



EFFICIENCY-DRIVEN EXPERTISE

INTRASOFT TECHNOLOGIES LIMITED
ANNUAL REPORT 2018-19

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', 'expect', 'project', 'intend', 'plan', 'believe', 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 achievement 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.

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EFFICIENCY-DRIVEN EXPERTISE

Last year's Annual Report (themed 'Quest for Efficiency') discussed our single-minded focus, over the years, on increasing efficiency. This served as the basis of our model, and made us one of the leading multi-channel e-retailers in the US.

This year's theme is *Efficiency-driven Expertise*. In this report, we share our journey towards this efficiency, the crucial role this financial year played in this process, what this efficiency-driven expertise means for the business going forward, and how it serves as the foundation of stakeholder value-creation.





LETTER FROM THE MANAGING DIRECTOR





We captured a significant amount of data to build supply-chain archetypes. During the year, as we focused on incorporating these, we saw a critical shift in our relationship with brand-partners.

This has been a year of importance to your Company, and I take pride in writing to you at its conclusion. Till FY18, we were on a quest for efficiency that entailed consistent scaling year-on-year. FY19 marked the consolidation of all that we garnered and learned in the process, into a business marked by efficiency-driven expertise.

This is by convention in e-commerce, whereby a business must first attain scale with which come the related economies, operational learnings, and analysable data. These must then be incorporated into the business model to put the financial metrics into place. Only then can the business achieve organically sustained growth. We felt FY19 was the appropriate time to undertake the second phase of this process.

If we look at the last eight quarters, we see a qualitative shift in the revenue generated by our e-commerce business. While revenue fell, operating cash flow became positive, establishing a strong year-on-year trend across all four quarters this FY. This was the result of conscious revenue reduction, which was necessary at this juncture to solidify the financial soundness of the business.

Brand-partners, our primary customers, specialise in product development, by converting the underlying needs of the end-consumers (marketplace customers) into suitable products. Their forte does not lie in the marketplace ecosystem, defined by dynamism in technology and policies.

Over the years, we built a strong marketplace reputation and demonstrated our capabilities to brand-partners, learning the dos and don'ts throughout our journey. We captured a significant amount of data to build supply-chain archetypes. During the year, as we focused on incorporating these, we saw a critical shift in our relationship with brand-partners. Our marketplace expertise, on the bedrock of technology (our delivery engine),

gives them an end-to-end solution to sell products online on marketplaces.

This collaborative engagement made us working capital-efficient. A direct consequence of this was the cash flow performance and the reduction in long-term debt, for our e-commerce business, during the year under review. We saw a perceptible impact on Accounts Payable Days.

The delivery engine enables us to service our brand-partners via a single platform, and we are now far more integrated than it was ever possible. As the flow of data continues, it will strengthen the data lake, the resulting analysis, and the value that is delivered to the brand-partners.

The US e-commerce market, specifically the marketplaces continue to spearhead growth by making e-commerce a way of life. As one of the leading players present on marketplaces and with the recalibration undertaken this year, we are readying ourselves to tap this growth efficiently and sustainably.

We believe we are at the starting point of an incredible journey. On behalf of the Board of Directors and the Management of IntraSoft, I would like to thank you for your unwavering support.

Warm regards,

Arvind Kajaria
Managing Director



CORPORATE SNAPSHOT

Our competence

IntraSoft is a technology-driven multi-channel online retailer that serves the US market. We believe in creating value with the help of the internet and superior technology.

Our overarching relevance

We strive to create consistent stakeholder value through a robust platform that efficiently brings our brand-partners' products onto marketplaces, and to the doorsteps of marketplace customers.

Our people

We house rich human capital comprising competent and trained professionals. Our people are our most valuable asset, responsible for the marketplace expertise we possess and for the technology we have developed.

Our brand partner focus

We understand that for our brand-partners (our true customers), the focus is their products. They rely on our expertise to generate presence and success in the online ecosystem. Given our credentials and technology, we deliver end-to-end solutions to achieve the same.

Our marketplace customer focus

We strive to provide a seamless experience to marketplace customers each time we serve them. Our five-star customer service team works round-the-clock to assist customers from the time they place an order to the time the product is delivered, and beyond.

Our marketplace focus

Our technology integrates deeply with the back-end systems of marketplaces resulting in a seamless transaction convergence. This keeps us up-to-date with their policies, which, in turn, allows us to formulate appropriate strategies to benefit our brand-partners.

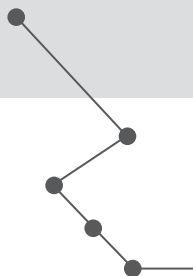
Our logistics partner focus

We facilitate order fulfillment on our platform by combining the reach of national carriers with the efficiency of local carriers, and offer brand-partners the benefits of scale. We use our technology to track weather, accidents and other anomalies to support fulfillment accuracy.





LEARNING, ADAPTING AND GROWING THROUGH THE DISRUPTION





At IntraSoft,

we knew that e-commerce was becoming a way of life. The extensive marketing that popular shopping websites undertook accelerated the offline-to-online migration of consumers. The size of the US e-commerce market and its immense growth potential was indisputable. The transformation of these shopping destinations into marketplaces was thus a tremendous opportunity, and we entered the market as a multi-channel e-retailer.

As is the case with any young and promising industry, players flocked to build the supply side on these marketplaces and tap the exponentially growing demand.

However, we knew that as the industry moved along its life cycle, this growth would transpire into a shakeout and settle into a mature phase comprising players who adapted as they went along, responded with speed, learnt from strategies that didn't work and grew what succeeded.

We also knew that technology, our core strength honed over more than a decade, would place us among the seasoned sectoral veterans.

THREE-PHASED PROGRESSION TOWARDS BUSINESS SUSTAINABILITY

We grew

with the industry and firmly planted our roots. Thereafter, we embarked on a long-term strategy to achieve business sustainability.

At IntraSoft, we never lost sight of the fact that this sustainability would be achieved over a span of time.

- It required topline pursuit to amass data and establish marketplace credentials in stage one;
- Consolidation of learnings to generate cash-flow consistency in stage two, and
- Finally, sustainable growth through robust cash flows in stage three.

Progression
towards
business
sustainability

▲ Stage 1: Topline pursuit

▲ Stage 2: Cash flow consistency

▲ Stage 3: Sustainable growth



Revenue (US\$ million)

21

FY2013-14

53

FY2014-15