

**Company Overview**

Unicommerce eSolutions Ltd. is India's largest e-commerce enablement SaaS (Software as a Service) platform in the transaction processing or nerve centre layer, in term of revenue. It is also the only profitable company among the top five players in the industry in India as of FY23. The company helps in enabling end to end management of e-commerce operations for brands, logistics service provider firm and retailer. The company enables its clients to efficiently manage their journey of post-purchase e-commerce operations through a comprehensive suite of SaaS products. The product line includes: 1) Warehouse and inventory management system (WMS); 2) the Multi-channel Order Management System; 3) Omni-channel Retail Management System; 4) Seller management panel for marketplaces, Uniware; 5) Post order services related to logistics, Uniship and; 6) Payment reconciliation, Unireco. These products act as the nerve centre for e-commerce operations of its clients, ensuring that the orders received from its client's end customers are processed correctly, efficiently and within the timelines set by the clients. The company classifies its clients into two categories, Enterprise clients and SMB (Small-Medium Business) clients. The classification is based on the revenue generated by the client from the usage of its product. Unicommerce follows a subscription based revenue model. It offers three different subscription plans for its products, i.e., standard plan, professional plan and enterprise plan with usage linked pricing. The company also helps with enabling plug and play integration, which helps in seamless connection with other critical operational components of the client. The company has extensive suite of technology and partner integration which comprises of 131 marketplace and webstore integration, 101 logistic partner integration and 11 ERP, POS and other system integration. Since inception, the company's central goal is to provide its client with software features and functionality needed to effectively operate the e-commerce operations, while reducing risk associated with increasing complexity that comes with scaling up.

**Objects of the issue**

⇒ The company will not receive any proceeds as 100% of the issue is Offer for Sale (OFS)

**Investment Rationale****Consistent track record of fast, profitable growth**

The company's business model is based on transaction fee along with monthly minimum commitment for enterprise clients. Such a model helps the company earn revenue on incremental transactions processed by its client, allowing the company to increase its revenue as volumes on its platform increases. The healthy growth in top-line is supported by high gross margin of 78%. As the company continues to maintain a consistent client base, ARR and revenue growth, it plans to maintain steady financial profitability while also making necessary investments in product enhancement, customer services and long term growth initiatives. Furthermore, the company satisfies the rule of 40, which is an industry accepted thumb rule which is used to assess the growth and profitability of SaaS companies. This indicates the ability of the SaaS company to grow efficiently. Unicommerce satisfies the rule of 40 and has the highest PAT margin amongst its competitors in FY23.

**Comprehensive suite of products and high adaptability to accommodate various uses across different industries.**

Unicommerce's products and plug & play integration help businesses of all sizes, selling both online and offline to complete their operations efficiently through technology and automation. Its key products are, 1) Warehouse and Inventory management system (WMS) which is designed to meet the dynamic needs of retail and e-commerce businesses operating at different scales in terms of the number of SKUs, facilities, sizes, locations, hours of operations, etc., enabling the warehousing/operations teams of clients to efficiently conduct daily operations. 2) Multi Channel Order Management System (OMS), which enables client to efficiently manage their inventory across different demand channels. 3) Omni Channel Retail Management System (Omni RMS) which provides an instantaneous and centralized cross-channel order and inventory management solution by merging all offline and online sales channels on one platform. 4) Seller Management Panel for Marketplaces which is designed for marketplace clients to manage dropship of 31 operations with their third-party seller base through a single window platform. The company's product and integration offer an easy and effective solution to operational challenges and benefits clients by providing a central view of the inventory, real time allocation, routing of orders through facilities and stores, reduced operational glitches, enhanced delivery turnaround, lower return rates, minimised pilferage and wastage, and ease in taxation and regulatory compliances. The products and integration offered by the company

**Issue Details**

Offer Period	06th August, 2024 - 08th August, 2024
Price Band	Rs. 102 to Rs. 108
Bid Lot	138
Listing	BSE & NSE
Issue Size (no. of shares in mn)	25.6
Issue Size (Rs. in bn)	2.7
Face Value (Rs.)	1
QIB	75%
NIB	15%
Retail	10%

BRLM	CLSA India Pvt Ltd.; IIFL Securities Ltd.
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Registrar	Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	48.63%	48.63%
Public	51.37%	51.37%
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

(Assuming issue subscribed at higher band)

**Research Team - 022-61596138**

# Unicommerce eSolutions Ltd.

are flexible and configurable which makes it suitable for different workflow needs for clients, based on their business size, supply chain network and industry-based requirements. These products facilitate quick order processing by integrating all sales channels into a single platform and allow the clients to efficiently track all of the data and processes.

## Valuation

Unicommerce eSolutions Ltd. is India's largest e-commerce enablement software as a service (SaaS) in the transaction processing or nerve centre layer, in terms of revenue for FY2021-23 period. The company helps in efficiently managing the e-commerce operations of its client through its suite of products which has led to healthy financial growth for the company. The market for ecommerce presents a substantial and growing opportunity and is expected to experience significant growth in the coming year. With increased exposure to internet, e-commerce demand is expected to improve from the rural and Tier II cities of India. Such an increase will help in scaling of e-commerce, in turn increasing the demand of SaaS platform by small and medium enterprises. The company plans to take advantage of the growth opportunity that India provides by capitalizing on such emerging market trends and participating in industry forums focused on D2C, retail, supply chain, and the e-commerce industry as a whole, holding regular events and webinars for its current clients and prospective clients to share information and knowledge about industry developments and trends. These events bring together various D2C brands, retail organisations, e-commerce leaders, SMBs, marketplaces, and service providers to discuss the e-commerce and retail industry and help participants build a strong online presence. On the financial front, Revenue/EBITDA/PAT grew at a CAGR of 33.5%/65.8%/47.5% between FY22 and FY24. **On the upper price band, the issue is valued at a P/E of 93.1 x based on FY24 earnings. Though the issue looks rich in terms of valuation, we believe that the company's strong business performance along with industry tailwinds provide an opportunity from a medium to long term perspective. We, therefore, recommend a SUBSCRIBE rating for the issue.**

## Key Risks

- ⇒ If there are interruptions or performance problems associated with the products leading to client dissatisfaction, the company's business, financial performance, cash flows and prospects may be materially and adversely affected.
- ⇒ If the company is unable to maintain its existing clients or attract new clients, the company's revenue growth and profitability may be adversely affected.
- ⇒ The company's business and growth are correlated with the growth of the ecommerce industry in India. Any change in the nature of the ecommerce industry in India will adversely affect its growth and business operations.

# Unicommerce eSolutions Ltd.

## Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
<b>Revenue</b>			
Revenue from contract with customers	590.32	900.58	1,035.81
Other income	23.31	29.12	58.53
<b>Total revenue</b>	<b>613.63</b>	<b>929.70</b>	<b>1,094.34</b>
<b>Expenses</b>			
Server Hosting Expense	32.58	54.03	54.06
Employee benefits expense	423.77	620.20	649.57
Other expenses	83.58	161.05	188.01
<b>Total operating expenses</b>	<b>539.93</b>	<b>835.28</b>	<b>891.64</b>
<b>EBITDA</b>	<b>73.70</b>	<b>94.42</b>	<b>202.70</b>
Depreciation & amortization	4.53	5.83	24.02
<b>EBIT</b>	<b>69.17</b>	<b>88.59</b>	<b>178.68</b>
Finance costs	0.00	0.00	3.89
<b>PBT</b>	<b>69.17</b>	<b>88.59</b>	<b>174.79</b>
Current tax	23.38	30.80	47.84
Deferred Tax	-14.31	-6.97	-3.83
<b>Total tax</b>	<b>9.07</b>	<b>23.83</b>	<b>44.01</b>
<b>Net Profit</b>	<b>60.10</b>	<b>64.76</b>	<b>130.78</b>
<b>Diluted EPS</b>	<b>0.55</b>	<b>0.58</b>	<b>1.16</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	78.22	145.79	60.05
Cash flow from/(used in) investing activities	-137.83	103.40	-295.22
Cash flow used financing activities	0.00	0.00	-19.65
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-59.61</b>	<b>249.19</b>	<b>254.82</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>77.97</b>	<b>18.36</b>	<b>267.55</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>18.36</b>	<b>267.55</b>	<b>12.73</b>

Source: RHP, BP Equities Research

# Unicommerce eSolutions Ltd.

## Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	9.97	9.18	4.80
Capital work-in-progress	0.00	0.00	0.00
Right-of-Use assets	0.00	0.00	74.46
Goodwill	0.00	0.00	0.00
Other Intangible Assets	0.00	0.00	0.00
Prepayments	0.07	0.25	0.00
Financial Assets			
(i)Investments	0.00	0.00	0.00
(ii)Other financial assets	286.42	0.00	6.36
Deferred Tax Assets (Net)	14.31	21.28	25.11
Non current tax assets (net)	25.28	38.37	58.96
Other non-current assets	0.00	0.00	0.00
<b>Total Noncurrent assets</b>	<b>336.05</b>	<b>69.08</b>	<b>169.69</b>
<b>Current Assets</b>			
Inventories	0.00	0.00	0.00
Financial Assets			
(i)Investments	0.00	60.17	60.12
(ii)Trade Receivables	89.20	118.50	132.94
(iii)Cash and Cash Equivalents	18.36	267.55	12.73
(iv)Bank Balances other than (iii) above	127.26	0.50	0.50
(v)Other Financial Assets	5.09	290.73	697.23
(vi)Prepayments	7.54	8.02	6.76
Other current assets	6.84	2.85	11.16
<b>Total Current Assets</b>	<b>254.29</b>	<b>748.32</b>	<b>921.44</b>
<b>Total Assets</b>	<b>590.34</b>	<b>817.40</b>	<b>1,091.13</b>
<b>Equity and Liabilities</b>			
Equity Share Capital	0.23	0.23	58.89
Instruments entirely equity in nature	1.66	1.66	1.66
Other Equity	411.81	517.03	628.59
(i) Other components of Equity	0.00	0.00	0.00
(ii) Reserves and Surplus	0.00	0.00	0.00
(iii) Items of other comprehensive income	0.00	0.00	0.00
<b>Total Equity</b>	<b>413.70</b>	<b>518.92</b>	<b>689.14</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities			
(i)Borrowings	0.00	0.00	0.00
(ii)Lease Liabilities	0.00	0.00	48.78
Provisions	30.29	46.51	47.24
<b>Other Non-Current Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Non-Current Liabilities</b>	<b>30.29</b>	<b>46.51</b>	<b>96.02</b>
<b>Current Liabilities</b>			
Financial Liabilities			
(i)Borrowings	0.00	0.00	0.00
(ii)Lease Liabilities	0.00	0.00	26.58
(iii)Trade Payables			
a)Total outstanding dues of micro enterprises and small enterprises	3.49	1.18	3.50
b)Total outstanding dues of creditors other than micro enterprises and small enterprises	69.71	90.14	123.65
(iv)Other financial liabilities	0.00	0.00	0.00
Other current Liabilities	66.69	151.53	142.27
Provisions	6.46	9.12	9.97
<b>Total Current Liabilities</b>	<b>146.35</b>	<b>251.97</b>	<b>305.97</b>
<b>Total Liabilities</b>	<b>176.64</b>	<b>298.48</b>	<b>401.99</b>
<b>Total Equity and Liabilities</b>	<b>590.34</b>	<b>817.40</b>	<b>1,091.13</b>

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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