



the face of
change
powering
digital enterprise



INFIBEAM INCORPORATION LIMITED

ANNUAL REPORT 2015-16

**POWERING DIGITAL
ENTERPRISE**



**MILLION DREAMS
BILLION SMILES**



THANK YOU

Dear Investors, we would like to thank you for considering an ownership in Infibeam Incorporation Limited and making it The First Indian E-commerce Company to get listed on stock exchanges. We truly appreciate your trust invested in our company and giving overwhelming response.

While we continue to invest our effort and resource in growing our business and increase profit, we will adopt best practice in our corporate governance ensuring high degree of integrity and transparency with inclusive growth through our technology platform eco-system.

On April 4, 2016 Infibeam Incorporation limited got listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) and opened with 6% premium at a price band of ₹ 360-₹ 432 per share.

On May 30, 2016 we came out with our maiden performance post listing with complete turnaround for the Financial Year ending March 31, 2016. Our company has turned cash positive and reported an operating cash inflow of more than ₹ 233 Mn as against (₹ 209) Mn in the corresponding period of previous year. Profit after Tax (PAT) on the Total Revenue grew by 186% to ₹ 87 Mn compared to loss of ₹ 101 Mn in FY 2015.

We are presenting our First Annual Report post listing

The report aims to apprise our shareholders on factors determining the growth of E-commerce, an overview on E-commerce business model catering to Business-to-Business (B2B) and Business-to-Consumer (B2C) segment.

In the report we have focused on explaining how Infibeam Incorporation Limited with differentiated E-commerce business model is one of the key participant and the change agent is contributing to the digital transformation in India.

We request you to kindly refer to the subsequent pages for detailed Annual Report.

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Disclaimer

This document contains statements about expected future events and financial and operating results of Infibeam Incorporation Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Infibeam Incorporation Limited Annual Report 2015-16.





the face of change

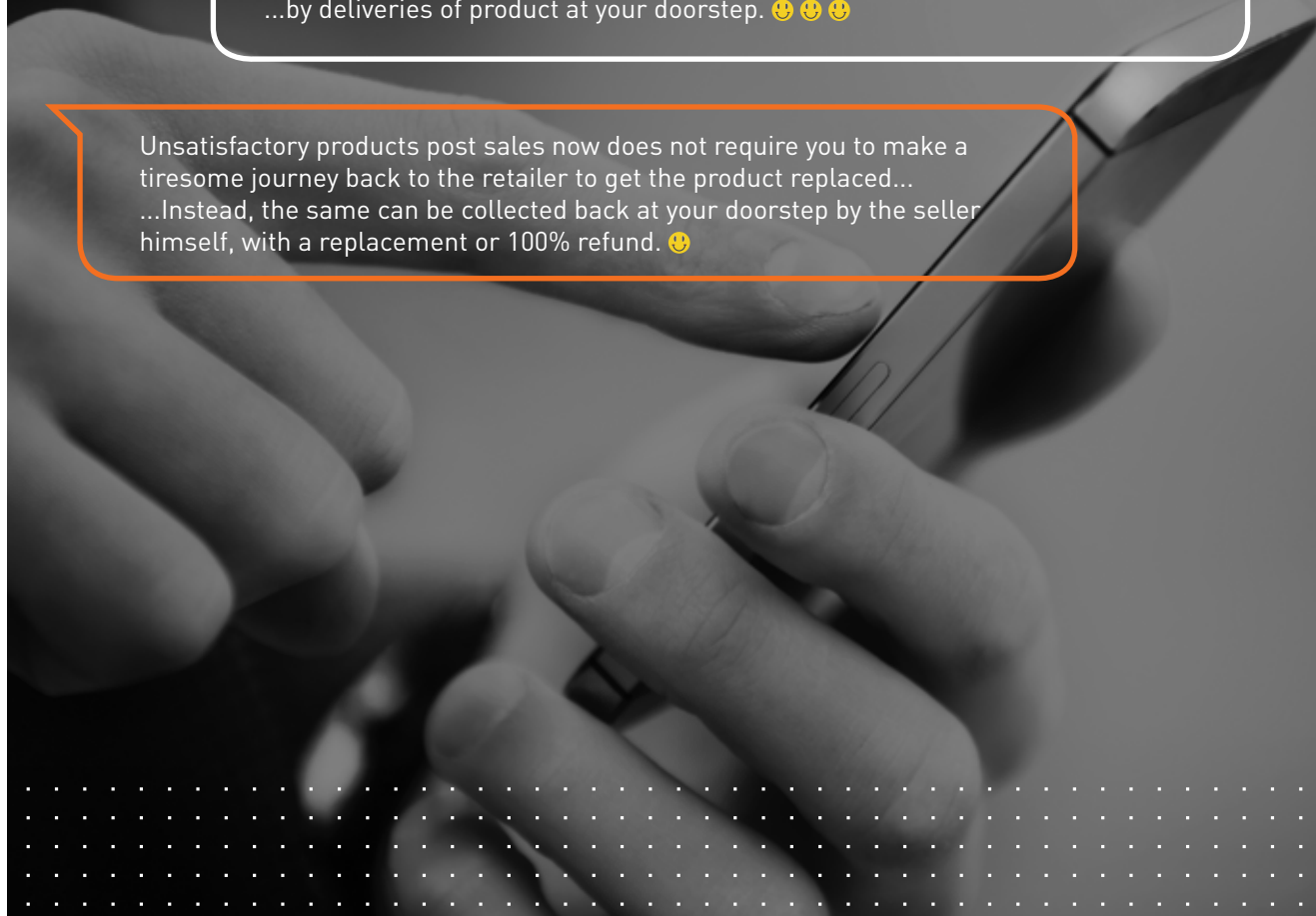
Window shopping is slowly getting replaced...
... by online browsing across e-commerce websites on the computer
windows and smart devices. 😊

Increasing footfalls in the malls during sale is now being converted...
... into increasing web traffic on the e-commerce portals generated out of
impulsive buying during flash sales. 😊😊

Card swipes and cash payments on the point of sales are getting diverted...
...into checkout through efficient payment gateways. 😊

Burden of carrying multiple bags post shopping is being reduced...
...by deliveries of product at your doorstep. 😊😊😊

Unsatisfactory products post sales now does not require you to make a
tiresome journey back to the retailer to get the product replaced...
...Instead, the same can be collected back at your doorstep by the seller
himself, with a replacement or 100% refund. 😊



Digital Market Place – Your new shopping destination

Travel tickets. Restaurant bookings. Purchase of apparels & household items. Books. Movie Tickets and many more goods and services we come across our daily life – all available at a single click!

infi beam

The convenience and ease of doing online transactions, combined with adequate security measures, has changed consumer's mindset towards online shopping. Retail brands are obsessed to adopt online commerce platform alongside brick & mortar store for creating more demand for their product and larger geographical reach. Thus, increasing their sales revenue and profitability. Moreover, Government's impetus towards building Digital India and start-up eco-system further determines the role of e-commerce companies towards digital transformation.



E-commerce Jargons

Before you proceed to the next pages, get acquainted with some of the frequently used words in the e-commerce segment:

E-Tail	An online webstore for sale of goods and services; abbreviated as electronic-retail
E-Commerce	Any transaction related to selling of goods or services that happens online via website or mobile app; abbreviated as electronic-commerce
Merchant	A person or an individual who wants to buy and sell his/her product and services either through physical store or by setting up own e-tail store/storefront or by registering in a marketplace
Marketplace	An e-commerce platform that enables merchants to list their goods and services offered by them for generating demand and sale
Managed marketplace	An E-commerce marketplace offering end-to-end support to merchants including logistic & fulfilment, digital marketing integration, warehousing and other value added services
Pure marketplace	An online marketplace where merchants can only list their products; deliveries are managed by merchants only
Storefront	Website that offers goods and/or services for sale, and which the customers or 'window shoppers' can visit at any time and from anywhere
User-interface	Merchants online storefront where product and services are showcased for customers to browse and select
Cloud-based server	A cloud server is a logical server that is built, hosted and delivered through a cloud computing platform over the Internet
Security	E-commerce security is the protection of e-commerce assets from unauthorised access, use, alteration, or destruction
Payment gateway	A payment gateway is a merchant service provided by an e-commerce platform that authorises credit card or direct payments processing for e-businesses
Fulfilment service	The process of receiving, packaging and shipping orders for goods through online platform
Logistics	The activity of transporting goods from one destination to other
Set up fee	An initial fee that is charged by merchants to set up online storefront
Customisation	Developing/modifying a webstore according to individual or merchants specifications or preference
Subscription-based	Monthly/Quarterly/Yearly payment for services provided
Drop ship	Drop ship is a fulfilment model that allows you to buy products individually from a wholesaler and ship them directly to your customer; Instead of purchasing a large amount of inventory, you simply partner with a drop shipping supplier and list their merchandise for sale





Back to back	Process where the e-commerce company places the order on a vendor/ supplier after receiving an order from a consumer
MBO	Abbreviated as Management by Objectives; It is a management model that aims to improve performance of an organisation by defining objectives and goals
Aggregators	A website or program that collects related items of content and displays them or links to them
Own inventory	Purchase of good/products and stores/stacked for further commercial activity
Outright purchase	Outright purchase is the transaction whereby the products are entirely purchased from the vendor at once with complete rights against payment of full consideration and without any reservations or qualification
Inventory-led model	Outright purchases stock from the vendor and sells it directly to the consumer
Consignment/SOR	Consignment is the act of giving goods/products over to another person or agent's charge, custody but retaining legal ownership until the material or goods are sold; SOR is abbreviated as Sale or Return (SOR); it is referred to the sold goods returned to supplier if not accepted by the buyer
Merchandise	Refers to range of products available for sale on the online platform
Horizontal merchandise	Width of the merchandise categories spread across multiple categories
Vertical Merchandise	Depth and variety in the merchandise collection with exhaustive range under each product categories



Evolution of e-tail in India

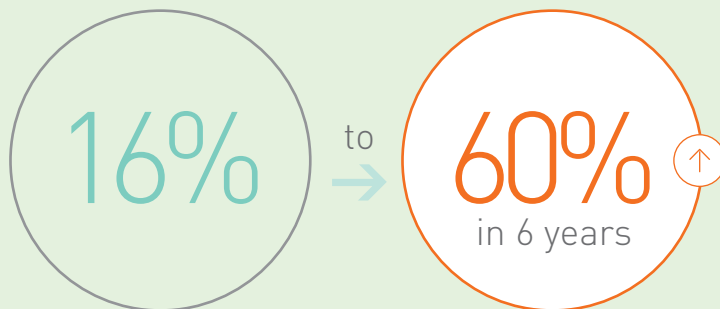
E-tailing made its debut in India during the early years of the new millennium. It was initially focussed on providing products online without much focus on customer service and experience. It took off in 2007 owing to advancements in quality of internet access, payments and computing on mobility platforms, dramatically changing consumers' behaviour towards internet consumption.

Interestingly, India's internet user base is in tandem to reach China's 2012-13 internet user base level by 2020. If this holds true, the Indian e-tail market as a share of total retail will touch 6%, thus building an optimistic outlook. Moreover, dramatic improvements in the user interface, combined with enhanced shopping features, payment gateways and strong fulfilment services is further creating a positive influence on the customer's mindset.

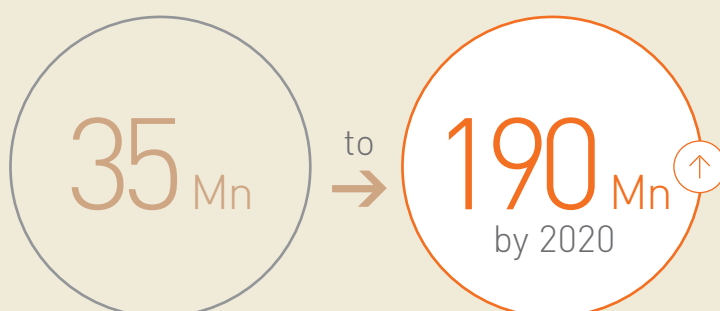
E-FACTS



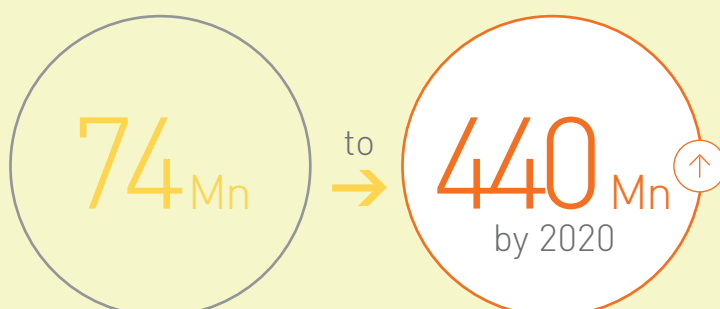
Factors driving the e-tail growth



Driven by increasing penetration of smartphones and internet usage on mobile phones, mobile internet users as a share of total internet users has grown from 16% in 2009 to approximately 60% in 2015.



Estimated growth of online shoppers from the current level will be largely driven by the rollout of 3G and 4G services for providing high speed internet access on mobile devices – the key area of growth.



Estimated growth in the users of smartphone.

India's internet statistics

3rd

Largest internet user base in the world

144 Mn

Broadband users in India by 2019, up from 86 mn in 2014

40%

Internet penetration by 2020, up from 19% in 2014

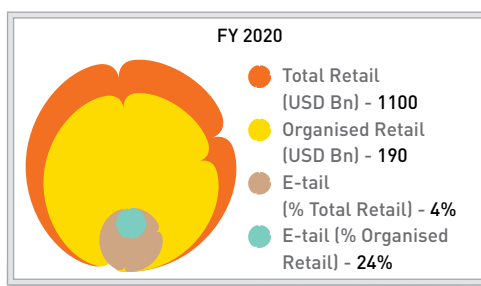
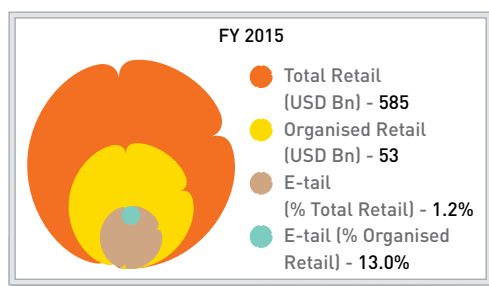
Online Retail Size

US\$44 Bn

E-tail market size by 2020, up from US\$7 bn in 2015



E-tailing in India by 2020

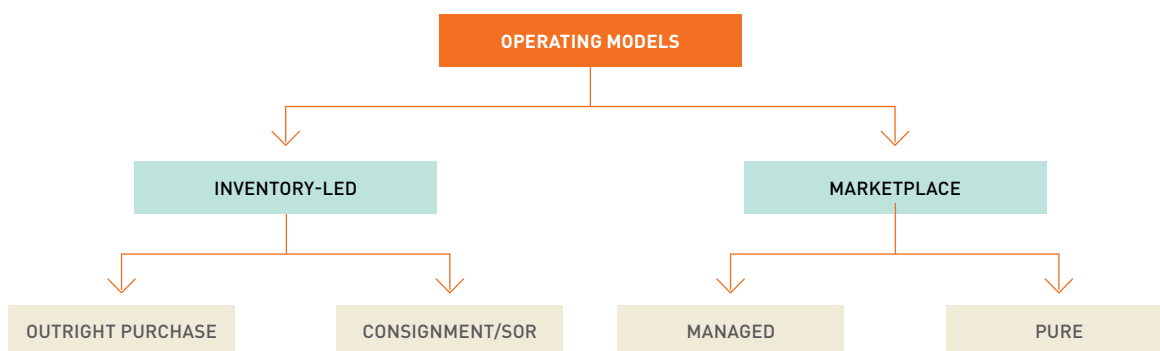


[Source: Technopak Report 2015]

E-tailing provides opportunities to both organised and unorganised segment of the retail industry. As such, e-tailing is estimated to grow at a higher multiple as compared to the overall retail segment.

Operating models in the E-Tail sector

In India, there are two types of operating models – inventory-based and marketplace.





Type	Advantages	Disadvantages
Inventory led The e-tailer develops/builds his own storefront to display goods/ services purchased from suppliers/ manufactured by him. He outright purchases/stocks products from the vendor and sells it directly to the consumer He can also purchase stock on consignment/ SOR basis	<ul style="list-style-type: none"> • Complete check on the stock levels • Higher fulfilment rate and faster dispatch time • Better brand credibility and customer confidence • Higher margins than other options 	<ul style="list-style-type: none"> • Capital tie-up in case of outright purchase • Increased inventory mark-down risk • Risk of building stocks non-selling products
Marketplace An e-commerce platform that enables individuals as well as businesses to either list their items for sale or set up online storefronts on the marketplace platform; they can leverage its services like search, product listing, product details, buying, payment gateway, order management and logistics among others. The transaction is entirely processed on the marketplace platform.		
Managed Marketplace E-tailer lists the product in the marketplace with a complete control over product quality, packaging, logistics and fulfilment services. The e-tailer can follow Drop ship and Back to back method for managing inventories.	<ul style="list-style-type: none"> • No capital/ space tied up in inventory • Higher control over quality of the product • Focussed customer service • Favorable government policies 	<ul style="list-style-type: none"> • Longer delivery cycle • Higher logistics cost • Multiple listing of the same product • Challenges of system integration with the vendor • Lower margins than inventory led approach
Pure Marketplace E-tailer lists the product in the marketplace. Logistics and fulfilment is managed by the vendor.	<ul style="list-style-type: none"> • No inventory storing and handling costs • Wider product offering • Favorable government policies. 	<ul style="list-style-type: none"> • Non-standardised customer service • Multiple listing of the same product • Poor vendor service resulting in poor customer experience • Challenges of system integration with the vendor