IntraSoft Technologies Ltd: Investor Relations

E-Commerce FAQs – February 3rd, 2015

1. **What is your E-Commerce Business Model?**

   Our business model is to create a large distribution network wherein we can offer our customers a better shopping experience including a better price point by leveraging our technology, our efficient supply chain and our deep relationships with our suppliers.

   Our technology allows us to offer a larger selection of products thereby having the ability to cater to a wider customer base. This results in a larger volume of orders, which allows us to leverage our technology, our efficient supply chain and our deep relationships with our suppliers, to offer a better price point to our customers. A better price point allows us to offer a larger selection of products, which again reinforces the cycle.

2. **What are your E-Commerce revenues?**

   E-Commerce Revenues increased from Rs 117.56 Cr. to Rs 252.65 Cr. during the quarter, a growth of 115% Y-o-Y.

	Q3 FY 2014-15	Q3 FY 2015-16	Growth
Revenues	Rs. 117.56 Cr.	Rs. 252.65 Cr.	115%

   The numbers of orders shipped increased from 2.85 to 7.67 Lakhs during the quarter, a growth of 169% Y-o-Y.

	Q3 FY 2014-15	Q3 FY 2015-16	Growth
Orders Shipped	285,270	767,186	169%

3. Where do you sell your products?

We sell our products on our own website, www.123stores.com

We also have shop in shop partnerships with other leading retailers and sell our products on these different marketplaces along with our own website. Based on our partnerships with different marketplaces, we are able to reach a large percentage of the online US population.

We are able to reach out to our customers in most of our sales channels in terms of repeat purchases, re-targeting sales promotions, and as such don't need to over differentiate our own website from any other sales channel.

As at 31st December, 2015, we sell our products through partnerships with Amazon.com, Ebay.com, Amazon Canada, Alibaba's 11main.com, Sears.com, New Egg, Bestbuy.com, Rakuten (Buy.com) and Jet.com.

All our products are available to USA & Canada customers only.

4. **What is the revenues break-up among market places?**

Every marketplace has a distinct and unique target market and it is not correct to compare them specifically in terms of the size. Some marketplaces are specialists in electronics, while another could be a specialist in furniture. We endeavor to source and sell products best suited to each particular marketplace. Universally, all products are available on our own website.

In Q3 FY 2015-16, Amazon.com was our largest marketplace partner followed by Ebay.com. Due to competitive reasons, we currently do not disclose the exact share of each of our marketplaces in our overall revenue mix.

5. **Do you partner with Amazon or do you compete with them?**

Amazon has converted its website into a marketplace and it encourages third party sellers to participate in their growth. We have successfully partnered with Amazon and as on 31st December 2015, we were selling more than 310,000 unique SKU's (Stock Keeping Units) on their marketplace.

We do have some overlap of products with Amazon, so we do compete with them as well. But it is Amazon's stated policy to grow their 3rd party network and expand the percentage of items sold by 3rd party sellers and hence the confidence in our business model.

6. **What is your strategy for adding market places?**

Our strategy is to expand to cover all marketplaces in the US first, so that our distribution network reaches 100% of the US online shoppers. Once we

establish a leadership role in the US, we will expand our coverage to other markets.

During Q2 FY 2015-16, 123Stores Inc. integrated with **Jet.com**, an e-commerce marketplace.

7. **When are you going to start operations in India?**

Our business model is more suited to a market where the marketplace model itself has already been developed. We believe that India is going to get to that phase in the near future.

8. **How many products do you sell? What brands do you sell?**

As on 31st December, 2015, we are selling more than 310,000 unique SKU's (Stock Keeping Units) in our catalog covering more than 1500 brands.

All the brands that we sell are currently based in United States and Canada.

Our Top Product Categories during Q3 FY 2015-16 were

Categories	Percentage
Furniture, Patio, Lawn & Garden	28%
Musical Instruments & Gadgets	21%
Toys, Games & Baby	17%
Home Improvement & Art Crafts	12%
Kitchen, Dining & Appliances	10%
Sports & Outdoor	7%
Others	5%

9. **What is your pricing strategy?**

We aim to offer our customers a better shopping experience including a better price point by leveraging our technology, our efficient supply chain and our deep relationships with our suppliers. Our operating efficiencies ensure that even at that price we are profitable. As a philosophy, we do not believe in selling at a loss.

10. **Are you profitable?**

Yes, we are profitable on a transactional level and as of 2015-16 on an overall level as well, and as we are on a growth trajectory, we continue to use our free cash flows to invest for growth. So far, we have aggressively invested in the growth of our business and this investment will continue.

As our sales momentum continues to improve, our operating expenses will increase in tandem as we continue to hire additional personnel primarily in merchandising, technology, operations, customer service and general and administrative functions. We have also invested substantially in developing partnerships with leading brands and will continue to invest to grow our supplier base.

11. **How much inventory do you hold?**

We hold minimal inventory in our own distribution centers. We have agreements with our suppliers that allow us access to their inventory directly at their warehouses & distribution centers. This also allows us to ship items from our supplier warehouses & distribution centers directly to our customers, thereby saving the costs of double shipping.

This supplier direct fulfillment network is a key component of our proprietary and seamlessly integrated technology platform, which also includes extensive supplier integrations and superior customer service.

For the balance, we follow an event led inventory model wherein we stock inventory for a specific promotion or time period. Typically, the inventory we hold in our warehouses consists of fast moving SKU's only. As on 31st December 2015, Inventory at our warehouses was Rs. 42.33 Cr.

12.What is your Gross Margin?

As the sales momentum continues to improve, we are continuing to see an improvement in Gross Margins from our existing products and suppliers, evidenced in our margin improvement from 18.0% in Q2 2015-16 to 19.3% in Q3 2015-16. Gross Margin Y-o-Y was not comparable because of the addition of newer suppliers and products to the catalog and also because of the slight shift in the sales mix.

13.What is your E-Commerce team size?

Our E-Commerce team size as at December 31st, 2015 was 202 employees.

14.What is the incentive for suppliers to tie up with 123Stores?

As an online retailer, we sell a vast number of products, sourced from thousands of brand-owners, across all major product categories, providing customers with a convenient and seamless shopping experience from our own website as well as in partnership with leading online marketplaces to enable us to reach over 95% of the online US population.

Our smarter online retail platform allows our suppliers to drive additional revenue and tap into our rapidly growing customer base, complementing their existing offline retail channels. Our suppliers can focus exclusively on

developing products which win customers, without having to worry about investing in online retail solutions, while we relentlessly deploy our technological expertise to build an eco-system which seamlessly integrates with their operations.

We also have deep relationships with UPS and Fed-Ex, both leaders in the logistics industry as well as partnerships with several regional carriers. Our far reaching services and integrated network allows for the fastest possible deliveries and no hassles for them or our customers.