



# Geared for Growth

IntraSoft Technologies Limited  
Annual Report 2021-22

# CONTENTS

## Corporate overview

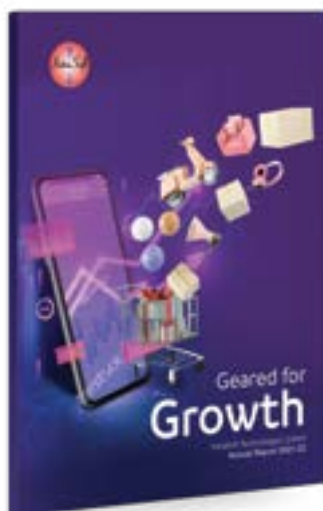
- 02 Corporate snapshot
- 04 Letter from the Managing Director
- 12 Our performance highlights

## Statutory reports

- 14 Management discussion and analysis
- 25 Directors' report
- 40 Report on corporate governance

## Financial statements

- 56 Consolidated financial statements
- 114 Standalone financial statements
- 171 Notice



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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 informed 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 'anticipates', 'estimates', '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 achievement of results is 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. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# Geared for GROWTH

E-commerce is no longer an option available to consumers.

It has emerged as a way of life – for reasons of transparency, economy, convenience and integrity.

At IntraSoft Technologies Limited, we are attractively placed to capitalise on this decisive shift.

The Company enjoys multi-year relationships with e-commerce marketplaces on the one hand and brand manufacturers on the other; it has invested in scalable technology platforms and engagements with logistics providers to address widening consumer needs.

The result is that the Company is geared for growth, which should strengthen business sustainability.



C O R P O R A T E   S N A P S H O T

IntraSoft Technologies Limited.

An exciting technology-led  
business.

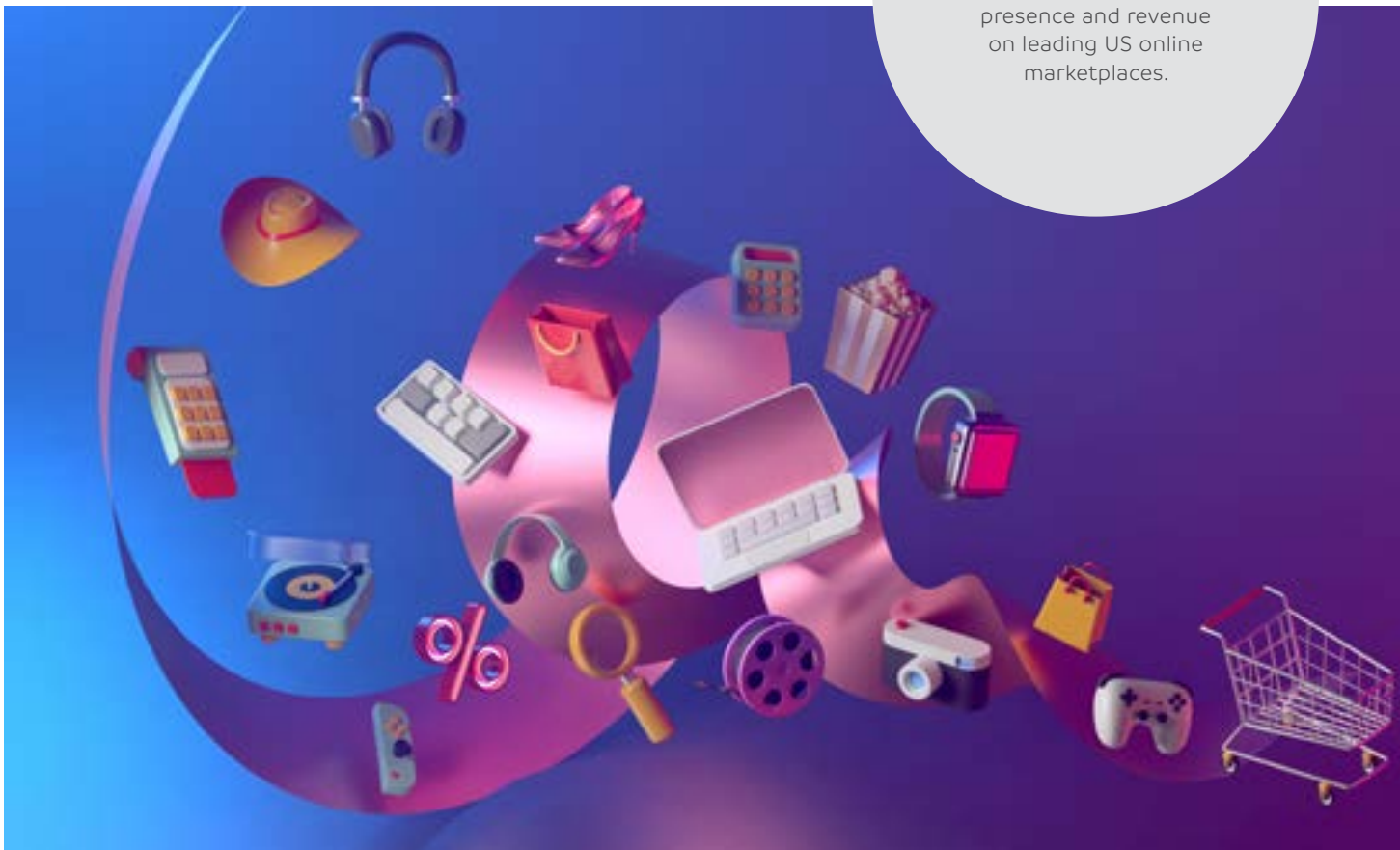
Strengthening market-facing  
US brands.

Helping them capitalise on the  
e-commerce revolution.

Empowering them to take their  
businesses ahead.

About our Company

We are an e-commerce  
retailer, enabling brands  
to maximise their market  
presence and revenue  
on leading US online  
marketplaces.



## Our ethos

We are convinced that 'when what you believe in is in tune with what you do, success follows the way.'

Passion and profession go hand in hand: We believe in being passionate about everything we do. We take each day as if it were our first and give it our best shot. We believe excellence can only be achieved through passion.

Learning is a constant: We believe in the power of constant learning. In today's dynamic world, we strive to keep ourselves updated about our ecosystem. We see mistakes as learnings and use them only to improve.

Imagination leads to innovation: We are creative thinkers and believe that is the key to innovate and improve the little and big

things. We push the frontiers of what we believe is possible and find ways to achieve outsized returns.

A happy customer is the key to success: We believe that a happy customer means a relationship lasts forever. We keep our customers at the forefront of every thought and action; we strive to make every interaction seamless.

We live in the present. We are hands-on with everything we do and take one step at a time. We dig deep into our ideologies and processes and come up with scalable solutions. We believe that living for today will lead to a brighter tomorrow.

## Our value proposition

We drive value for our brand partners by providing a one-stop cost-effective solution built around robust technology and rich industry expertise leading to end-to-end marketplace sales. We operate through our major subsidiary – 123Stores Inc. – in the US e-commerce market.

## Our brand partners

We comprise a network of brand partners who repose faith in our end-to-end solutions to succeed in complex online marketplaces. Our proprietary technology platform makes it possible for customers to seamlessly manage the entire marketplace sales process - from product listing to marketing to order fulfilment to customer support – enabling them to focus on their core competence of product development.

## Our logistics partners

We enjoy longstanding relationships with leading US logistics carriers who complete deliveries in the shortest time with accuracy. Our capacity to generate

large order volumes with logistics partners has translated into economies of scale resulting in one of the most cost-effective marketplace solutions within our industry.

## Our competitiveness

We sell on leading US marketplaces where our reviews and ratings have been consistently strong. This has been backed by an exceptional performance on key customer satisfaction and fulfilment metrics set by demanding marketplaces. Our technology is integrated with those marketplaces, resulting in seamless transactions, ability to analyse real-time data and respond with the right solutions for our brands.

## Marketplace customers

We have consistently maintained a life-time rating of 96%+ on US e-marketplaces by enriching shopping experiences for our customers. Our wide SKU selection, efficient orders fulfilment and reliable customer support has graduated us into a preferred seller among marketplace customers.

## Team

Our team comprises competent and skilled professionals with extensive industry experience. Our human capital is our most valuable asset, the driving force responsible for our marketplace expertise and technology-driven solutions.



## Letter from the Managing Director

ARVIND KAJARIA



## Dear shareholders,

During the last financial year, the world headed towards a new normal. This offered a degree of stability as the effects of the pandemic began to subside. Even as the market trended towards the normal, there was a decisive change in the world as we once knew it. Increased online purchases, higher digital-driven consumption and flexible work models became the new norm.

The US e-commerce segment continued to grow in 2021. Even as in-store retail recovered, the online shopping habit of consumers sustained double-digit growth momentum.

The pandemic was coupled with lockdowns and the restricted movement of goods and labour, which created a supply chain crisis. When restrictions were lifted, production could not keep in step with revived consumer sentiment, causing an imbalance in supply-demand. Port congestion, tight labour markets, scarcity of shipping containers, increased ocean freight as well as raw material cum finished goods shortages translated into inflation. The crisis had a deep impact on the e-commerce industry leading to shipping delays and product availability constraints.

It was in the face of these challenges that your Company leveraged the value from its operational efficiencies and automation investments. This helped the Company create distinctive value for its brand

partners, strengthening its recall as a partner that took the business of brands ahead. The company's e-commerce division's operational cash flows increased from USD (0.39) Million in 2020 to USD 4.15 Million in 2021 and USD 4.83 Million in 2022, a validation of its vision and competence.

Your company's end-to-end solution, coupled with consistently strong marketplace ratings, strengthened the business of our brand partners. Strong capabilities in sales and fulfilment of long-tail products were distinctive features of the company's working during the last year. Your company's capability enhanced the visibility of their products and profitability. The outlook continues to be optimistic; the market opportunity of the long-tail segment is vast and would be a key focus area.

Going forward, the US e-commerce sector is expected to maintain double-digit growth, especially as supply chain constraints ease.

We are optimistic as the structural value of the business is based on long-term investments that will progressively pay off, translating into enhanced outperformance and value-creation.



**Arvind Kajaria**  
Managing Director



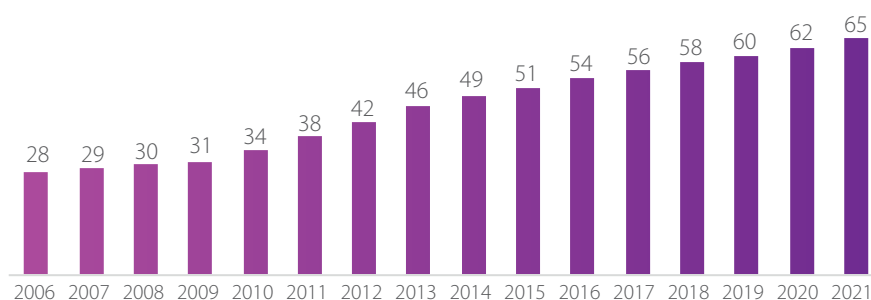
The company's e-commerce division's operational cash flow increased from USD (0.39) Million in 2020 to USD 4.15 Million in 2021 and USD 4.83 Million in 2022, a validation of its vision and competence.

# Settling down into the new normal with a spirit of resilience





## Share of 3P sellers in Amazon's Gross market value (%)



Sources: Amazon Annual report, Marketplace Pulse, Digital Commerce 360

### Overview

Following hyper-explosive e-commerce growth in 2020, the growth in percentage terms normalised in 2021.

The pandemic waned, consumers were vaccinated, supply-chain bottlenecks persisted and physical retail re-opened.

Even though e-commerce growth was slower than the previous year, the absolute increase was substantial-in double-digits and at par with the pre-pandemic level. It was the permanence of online shopping that sustained its momentum in 2021, the global supply chain meltdown notwithstanding.

The disruption in global supply chains in 2021 posed challenges for brands, whether online or offline. The supply chains were not equipped to address growing online consumer demand. The pandemic triggered widespread raw material and labour shortages. To compound this reality, there was a large shortage of shipping containers, leading to a slow-down in imports. The shortage of workforce increased port congestion and logistical tenures; US product deliveries to warehouses took twice the time taken in early 2020. Sellers attempted to counter the delivery bottleneck with higher inventories that enhanced warehousing and working capital outlay. These developments increased product costs that needed to be passed on to consumers, creating an unprecedented inflation in percentage terms, the like of which had not been seen for more than four decades.

What is creditable is that despite this reality and the return of offline retail, online shopping continued to remain in favour. The US retail and e-commerce segments grew roughly at the same percentage rate as in the previous year. Pent-up offline retail demand led to higher than expected retail industry growth. The US retail industry and the e-commerce industry grew ~14% to USD 4.55 Trillion and USD 891 Billion in 2021 respectively. As a result, US e-commerce penetration in the US remained steady at 19% in 2021.

Holiday sales (November – December) growth was impacted by supply chain bottlenecks, high prices and weaker discounting. Holiday sales grew 8.6% to USD 204 Billion in 2021, the slowest growth since 2014. Consumers were encouraged to spread purchases, alerted about delivery bottlenecks and product stock outs. The two major promotional events – Thanksgiving and Cyber Monday - took less of the center stage, resulting in a decline in sales on these two days in 2021 compared to 2020.

Amazon, the online bellwether, grew 19%, faster than the industry, to reach USD 390 Billion in sales and secured 44% market share in the US in 2021. Third party sellers enhanced their prominence on Amazon; in the last few years, these third party sellers grew 2x Amazon first party sales. In 2006, the share of 3P sellers in Amazon GMV was about 28%; a decade and a half later, it was 65% (2x Amazon first party sales).

The principal reasons for this consistent outperformance are two-fold: benefits

offered by third party sellers over first party sales and Amazon's decision to defocus on first party and enhance third party sales. Third party sellers offer strong pricing and brand messaging control, strengthening margins. Amazon's profit margin derived from sales through third party sellers is higher than first party sales, validating their focus on the former segment. As a third party seller, your Company built capabilities and specialisation in long tail SKUs, an advantage in servicing a growing 3P seller market.

If there is one dimension of the business that became increasingly catalytic for e-commerce growth in the last couple of years, it was technology. The coming together of Big Data and artificial intelligence empowered retailers and marketplaces to target consumers more accurately with a customised approach.

At IntraSoft, we have developed deep technology capabilities. Our technology investment across the last decade empowered us to build a robust, efficient and scalable platform. This platform is our stand-out competitive advantage that helps unlock value for our brand partners.

In 2022, as shopping habits return even stronger, retail and e-commerce spending could stabilise. E-commerce growth could marginally taper in percentage terms over 2021 on account of lingering supply-chain and inflation challenges. However, the medium-term outlook appears optimistic as more consumers turn to online for wider choice, superior deals and pricing transparency.

# IntraSoft. Bridging the gap between consumer-focused marketplaces and product-focused brands

