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Financial Services

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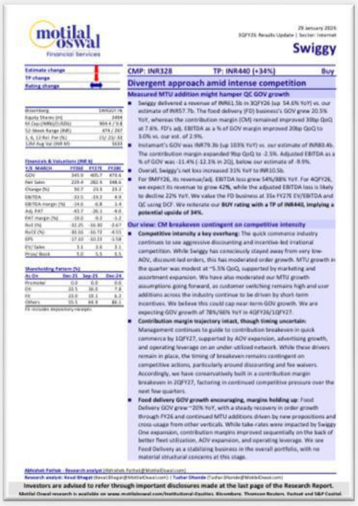
Internet



Impact of commercial LPG shortages on restaurants

Food delivery platforms could see near-term hit on order volume

- Commercial LPG cylinder supplies have tightened in several cities, with restaurants reporting delays in deliveries owing to disruption in supply from the Strait of Hormuz.
- **We address the key questions that might impact restaurants, and hence food delivery operations: 1) commercial LPG usage in India, 2) exposure to the Strait of Hormuz, 3) LPG usage intensity and buffers in restaurants, and 4) impact on food delivery volumes.**
- **Our view:** Food delivery (FD) GOV growth has been improving in recent quarters (exhibit 5), but the **LPG disruption could create a near-term hiccup** if shortages persist through March. Reduced menus, limited cooking hours or temporarily shut kitchens at some restaurants may limit order availability on platforms, **leading to temporary moderation in 4Q FD order volumes.**

1) Commercial LPG usage in India

- India consumes roughly **28-30MMT of LPG annually**. Around **55-60% of demand is met through imports** (see exhibit 1), with the remaining 10-12MMT supplied by domestic refineries and gas processing plants**.**
- Household cooking dominates LPG consumption. Industry estimates suggest **~85-90% of demand comes from residential use**, while commercial consumption (restaurants, hotels, catering) accounts for ~**8-10%**, implying ~2-3MMT annual demand from the food-service ecosystem.

2) Exposure to Strait of Hormuz

- ~90% of LPG imports originate from Middle Eastern suppliers such as Qatar, Saudi Arabia, UAE and Kuwait.
- **Industry estimates indicate that ~80-85% of India's LPG imports transit through the Strait of Hormuz** (exhibit 2), making the commodity particularly exposed to disruptions in the region.
- Compared with other energy imports, LPG is the most-exposed fuel in India's basket. By comparison, ~50-55% of LNG and ~40-50% of crude oil imports pass through the Strait.
- Unlike crude oil, **India does not maintain strategic LPG reserves, which means supply disruptions tend to show up quickly in the market**, particularly in the commercial segment where inventory buffers are smaller.

3) LPG usage intensity and buffers

- **A small restaurant typically consumes 1-2 commercial cylinders (19kg) per day**, mid-size restaurants 3-5 cylinders, and large hotel kitchens 6-10 cylinders daily**,** depending on scale and operating hours.

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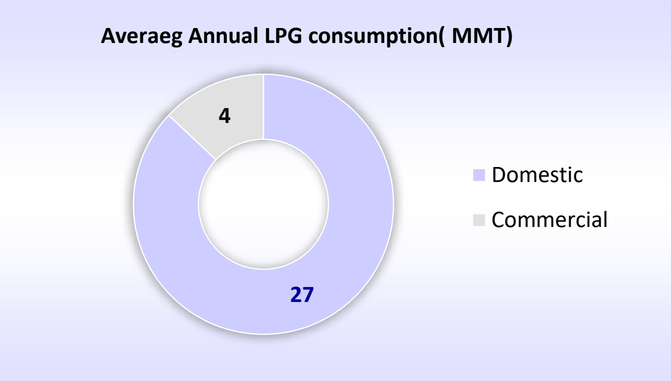
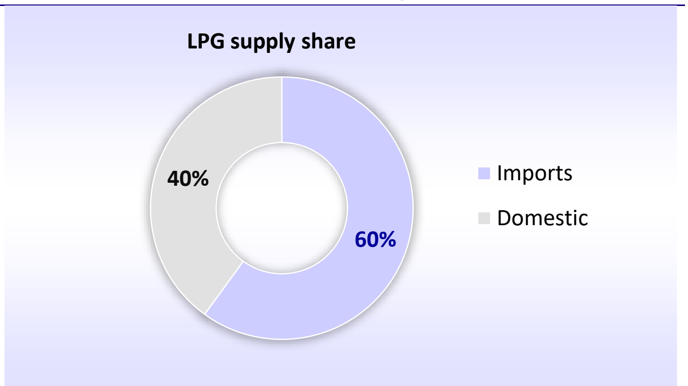
- Inventory buffers across restaurants tend to be limited. **Most kitchens maintain 2-6 days of cylinder inventory** (see exhibit 4), given storage constraints and frequent delivery cycles. As a result, any supply disruption can begin to impact operations within 48-72 hours.
- **Storage restrictions**: Storage of LPG above 100kg (about five 19kg cylinders) requires licenses and compliance with additional safety requirements, making this impractical for small restaurant outlets.

4) Implications for FD players?

- **FD growth had been improving in recent quarters**. Platform GOV YoY growth for Zomato stood at ~15.9%/16.2%/18.6%/21.1% over the last four quarters, while Swiggy reported ~17.6%/18.8%/18.8%/20.5% YoY growth over the same period.
- Our estimates currently assume Zomato's GOV growth at ~15.3%/18.0% in FY26/27E and Swiggy at ~20.2%/17.3%**,** supported by gradual market share gains and continued expansion across cities.
- However, **if the commercial LPG shortage persists through the remainder of March, it could begin to reflect in a** temporary decline in order volumes in 4Q.

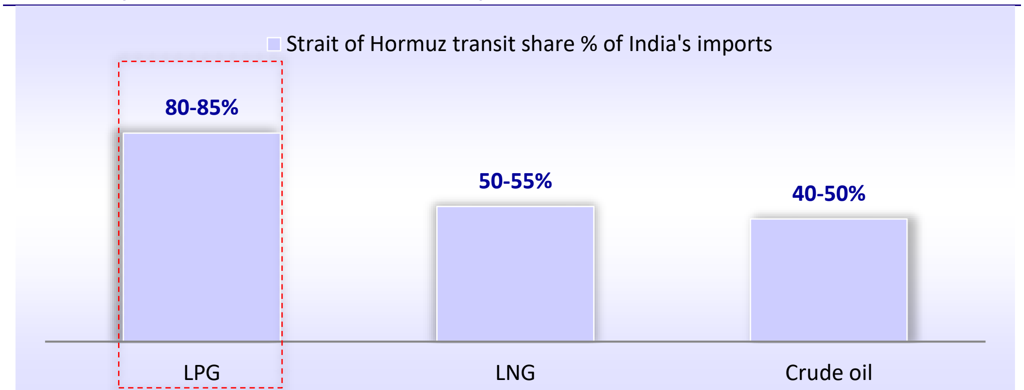
Exhibit 1: India consumes 28-30m metric ton LPG annually with 85-87% LPG uses in domestic usage such as households





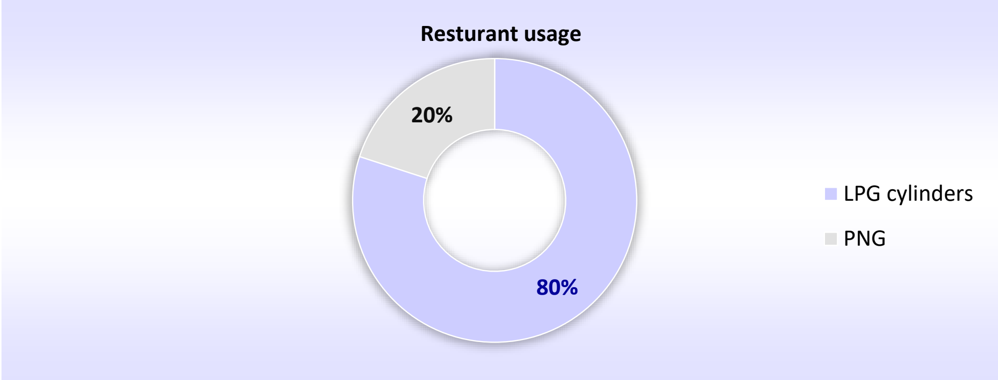
Source: PPAC, Industry

Exhibit 2: 80–85% of India's LPG imports transit through the Strait of Hormuz (SoH), a higher share compared with LNG and crude oil imports.



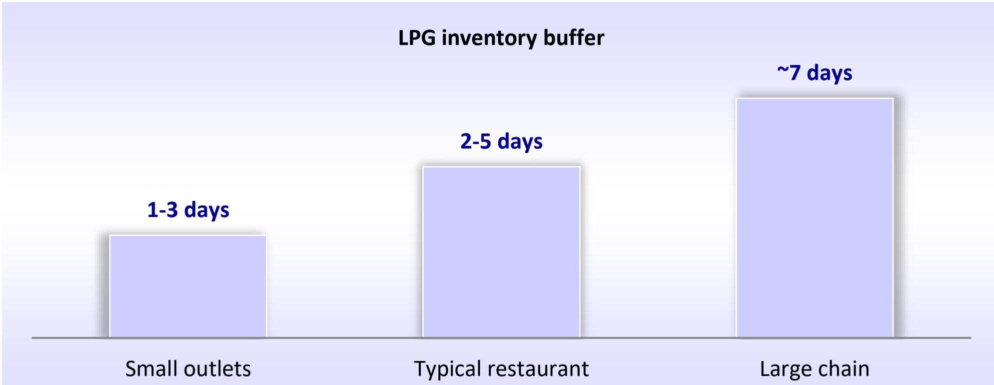
Source: Kpler

Exhibit 3: Restaurant usage is heavily dependent on LPG cylinders (~80%)



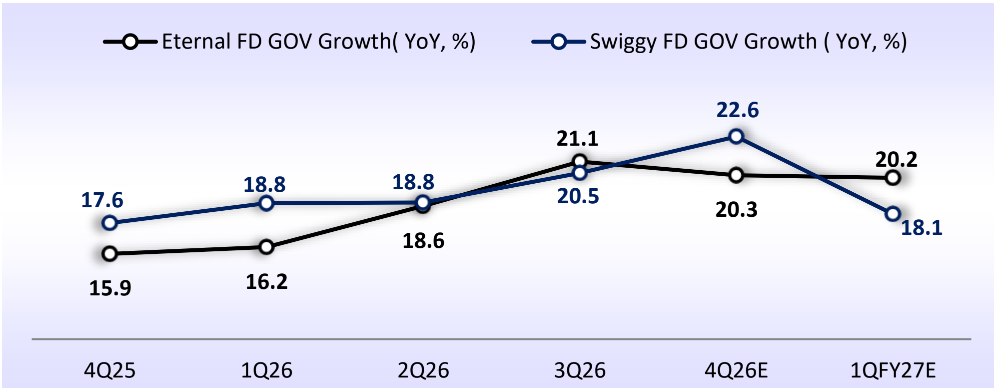
Source: NRAI

Exhibit 4: Average LPG inventory buffer for hotels and restaurants is not more than one week



Source: Hospitality association estimates, NRAI

Exhibit 5: Food delivery growth had been improving with both platforms reporting high-teens GOV growth in recent quarters



Source: Company, MOFSL

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