

# IPO Note: CarTrade Tech Ltd.

**Industry: Online Auto Platform**
**Reco: Subscribe**
**Date: August 09, 2021**

Issue Snapshot		Issue Break up		
Company Name	CarTrade Tech Ltd.	QIB ex Anchor	20%	3,706,443
Issue Opens	August 09, 2021 to August 11, 2021	Anchor Investor	30%	5,559,665
Price Band	Rs. 1585 to Rs. 1618	HNI	15%	2,779,832
Bid Lot	9 Equity Shares and in multiples thereof.	RII	35%	6,486,276
The Offer	Public issue of 18,532,216 Equity shares of Face value Rs. 10 each, (Comprising of Offer for Sale by Selling Shareholder).	<b>Total Public</b>	<b>100%</b>	<b>18,532,216</b>
Issue Size	Rs. 2937.4 – 2998.5 Crore	Equity Share Pre Issue (Nos. Cr.)		4.6
IPO Process	100% Book Building	OFS Share (Nos. Cr.)		1.9
Face Value	Rs. 10.00	Equity Share Post Issue (Nos. Cr.)		4.6
Exchanges	NSE & BSE	Market Cap (Rs. Cr.)		7,416.0
BRLM	Axis Capital Ltd, Citigroup Global Markets India Pvt Ltd, Kotak Mahindra Capital Company Ltd and Nomura Financial Advisory and Securities (India) Private Ltd	Stake Sale by OFS		40.4%
Registrar	Link Intime India Pvt Ltd.			

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (of up to 2,264,334 equity shares by CMDB II, up to 8,409,364 equity shares by Highdell Investment Ltd, up to 5,076,761 equity shares by Macritchie Investments Pte. Ltd., up to 1,765,309 equity shares by Springfield Venture International, up to 183,333 equity shares by Bina Vinod Sanghi, up to 70,000 equity shares by Daniel Edward Neary, up to 262,519 equity shares by Shree Krishna Trust, up to 50,546 equity shares by victor Anthony Perry III, up to 450,050 equity shares by Vinay Vinod Sanghi)

## Company Highlights

- Cartrade Tech Ltd. (CTL) is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. The company platforms operate under several brands: CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz. Through these platforms, the company enable new and used automobile customers, vehicle dealerships, vehicle OEMs and other businesses to buy and sell their vehicles in a simple and efficient manner. Company's vision is to create an automotive digital ecosystem which connects automobile customers, OEMs, dealers, banks, insurance companies and other stakeholders.
- The automotive ecosystem is highly fragmented and complex. The process of buying vehicles requires buyers to go through several channels and numerous stages. The multiplicity of transactions creates potential inefficiencies and can negatively affect the margins of the seller that can be achieved on the sale of a vehicle. Collectively, the inefficiencies in the ecosystem highlight the opportunity for an online automotive marketplace to bring together and match the right vehicle buyers and vehicle sellers on a single platform. Accordingly, there has been a constant move towards online automotive portals, and the total addressable market for online automotive portals in India was estimated at US\$ 14.3 billion in the FY20.
- CarWale, CarTrade and BikeWale platforms are used by shoppers to research and connect with dealers, OEMs, etc, to sell and buy cars and 2- Ws. Shriram Automall (a subsidiary) facilitates sale of pre-owned vehicles. CarTrade Exchange is an online auction platform and a used vehicle ERP tool, also used by dealers to manage their processes like procurement, inventory management and CRM. Adroit Auto offers vehicle inspection and valuation services while AutoBiz provides CRM solutions to new car dealers.
- In Q1FY22, CTL consumer platforms, CarWale, CarTrade and BikeWale collectively had an average of 27.11 million unique visitors per month, with 88.14% being organic visitors (i.e., as a result of unpaid searches). The company brands, CarWale and BikeWale, ranked number one on relative online search popularity when compared to the key competitors over the period from April 2020 to March 2021, while Shriram Automall is a leading used vehicle auction platform based on number of vehicles listed for auction for FY20. Its websites and apps handled ~21.5 lakh and ~17.6 lakh user sessions per day in Q4FY21 and Q1FY22, respectively.

- The strength of the brands and the association with trust, quality and reliability are key attributes in the business, which increase consumer confidence and influence the consumption behaviour. The endeavour to deliver a superior consumer experience, which is reflected by an average time per visit of 3 minutes and 7 seconds during Q1FY22 on the CarWale website.

## View

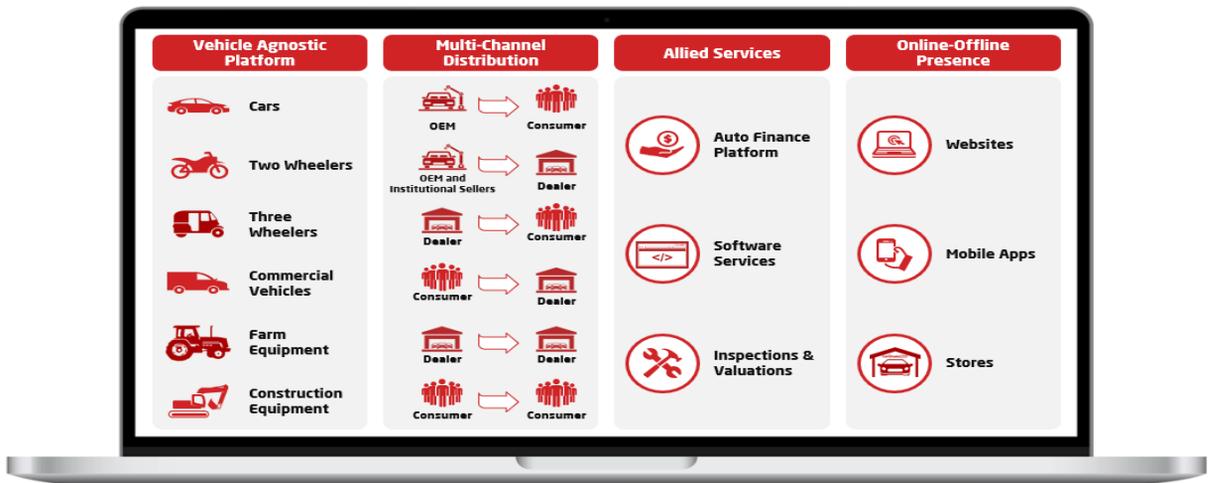
- Leveraging the leading brands, Cartrade provide services across different vehicle categories, including new and used cars, new and used two-wheelers and used commercial vehicles and farm equipment. In addition, because banks, insurance companies, vehicle accessory companies and the other business partners work across multiple vehicle categories, Cartrade can be an efficient and effective partner for such companies as they can work with them in the transactions spanning multiple vehicle categories.
- Cartrade operates on an asset-light business model, operating only 114 auto-malls, a large majority of which is lease or rent from third parties. The company has invested significantly in building technology platforms that can manage considerably increased offerings without requiring sizable additional investments, and growing scale has resulted in a decrease of the share of fixed costs. Together with the strong brands, longstanding relationships with customers, dealers and other stakeholders, and an expanding suite of offerings, the company have created a profitable and scalable business model.
- India was the 5th largest car market in the world in CY20 and is expected to become the 3rd largest automotive market in the world in terms of volume by 2025. There is substantial headroom for the Indian auto industry to grow. Annual new car sales in India are expected to grow from 2.7 million new cars in FY21 to 4.4 million new cars in FY26, while annual used car sales is expected to grow from 4.4 million used cars in FY20 to 8.3 million used cars in FY26. Annual new two-wheeler sales in India are also expected to grow from 15.1 million new two-wheelers in FY21 to 26.6 million new two-wheelers in FY26.
- Cartrade uses the technology to not only facilitate sales of new and used vehicles, but to also build scalable proprietary technology solutions. The complexity of a vehicle purchase transaction provides substantial opportunity for technology investment and that the leadership and continued growth will enable them to further distinguish the offerings. The company intends to increase monetization opportunities by introducing complementary, value-added products and services to improve the experience of buying, selling and owning vehicles. The company also plan to provide vehicle servicing, automobile accessories and automobile insurance by engaging with product and service providers who will provide these to consumers on the websites.
- Cartrade plans to continue to invest in improving their technology such as their AI and machine learning capabilities in order to provide more relevant and timely information to their customers, and enhance user experience. In addition, they will continue to build advance technology to digitalize offline elements of the customer's vehicle buying journey to the extent practicable.
- Cartrade is well-positioned to pursue value-enhancing investments and acquisitions. The company acquired CarWale in January 2016, AISPL in May 2017 and Shriram Automall in January 2018. Through their expertise and demonstrated track record of identifying appropriate targets, successfully integrating them and helping them grow, Cartrade is well positioned to create synergies and drive growth of their business through inorganic route.
- As of FY21, ~57% of CTL's revenue was derived from commission and fees for auction, remarketing services of used vehicles. Online advertising solutions on its portals along with lead generation for OEMs, dealers, etc, and technology-based services combined accounted for ~36% of revenues while ~7% was obtained via inspection and valuation services.
- In terms of the valuations, on the higher price band, CTL demands a P/E multiple of 73.4x based on FY21 post issue fully diluted EPS and EV/Sales multiple of 28.7x. CarTrade is an electronic exchange focusing on auto sector and thus there is no peer company having similar business operations.
- Considering the future prospect of the company, its scalable business model, profitable operations and business growth opportunities in the auto sector value chain and it is also placed at a sweet spot as the first mover advantage, thus we recommend to "SUBSCRIBE" the issue.

# CarTradeTech Synergistic Ecosystem

Our platforms generate superior customer experiences on all sides of the trade



## CarTradeTech



### CarTradeTech

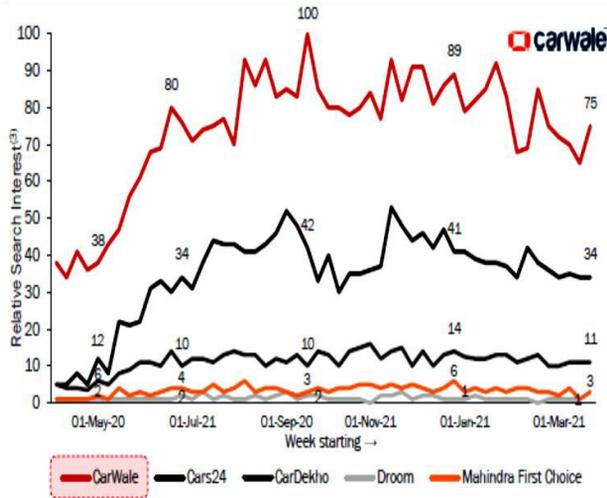
#### Driving Powerful Network Effects Across Various Stakeholders

We create a virtuous cycle, benefitting all of our key stakeholders including consumers, dealers, fleet owners, original equipment manufacturers ("OEMs"), vehicle leasing companies and financial institutions

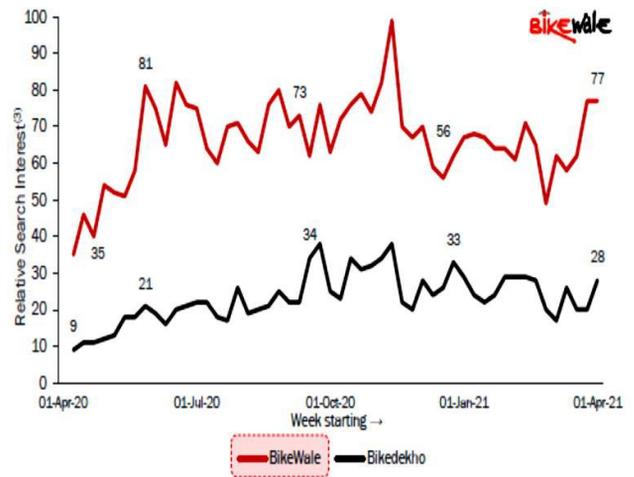


**Google Trends - Relative Search Interest<sup>(1)</sup>**

(April 2020 – March 2021)


**Google Trends - Relative Search Interest<sup>(2)</sup>**

(April 2020 – March 2021)



## Key operational metrics

Particulars	FY19	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY21	Q1FY22
Average Monthly Unique Visitors, including on apps (in Cr)	1.93	2.05	1.54	2.53	3.00	3.20	2.57	2.71
Average Monthly Unique Organic Visitors (in Cr)	1.30	1.45	1.41	2.30	2.73	2.93	2.34	2.49
Number of Vehicles Listed for Auction	709,190	809,428	168,913	173,809	213,090	258,504	814,316	212,552
Percentage of Organic Unique Visitors	64.67%	66.65%	93.85%	88.92%	87.00%	87.00%	88.44%	88.14%
Number of Vehicles Sold by Auctions	199,529	197,986	17,194	31,131	45,370	62,994	156,689	30,133

## Cartrade Tech: Only Profitable Player

Financial Comparison (Consolidated)	Cartrade Tech	Cars24	Cardekho	Mahindra First Choice	Droom
Revenue (Rs. Cr)					
Total Revenue	318.3	3065.2	754.7	375.8	179.5
Less: Purchase of Stock in Trade	16.2	2865.4	307.4	167.8	0.0
Changes in Inventories of Finished Goods, Work in Progress and stock in trade	0.9	-56.0	-18.0	-5.2	0.0
Adjusted Revenue	301.2	255.8	465.4	213.3	179.5
Expenses (Rs. Cr)					
Advertising Promotional Expenses	24.1	141.6	146.1	14.5	197.9
Employee Benefit Expenses	134.2	217.2	338.8	65.3	42.0
Other Expenses (excluding finance costs, Depreciation & Amortisation expenses & Taxes)	107.7	305.9	410.5	147.5	217.7
Profitability (Rs. Cr)					
EBITDA	59.2	-267.2	-284.0	0.5	-80.3
% of Total Revenue	18.6%	-8.7%	-37.6%	0.1%	-44.7%
PAT	29.2	-285.0	-326.5	-7.0	-82.9
% of Total Revenue	9.2%	-9.3%	-43.3%	-1.9%	-46.2%

## Financial Statement

(In Rs. Cr)	FY19	FY20	FY21
Share Capital	3.4	3.4	3.6
Net Worth	1287.1	1332.5	1762.4
Long Term Borrowings	21.7	34.6	46.4
Other Long Term Liabilities	13.3	12.2	11.0
Short-term borrowings	60.3	49.3	58.7
Other Current Liabilities	44.7	41.8	51.7
Fixed Assets	1010.3	1015.8	1022.9
Non Current Assets	21.5	38.9	120.8
Current Assets	395.3	415.7	786.5
Total Assets	1427.1	1470.4	1930.2
Revenue from Operations	243.3	298.3	249.7
Revenue Growth (%)		22.6	(16.3)
EBITDA	29.5	39.6	39.4
EBITDA Margin (%)	12.1	13.3	15.8
Net Profit	25.9	31.3	101.1
Net Profit Margin (%)	10.7	10.5	40.5
Earnings Per Share (Rs.)	3.9	5.1	19.2
Return on Networth (%)	1.4	1.7	5.4
Net Asset Value per Share (Rs.)	317.8	325.8	406.5

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21
Cash flow from Operations Activities	35.2	17.2	35.2
Cash flow from Investing Activities	(18.0)	(8.2)	(340.8)
Cash flow from Financing Activities	(7.8)	(11.1)	308.1
Net increase/(decrease) in cash and cash equivalents	9.3	(2.1)	2.5
Cash and cash equivalents at the beginning of the year	12.2	21.6	19.5
Cash and cash equivalents at the end of the year	21.6	19.5	22.0

Source: RHP

## Comparison with listed industry peers

There are no listed companies in India that engage in a business similar to that of the Company. Accordingly, it is not possible to provide an industry comparison in relation to the Company.

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