



INTRASOFT TECHNOLOGIES LIMITED

ANNUAL REPORT 2017-18



QUEST FOR EFFICIENCY

STRIVING TO ACHIEVE OPTIMUM EFFICIENCY.

At IntraSoft, we firmly believe in striving for efficiency which, we believe, is the **basis of our model**. For the last decade, it is through single-minded focus on increasing efficiency that we have become one of the leading multi-channel retailers in America.



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Forward Looking Statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions.

We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

This quest for efficiency at IntraSoft is embedded in our DNA. It is in our value and culture, defining our strategic thought and vision. It is an aptitude and an attitude, a mind-set and a metric, underlining our every action.

With the continuing shift from offline to online retail in USA and the leading marketplaces striving to increase their market share in their endeavour to be the one stop online shopping destination, the addressable market for sellers continues to expand on a sustainable basis. Our expertise and experience, our proven track-record and past performance, our market-focus and market-foresight makes us a strong proxy for steady and sustained growth in the long-term.

We are confident to continue to deploy our resources for growth - while continuing our quest for optimum efficiency that has laid the foundation of our **credibility**.

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Letter to Shareholders



Revenue

₹1,170 Cr.

up 30% in constant currency
2017-18



We re-affirmed our vision to become the leading multi-channel retailer in the US e-Commerce industry. With the continued shift from offline to online retail, we were re-assured of the size of the opportunity and the demand for our services. 📈📈

Dear Shareholders,

Though 2017-18 was a defining year, as we crossed the ₹ 1,000 Cr. revenue milestone, there were many learnings along the way.

We re-affirmed our vision to become the leading multi-channel retailer in the US e-Commerce industry. With the continued shift from offline to online retail, we were re-assured of the size of the opportunity and the demand for our services.



We will continue to leverage our strong technology backbone, our increasing operational efficiencies and the aggregation benefits arriving from scale to provide most optimal unit economics to our vendors, thus becoming invaluable to them. ■■

During the year, we clearly saw our platform performing on the customer front. We were able to garner sales by maintaining the high ratings and growth in reviews, which validated our competitive edge. While work on this front is by no means complete, it is now more structured and improvements will keep happening over time.

With this long-term goal of solidifying our vendor base, we remain focused on growth. However, we realise that to grow on a sustainable basis in the long-term, we need to maintain operational discipline by increasing our operating efficiencies and improving our working capital cycle.

Working capital cycle is predominantly a function of how efficiently we are able to turn our inventory. The higher the turns, the lesser the requirement of capital. With the use of predictive analytics tool, we will continue to work on it further, the output of which will be stocking 'Just In Time' inventory. We will save not only storage costs, but also capital. We intend to deploy a fair bit of resources towards this.

We will continue to leverage our strong technology backbone, our increasing operational efficiencies and the aggregation benefits arriving from scale to provide most optimal unit economics to our vendors, thus becoming invaluable to them. This, we believe will ensure long-term sustainability of our vendor base, leading to increase in market share and creating more value for our shareholders.

At IntraSoft, we are not following a set trail, but creating a new highway. We

are aware that there will be short-term challenges, but we are clear about the direction and the destination. Over the years, we have overcome challenges that have given us invaluable learnings. We have created the right building blocks in the form of mindset and model, intelligence and insights as well as technology and talent. As we go forward in this exciting but uncharted journey, we are cautious but confident, optimistic but vigilant of the challenges ahead. While there could be short-term aberrations, our long-term focus and goal remains clear and firm.

Our long-term strategy is to scale up - expanding our market-share by creating an unbeatable experience and value proposition for our vendors.

We shall continue with resolute determination and focus on :

- Giving our customers the best retail experience online
- Invest in our custom-built technology and operational platform to deliver best experience to customers and the vendors
- Data-driven decision making

- Drive stronger value proposition by synergising seamless vendor-experience with execution efficiency

My heartfelt gratitude to all our stakeholders for their steadfast support and confidence in the management of the Company. I assure you, we will continue our journey with consistent steps, keeping our credibility paramount.

Sincerely,

Arvind Kajaria
Managing Director

Corporate Snapshot

We are a technology-driven multi-channel online retailer serving the US market.



Our Business

We are a technology-driven multi-channel online retailer serving the US market. We see ourselves as online retail partners to vendors in the US SME industry. In a market, where marketplaces are customer-focused and vendors are product focused, we bridge the gap.

We use our proprietary e-Commerce platform and delivery engine to sell products for vendors on different market places. At IntraSoft, we have

consistently employed a data driven approach to the digital marketplace by using Smart data and Predictive analytics tool for all processes in the supply chain – be it adding vendors, selecting product SKUs, demand forecasting and inventory management.

Our technology and data analytics team have worked hard in scaling our order processing systems, increasing automation and building the delivery engine that

integrates all the stakeholders in the supply chain in the most efficient manner to ensure seamless delivery. Coupled with our delivery platform, our in-house developed demand forecasting engine and our dynamic pricing software helps in achieving maximum sales throughput for our vendors at optimal pricing.

Our constant endeavour is to create value for each of our key stakeholders :

CUSTOMERS



We strive to provide seamless delivery to the marketplace customers each time we serve them. Happy customers will give us positive rankings, rating and reviews. This, in turn, will encourage new buyers to buy from us and marketplaces to confer preferred status to us.

LOGISTICS PARTNERS



Fulfilment is the final moment of truth in our business. We work with national carriers like UPS and FedEx to map the most competitive routes. We work with local in-state carriers to create the swift delivery at lowest costs. Our software tracks weather, traffic, accidents, breakages and other factors that delay shipments, and updates customers.

VENDORS



We understand that for our vendors, the focus is their products. They rely on our expertise to increase their online sales. Our team on-boards vendors and shares with them key insights on demand trends, pricing intelligence by utilising our data analytics engine.

Once on-board, we leverage our delivery platform to provide the best logistics solution and data-driven insights to increase their sales volume at optimal pricing. We engage with them on regular basis to further increase sales and provide high levels of service delivery. As we achieve scale with the vendors, we leverage our operating efficiencies and pass on the aggregation benefits to tilt the unit economics in our favour, making the relationship sustainable over the long-term.

MARKETPLACES



The online marketplaces are technology-driven. We integrate deeply with their back-end systems for seamless convergence. We aim to increase the sales of our vendor partners across marketplaces and facilitate maximum listings of vendor products on marketplaces. Given the consistency of our rating and higher order volumes, we are invited to promotional activities by the marketplaces in different categories, making us their preferred partners.

We strive to provide a 'WOW' experience to the end customers, which is good for all the stakeholders. We sell on multiple marketplaces to widen our distribution outreach and maximise sales.

INVESTORS



Our investors have always shown unshakeable faith and trust in us, and we have reciprocated by enhancing shareholder value. We have a proven track-record of delivering consistently on revenue and look forward to increasing return ratios over the long-term as well as steadily building net worth and market capitalisation.

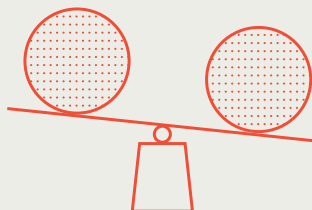
SELLERS WHO ARE CONTINUOUSLY EFFICIENT AND EFFECTIVE WILL CAPTURE MARKET SHARE

SUCCESS IN THE ONLINE MARKETPLACE IS DRIVEN BY ONE SIMPLE PRINCIPLE - SURVIVAL OF THE EFFICIENT.

EFFICIENT SELLERS GARNER THE LION'S SHARE OF THE ONLINE MARKETPLACE BUSINESS. FUNDAMENTAL TO EFFICIENCY FOR SELLERS ARE:



PRODUCT RANGE



COMPETITIVE PRICES



SWIFT DELIVERY



**LOWEST ORDER
CANCELLATION RATE**

Doing the Right Things Right – Consistently with Service-Led Delivery

At IntraSoft, it is not about delivering thousands of packages a day, but it is about delivering these packages every single day! It is not about getting it right once or twice, but getting it right consistently, every day for 365 days!

We do this with our Service-Led Delivery focus. Our detailed and structured processes driven by robust systems ensure we do the right things right, every day.

It is with this Service-Led Delivery focus and mind-set that we strive to add value to our stakeholders: customers with assured quality and efficient fulfilment, vendors with assured sales, logistics partners with assured volumes, marketplaces with satisfied customers and investors with potential growth and returns.

Customer Ratings

96%

Amazon

Sellers are given the 'Preferred Status' based on their service-led delivery.

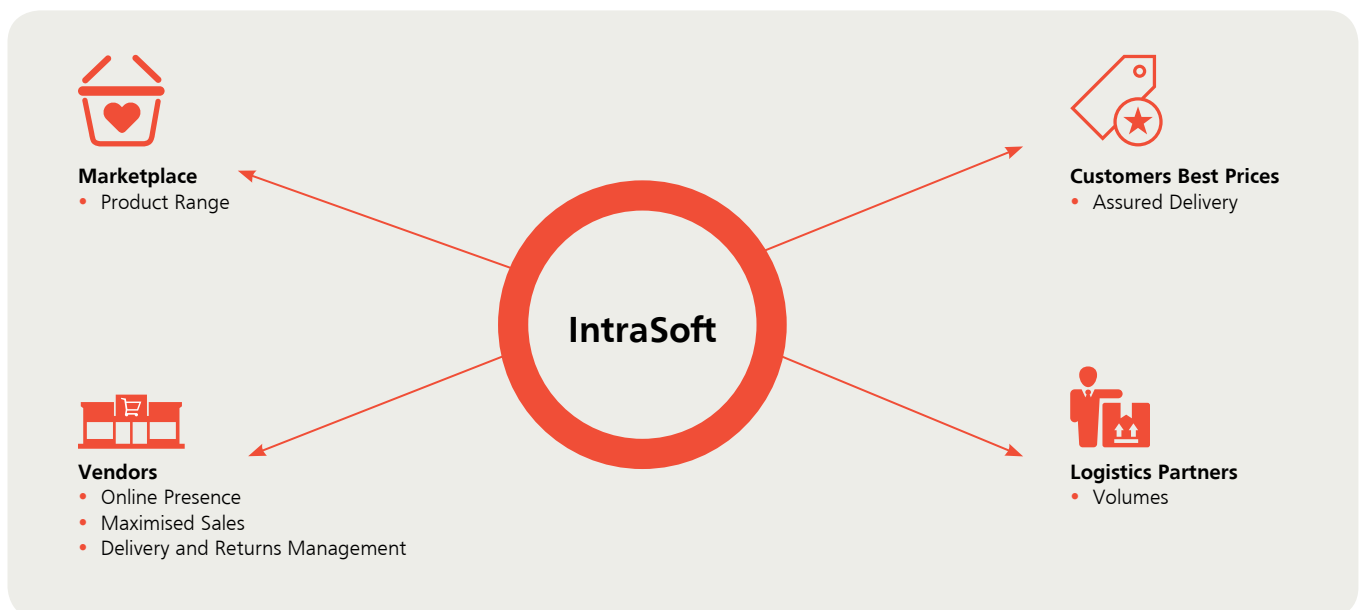
The key to consistently being a Preferred Status seller on marketplaces is happy customers and strong vendor relations. Additionally, sellers need a strong execution and delivery backbone in the form of technology, automation and analytics as well as excellent distribution network.

At IntraSoft, our endeavour has been to constantly become more efficient and effective. The final validation of our efficiency is the consistency in high customer ratings we get on leading global marketplaces.

Vendor relationships are the the core of the seller's success. Deep and lasting vendor relations are based on consistently selling large volumes on marketplaces and shielding vendors from the nuances and intricacies of marketplace management.

We also integrated different technology pieces that handle integration with the vendor's product selection and automation of product listings across marketplaces.

Our vendors depend on our expertise for a comprehensive solution, including pricing, promotions, delivery and returns-management. In turn, IntraSoft benefits from a higher wallet share of the vendor's online business and favourable terms of credit.



Scalability from Working Capital Efficiency

Moving towards a long-term self-sustainable Working Capital efficient model

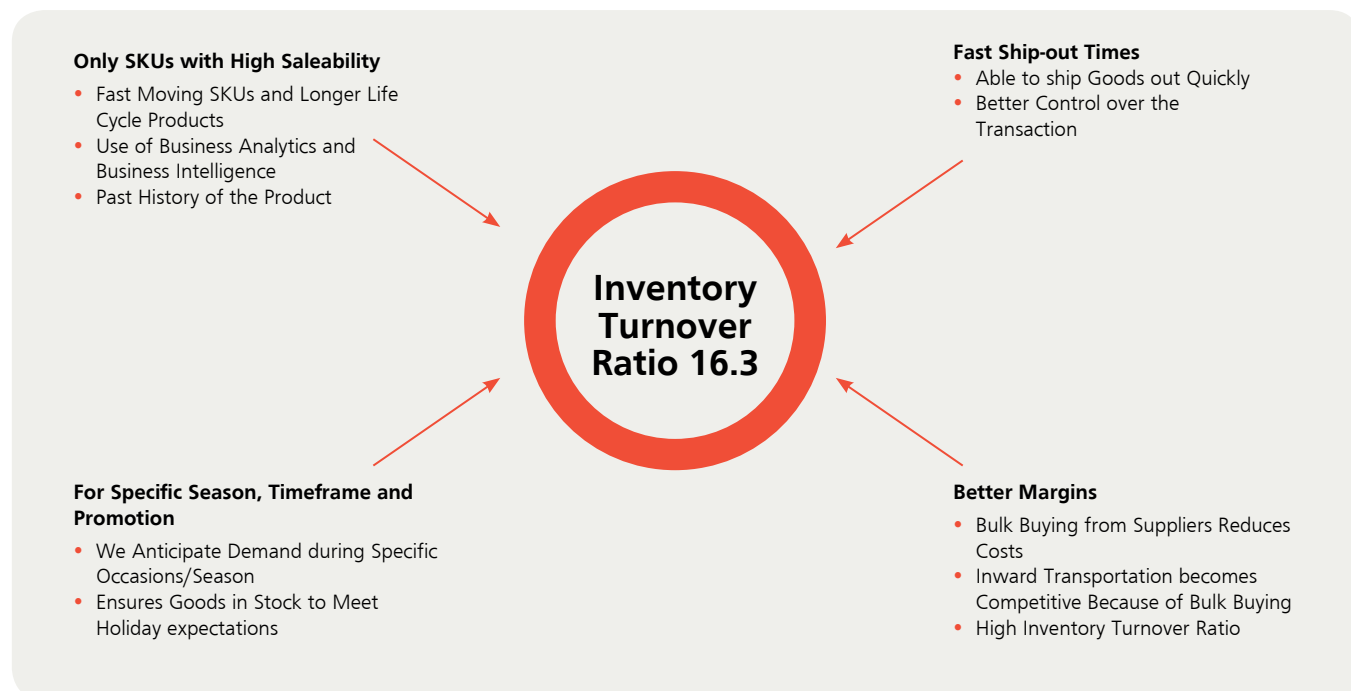
Our business model has continued to evolve over the last 3 years, along with the changing dynamics in the online retail industry. As we achieved scale, we realised that to achieve a long-term sustainable growth, we had to focus on improving our working capital by leveraging our technology platform and maintaining operational discipline.

We leverage our data-driven technology to gain historical insights and estimate the SKU-wise product demand across different marketplaces. This helped us optimise our ordering system and inventory management, leading to increasing turns during FY18.

Our inventory turns increased from 13.4x during the end of FY17 to a peak of 18x during the trailing twelve months in December' 2017 quarter and ended the year with turns of 16.3x.

Having optimised our inventory software module during FY18, we now focus on increasing our vendors' credit, to achieve multi-year sustainable growth. The process to increase vendors' credit happens in a step-wise manner. We believe that the runway to increase vendors' credit is long and we are on track to improve this in a gradual manner over the next few years as we scale our business by leveraging our technology expertise.

Fast Moving Inventory Model



Working Capital Efficient Business Model

