–FY26



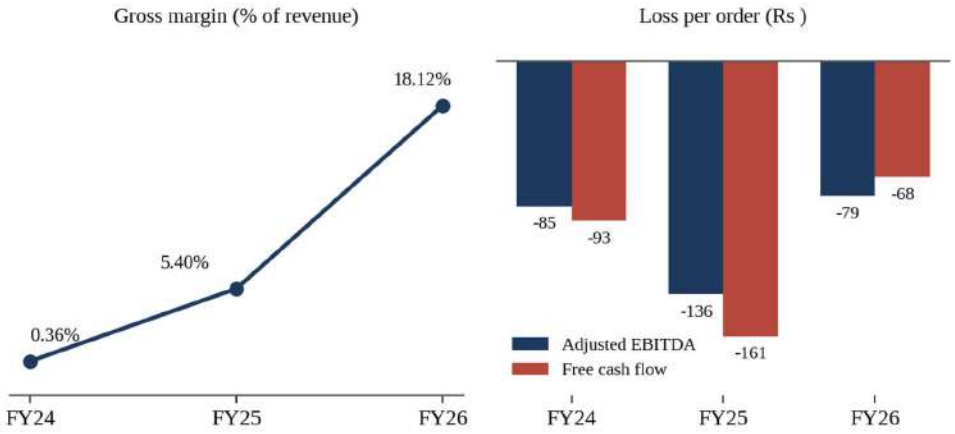
Note. Source: Zepto DRHP. Platform services and others combine platform, subscription, franchisee, licence, and other operating revenue.

3.4 Profitability and Cash Position

Gross margin improved from 0.36 percent in FY24 to 5.40 percent in FY25 and 18.12 percent in FY26 (Figure 4, left). Loss per order followed a different path: it widened in FY25 as the store network tripled, then narrowed in FY26, with adjusted EBITDA loss falling from ₹136 to ₹79 per order and free cash flow loss from ₹161 to ₹68 (Figure 4, right). Delivery cost per order rose from ₹42 to ₹46 and stayed there, so shorter rides have not yet cut last-mile cost. In total, losses still grew: net loss rose from ₹4,699.7 crore in FY25 to ₹5,905.2 crore in FY26, and cash and investments fell from ₹7,441 crore to ₹5,681 crore, so Zepto used about ₹1,760 crore of its own reserves even after the US$450 million Series H round. Per-order losses are shrinking, but the company is not yet close to self-funding.

Figure 4

Gross Margin and Loss per Order at Zepto, FY24–FY26



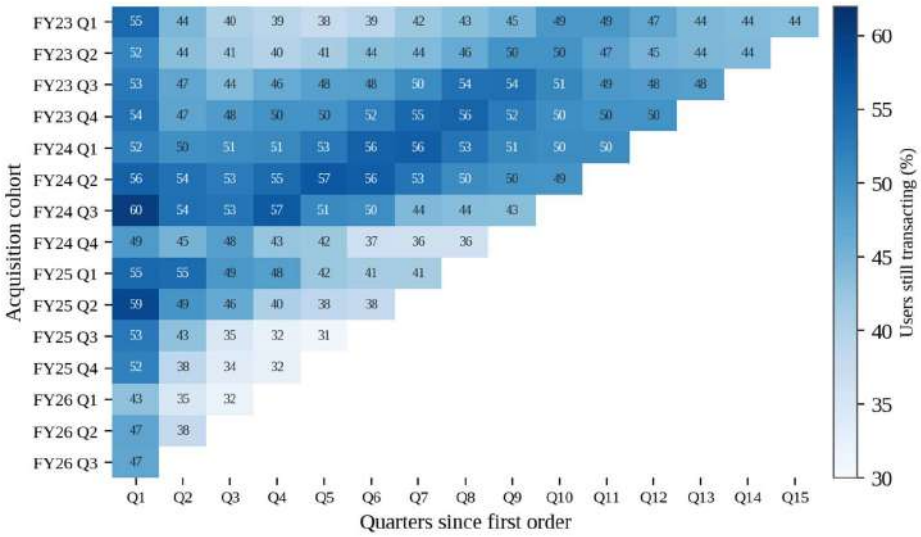
Note. Source: Zepto financial summary and DRHP. Loss per order is divided by total orders.

3.5 Customer Retention

Older cohorts hold up better than newer ones (Figure 5). The FY23 Q1 cohort dipped to 37.8 percent and then recovered to a 44 to 49 percent band, and 43.8 percent of it was still transacting three years later. Later cohorts decay faster: FY24 Q4 fell to 36.1 percent by Q8, FY25 Q3 to 31.1 percent by Q5, and FY26 Q1 reached 32 percent by its third quarter. Zepto keeps adding customers, but each new group is harder to keep, which raises the need for discounts and marketing.

Figure 5

Share of Each Quarterly Customer Cohort Still Transacting, FY23–FY26



Note. Source: Zepto UDRHP, as compiled in the study workbook.

3.6 Field Observations

At the dark stores, delivery speed depended as much on picking, packing, and handover as on the rider. Delivery partners raised four concerns: health cover of about ₹1 lakh a year felt thin given road risks; accident costs often had to be paid first and reimbursed later; raincoats arrived late in the monsoon; and some store managers treated them disrespectfully. The DRHP itself notes partner protests that disrupted some stores in December 2025, so these complaints matter for a ten-minute promise.

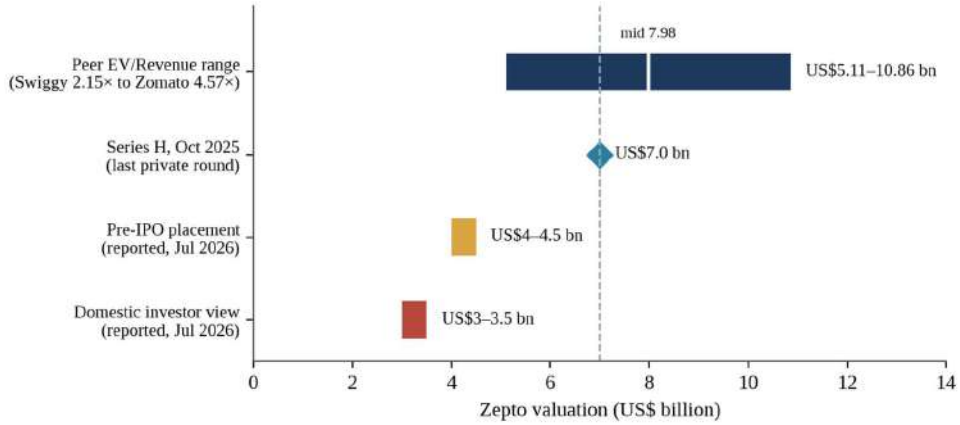
3.7 IPO Structure, Valuation, and Risks

The IPO combines a ₹8,010 crore fresh issue with an offer for sale of up to 11.34 crore shares, and the founders are not selling. At least 75 percent is for institutional buyers. The largest identified use of proceeds is ₹1,734.94 crore (21.7 percent) for rent on existing dark stores, followed by ₹1,629 crore for new stores, ₹1,325 crore for technology, and ₹520 crore for marketing, with about 35 percent left for acquisitions and general purposes. More than a fifth of the new money therefore keeps today's network running.

Applying Swiggy's 2.15 times, the peer average of 3.36 times, and Zomato's 4.57 times EV/Revenue to FY26 revenue of ₹22,624 crore gives US$5.1, US$8.0, and US$10.9 billion (Figure 6). Both peers mix food delivery and quick commerce, so the range is approximate; Zepto's last private round, in October 2025, valued it at US$7.0 billion. The market has since moved lower. Reports say Zepto plans to raise about ₹1,000 crore at around US$4.5 billion and has deferred an IPO targeted for July 2026 (Press Trust of India [PTI], 2026). The Times of India (2026) reported that the chief executive told staff the listing would slip by two to three quarters, that domestic investors valued the company at US$3 to 3.5 billion, and that existing approvals remain valid until November 2027, while DealStreetAsia (2026) reported the issue may shrink to ₹5,000 to 6,000 crore. These accounts rely on unnamed sources. At the same exchange rate, US$3 to 4.5 billion equals about 1.3 to 1.9 times FY26 revenue, below even Swiggy's multiple, so the market is pricing Zepto at a discount to both listed peers.

Figure 6

Zepto's Estimated Valuation: Peer Multiples, Last Private Round, and Reported Market Views



Note. Sources: study workbook; Clay funding dossier; PTI (2026); Times of India (2026); Inc42 (2026). Reported figures come from unnamed sources.

The red-flag review rated five risks high: rising losses, IPO money used for existing rentals, a ₹7 lakh penalty over dark-pattern practices (under appeal), foreign-ownership rules for an inventory-like model, and pending litigation on gig-worker classification, with new labour codes requiring aggregator contributions of 1 to 2 percent of turnover. Two were rated medium: partner protests and a pending Minimum Wages Act complaint against the company and a co-founder. Zepto's stores are also all leased, with terms from 11 months to nine years, and 59 closed in FY26.

4. Discussion

4.1 Interpretation of Findings

The central finding is a gap between efficiency and profit. Zepto is getting more from what it owns: more orders per store, shorter rides, a higher gross margin, and a cheap-to-serve advertising line. Yet it still loses about ₹79 per order while Blinkit, which turned adjusted EBITDA positive in the fourth quarter of FY26, funds itself. Zepto cannot assume it has time. Two trends worry more than the headlines suggest: user growth has slowed sharply and newer cohorts retain less well, so holding volume will keep costing money in a category where switching is free. The field evidence adds a quieter risk, since a model that depends on more than 220,000 gig workers is exposed to their dissatisfaction and to rising labour-code costs.

The valuation evidence shows a gap between what operating multiples imply (US$5 to 11 billion) and what investors will pay (US$3 to 4.5 billion). The likeliest reading is that investors are discounting persistent losses, slowing user growth, weaker cohorts, and regulatory overhang, none of which a simple revenue multiple captures. The correlation results should be read modestly for the same reason: series that all trend upward line up closely whatever the true cause.

4.2 Practical Implications and Recommendations

For long-term investors, Zepto is a high-risk growth bet whose case rests on three things moving together: continued shrinkage of loss per order, rising advertising and private-label contribution, and no serious regulatory shock on foreign-ownership rules or gig labour costs. For listing-gain investors, the deferral and the valuation reset change the question. With no price band and a possibly smaller issue, there is nothing to price a listing gain against, and the sensible step is to wait for the updated prospectus that includes the first quarters of FY27. For management, the study suggests the following:

- Keep densifying high-demand urban clusters and raise the productivity of existing stores before adding new ones.
- Use AI-driven demand forecasting to improve stock availability and picking speed, for example through pre-bundled combos.
- Scale private labels in higher-margin categories, where Zepto earns both retail and product margin.
- Build the advertising platform further through sponsored listings and in-app brand visibility, and share aggregated, non-personal shopping insights with brands as a business-to-business service, handled responsibly under data-protection rules.
- Improve support for delivery partners: higher insurance cover, faster accident reimbursement, timely rain gear, better treatment at stores, and weather-linked incentives during extreme weather. These cost little compared with the disruption of a failed ten-minute promise.

4.3 Limitations

Several limits apply. The study period is three fiscal years, and Zepto's figures come largely from its own offer document, which I did not audit. The correlation analysis uses a handful of annual points and cannot show causation. The relative valuation uses a single multiple and two imperfect peers. Revenue comparisons with Instamart are affected by different revenue recognition. The field research was informal, with an unrecorded and

probably small number of delivery partners, all met at or near company sites. The post-July 2026 valuation and deferral details come from media reports based on unnamed sources, and a few figures differ slightly between the company's summary slide and its prospectus. The final IPO terms had not been announced when the paper was written.

4.4 Future Research

Later work could extend the series once Zepto reports as a listed company, test valuation with other measures such as EV per order, compare Indian platforms with international quick commerce players, and survey delivery partners with a proper sample. A closer look at how new labour codes alter unit economics, and at the effect of quick commerce on neighbourhood kirana stores, would also strengthen the evidence.

5. Conclusion

Zepto has shown that it can scale quickly and get steadily more productive from the stores it already runs. The same evidence shows that scale has not yet produced profit: net loss widened, cash reserves fell, newer customers are less sticky, and a better-funded and now near-profitable Blinkit sets the benchmark. The proposed IPO is mainly a capital-raising exercise that will fund a network which costs a great deal to maintain, and the market's response so far, a deferral and a valuation well below peer multiples, suggests that investors want proof of profit before paying for growth. The fair reading is a cautiously positive long-term view that depends on execution, and no conclusion on listing gains until the pricing is known. More broadly, the next stage of Indian quick commerce is likely to be decided less by who delivers fastest and more by who can earn a return on every order.

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