



FOCUSED ON FUNDAMENTALS

IntraSoft Technologies Limited

Annual Report

2015-16

1

Partnership

2

Technology

3

People

Inside this Report

About IntraSoft	01-16	Financial Statements	59-115
Growing Together with Partners	02	Consolidated Statements	59
Serving Better with Technology	04	Standalone Statements	88
Achieving More with People	06		
Managing Director's Message	08	Notice	116-118
Our Value Creation Model for Stakeholders	10		
Our Model for Consistent Growth	12		
Reinforcing Our Credibility	14		
Corporate Information	16		
Statutory Reports	17-58		
Management Discussion and Analysis	17		
Directors' Report	22		
Report on Corporate Governance	47		



Our Reputation

Fast growing

#1,641

We are ranked #1,641 in Inc. 5,000 fastest growing private US companies

Market ranking

#262

We are ranked #262 on Internet Retailer Top 500 Guide in 2016

We are a multi-channel e-commerce retail platform, with a strong technology backbone that combines supply chain logistics with real-time customer data to create a compelling shopping experience.

E-commerce now is a way of life in the twenty-first century.

And at IntraSoft Technologies Limited, we are leveraging the 'power of e' to provide a unique shopping experience to millions of US customers through our subsidiary, 123Stores Inc.

We foster deep relationships with brand owners to widen our range of offerings. Our strategies revolve around customer aspirations; and we integrate their insights to improve our operations.

Our proprietary ERP platform is a complex set of business algorithms, designed to optimise delivery time and product selections in line with the capabilities of our logistics partners. The result is better price-value proposition and faster delivery for customers.

Our proprietary technology has made the supply chain fully automated, minimising errors related to human intervention. The outcome is a scalable business. Even with phenomenal growth and orders, we have sustained high customer ratings across markets of our presence, which gives us immense confidence to aspire for higher altitudes.

We are a credible and profitable player in the world of digital commerce, and our revenue has surged 25 times since our IPO in 2010.

Our partners, our technology and our people are our fundamental growth drivers. And we are focused on our fundamentals to drive an attractive growth trajectory.

GROWING TOGETHER WITH PARTNERS



We foster enduring business partnerships for shared success and sustainable growth. Along with our suppliers and logistics partners, we are charting an attractive growth trajectory.

Supplier Partners

We work with over 1,600 brand owners/manufacturers, and offer close to 5,00,000 unique products. We are constantly expanding our catalogue to provide shoppers with the widest possible array of products, creating a compelling shopping experience.

Our model of sourcing allows us to explore newly launched products, to manage capital more efficiently, and minimise our risk exposure.

Our suppliers can focus exclusively on developing products, which win customers, without having to worry about investing in online retail solutions. On the other hand, we relentlessly deploy our technological expertise to build an ecosystem, which seamlessly integrates with their operations.

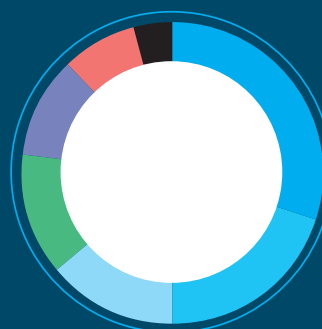
Whether a supplier has 10 SKUs, or a thousand in their catalogue, our proprietary, web-based ERP solution seamlessly integrates to match their expectations. We fully understand, there can be no one-size-fits-all precept when working with many suppliers. Be it orders placement, shipments, payments or return policies, our electronic data interchange (EDI) enabled systems establish common ground with every supplier.

Suppliers choose to work with us, because we help them maintain a consistent value proposition across all retail channels; and strictly endorse MAP policies. A dedicated relationship manager works with a given number of suppliers to protect their brand identity, reach, and how it is perceived by shoppers.

We have long-standing relationships with UPS, Fed-Ex, and a large number of regional shipping carriers, allowing us to reach 95% of American online shopping population within two business days. We've also made same day delivery possible!

CATEGORY-WISE REVENUE

(%)



Furniture, Patio, Lawn and Garden	30
Musical Instruments and Gadgets	20
Home Improvements and Art Crafts	14
Kitchen Dining and Appliances	13
Toys, Games and Baby	11
Sports and Outdoor	8
Others	4

5,00,000

We are selling 5,00,000 unique SKUs (Stock Keeping Units)

1,600+

Our catalogue covers over 1,600 brands

10,000+

New products added every month

800+

We have an extensive pan-USA reach in over 800 cities

SERVING BETTER WITH TECHNOLOGY



Our technology edge enables us to cater to a wide customer base, resulting in a large volume of orders. We rely on our proprietary web-based ERP solution, to deliver millions of orders across the US, in the fastest possible time. The complex business algorithm of our proprietary technology is the prime enabler of business value in this context.

Robust order management system

We delivered 19,69,233 orders in 2015-16; and the entire objective of building a robust technology paradigm is to delight each and every customer, every step of the way in the course of their interaction with us.

Receiving customer orders

We have Application Performing Interfaces (APIs) to bring marketplace orders into our proprietary ERP solution. They run at specific intervals, such that the lag time in collecting order information is minimal. We have achieved 100% automation in our ecosystem.

Verifying received orders

Each order passes through multiple automated system checks, to increase the accuracy of all downstream processes. The average time taken for verification is 1 second per order. Orders (with no anomalies) move to the next level for processing; orders which fail, move to a manual intervention screen for further scrutiny. Over 95% orders are verified automatically!

Placing orders with supplier partners

Using historical data, our system determines the most logical and cost-effective method for fulfilling an order. We offer a bouquet of automated order placement options, such as EDI, Email, Excel uploads, FTP, and so on. A staggering 98%+ orders are placed automatically.

Receive shipping information from supplier partners

We have APIs (Application Performing Interfaces) to bring shipping information into our proprietary ERP solution. They run at specific intervals, creating environments of efficiency. Around 97%+ tracking numbers are automatically updated; 96%+ orders are shipped on time. Our system sends automated reminders to our supplier partners, in case tracking information is not received on time.

Real-time tracking of packages until delivery

We leverage the power of APIs to provide us with real-time updates on the movement of packages. At any point of time, we know the exact location of a package. Throughout the shipping journey, we keep the customer informed. In case of delays, resulting from natural calamities, we proactively inform customers. They can even set-up delivery appointments, as per their convenience. The outcome of our efficiency is this: around 98% orders are delivered on time.

Best-in-class customer service

Our customers are at the forefront of every thought and process. We're constantly asking ourselves, "How does the customer benefit from this?"

We train and empower our staff to resolve customer complaints as quickly as possible; and strive to make every customer a repeat customer.

Our brand reputation is strengthened by the 98%+ positive feedback rating across all our retail channels, a direct consequence of fast response to customer queries.

Customer engagement team

Our team provides 24x7 email support to customers. We look forward to serving customers, anytime of the day, every week, all year round. Our customers can write to us anytime, and they can expect to find a solution to their problem. Their query will find a 123Stores Customer Engagement Team Professional, who is looking forward to assist shoppers in every possible way. It is one of the ways we create that Wow experience.

Customer relationship management team

Our emphasis is on building relationships. We believe in fostering close relationships with customers, in order to create opportunities of shared success. Every time a customer calls us, or writes to us, his/her query is routed to the same associate, who is already aware of that customer's needs. This one associate follows up with the customer's issue, until it is satisfactorily addressed. By offering specific privileges to customers, we gain a great competitive advantage, which strengthens brand loyalty and recall.

98%+

We received a 98%+ positive customer rating across most retail markets of our presence



ACHIEVING MORE WITH PEOPLE

We provide our people a transparent culture that follows no stereotypes. We are flexible, friendly and future-fit. We invest in up-skilling our team to help them solve the challenges of a dynamic business environment. Our culture focuses on high performance and celebrates excellence at the individual or at the team level.



We focus on getting the little things right, because sometimes little things add up to create big logistical challenges in the world of online retail. The result of our efforts is a delightful shopping experience for our customers.

As a young enterprise, we are still learning, evolving, making mistakes, while striving for excellence every step of the way.

Our team of passionate individuals is closely knit and share 123Stores' belief system.

The following tenets are deeply ingrained in each one of us:

Customer focus

Our customers are at the forefront of our every thought and process. We're constantly asking ourselves, "How does the customer benefit from this?"

Do it anew

There's always a better and more efficient way to do things.

Push yourself

Break the illusory barriers. Any limitations are self-imposed.

Imagine

Keep pushing the frontiers of what you think is possible.

Don't wait. Act

When in doubt, just do.

Dig Deep

Get to the bottom of every business requirement, come out with solutions with strong, scalable foundations.

Deliver Results

Everything has a purpose. Understand what you're working on, why you're working on it; so you can deliver outstanding results.

Lean Start-up Mentality

Do more with less. Then do it again.

Managing Director's Message

Dear Shareholders,

FY 2015-16 was another fantastic year for the e-commerce industry in the US, as consumers increasingly used multiple devices for online shopping.

In 2015, the web accounted for nearly 40% of the US retail sales growth, underscoring the ever growing impact of the web in the country's retail landscape. According to the US Commerce Department, shoppers in the US spent US\$ 341.7 billion on retail purchases on the web in 2015, up 14.6% from 2014; a rate that's nearly five times as fast as the 3.1% growth in store sales.

Exponential opportunities in the digital platform, coupled with our efforts to consistently strengthen our business model, have led to robust growth in profitability and margins. During FY 2015-16, we registered a revenue of ₹ 721 Crores, compared to ₹ 347 Crores in FY 2014-15. Simultaneously, our EBITDA grew to ₹ 47 Crores in FY 2015-16, against ₹ 9 Crores in 2014-15; and net profit escalated to ₹ 41.51 Crores in FY 2015-16 vis-à-vis ₹ 5.96 Crores in FY 2014-15. Our earnings per share increased to ₹ 28.18 in FY 2015-16 against ₹ 4.05 in FY 2014-15. The Board of Directors have recommended a dividend of ₹ 2 per share subject to shareholder's approval at the AGM.

We continue to maintain the sales momentum, driven by large opportunities available in the US e-commerce market, and the increasing need for key sellers, such as us. We witnessed tremendous market traction, as we brought scale and operational excellence to gift a truly differentiated retail experience to discerning customers. We remain firmly focused on delighting our customers, as we continue to innovate and raise the bar in terms of selection, service and the experience.

123Stores

During FY 2015-16, our deliveries grew by 155% Y-o-Y to 19,69,233 orders from the 7,72,981 orders in FY 2014-15. We have successfully automated the supply chain, leading to a scalable and sustainable business model. The result is that despite growing volumes and operational complexity, we have retained high customer ratings.

We have also expanded our product catalogue; we are now partnering with over 1,600 suppliers and selling more than 500,000 unique products to various markets. Our inventory at



warehouses was ₹ 55.30 crores (as on 31 March 2016); largely this inventory comprises fast moving items.

Technology edge

Technology plays a pivotal role in our business. We have a robust technology architecture that allows us to offer a huge selection of products, catering to a wider customer cross-section. Besides, we can easily handle a large volume of orders by leveraging our robust technology architecture, efficient supply chain and deep relationships with our suppliers. Customers benefit from a better price point and greater range of products. This, in turn, increases the traffic and reinforces the cycle.