



IPO Note

Unicommerce eSolutions Limited

Recommendation: **AVOID!**

Company Background -

- Unicommerce eSolutions Limited was established on February 12, 2012. The registered office is located at New Delhi.
- The Company is Software-as-a-Service (SaaS) platform and enable end-to-end management of e-commerce operations for brands, sellers and logistics service provider firms.
- The different products offered by the company Warehouse and Inventory Management System, Multi-Channel Order Management System, Omni-Channel Retail Management System, Seller Management Panel for Marketplaces, UniShip and UniReco.
- The company had 312 full-time employees as of March 31, 2024.

Objects of the Issue -

Offer for Sale

Promoters Name -

Acevector Limited (formerly known as Snapdeal Limited), Starfish I Pte. Ltd., Kunal Bahl and Rohit Kumar Bansal

Rationale for recommendation -

- ✓ The profitability margins have been inconsistent over the years.
- ✓ There is a sudden rise in net profit which might not be sustainable in the long run.
- ✓ The company has a P/E of 84.59 times which makes it highly priced on Post IPO basis.
- ✓ The promoter's shareholding is very low post issue.

IPO Details

Opening Date	Aug 06, 2024
Closing Date	Aug 08, 2024
Allotment Date	Aug 09, 2024
Listing Date	Aug 13, 2024
Stock Exchange	BSE, NSE
Lot Size	138 Shares
Issue Price Per Share	₹102 to ₹108
Issue Size	276.57 Cr.
Fresh Issue	-
Offer for Sale	276.57 Cr
Application Amt	₹ 14,904 – ₹ 1,93,752 (138 to 1,794 shares)

KPI's	KPIs (In Cr)		
	FY 22	FY 23	FY 24
Revenue	59.03	90.06	103.58
EBITDA	5.04	6.53	14.42
Net Profit	6.01	6.48	13.08
RoCE	11.35%	11.55%	17.87%
ROE	14.53%	12.48%	18.98%
P/E	196.36	186.21	93.10

Promoter Share Holding Pattern

Pre-Issue	Post Issue
48.63%	23.63%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	1.16	1.28
BVPS	6.73	6.14
P/E	93.10	84.59
P/BV	16.05	17.60
Mkt Cap (In Cr)	1,106.29	1,106.29

Lead Managers -

IIFL Securities Limited

CLSA India Private Limited

Registrar -

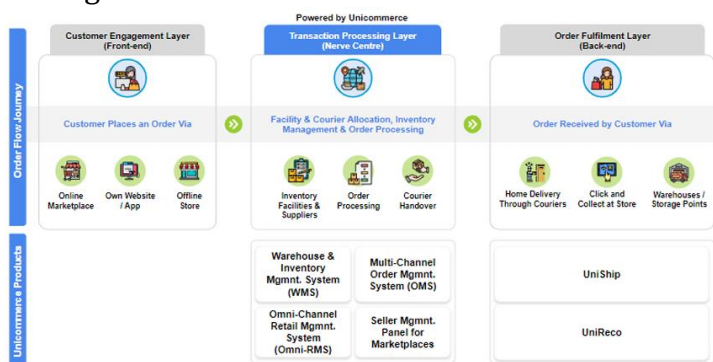
Link Intime India Private Limited

Business Overview -

Unicommerce eSolutions Limited was established on February 12, 2012. They are a Software-as-a-Service (“SaaS”) platform in the transaction processing or nerve centre layer and enable end-to-end management of e-commerce operations for brands, sellers and logistics service provider firms. Additionally, they offer several sub-modules that the customers may use as a part of their routine operations. Their products are designed and regularly updated to meet these challenges, and the business needs of various types and sizes of retail enterprises, both online and offline.

The company has an extensive suite of technology and partner integrations, which, till March 31, 2024, comprises 131 Marketplaces and WebStore integrations which include Flipkart, Nykaa, Meesho, Shopify, Snapdeal etc., 101 Logistics Partner integrations which include Xpressbees, Delhivery, Shiprocket etc., and 11 ERPs, POS and other systems integrations. Their clients belong to various sectors including fashion (apparel, footwear, accessories), electronics, home and kitchen, FMCG, beauty and personal care, sports and fitness, nutrition, health and pharma as well as third-party logistics and warehousing.

Illustration of key business operations and the product offerings –



Products offered –

- **Warehouse and Inventory Management System (WMS)** – The company manages all warehouse operations, from receiving goods to delivering packages to Logistics Partners in a paperless manner. The WMS provides clear visibility of available inventory across multiple locations, allowing clients to manage their business efficiently.
- **Multi-Channel Order Management System (OMS)** – OMS offers a centralized dashboard to provide sellers with full visibility of every order from various sales channels, including their own app/website and marketplace platforms. OMS automatically allocates orders to the right fulfilment source based on criteria such as location proximity, stock availability, demand channel, and delivery preference.
- **Omni-Channel Retail Management System (Omni-RMS)** – Omni-RMS merges all offline and online sales channels on one platform, providing a centralized view for order and inventory management.
- **Seller Management Panel for Marketplace –** The Seller Management Panel is designed for marketplaces, to allocate consumer orders to brands that are selling on their respective platforms. They also provide platform access to the sellers so that they process their orders seamlessly and enable the marketplace to share updates with the end customers.
- **UniShip** – UniShip allows clients to display order tracking information to its customers through a white-labelled user interface (UI) for the client, which leads to better customer experience and potentially reduces customer contacts looking for updates for their orders.
- **UniReco** – The solution tries to ensure that payment is received for each successful online transaction, validates correctness of various charges and tally if the product has been received in the warehouse in case of returns.

Revenue Bifurcation service wise -

(Amt in Crores)

Particulars	FY 2022	FY 2023	FY 2024
Revenue from contract with customers from enterprise clients	48.92	77.83	90.91
Revenue from contract with customers from SMB clients	10.11	12.23	12.68
Total	59.03	90.06	103.58

Competition -

- The principal factors that drive competition include comprehensive platform offering; quality and accuracy of data; breadth and depth of data, ease of use and deployment; tangible benefits and return on investment for clients; data privacy and security; and sophistication of solutions used to manage, maintain and combine intelligence.
- They face competition from both domestic and international players.
- **Barriers to entry:** Moderate barriers to entry, as considerable investment is required for building a competing product and high switching costs associated with such products for the clients.
- **Bargaining Power of Buyers:** The bargaining power is low with the customers.

Business Strategies -

Expand in India and international markets: The company aims to continue growing their operations in India by adding new enterprise clients and SMB clients, as well as increasing revenue from existing clients. They aim to strengthen the business operations in South-East Asia and Middle East, particularly in Singapore, Philippines, Indonesia, UAE, and Saudi Arabia, and further expand their global clientele.

Enhancement of existing SaaS products and building advanced features for more use cases: The company continues to research on the changing business environment and client needs to create a future roadmap for further enhancement of their products by adding new features and developing new products.

Expand product portfolio: The company has recently developed new products and continue to look for additional opportunities that are complementary to the business or that enables them to develop adjacent, new products allowing them to expand their role in the client's e-commerce stack.

Risk Factors -

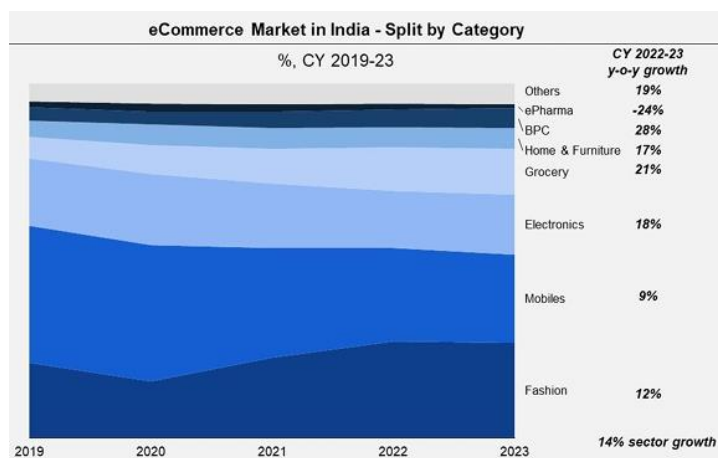
There are 8 outstanding cases filed against the company for taxation matter amounting to Rs. 2.614 Cr.

PEER ANALYSIS

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

Indian E-Commerce Industry -

The eCommerce market in India reached approximately US\$ 62 billion in 2023, accounting for approximately 7% of all retail sales. The Indian eCommerce industry is expected to experience significant growth in the coming years, with an estimated compound annual growth rate (“CAGR”) of approximately 23% to reach approximately US\$ 140 billion by 2027. The growth of eCommerce in India is driven by several demand side factors, including the growing internet user base, increasing participation of lower-tier cities, diversification of product categories, and changing consumer behaviour.



(Source: RHP)

Government Initiatives -

- The Indian government has launched the National Policy on Software Products (“NPSP”) in 2019 to promote the software and SaaS sector.
- Under NPSP, the Indian Software Product Registry (“ISPR”) has centralized Indian software companies and their products onto one platform through an opt-in registry, which will provide a trusted trade environment.
- Several programs have been launched to build the ecosystem by acting as startup incubators, including the SAMRIDH Start-up Accelerator Programme for Product Innovation under NPSP, Development, and Growth, the Technological Incubation and Development of Entrepreneurs (TIDE) programme, and the Next Generation Incubation Scheme (NGIS).
- The Government of India launched the "GI Cloud" initiative, known as 'Meghraj', to harness Cloud Computing benefits and optimise ICT spending, accelerating e-services delivery.

Software-as-a-Service (SaaS) and Opportunities in Retail SaaS -

In 2023, the global SaaS market was between US\$ 270 billion and US\$ 280 billion and is projected to reach approximately US\$ 550 billion at an annual growth rate of approximately 18% till 2027. The market is led by the USA, which accounts for over 45% of the market and is projected to grow 18% annually until 2027. In India and SEA, the SaaS market is still nascent but is expected to grow rapidly. In FY2023, the SaaS markets in India and SEA were both approximately US\$ 12 billion. They are projected to grow at rates of 33% and 14% annually, reaching approximately US\$ 38 billion and US\$ 20 billion by 2027, respectively.

The Indian SaaS market was approximately US\$ 12 billion.15 in FY2023 and is expected to grow at an annual growth rate of over 33% to reach approximately US\$ 38 billion by FY2027. The number of SaaS unicorns in India has also increased, from 1 in 2018 to 23 in 2023. Further, there were 65 SaaS soonicorns in India in 2023. The promising potential of SaaS in India remains an attractive opportunity for market players and investors.



(Susce: RHP)

Key Management -

Key Management Persons Name -	Manoj Kumar Kohli
Age	65
Designation and No. of years of experience	Chairman and Independent Director
Qualification	B. Com degree, Bachelor's degree of law, MBA and Wharton Advanced Management Program.
Roles and Responsibility	-
Other Directorships	B9 Beverages Limited, Carnation Acreage Private Limited, Inbrew Beverages Private Limited etc.
Key Management Persons Name -	Kapil Makhija
Age	42
Designation and No. of years of experience	Managing Director and CEO
Qualification	B. Tech in Computer Science, M. Tech in Computer Science and Post graduate diploma in Management
Roles and Responsibility	Heads the technology and corporate functions of the Company
Previous Associations	A T Kearney Limited, Oracle India Private Limited and Qwest Software Services
Key Management Persons Name -	Kunal Bahl
Age	40
Designation and No. of years of experience	Promoter and Non-Executive Director
Qualification	Bachelor's degree in economics, bachelor's degree in applied sciences, Associated with the Jerome Fisher Program in Management and Technology
Roles and Responsibility	-
Other Directorships	Piramal Enterprises Limited, AceVector Limited, Piramal Capital & Housing Finance Limited and Investcorp Acquisition Corp.
Key Management Persons Name -	Rohit Kumar Bansal
Age	41
Designation and No. of years of experience	Promoter and Non-Executive Director
Qualification	B. Tech in Computer Science, M. Tech in Computer Science
Roles and Responsibility	-
Other Directorships	AceVector Limited
Key Management Persons Name -	Bharat Venishetti
Age	41
Designation and No. of years of experience	Non-Executive Independent Director
Qualification	B. Tech in Civil Engineering and MBA
Roles and Responsibility	-
Other Directorships	TECI Foundation
Key Management Persons Name -	Sairee Chahal
Age	48
Designation and No. of years of experience	Independent Director
Qualification	B. A. (honours) and Diploma in Business Management
Roles and Responsibility	-
Other Directorships	Alliance of Digital India Foundation, Applied Life Private Limited, Maximum Store Private Limited, Mahila Money Private Limited etc.
Key Management Persons Name -	Kasaragod Ullas Kamath
Age	61
Designation and No. of years of experience	Independent Director
Qualification	Bachelor's in Law, M. Com degree, M. Sc. In Management, Advanced Management programs, Certified fellow of ICAI, Associate member of ICSI.
Roles and Responsibility	-
Other Directorships	Wonderla Holidays Limited, V Guard Industries Limited, AceVector Limited, Veranda Learning Solutions Limited etc.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Revenue from contract with customers	59.03	90.06	103.58
Other Income	2.33	2.91	5.85
Total Income	61.36	92.97	109.43
Expenses			
Employee benefits	42.38	62.02	64.96
Server hosting expense	3.26	5.40	5.41
Depreciation and Amortization expense	0.45	0.58	2.40
Finance costs	-	-	0.39
Other expenses	8.36	16.11	18.80
Total Expenses	54.45	84.11	91.96
EBITDA	5.04	6.53	14.42
EBITDA Margin	8.54%	7.25%	13.92%
Profit/(Loss) before tax	6.92	8.86	17.48
Tax Expense			
Current tax	2.34	3.08	4.78
Deferred Tax	-1.43	-0.70	-0.38
Total Tax Expense	0.91	2.38	4.40
Profit/(Loss) for the year	6.01	6.48	13.08
Net Profit Margin	9.79%	6.97%	11.95%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	0.02	0.02	5.89
Instruments entirely equity in nature	0.17	0.17	0.17
Other Equity	41.18	51.70	62.86
Total Equity	41.37	51.89	68.91
2. Non-current liabilities			
Financial Liabilities			
Lease Liabilities	-	-	4.88
Provisions	3.03	4.65	4.72
Total Non-current liabilities	3.03	4.65	9.60
3. Current liabilities			
Financial Liabilities			
(i) Lease Liabilities	-	-	2.66
(ii) Trade Payables			
(a) Outstanding Dues to MSME	0.35	0.12	0.35
(b) Outstanding Dues to other than MSME	6.97	9.04	12.37
Other current liabilities	0.65	0.91	1.00
Provisions	6.67	15.15	14.23
Total Current liabilities	14.64	25.22	30.60
Total Liabilities	17.66	29.88	40.20
Total Equity and Liabilities	59.03	81.77	109.11
ASSETS			
1. Non-current assets			
Property, Plant and Equipment	1.00	0.92	0.48

Particulars	FY 22	FY 23	FY 24
Rights-of-use assets	-	-	7.45
Financial Assets			
Other financial assets	28.64	-	0.64
Prepayments	0.01	0.03	-
Non Current Tax Assets (net)	2.53	3.84	5.90
Deferred Tax Assets (Net)	1.43	2.13	2.51
Total Non-Current assets	33.61	6.91	16.97
2. Current assets			
Financial Assets			
(i) Investments	-	6.02	6.01
(ii) Trade receivables	8.92	11.85	13.29
(iii) Cash and cash equivalents	1.84	26.76	1.27
(iv) Bank balances other than cash and cash equivalents	12.73	0.05	0.05
(v) Other financial assets	0.51	29.07	69.72
Prepayments	0.75	0.80	0.68
Other Current Assets	0.68	0.29	1.12
Total Current assets	25.43	74.83	92.14
Total Assets	59.03	81.74	109.11

Cash Flow Statement	Amt in Crores		
Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	7.82	14.58	6.01
Net Cash Flow from Investing Activities	-13.78	10.34	29.52
Net Cash Flow from Financing Activities	-	-	-1.97

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	0.55	0.58	1.16	EV/EBITDA	5.32	3.84	4.69
BV per share	4.04	5.07	6.73	Market Cap / Sales	18.74	12.28	10.68
Operating Ratios				P/E	196.36	186.21	93.10
EBITDA Margins	8.54%	7.25%	13.92%	Price to Book Value	26.74	21.32	16.05
PAT Margins	9.79%	6.97%	11.95%	Solvency Ratios			
Inventory days	-	-	-	Debt / Equity	-	-	-
Debtor days	55.15	48.03	46.85	Current Ratio	1.74	2.97	3.01
Creditor days	-	-	-	Quick Ratio	1.74	2.97	3.01
Return Ratios				Asset Turnover	1.00	1.10	0.95
RoCE	11.35%	11.55%	17.87%	Interest Coverage Ratio	11.12	2.56	24.73
RoE	14.53%	12.48%	18.98%				

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are IIFL Securities Limited and CLSA India Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

IIFL Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Awfis Space Solutions Limited	598.93	383.00	May 30, 2024	669.95
2.	Go Digit General Insurance Limited	2,614.65	272.00	May 23, 2024	340.35
3.	JNK India Limited	649.47	415.00	April 30, 2024	753.90
4.	Bharti Hexacom Limited	4,275.00	570.00	April 12, 2024	1,147.65
5.	R K SWAMY Limited	423.56	288.00	March 12, 2024	310.70

The company has handled 31 mandates in the past three years (including the current year).

CLSA India Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Juniper Hotels Limited	1,800.00	360.00	Feb 28, 2024	423.20
2.	Sula Vineyards Limited	960.35	357.00	Dec 22, 2022	491.85
3.	Fusion Micro Finance Limited	1,103.99	368.00	Nov 15, 2022	435.95
4.	Campus Activewear Limited	1,400.14	292.00	May 09, 2022	310.30
5.	Star Health and Allied Insurance Company Limited	7,249.18	900.00	Dec 10, 2021	591.40

The company has handled 4 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 5th August 2024.

As per the offer document, from the above-mentioned mandates 3 have opened at discount and remaining have opened at a premium on the listing day.

Recommendation -

Unicommerce eSolutions Limited has been in the industry since 2012 and has decent experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO and annualised basis is 84.59 which makes it very highly priced by looking at the performance of the company and sector.

The company has seen a consistent increase in the top line from FY 2022 to FY 2024 which was majorly due to an increase in the number of enterprise clients and increase in the number of items processed on their platform. But the bottom line for FY 2024 has seen a sudden increase which raises concern and might not be sustainable in the future. Also, the overall EBITDA and net profit is not very impressive. The profitability margins were also inconsistent over the years.

One of the strengths of the company is that they are the largest e-commerce SaaS products platform that has global presence.

Considering all the factors mentioned above, knowledgeable investors can **AVOID** this IPO.

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