



**Mr. Arvind Kajaria**  
Managing Director,  
**Intrasoft Technologies Limited,**  
Fifth Floor, No.145,  
Rash Behari Avenue,  
Kolkata 700 029,  
West Bengal, India

## CREDIT ANALYSIS & RESEARCH LTD.

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December 17, 2009

### Confidential

Dear Sir,

#### IPO Grading

- Please refer to your letter dated November 13, 2009 for grading of your Initial Public Offering (IPO) of 37,00,000 equity shares of face value of Rs.10 each of Intrasoft Technologies Limited.
2. CARE has assigned a grading of '**CARE IPO Grade 3**' [**Grade Three**] to the proposed IPO issue of Intrasoft Technologies Limited. **CARE IPO Grade 3** indicates **average fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.
  3. Please note that wherever '**CARE IPO Grade 3**' [**Grade Three**] appears, it should invariably be followed by the definition '**CARE IPO Grade 3** [**Grade Three**] indicates average fundamentals'.
  4. The explanatory notes regarding the grading symbols of CARE for IPO grading are given in **Annexure 1**. The rationale for this grading will be communicated to you separately.
  5. Please arrange to get the grading revalidated, in case the proposed IPO issue is not made within two months from the date of this letter.
  6. Please note that the IPO grading is a one time exercise undertaken before an IPO issue and it does not have any ongoing validity.

7. Please note that as per the existing regulations, CARE is required to disclose all IPO gradings.
8. Please note that the disclaimer as given hereunder should be disclosed wherever the IPO grading assigned by CARE is mentioned, including offer document and issue prospectus.
9. If you need any clarification, you are welcome to approach us in this regard.

Thanking You,

Yours faithfully,



[Mohit Tayal]  
Deputy Manager



[Aarti Mhatre]  
Manager

Encl : As above

**DISCLAIMER:**

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**Annexure 1**

**CARE IPO grading Scale**

CARE IPO grade	Evaluation
CARE IPO Grade 5	Strong fundamentals
CARE IPO Grade 4	Above average fundamentals
CARE IPO Grade 3	Average fundamentals
CARE IPO Grade 2	Below average fundamentals
CARE IPO Grade 1	Poor fundamentals



Mr. Arvind Kajaria  
Managing Director  
Intrasoft Technologies Limited  
Fifth Floor, No.145  
Rash Behari Avenue  
Kolkata 700 029  
West Bengal, India

December 30, 2009

**Confidential**

Dear Sir,

**IPO Grading**

Please refer to our letter dated December 17, 2009, on the above subject.

2. The rationale for the grading is attached as an **Annexure - I**. Kindly note that the rationale would be published in the forthcoming issue of our quarterly journal, 'CAREVIEW'.
3. A write-up on the above grading is proposed to be issued to the press shortly. A draft of the press release is enclosed for your perusal as **Annexure - II**.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



[Mohit Tayal]  
Deputy Manager



[Aarti Mhatre]  
Manager

Encl.: As above.



Annexure-I

Grading Rationale

Intrasoft Technologies Limited

IPO Grading

CARE IPO Grade 3

CARE has assigned 'CARE IPO Grade 3' to the proposed Initial Public Offer (IPO) of Intrasoft Technologies Limited (ITL). CARE IPO Grade 3 indicates average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative assessment of the fundamentals of the issuer. ITL proposes an IPO of 37,00,000 equity shares of face value of Rs.10 each.

*The grading derives strength from ITL owning & operating a leading electronic greeting card website through its subsidiaries, long & established track record of successfully maintaining leadership position in e-cards, recognised brand name, experienced management, established relationship with advertisers, adequate technological infrastructure for the present scale of operations and good financial position characterised by comfortable gearing ratios and profitability parameters.*

*The grading is, however, constrained by the small size of business, undiversified revenue stream which is concentrated in US & India, lack of alliances with major websites or long term arrangements with advertisers, high technology risk, highly competitive and volatile industry, low entry barriers for new entrants, low acceptance of online advertising by advertisers in the Indian market and inbuilt seasonality of the business.*

**Company Background**

The company was originally incorporated as Regency Extrusions & Plastics Private Limited on February 27, 1996 in Kolkata. On October 21, 1997, the name of the Company was changed to Intrasoft Technologies Private Limited. Pursuant to the Scheme

of Amalgamation of 'One Two Three India.com Limited', the Company became a public limited company and the name was changed to Intrasoft Technologies Limited with effect from October 16, 2007. The company started its electronic greetings business in 1997 offering electronic greetings worldwide.

On May 27, 1999, ITL incorporated Intrasoft Media Technologies, Inc, a subsidiary based in New York. Name of the Subsidiary was changed to 123Greetings.com, Inc. on August 31, 1999.

On January 31, 2007, One Two Three Greetings (India) Private Limited, another subsidiary of the Company was incorporated with its registered office in Mumbai and on April 12, 2007, the company incorporated 123 Greetings (Singapore) Pte Limited, a subsidiary with its registered office in Singapore.

123Greetings.com, Inc., One Two Three Greetings (India) Private Limited and 123 Greetings (Singapore) Pte Limited generate advertising revenues by billing advertisers in US, India and Asia (ex India), respectively for advertising on flagship website [www.123greetings.com](http://www.123greetings.com). ITL provides Information Technology Enabled Services (ITES) including content development and animation, data processing, engineering and design, remote maintenance, support services and website services to the subsidiaries for a fee.

### **Management**

The senior management comprises the promoters of the company viz. Mr. Arvind Kajaria and Mr. Sharad Kajaria. They are actively involved in the business since its inception and have added value through their strategic inputs. Mr. Arvind Kajaria is the Managing Director of the company and has over 20 years of experience in finance, accounting, marketing and management.

### **Corporate Governance**

According to the Securities & Exchange Board of India (SEBI) guidelines, the Company has formed committees such as Audit Committee, Remuneration Committee and Investor/ Shareholders Grievance Committee on October 16, 2009 in view of the IPO. The Board consist of 4 independent directors and two promoter directors.





### Operations of the Company

The company is in the business of providing electronic greeting cards, development of associated digital content and online marketing. The company owns and operates [www.123greetings.com](http://www.123greetings.com), which is one of the most visited electronic greetings website worldwide. The domain name ([www.123greetings.com](http://www.123greetings.com)) is owned by the company's subsidiary, 123Greetings.com, Inc but operated by ITL.

The company offers over 20,000 electronic greeting cards covering over 3,000 every-day and seasonal categories, helping Company to establish a large user and advertiser base. However, ITL does not have product diversification compared to competitors who offer an array of products like e-greeting cards, gift articles, stationery products etc. The company has 95 personnel including 16 content developers and 15 technical personnel on its rolls who develop and update the content and handle technical issues involved in running of the website.

The company provides its services free of cost to the users and does not earn any revenue from the users. The revenues are derived from the advertisers who advertise on the Company's websites. The company offers two types of online advertisement format namely Banner Ads and Rich media (which earn better margins). Around 149 different advertisers advertised during FY09 and majority of advertisers were U.S. based brands in the entertainment, retail, and information technology and internet space.

Online advertisement works on basically three types of pricing model namely cost-per-mille (CPM) i.e. cost per 1,000 views / impressions, cost-per-click (CPC) and cost-per-action (CPA). During FY09, ITL achieved bulk of its revenues (95%) from CPM with the remaining through CPC and CPA.

In terms of users of the website, about 34% of the users were from India, while 24% were from US and rest from other countries (data for 3 months ending December 10, 2009; *source: Alexa Internet, Inc*). On the contrary, majority of its revenues are from US advertisers (73.43% in FY09), suggesting lower acceptance of online advertisement by the advertisers in India.

The company derives majority of its revenue in the second half of any financial year due to higher user traffic, particularly due to events and holidays such as Christmas,

Halloween, Diwali and New Year's Day etc. suggesting the inbuilt seasonality in the business model.

The company has adequate technological infrastructure, compatible applications and scalable systems to cater to varying levels of traffic. However, ITL's services are technology driven and any breakdown of systems or any third party system failures and internet disruptions could adversely impact its business. Further, the Company needs to keep upgrading the IT infrastructure to keep up with increasing customer base.

ITL's sales and marketing approach involves engaging consultants to reach advertisers directly and also through aggregators. Most of the advertisement contracts are short-term agreements and can be terminated with or without cause, with two to seven days notice and without termination related penalties.

ITL does not have any alliances with major players compared to some of its competitors who have entered into collaborative agreements with key market players in parallel industries which may lead to a competitive edge over ITL. For example, recently, American greetings, one of ITL's competitors, has entered into collaboration with Yahoo.

### **IPO Issue Details**

The company proposes to make a public issue 37 lakh equity shares at a face value of Rs.10 each. The proceeds from the issue of shares are intended to be deployed as follows:

*(Rs.crore)*

Purpose	Total fund requirement	Expected utilization of net proceeds		
		Mar 10	Mar 11	Mar 12
Branding and Promotion	20.16	-	7.27	12.88
Purchasing a corporate office at Kolkata	13.00	-	13.00	-
Investment in technology infrastructure	2.00	2.00	-	-
General corporate purposes	NA	-	-	-
<b>Total</b>	<b>NA</b>			

\*NA – Not available





Pursuant to the SEBI Guidelines, an aggregate of 20% of the shareholding of the Company's Promoters shall be locked in for a period of three years from the date of allotment in the Issue.

#### Industry Overview

As the popularity of online advertising continues to increase, greater numbers of websites are expected to enter the market as initial investment is minimal to enter into this business which will further increase competition in already highly competitive online advertising market. However, ITL has good opportunity to explore Indian market as online advertisement in India is still in nascent stage.

As per Alexa Internet, Inc., a web information company based at California, a subsidiary company of Amazon.com, the **123 greetings.com** was assigned the Alexa Traffic Rank of 1086, which is a measure of website popularity globally with a traffic rank of 219 in India and 1257 in US. Alexa Internet, Inc provides ranking to the websites based on its popularity and website traffic over the past 3 months and the data presented above pertains to September 10, 2009 to December 10, 2009.

For getting the ad revenues, ITL faces direct and indirect competition from the other players in the industry as an advertiser has a very large base of websites to choose from for promoting their products. ITL faces direct competition from the companies which are into online e-cards market. Indirect competition is from the companies which are preferred by the advertisers over ITL depending upon the no. of unique users or the content of the site etc., e.g. google.com, yahoo.com, rediff.com etc.

Considering the overall market size of online advertisement (inclusive of e-greeting websites), ITL is a small company as compared to other players in the industry. As per IAB report for 2008 question is can we quote, the revenue from online advertising in US was USD 23.4 billion. Contribution of display based ads (including banner ads, rich media and digital video) was around 31%, a channel used by ITL i.e. USD 7.25 billion.



### Financial Analysis (Consolidated)

Net sales of ITL increased to Rs.21.39 crore by 8.91% in FY09 due to higher revenue per advertisement, despite fall in no of advertisers. The company has derived more than 95% of its revenues from online advertising activities in FY09.

During FY09, 123Greetings.com, Inc; One Two Three Greetings (India) Private Limited and 123 Greetings (Singapore) Pte Limited contributed 73.45%, 22.62% and 1.27% of the total revenue, respectively. The balance was contributed by ITL by rendering its services to third parties.

The average CPM charged by ITL has witnessed a sharp increase during FY09 because of the incorporation of new technologies like AJAX, flash etc which provides better experience to users and more visibility to the advertisers. Further, the company has also changed the pattern of placement of advertisements on the screen, to a format preferred by advertisers due to better viewer response.

At the same time, the numbers of views have declined significantly, mainly due to introduction of AJAX technology. This technology allows users to view multiple cards at a time without refreshing the page. This counts as a single visit, unlike earlier versions where multiple visits were counted. This is an industry wide phenomenon and similar trends are noticed in leading web companies.

PBILDT margin has witnessed a decline in FY08 and FY09 primarily on account of increase in advertisement serving costs, bandwidth and usage charges and an increase in advertising and branding expenses. However, PAT margin showed an upward trend due to lower depreciation, higher non operating income and low tax liability due to MAT credit entitlement.

In FY08, ITL's networth witnessed a sharp increase due to issuance of 2,55,805 Compulsory Convertible Preference Shares (CCPS) to Intel Capital (Mauritius) Limited @ Rs.767 per CCPS worth Rs.19.62 crore, which was subsequently converted into equity in October 2009 at a price of Rs.767 per share (premium of Rs.757 per share). As a result, RONW has declined.





Networth declined as on March 31, 2009 due to increase in deferred revenue expenditure, being test marketing expenses.

<b>Consolidated Financial Results</b>			
	<i>(Rs. Crore)</i>		
<b>Year ended as 31st March</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>Working Results</b>			
Net Sales	17.15	19.64	21.39
Total Operating Income	17.15	19.64	21.39
PBILDT	5.10	5.23	4.72
Interest	0.00	0.09	0.06
Depreciation	1.45	1.36	0.98
PBT	3.71	3.75	5.54
PAT (after deferred tax)	3.28	4.30	5.33
Gross Cash Accruals	4.70	5.50	7.46
<b>Financial Position</b>			
Equity Share Capital	1.32	1.32	1.32
^Net worth	8.32	27.61	23.92
Total Capital Employed	8.34	27.76	25.94
<b>Key Ratios</b>			
<b>Growth</b>			
Growth in Total Income (%)	5.40	14.53	8.92
Growth in PAT [after D.Tax] (%)	73.18	31.24	23.89
<b>Profitability</b>			
PBILDT/Total Operating Income (%)	29.74	26.66	22.05
PAT/Total Income (%)	18.77	21.94	22.90
ROCE (%)	46.89	21.28	20.88
RONW (%)	41.06	23.94	20.68
EPS (Rs.)	3.99	4.34	5.77
<b>Solvency</b>			
Long Term Debt Equity Ratio (times)	0.00	0.00	0.01
Overall Gearing Ratio (times)	0.00	0.01	0.08
Interest Coverage (times)	NM	42.50	57.77
<b>Liquidity</b>			
Current Ratio (times)	1.97	3.68	1.56
Quick Ratio (times)	1.97	3.68	1.56



Year ended as 31st March	2006-07	2007-08	2008-09
<b>Turnover</b>			
Average Collection Period (days)	38	62	78
Average Creditors (days)	21	23	38
Average Inventory Days	0	0	0

*^ Inclusive of CCPS in FY08 and FY09. CCPS were converted into equity in October 2009 at Rs.767 per share (premium of Rs.757 per share). Thereafter, the company had issued bonus shares of 6:1 which further increased equity share capital to Rs.11.03 crore on October 16, 2009.*

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**Annexure – II**  
**Press Release**

**CARE assigns ‘CARE IPO Grade 3’ to Intrasoft Technologies Limited**

CARE has assigned a ‘CARE IPO Grade 3’ to the proposed Initial Public Offer (IPO) of Intrasoft Technologies Limited (ITL). CARE IPO Grade 3 indicates average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE’s IPO grading is an opinion on the relative assessment of the fundamentals of the issuer. ITL proposes an IPO of 37, 00,000 equity shares of face value of Rs.10 each.

**Rating Rationale**

The grading derives strength from ITL owning & operating a leading electronic greeting card website through its subsidiaries, long & established track record of successfully maintaining leadership position in e-cards, recognised brand name, experienced management, established relationship with advertisers, adequate technological infrastructure for the present scale of operations and good financial position characterised by comfortable gearing ratios and profitability parameters.

The grading is, however, constrained by the small size of business, undiversified revenue stream which is concentrated in US & India, lack of alliances with major websites or long term arrangements with advertisers, high technology risk, highly competitive and volatile industry, low entry barriers for new entrants, low acceptance of online advertising by advertisers in the Indian market and inbuilt seasonality of the business.

**Company Profile**

Originally incorporated in 1996 in Kolkata, ITL started its electronic greetings business in 1997 offering electronic greetings in India and worldwide.

The company operates through its three subsidiaries namely 123Greetings.com, Inc. based at New York, US, One Two Three Greetings (India) Private Limited (Mumbai) and 123 Greetings (Singapore) Pte Limited (Singapore). The company owns and operates www.123greetings.com, its flagship website, which is one of the most visited electronic

greetings website worldwide. The domain name (www.123greetings.com) is owned by the company's subsidiary, 123Greetings.com, Inc but operated by ITL.

Net sales, on consolidated basis, increased by 8.91% to Rs. 21.39 crore in FY09 from Rs.19.64 crore in FY08, while the company earned a PAT of Rs.5.33 crore in FY09 (P.Y. Rs. 4.30 crore). In the H1FY10, total income and PAT of ITL were Rs.9.53 crore and Rs.3.14 crore respectively.

**Analyst Contact**

Name: Ms. Aarti Mhatre

Tel # 022 6754 3440

Email: aarti.dogra@careratings.com

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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Mr. Arvind Kajaria  
Managing Director  
Intrasoft Technologies Limited  
Fifth Floor, No.145  
Rash Behari Avenue  
Kolkata 700 029  
West Bengal, India

February 10, 2010

**Confidential**

Dear Sir,

**IPO Grading**

Please refer to your request for revalidation of grading assigned to the Initial Public Offering (IPO) of 37,00,000 equity shares of face value of Rs.10 each of Intrasoft Technologies Limited.

2. It has been decided to reaffirm the grading of 'CARE IPO Grade 3' [Grade Three] to the proposed IPO issue of Intrasoft Technologies Limited. CARE IPO Grade 3 indicates **average fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.
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4. The explanatory notes regarding the grading symbols of CARE for IPO grading are given in **Annexure 1**. The rationale for this grading will be communicated to you separately.
5. Please arrange to get the grading revalidated, in case the proposed IPO issue is not made within two months from the date of this letter.



6. Please note that the IPO grading is a one time exercise undertaken before an IPO issue and it does not have any ongoing validity.
7. Please note that as per the existing regulations, CARE is required to disclose all IPO gradings.
8. Please note that the disclaimer as given hereunder should be disclosed wherever the IPO grading assigned by CARE is mentioned, including offer document and issue prospectus.
9. If you need any clarification, you are welcome to approach us in this regard.

Thanking You,

Yours faithfully,



**[Mohit Tayal]**  
Deputy Manager



**[Aarti Mhatre]**  
Manager

Encl : As above

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**Annexure 1**

**CARE IPO grading Scale**

<b>CARE IPO grade</b>	<b>Evaluation</b>
CARE IPO Grade 5	Strong fundamentals
CARE IPO Grade 4	Above average fundamentals
CARE IPO Grade 3	Average fundamentals
CARE IPO Grade 2	Below average fundamentals
CARE IPO Grade 1	Poor fundamentals

