06th February, 2025

National Stock Exchange of India Ltd.
Exchange Plaza, C – 1, Block G
Bandra-Kurla Complex, Bandra (E),
Mumbai-400 051
Symbol: UNIECOM

BSE Limited
Phiroze JeejeebhoyTowers,
Dalal Street,
Mumbai 400 001
Scrip Code:544227

Subject: Q3 FY25 Earning Conference Call – Transcript

Reference: Intimation of Earnings Conference Call dated 31st January, 2025 and Audio Link of Analyst/ Investor Conference Call dated 03rd February, 2025

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Q3 FY25 Results Conference Call held on Monday, 03rd February, 2025 at 09.00 A.M. (IST) for the quarter and nine month ended on December 31, 2024.

The same is available on the website of the Company at https://unicommerce.com/

You are requested to kindly take the abovementioned on record.

Thanking you.

For UNICOMMERCE ESOLUTIONS LIMITED

kapil makhija

Digitally signed by kapil makhija
DN: c=IN, o=Personal,
pseudonym=z64k59qfn0wv3jpoh1ci7lmbsxrd
aegt,
2.5.4.20=2bd4ea4d51de62d767ea4881937fcd
54136c78129cc524fcef71848b8eb10d82,
postalCode=121006, st=Haryana,
serialNumber=2a066070477c9888fa8386fed32
df8eb08b86afff93f3cacfb5dd6e25a5f80c3,
cn=kapil makhija
Date: 2025.02.06 16:12:17 +05'30'

Name: Kapil Makhija
Designation: Managing Director & CEO
DIN: 07916109
Address: Sector 67, Gurugram, Haryana
Encl: As above

"Unicommerce eSolutions Limited Q3 and 9M FY25 Earnings Conference Call"

February 03, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 3rd February 2025 will prevail."

MANAGEMENT: **MR. KAPIL MAKHIJA - MANAGING DIRECTOR AND CEO, UNICOMMERCE ESOLUTIONS LIMITED**
MR. ANURAG MITTAL – CFO, UNICOMMERCE ESOLUTIONS LIMITED

Moderator: Ladies and gentlemen, good morning and welcome to the Unicommerce eSolutions Limited Q3 and 9M FY25 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will remain in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*," then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kapil Makhija – Managing Director and CEO of Unicommerce eSolutions Limited. Please go ahead, sir.

Kapil Makhija: Hello and good morning everyone. We are excited to meet all of you again and I welcome everyone to the Quarter 3 and 9 months FY25 Earnings Call of Unicommerce eSolutions Limited.

I am delighted to be joined by Anurag Mittal – our CFO and Strategic Growth Advisors, our Investor Relations Advisors.

We are pleased to report a strong performance in Q3 and 9 months FY25. Our consolidated revenue for Q3 FY25 and 9 months FY25 grew by 26.1% year-on-year and 16.2% year-on-year respectively. Our adjusted EBITDA grew by 63.5% year-on-year in Q3 FY25 and 42.7% year-on-year in 9 months FY25. Our PAT grew by 62.3% year-on-year in Q3 FY25 and 39.3% year-on-year in 9 months FY25 due to stronger operating leverage in our business.

As many of you know, we recently acquired a nearly 43% stake in Shipway Technology Private Limited, a software as a service or a SaaS company dedicated to e-commerce enablement much like Unicommerce. We are happy to share that this acquisition was successfully completed on December 17, 2024. We remain committed to acquiring the remaining stake in the company. With this acquisition, our product portfolio now spans the entire e-commerce value chain, reinforcing our vision of becoming a one-stop shop for e-commerce enablement.

Going forward, Unicommerce will serve as the umbrella for three product platforms. The first platform is Convertway, as a part of customer engagement layer where orders are placed. The second platform is Uniware, as a part of the transaction processing layer, where all operational decisions are taken in respect to orders, inventory, warehouse, stores and more. And the third platform is Shipway, in the order fulfillment layer which includes everything related to logistics, from the point of handover of shipment to a third party logistics service provider or 3PL, including returns and exchange.

Let me briefly introduce each platform for the benefit of the new attendees on this Quarter 3 and nine months FY25 Earnings Call.

Let me begin with Convertway:

It is an AI enabled marketing automation platform designed to boost conversions and sales. It achieves this in three ways. First, by increasing the client's subscriber base through gamification. Second, by engaging users with personalized campaigns based on their behavior on the website. And third, by enhancing customer support during the purchase journey or post purchase with chat bots. These features help our clients maximize revenue, drive new trials and improve customer retention, making Convertway a powerful growth tool for e-commerce businesses. Although the platform is still in its early stage, we are optimistic about its potential.

Now turning to Uniware:

It has been our flagship platform at Unicommerce for over a decade and simplifies the complex backend operations of e-commerce businesses. It handles everything after a customer completes a purchase, including inventory management, order processing across multiple channels, warehouse operations, and seamless handling of return inventory. It also supports advanced omni-channel use cases, like shipping from the nearest store and endless aisle, that is, placing an order for products not in stock within the store. With over 270 integrations, spanning sales channels, logistics providers, ERP systems and point of sale software, Uniware delivers unmatched operational flexibility across industries such as fashion, pharma, beauty and footwear across varying scale of operations.

Our third platform, Shipway is a full-stack logistics management platform. It offers two distinct products. The first product is courier aggregation for clients managing logistics across multiple courier providers via a single platform and the second product is shipping automation for clients using their own commercial terms with logistics players, but requiring advanced technology to run daily operations. Convertway drives sales growth, Uniware streamlines operations, and Shipway enhances logistics efficiency. Together, these platforms address the most critical challenges faced by e-commerce businesses. Uniware, our flagship platform, has been the market leader in its segment with a large operating scale and demonstrates strong operating leverage, driving consistent growth in our profitability.

Shipway and Convertway on the other hand are relatively newer entrants in their respective fields and we see significant potential for growth in their scale going forward with our combined strength and value to customers. With a combined client base of over 7000 businesses across Convertway, Uniware and Shipway, we foresee significant cross-selling opportunities. Particularly, since the current overlap of customers between the products is very small at less than 5%.

Now coming to the Quarter 3 business update:

This quarter, we continued expanding our client base on Uniware and its usage has seen a steady rise, achieving an annualized run rate of over 1 billion order items process, reflecting the increasing adoption of our solutions. Our ongoing investment in technology and product development remains central to our strategy. These efforts are focused on enhancing adaptability and scalability to address evolving client needs, ensuring we can better serve both existing and new clients. In the past quarter, we prioritized several key developments in the existing product suite that addresses critical operational challenges, including new integration, omni-channel returns management and new features for the gifting industry. We also added AI-first automated order punching for B2B orders during the last quarter, making it easier for our clients to use our platform.

On the new product front, Convertway continued to strengthen its personalization capabilities, introducing custom flow creation for tailored customer engagement journeys. It also launched an AI-powered template generator to streamline campaign creation with optimized communication templates. UniReco, which focuses on payment reconciliation, continues to receive promising feedback. We remain on track for a commercial launch by the end of Quarter 1 FY26, and this will further enhance our position as a comprehensive e-commerce enablement platform.

Shipway partnered with India Post to enhance especially in tier 2 and tier 3 destinations. It also launched same day and next day delivery services in collaboration with courier partners to meet the fast delivery demands of D2C brands and sellers. As part of our strategic consolidation efforts, UniShip will be merged with Shipway's shipping automation solution. This integration will allow us to leverage Shipway’s expertise and deliver a unified, enhanced offering to our customers. We are continuing to invest in this area to develop a more robust and competitive solution. Our continued investments combined with our end-to-end capabilities across Convertway, Uniware and Shipway position us to strengthen our leadership in the e-commerce enablement space and unlock new growth opportunities.

As a recap from our past calls, let me quickly summarize the key growth drivers for Unicommerce moving forward. Firstly, India's e-commerce market remains under penetrated, offering significant long-term growth potential. As digital adoption deepens and the market scales, we are well positioned to capitalize on the shift towards SaaS platforms for operational efficiency.

Second, the total addressable market or TAM for Unicommerce's core products is approximately $260 million, with an additional $420 million for our complimentary offerings. With the inclusion of Shipway, the TAM for courier aggregation adds approximately $470 million, bringing our combined TAM to over $1.15 billion. This presents a substantial opportunity for us as the market evolves in scale and complexity.

The third growth driver for us is acquisition of new clients. In Quarter 3 FY25, we continue to add marquee brands such as Hidesign and Hummel to our portfolio. In addition to new brands entering the market and scaling up, traditional and untapped industries are increasingly transitioning to online platforms. And as they scale, the demand for SaaS solutions like ours grows. The fourth growth lever for us is our extended product portfolio. With our three platforms across the e-commerce value chain, we are uniquely positioned to simplify operations and accelerate growth for e-commerce brands and sellers. We will continue to enhance our offerings further as per the needs of the e-commerce ecosystem.

In Summary:

The long-term outlook for the Indian e-commerce market is promising, driven by increasing digital adoption and evolving consumer preferences. We remain confident in Unicommerce's growth trajectory. Having consistently achieved market++ (plus-plus) growth over the years, we expect to continue performing at the same level moving forward, along with demonstrating strong operating leverage, achieving expanding profitability.

With that, I would like to invite Anurag Mittal – our CFO, to share our financial performance. Over to you, Anurag.

Anurag Mittal: Thank you, Kapil. Good morning everyone. We are pleased to report good performance for Quarter 3 and Nine Months FY25.

Let me take you through the Highlights of our Consolidated Financials (in INR):

Our revenue for Quarter 3 FY25 grew by 26.1% year-on-year, reaching to 327.4 million compared to 259.6 million in Q3 FY24. Our adjusted EBITDA increased to 88.8 million in Q3 FY25, a 63.5% year-on-year growth compared to 54.3 million in Q3 FY24. Adjusted EBITDA margin improved by 620 basis points year-on-year, rising to 27.1% in Q3 FY25 from 20.9% in Q3 FY24 due to the benefit of operating leverage. Our PAT grew by 62.3% year-on-year, reaching to 62.9 million in Q3 FY25 compared to 38.8 million in Q3 FY24. PAT margin improved by 428 basis points year-on-year, rising to 19.2% in Q3 FY25 from 14.9% in Q3 FY24.

On the 9 months basis, our revenue increased by 16.2% year-on-year to 895.2 million in 9 months FY25 compared to 770.5 million in 9 months FY24. Our adjusted EBITDA grew by 42.7% year-on-year reaching to 195.1 million in 9 months FY25 compared to 136.8 million in 9 months FY24. Adjusted EBITDA margin improved by 405 basis points year-on-year, standing at 21.8% in 9 months FY25 compared to 17.7% in 9 months FY24.

Our PAT increased by 39.3% year-on-year, reaching to 142.8 million in nine months FY25 compared to 102.5 million in nine months FY24. PAT margin improved by 265 basis points year-on-year, standing at 15.9% in nine months FY25 compared to 13.3% in 9 months FY24.

In summary, our sustained investment in the existing products, acquisition of Shipway and Convertway, new product development and the operational efficiencies of our scalable model, position as well for the future growth and profitability. We are confident in our ability to leverage these investments and create long term value for the company.

With this, I would now like to open the floor for Q&A. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use their handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Vidyadhar from Sohum Asset Managers. Please go ahead.

Vidyadhar: Thank you. Good morning. My first question is that both on a standalone as well as a consol basis, your EBITDA margin has shown a very welcome, significant improvement. But that seems one of the main drivers seems to be the fall in employee costs and your one of the notes to the results also suggests that the employee cost fall was perhaps because of some prior period last year's performance bonus deductions. If you could just give some clarity on what really happened, what was the recurring excluding the prior period items if any? What was the employee cost in Q3 and what is the sustainable EBITDA margin standalone, Shipway for 15 days appears to have made something like a 30 lakh loss. So, what's the outlook for Shipway going forward? When will it turn profitable and how does the consolidated entity look? And lastly if I could add what is a possible dilution of equity when you acquire 100% in Shipway which is again mentioned in one of your notes? Thanks.

Kapil Makhija: Thanks, I think there are a series of questions, let me try and address them one by one. I think your first question was in terms of the operating leverage in the business, how sustainable it is given that in terms of the manpower expenses because that's where the most reduction has happened. I think I wanted to clarify and we have said that in the previous earning call as well that our flagship platform Uniware is actually quite stable requiring only minimal investments because we invested a lot on this platform during the years FY21 and FY22. So, hence our employee expenses are not increasing in line with our revenue growth. With our new products also nearing maturity, we are also realigning our manpower expenses to align with appropriate investments resulting in expanding profitability. So, whatever data points that you've highlighted are in line with our plan to realign our manpower expenses because our core platform, Uniware which is our flagship platform does not require as much investments. On the second question about Shipway turning profitable, compared to FY24 when Shipway demonstrated a PAT of negative 5%, we are at less than 3% negative PAT as of the December month like the last 15 days that we consolidated. So, Shipway as a business continues to demonstrate growth both Shipway and Convertway and continue to show improving profitability. We continue to see consistent improvement in the loss margins. And we would continue to optimize the business by utilizing the synergies on both direct and indirect costs. And our endeavor is to make the business PAT positive very soon. There was a third question also…

Vidyadhar: Dilution of equity, on merger of Shipway or whatever you said that stocks share swap or merger of Shipway?

Anurag Mittal: So, we have completed the first tranche of transaction by paying out cash on December 17, 2024. Now, the second transaction will be taken up soon. The value of the completed transaction will be decided as per the fair market value at the time of the follow up tranche and the follow up tranche will be completed through the merger or swap which will be decided soon.

Vidyadhar: Okay, but so no, not really possible to give color on extent of dilution, is it? And also on my earlier questions, there appears to be a Rs. 2 crore write-back of employee costs related to last year. Is that correct? What was the recurring employee cost in this quarter? I would appreciate if you could give a specific answer to that or at least some ballpark number?

Anurag Mittal: So, the onetime reversal as Kapil also mentioned, in fact we are optimizing our manpower expenses, so the one time reversal is also in line with our plan to realign the manpower expenses.

Vidyadhar: So, therefore let's say that you are 25% standalone business EBITDA margin sustainable. And I take not adjusted, but a reported EBITDA margin. That's the kind of you are I think 25. Actually standalone something like a 27 almost 28% over 28% EBITDA margin in Q3. So, what's a sustainable standalone margin?

Anurag Mittal: Yes, this improvement is a result of the operating leverage in our Uniware business. And most of our expenses below the gross margin are largely fixed in nature. Due to this, as our revenue grow, these costs won't increase at the same price.

Vidyadhar: Okay, so it is sort of sustainable, is it? The employee costs of around 40% odd, which is where you are in this quarter. That's probably a sustainable at least on a standalone basis?

Anurag Mittal: Yes, that's correct.

Vidyadhar: Okay. That's pretty good then. Thanks.

Moderator: Thank you. Ladies and gentlemen, if you wish to ask a question, please press * and 1. The next question comes from the line of Sahil Doshi from Thinqwise Wealth Managers LLP. Please go ahead.

Sahil Doshi: Hi, good morning. I hope I am audible.

Moderator: Yes, Sahil, please go ahead.

Sahil Doshi: Yes. My question pertains to the standalone business. If I see these transactions, revenue per transaction, this is the third quarter we have seen a YoY dip in the revenue per transaction to 1.14. Just wanted to get a sense on what's really leading to this and where do we see stabilizing at? And similarly on the transaction process, the rate of growth has also slowed down to around 15% on YoY basis. So, could you possibly give us a break up of, or just at least qualitatively call out, how much of this growth is led by the existing clients and how much is through new client additions?

Kapil Makhija: Sure. See, we mentioned in the earlier earnings call as well that our steady-state price continues to be in the range of Rs. 1.2 to Rs. 1.3 per item for Uniware, our flagship platform. For Quarter 3 FY25, the price of INR 1.14 that you quoted is similar to last year, which was 1.15. The Quarter 3 being a festive season quarter, it generally has a lower price per transaction than other quarters because there is an increased order velocity due to festive season as a lot of transaction growth gets absorbed in the minimum guarantee as we described in the earlier earnings call as well. So, the steady state continues to be in the range of 1.2 to 1.3 as I mentioned. Sorry, what was the second part of your question?

Sahil Doshi: Yes, I think my second part of the question was more on the growth rate. If you can possibly call out what is the growth you are seeing from the existing clients?

Kapil Makhija: Sure. So, what we described in the earlier call as well that post of Diwali sales, which this year a part of that Diwali sales also happened in September because this year the Diwali was earlier as opposed to last year where the entire festive of sales happened in Q3. And hence you see a slightly muted growth, but overall we are seeing that post the Diwali sales, the first few days of the Diwali sale, in general the sales have not yielded a strong growth which was the trend even last year as well. So, we continue to see the overall e-commerce volumes to be muted and that's why our endeavor is to have a one-stop shop for e-commerce businesses across three platforms which is Convertway, Uniware and Shipway so that increasingly more and more businesses can opt for services that are available under a single umbrella and we continue to drive adoption across the ecosystem.

Sahil Doshi: Sure. But could you give some qualitative remarks if you are seeing flattish growth from your existing clients or what is the nature of growth? I mean, that would be very helpful.

Kapil Makhija: Sure. So, our growth from existing clients is measured through what we call as NRR. NRR is Net Revenue Retention. In spite of the overall muted growth in the e-commerce market, we still continue to demonstrate a 100% plus NRR. We will not be able to share specifics on the NRR because of business sensitivity reasons, but it continues to be more than 100%. So, our existing customers, net of churn continue to grow consistently, and we continue to add more growth by adding new clients.

Sahil Doshi: Thank you, Kapil. And just one last question related to the capitalization which we do for the new tech development. It's been around INR 10 odd crores for the nine months. Now that the

Shipway entity has been acquired and the line of operations possibly are similar, could you possibly give us a sense of how much further investment could be required in these products and how should we think about amortization of these kind of costs which have been taken?

Anurag Mittal: Sahil, one thing I want to clarify that the technology capitalization we have done in 9 months FY25 is to the tune of INR 5.9 crores.

Sahil Doshi: Okay.

Anurag Mittal: Sorry, what was your second question?

Sahil Doshi: Yes, meaning total capitalization, additionally we took 4.4 for the tech development related to Shipway, right? This quarter, so I would just talk, my question was the total capitalization which you've seen over the nine months. With the Shipway acquisition too, how much further investment do we see in this new products and how should we think about amortization in going forward?

Anurag Mittal: So, Sahil in this regard, the technology development related to the logistic automation now better aligns with the Shipway business which we have done in last few quarters. Now the acquisition is completed and transferring the development to Shipway makes strategic sense. This transfer enhances the Shipway product capabilities and make it stronger platform for the future. In fact in this particular product specifically the UniShip by now, the amount is INR 43.9 million and is based on the actual cost incurred in developing the technology over the time. And this includes the direct cost related to the development, engineering efforts and other associated investments. And after this transfer, Shipway will continue to invest in the product for integration and to bring the development to the terminal state. It would be very early for us to confirm you the amount of the further developments which we can update in the subsequent quarters.

Kapil Makhija: And also some of the new products, Sahil like UniReco, we continue to build. We are expecting to do a commercial launch by end of quarter one FY26. So, we just want to again reinforce that any incremental developments continue to be expensed in our P&L. Only the new products that we build are getting capitalized. So, and to that extent whatever new products we are building currently that's UniReco as of now. So, only that portion will continue to get capitalized. All other expenses continue to get expensed. Even the incremental developments in Shipway and Convertway are also getting fully expensed in the P&L.

Sahil Doshi: And amortization policy related to this capitalization, like as and when the development happens, that's the time when you will write it off or it will be amortized over a longer period?

Kapil Makhija: Yes, Sahil, the amortization will be done in accordance to the Ind AS principles and will be done over a period of time that will approximately range to 3 to 4, 5 years.

Sahil Doshi: Understood. Sure sir, that answers my question. Thank you so much and best wishes.

Moderator: Thank you. The next question comes from the line of Nilesh Shah from Envision Capital. Please go ahead.

Nilesh Shah: Yes, I just wanted to understand this capitalization of expenses, product development expenses. Is this, we're doing this for the first time? Is this a change in our accounting policies and what implications it has for the future?

Anurag Mittal: So, there is no change in the accounting policy per se. In fact, we have first capitalized Uniware long back in 2014. And after that, the company didn't develop any new product. Now from FY25, in fact, quarter one FY25, we started focusing on new product development and we are capitalizing these new products. In fact, in last 8, 9, 10 years, what all enhancements etc. what we have done were charged off in the profit and loss account as Kapil also mentioned recently in the last question.

Nilesh Shah: Going forward also whenever we would do any new product development, we would capitalize those expenses?

Anurag Mittal: Yes, new product development will be capitalized. Any enhancements we do in the existing product will be charged off to the profit and loss account.

Moderator: Thank you. The next question comes from the line of Sumeet Jain from CLSA. Please go ahead.

Sumeet Jain: Thanks for the opportunity and congrats on decent set of pricing, particularly this quarter and the margins. Firstly, Kapil, I just want to understand in your presentation you have highlighted the potential shipment growth opportunities around 31% CAGR over the next 4 years. And when you plan to grow at market++ (plus-plus) rate, that's what you have grown for the past 4 years as well. So, can we assume that your volume shipments should be north of 31%?

Kapil Makhija: So, Sumeet, the growth that we demonstrated in our deck is a long-term steady-state. I think we firmly believe that the long-term potential for e-commerce is intact. We are seeing some growth slowing down since last year. So, we can't really predict when the growth will pick up, but we firmly believe that the long-term story for e-commerce is intact and as and when e-commerce continues to demonstrate growth in the range of let's say 20%-30%, we will continue to deliver a market++ (plus-plus) growth rate. We have done that historically, and we are confident that we will continue to do that. In the current year, like last year we had mentioned that the overall market, as per our estimates, grew middle to late single digits. And this year, we see that the overall market is growing in early to mid single digits. So, our overall growth is also a reflection of that, but we will continue to maintain a market++ (plus-plus) growth rate.

Sumeet Jain: Okay, but if I look at the retail sector in India, right, that's growing at high single digits to low double digits and probably e-commerce and overall category basis must be growing higher than that. So, is it that your relevant customers are growing at a lower rate? So, because we don't get an industry data out there on a quarterly basis. So, just to understand, like when you talk about low, mid, single to mid single digit growth for the overall e-commerce market, like what are the sources for that number?

Kapil Makhija: Sure, so first let me comment on the offline growth. I think although we are an e-commerce enablement software, but we have seen some increase in select offline retailers. But we can't really generalize and say that that's the sense for the market. And similarly for a few e-commerce merchants, there may be some growth, and that's also there in our customer base as well. See, we are processing nearly a billion order items annually now, rather than an annual run rate. In a way, they become an index to e-commerce operation. So, what we are representing the market growth is kind of reflective of the overall market. Select businesses may have grown faster, and this is the case with many of our customers. But a large portion of our customers still continue to demonstrate muted growth, which is what we are seeing in the ecosystem.

Sumeet Jain: Got it, that's helpful and then if I look at your top 10 client revenues, I mean on an absolute basis on a YoY basis, it is largely flat. So, how should we assume, is it because of change in your top 10 client revenue rankings or is it that your top customers growth is not that strong how should we look at it?

Kapil Makhija: So, like I mentioned the overall market growth in e-commerce has been slightly muted and our top 10 customers performance is also a reflection of that. We haven't seen any material change in the top 10 composition, but it is a reflection of the overall market growth itself. And that's why, as I mentioned, that in spite of that, we continue to maintain a 100%+ NRR and continue to add more and more customers to drive a market++ (plus-plus) growth in our business.

Sumeet Jain: Got it. And what macro factors or maybe micro factors one should look at Kapil to assess that when this demand on a cyclical basis should start improving?

Kapil Makhija: I think few macro factors, one is related to the overall consumption. So, as the consumption in the country increases across the broad spectrum, we should see an overall improvement in e-commerce. Structurally, we see e-commerce is becoming a way of life. There are today no brand, no retail brand is planning their business strategy without e-commerce in mind. So, I think that's a welcome change compared to let’s five, seven years ago when the e-commerce and particularly the dropship model within e-commerce was starting to grow. I think it is a combination of one, overall consumption improvement; second is the relative penetration of e-commerce within the overall retail ecosystem. It has become a way of life for metro cities, but in Tier-2, Tier-3 cities, we are yet to see a growth happening. And third is the overall infrastructure getting built out the logistics ecosystem. I think these will be three macro trends that anyone could track to see how the overall e-commerce movement is going on.

Sumeet Jain: Got it. And are you working with the quick commerce players and is the strong growth in quick commerce helping you or not helping you in anyways?

Kapil Makhija: Yes, so we are already integrated with the leading quick commerce channels. In fact, see we are a sales channel agnostic platform. So, for us, as more and more channels become commonplace in the e-commerce ecosystem, it actually helps the businesses. It further increases the complexity. Today, many brands along with selling on e-commerce channels also have to sell on quick commerce channels to drive their growth. And that's why increasingly they need a technology platform to manage these multiple channels. In line with that, that's why we had mentioned in our earlier earnings calls that we are integrated with all leading quick commerce channels. And in fact, the recent development that we have done for the AI powered B2B order punching tool that we built, also enables the brand to manage their not only quick commerce orders, but also general trade and modern trade orders as well. The idea is to increasingly become a one stop shop for e-commerce enablement for our brands. And that's why we continue to invest in our products to make sure that they can manage all parts of their businesses from a single platform which is us.

Sumeet Jain: Got it. That's helpful. And coming to your cost side, like can you just throw a light like why the server hosting expenses have gone up quite materially this quarter both sequentially and on a YoY basis and same for other expenses as well?

Kapil Makhija: Sure, so server hosting expenses, I will talk about server hosting expenses, then I will hand it over to Anurag to talk about other expenses. So, what we have done is that we continue to invest in security in our platform and continue to drive continuous enhancements on our platform. So, there is a short-term increase on our server hosting expenses, not a large one, a minor one, but that is in line with the investments that we are doing to drive like higher technology enhancements in line with you see the technology around us is changing so fast right, so we are also making investments to make sure that we are in line or in tune with the latest developments that are happening around us and continue to invest in security because that's also paramount to our customers. So, that's the reason for our increase in the short term in our server hosting expenses, but we are confident that it will come down to a steady state number as it used to be as our revenue continues to grow because as we have mentioned before that our server hosting expenses also do not need to grow in line with the revenue growth so that will come down. On the other expenses, I will hand it over to Anurag.

Anurag Mittal: So, Sumeet, our other expenses largely includes legal and professional, sales and marketing and travel and other G&A related expenses. The primary reason for the increase in cost over the last year is due to, for the Uniware, we have a higher sales and marketing expenses as we continue to invest in our business growth and certain costs are related to post listing compliances as well towards legal and professional. In addition to this, we have also consolidated other expenses relating to Shipway and Convertway in Quarter 3 FY25 and one of the addition relates to the freight expenses of Shipway.

Sumeet Jain: So, how should we model it like Kapil you mentioned that server hosting will come down to its normalized level in coming quarters. Should we assume that from Q4 itself and same thing for other expenses as well, how long will this be elevated and should we assume the other expenses to remain at these level as a percentage of revenues?

Kapil Makhija: So, Sumeet, I think it will be difficult for us to talk about specific quarters, these are server hosting expenses on a steady state basis, we should come back to the normalized levels as I mentioned. On the other expenses…

Anurag Mittal: Large part of the cost are fixed Sumeet, in fact below the gross margin and other expenses will seems to be in the same ballpark, but difficult to comment upon for the subsequent quarters at this point in time.

Sumeet Jain: Right and lastly can you also comment what was the inorganic growth in this quarter for you given the Shipway acquisition impact of 13-14 days?

Kapil Makhija: So, Sumeet, we don't consider this as an inorganic growth rate. So, our endeavor is to become a one-stop shop for e-commerce enablement. So, all the platforms now are part of our overall offering. So, we now offer three platforms, which is Convertway, Uniware and Shipway. We can talk about the specific revenue of Shipway, but essentially I just want the participants to understand that we view this as part of the overall Unicommerce entity where we are offering three platforms because see the solutions are being sold to similar businesses. These are all e-commerce businesses and Shipway and Convertway platforms also offer e-commerce enablement. So, we are increasingly viewing this as a single business offering three product lines which are serving to the same ecosystem as Uniware.

Sumeet Jain: Got it. That's very helpful. That's all I had. And all the best.

Moderator: Thank you. The next question comes from the line of Payal Shah from Billion Securities. Please go ahead.

Payal Shah: Yes. Good morning. Thank you so much for the opportunity. So, most of my questions have been answered. I just had one question. Can you throw some light on the competitive landscape of Shipway, also now with Shipway, to fully contribute starting this quarter and you UniReco to further start contributing in the next financial year. How are you anticipating growth for FY26 and '27 and beyond? So, can you throw some light on the same and it would be really helpful?

Kapil Makhija: Sure, if the question was about Shipway as a platform, so Shipway as a platform as we mentioned has two products, courier aggregation and shipping automation. Courier aggregation in particular, the space is fairly large as we mentioned the TAM for courier aggregation is about $470 million, it is nearly INR 4000 crore. It's a relatively new entrant in this space and there are various large players already present in this space already. So, we see a significant headroom for growth for the courier aggregation piece within the Shipway platform. And given that both Convertway and Shipway are relatively newer entrants in their respective spaces, we see a significant headroom for growth and should continue to drive growth. It will be difficult for us to talk about specific growth numbers for FY26 and 27. But as I mentioned before that we continue to grow market++ (plus-plus). So, we will continue to demonstrate strong growth and more importantly expanding profitability because our flagship platform, Uniware, has significant operating leverage. It's fairly, it's largest player in its segment and it's fairly stable. It does not require significant investments now because we have invested quite a bit in FY21 and FY22. So, that's why the combination of the three platforms will help us drive continuous growth with expanding profitability.

Payal Shah: Okay, that's quite helpful. Thank you so much.

Moderator: Thank you. The next question comes from the line of Aditi Nawal from RSPN Ventures. Please go ahead.

Aditi Nawal: Good morning. Thanks for taking my question. So, I have a few questions. So, the first one is you mentioned in your other OPEX, there is some component of legal charges that may be related to the acquisition of Shipway. So, could you just quantify that so that you know that it will be like a one-off and maybe the EBITDA margin going forward could see a slight improvement as well?

Anurag Mittal: Sorry, can you repeat the question? It's not clear actually.

Aditi Nawal: Yes, so my question is, in the OPEX line item, you mentioned that there are certain legal charges that had incurred this quarter and I am assuming that is related to the acquisition of Shipway. So, could you just quantify how much that is?

Anurag Mittal: Got it. So, in fact that one time legal expenses for the acquisition are not actually material and have not also been disclosed in the financials, so it would be difficult for us to share the number.

Kapil Makhija: And we also want to clarify the legal and professional increase is largely because of the post IPO compliances and not necessarily because of the acquisition not sure from where you made that deduction, but as we mentioned before the legal and professional increase is largely because of post-IPO compliances.

Aditi Nawal: So, I need the deduction because in the standalone, your other expenses have not significantly improved. It was only in the consol numbers that OPEX has increased.

Kapil Makhija: Yes, so the other expenses increase in the overall financials is as Anurag mentioned is due to the freight charges for the courier aggregation business that we are providing now.

Aditi Nawal: My second question would be, could you give us the numbers for Shipway revenue and Shipway PAT for nine months and this quarter? That's something that you are keeping a track of?

Kapil Makhija: So, we are consolidating Shipway effective 17 December, and we consolidated Shipway only for 15 days during Quarter 3 FY25 and 9 months FY25. From the revenue standpoint, we consolidated Shipway and Shipway contributed near about 32.7 million INR and from a PAT standpoint, Shipway delivered a loss of INR 0.9 million for this period.

Aditi Nawal: So, the INR 0.9 million is for the 15 days, right?

Kapil Makhija: Yes.

Aditi Nawal: So, I mean, if I am not wrong, I think in some of your presentations you mentioned that in the last year, Shipway's PAT was around negative INR 2.24 crores or so. So, now for 15 days we are coming to around INR 0.9 million. So, isn't that an increasing trajectory of losses?

Kapil Makhija: It's in the similar ballpark and see we continue this is the like I mentioned that both Shipway and ConvertWay are relatively newer entrants in space. So, there are some investments that continued in FY25 as well for us to drive growth. But if you look at from a percentage basis, the PAT margin was 5.2% loss at the end of FY24 and now it's 2.8% and towards the end of December FY25. So, we are seeing an improvement trajectory, but these are currently in the initial phases and there is going to be some investment. So, that will continue. But as I said that we see as now we have three product lines being offered to the overall e-commerce ecosystem. We see material synergies on both direct and indirect costs that we can leverage as a combined entity because now we are offering three products to common set of customers which are selling like e-commerce businesses, both brands and sellers. So, there are synergies on the selling side, plus there are synergies on the direct and indirect cost side. And that's why we are confident that we should be able to turn the business or turn these product lines PAT profitable very soon. We won't be able to share a specific timeline, but given the synergies, we are confident that that should happen very soon.

Moderator: Aditi, I am sorry to interrupt you there. If you could please join back the queue?

Aditi Nawal: Sure.

Moderator: Thank you. The next question comes from the line of Jagvir Singh from Shade Capital. Please go ahead. Jagvir, if you can please proceed with your question. Since there is no response, we will move on to our next question from the line of Jalaj from Svan Investments. Please go ahead.

Jalaj: Yes, thanks for the opportunity. I just wanted to understand one thing with regards to the employee cost. Are there some one-time expenses which are sitting with some sort of reversals there? And secondly, in case it is not so, then can you give a headcount maybe six months back or a year back so we can have a one-to-one comparison?

Kapil Makhija: Sure, so see, like we mentioned earlier in the call, that our flagship platform, Uniware, does not require any material investment because now there are only few incremental enhancements that are required in line with as e-commerce continues to evolve fast. For example, as quick commerce became mainstream, we integrated quick commerce as digital first brands expand offline, we built an AI enabled B2B tool for them to manage their modern trade and general trade orders as well. So, only these incremental enhancements are required and that's why we are realigning our manpower expenses to align with the fact that now the flagship platform does not require any material investment. In terms of the, I will come to the headcount point. So, that's why while you see a one-time reversal of the bonus that we have disclosed, this is in line with our plan to realign our manpower expenses because our flagship platform does not require any material investment. If you look at our headcount, it is largely in the similar ballpark but like the headcount today is about 350 employees in the Quarter 3 ending FY25, that helps answer your question.

Jalaj: Yes, so thanks for that. So, the headcount number was same in the last quarter also. Would it be safe to say that?

Kapil Makhija: It's in similar ballpark.

Jalaj: Got it and then one last quick point on this what sort of reversal or could you quantify the number, the bonus reversal which you are alluded to?

Anurag Mittal: Reversal INR 22 million is the number.

Jalaj: INR 22 million. Got it. Thanks and best of luck.

Moderator: Thank you. The next question comes from the line of Vidyadhar from Sohum Asset Managers. Please go ahead.

Vidyadhar: Thank you. So, I presume the delta between consol and standalone is Shipway, is that correct? Most of it, revenue and most of the other items?

Anurag Mittal: Yes, that's correct.

Vidyadhar: So, there I think it works out to INR 3.3 crore as a delta in revenue. So, does this mean given that it's for 15 days, the annualized revenue and the run rate prevailing in the last 15 days of December was about INR 80 crores?

Kapil Makhija: Sorry, I couldn't. Could you please repeat the question again?

Vidyadhar: So, the delta between your standalone and consol number is INR 3.3 crores. And that's INR 3.27 crores to be put in two decimals. So, if that's for 15 days and then if I were to annualize it, I get roughly INR 80 crores. Slightly below INR 80 crores, rounded off INR 80 crores. Does that make sense? Is that kind of a number or more recent or seasonally high?

Anurag Mittal: Yes, that ranges between INR 70 to Rs. 80 crore of annual run rate.

Vidyadhar: Okay and by the same measure if I do, the last number comes to around INR 35 lakhs. The delta between standalone and console and which then annualized also to INR 8.4 crores? And you mentioned nine….

Anurag Mittal: I think that is not a right way of looking at the things. We have recently acquired this company and for 15 days period, our loss is INR 0.9 million and our endeavor is to make it breakeven on an immediate basis as soon as possible in the subsequent quarter.

Vidyadhar: So, this delta between the standalone and consol profit is around minus INR 35 lakhs. Other than INR 9 lakhs, there are some one-time items, is it?

Anurag Mittal: No, so basically that's a one-time on account of our depreciation we charged for the intangible capitalization we have done during Quarter 3, FY25. So, that near about INR 25 lakhs is for that.

Vidyadhar: And that will be a recurring item, I guess, is amortization.

Anurag Mittal: So, in my previous question, if you remember, I addressed that the acquisition we have done, the value of investment we will capitalize in our books in a form of different assets based on the expert valuation and those assets will be amortized over a period of time.

Vidyadhar: Like what, 4, 5 years or much longer period, what kind of?

Anurag Mittal: So, that will be in accordance to the IND AS guidelines, will actually range between 3 to 5 years also.

Vidyadhar: So, that's also one, the Shipway numbers come in going forward and so until they become profitable, they slightly hurt your numbers, profitability, boost your revenue and the amortization is the other hit you get. So, basically the quicker you turn around Shipway, then the profitability number also start looking at it. Is that the right way of looking at things?

Kapil Makhija: That's fair, but the loss in Shipway is not material even today. So, in spite of, you see even for our Quarter 3 results, we continue to demonstrate a strong growth in our profits. So, even if let's say Shipway were to become breakeven, it doesn't materially change because a large part of our profits are coming from our flagship platform which continues to demonstrate a strong operating leverage and that will continue to happen. So, while our endeavor is to make the two platforms Convertway and Shipway breakeven and be PAT positive. But a large part of our profitability will be driven from our flagship platform, which continues to demonstrate a strong operating leverage.

Moderator: Thank you. The next question comes from the line of Ananya from Thinqwise Wealth Managers, LLP. Please go ahead.

Ananya: I just wanted to ask about Shipway's cost, specifically the gross margin. Is there any scope for improvement in the future because currently it's around 20%. So, once it's fully consolidated, it will significantly hit the consolidated entity's gross margin. So, I just wanted to understand that?

Kapil Makhija: See, as we mentioned, there are synergies that we see on both the direct and indirect costs. So, our endeavor is to continue to improve this. But like I mentioned that given that our flagship platform Uniware is largely stable, not requiring aggressive investment, so large part of our profits will come from the Uniware platform while Shipway and Convertway being relatively newer entrants in their respective fields will continue to drive growth for our business and will continue to expand because they both are operating in large opportunities and we are confident that as we continue to grow them, they will continue to drive growth for us. Having said that, as we see synergies in the direct cost and indirect cost plus this growth, we will continue to achieve economies of scale and continue to improve that as well. And also at the same time, I just want to highlight that while the gross margin in percentage terms in a business like courier aggregation or Shipway and Convertway combined seems lower compared to Unicommerce. But if you look at the absolute margin per transaction is significantly higher than what we earn on our flagship platform Uniware.

Ananya: Would you be able to share how much this is, the transaction?

Kapil Makhija: So, see as an example today that average revenue is about INR 70 to INR 80 per shipment. So, even if at an absolute margin of 20.4% that you mentioned, it comes to about INR 15 per shipment. This is significantly higher than what we make in a flagship product Uniware on a per transaction basis.

Ananya: Okay, got it. Thank you. And also I want to ask on Quick commerce, how relevant are we and how much is it contributing to our revenue?

Kapil Makhija: See, we are very relevant for any brand or seller who is selling on multiple platforms including Quick commerce. They need a single platform to be able to manage all the channels on a single platform. So, we are very relevant. We don't publish channel-wise breakup for our revenue owing the business sensitivity. So, that number we won't be able to share. But wherever the e-commerce market goes, earlier the movement happened from outright models to dropship models. And today, there is advent of quick commerce. E-commerce continues to evolve fast and increases the complexity for brands. And that's where our role comes in. As the complexity in the ecosystem increases, there will be an increased need of a technology platform like ours.

Ananya: Okay, got it. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we take the last question from the line of Aditi Nawal from RSPN Ventures. Please go ahead.

Aditi Nawal: Yes, thanks for taking my question again. I just needed to know what is your SMB client number at the end of this quarter?

Kapil Makhija: Sorry, the question was about SMB clients?

Aditi Nawal: SMB, small and medium business clients.

Kapil Makhija: So, the SMB clients, we have invested in the short term to drive sales in our SMB business and while our overall base is 7000 plus clients, within that SMB clients on our flagship platform Uniware are 3000 plus. They have demonstrated a growth compared to previous quarters and we continue as we now have multiple platforms to be able to offer to the SMB ecosystem in the form of courier aggregation Convertway along with Uniware, we want to continue to drive growth in our overall client base. So, today, the client base has increased to 7,000 plus businesses, and we'll continue to drive growth in that client count as well.

Aditi Nawal: Got it, that's it, thanks.

Moderator: Thank you. I now hand the conference over to Mr. Kapil Makhija for his closing comments.

Kapil Makhija: Thank you everyone for joining the call today. We hope we have been able to address your queries. Should you have any further queries or clarification, please feel free to reach out to us, our Strategic Growth Advisors, our Investor Relations Advisors. Thank you and have a good day.

Moderator: Thank you. On behalf of Unicommerce eSolutions Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.