

CARTRADE TECH LIMITED

Issue highlights

- ❑ **Cartrade Tech Limited (“Cartrade”)** was incorporated on April 28, 2000. Cartrade is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. They offer a variety of solutions across the automotive transaction value chain for marketing, buying, selling and financing of new and pre-owned cars, two-wheelers as well as pre-owned commercial vehicles and farm and construction equipment.
- ❑ Their platforms operate under several brands: **CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz**. They are the only profitable digital auto platform among the key competitors for FY 2020.
- ❑ Their platforms are operated by 221 technology employees working at their 3 technology centers as of June 30, 2021
- ❑ In the 3 months ended June 30, 2021, their 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). Their brands, CarWale and BikeWale, ranked number one on relative online search popularity when compared to their key competitors over the period from April 2020 to March 2021. Their endeavour to deliver a superior consumer experience, which is reflected by an average time per visit of 3 minutes and 7 seconds during the 3 months ended June 30, 2021 on the CarWale website.
- ❑ Company’s marquee institutional shareholders include **Highdell Investment Ltd (affiliate of Warburg Pincus LLC), and MacRitchie Investments Pte. Ltd. (an affiliate of Temasek), JP Morgan and March Capital**.

Brief Financial Details*

(₹ In Cr)

	As at Mar’ 31,		
	2021	2020	2019
Equity Share Capital	3.58	3.45	3.45
Instruments in the nature of equity	38.80	34.90	34.90
Reserves as stated	1,638.19	1,223.88	1,193.09
Net worth as stated	1,680.58	1,262.23	1,231.45
Revenue from Operations	249.68	298.28	243.28
Revenue Growth (%)	(16.29)%	22.61%	-
EBITDA as stated	71.20	59.79	53.03
EBITDA (%) as stated	25.29%	18.77%	19.88%
Adj. EBITDA as stated	77.75	72.33	65.15
Adj. EBITDA (%) as stated	27.62%	22.71%	24.42%
Profit Before Tax	46.98	38.92	35.43
Net Profit for the period	101.07 [^]	31.29	25.92
Net Profit (%) as stated	40.48%	10.49%	10.65%
EPS - Basic (₹)	22.06	5.65	4.31
EPS - Diluted (₹)	19.19	5.07	3.87
RoNW (%) as stated	5.43%	1.73%	1.36%
NAV(₹) as stated	392.83	325.75	317.80

Source: RHP *Restated Consolidated, [^]Deferred Tax (credit), EBITA% and Adj. EBITDA % on Total Income. EPS and NAV calculated on current increased capital

Issue Details

Offer for sale of upto 18,532,216 Equity Shares

(The offer shall constitute 40.43% of the post offer paid up Equity share capital)

Issue size: ₹ 2,937 – 2,999 Cr

No. of shares: 18,532,216 Equity Shares

Face value: ₹ 10/-

Price band : ₹ 1,585 – 1,618

Bid Lot: 9 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 7,265 – 7,416 Cr

BRLMs: Axis Capital, Citigroup Global, Kotak Mahindra Capital, Nomura Financial

Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Monday, 9th Aug’2021

Issue closes on: Wednesday, 11th Aug’2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	17-08-2021
Refunds/Unblocking ASBA Fund	18-08-2021
Credit of equity shares to DP A/c	20-08-2021
Trading commences	23-08-2021

Issue break-up

	No. of Shares (Approx)	₹ In Cr	% of Issue
QIB	9,266,107	1,468.68 – 1,499.26	50%
NIB	2,779,833	440.60 – 449.78	15%
Retail	6,486,276	1,028.07 – 1,049.48	35%
Total	18,532,216	2,937.36 – 2,998.51	100%

Listing: BSE & NSE

Shareholding (No. of Shares)

	Pre-Offer and Post-Offer Equity Shares
No of shares	45,834,067

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	-	-
Public - Investor selling S/H	83.82%	45.60%
Public - Other Selling S/H	5.46%	3.20%
Public - Other	10.76%	51.19%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as 'Kaymo Fastener Company Private Limited' on April 28, 2000 at Mumbai. The company is a professionally managed company and does not have an identifiable promoter. Consequently, there are no members forming part of the 'promoter group' in terms of the SEBI ICDR Regulations.

Currently, except for Highdell and MacRitchie, (which respectively hold 34.44% and 26.48% of the pre-Offer paid-up Equity Share capital of the company, respectively on a fully diluted basis (including vested stock options), no shareholder controls 15% or more of the voting rights in the company. No shareholder will hold more than 25% of the post-Offer Equity Share capital of the Company.

Brief Biographies of Directors

Vinay Vinod Sanghi is the Chairman, Managing Director and the Chief Executive Officer of the Company. He has previously been associated with Mahindra First Choice Wheels Limited and Project Automobiles (Bombay) Pvt Ltd. He has over 30 years of experience in the automobile industry.

Aneesha Menon is an Executive Director and Chief Financial Officer of the company. She was previously employed with S. R. Batliboi & Co. LLP and has 13 years of experience in the field of finance. She joined Automotive Exchange Pvt Ltd (an erstwhile Subsidiary which was subsequently amalgamated with the company) as AVP - Finance on December 8, 2015.

Victor Anthony Perry III is a Non-Executive Director of the company. He was previously the president and chief executive officer of TrueCar, Inc.

Kishori Jayendra Udeshi is the Independent Director of the company. She was previously appointed as deputy governor of the Reserve Bank of India from June 10, 2003 to October 12, 2005.

Vivek Gul Asrani is the Independent Director of the company. He has over 25 years of experience in setting up distribution networks, organizational systems, manufacturing systems and overall people and process management.

Lakshminarayanan Subramanian is the Additional Director (Independent Non-Executive) of the company.

Key Managerial Personnel

Banwari Lal Sharma is the Chief Executive Officer – Consumer Business. He joined Automotive Exchange Pvt Ltd (an erstwhile Subsidiary which was subsequently amalgamated with the company) in 2004 and has 17 years of experience in software engineering.

Sameer Malhotra is the Chief Executive Officer of SAMIL since November 16, 2010. He has over 31 years of experience in sales industry.

Akshay Shankar is the Chief Product Officer – Group. He has 14 years of experience in product management. He was one of the first directors of Nassau IT Services Pvt Ltd, erstwhile owner of the CarTradeIndia.com portal, in 2007.

Vikram Alva is the Chief Strategy Officer – Group ("CSO"). He has 24 years of experience in building businesses, product management and marketing.

Lalbahadur Pal is the Company Secretary and Compliance Officer of the company. He has 5 years of experience as a company secretary.

Awards, accreditations and recognitions received by the company and Subsidiaries:

Year	Award
2021	<ul style="list-style-type: none"> 'Nation Wide Awards 2021' awarded to SAMIL for Best Innovation (Digital Physical Event) in Pre-owned Automobile Industry by Business Mint; 'Nation Wide Awards 2021' awarded to SAMIL for Excellence in Pre-owned Automobile Industry by Business Mint; Asia Feather Awards in 'Best in class pre-owned vehicles & equipment auction company' to SAMIL by Feather Touch
2020	<ul style="list-style-type: none"> 'Best Pre-owned Commercial Vehicles Company' awarded to SAMIL by CIA World Builders and Building Material Awards, 2020

Offer Details and Shareholding Pattern:

Name	Pre Issue		No of Shares Offered	Post Issue	
	No. of Equity Shares held	% of the pre-Issue paid-up Equity Shares capital		No. of Equity Shares held	% of the post-Issue paid-up Equity Shares capital
Public – Investor Selling Shareholders					
<i>CMDB II</i>	5,732,490	12.51%	2,264,334	3,468,156	7.57%
<i>Highdell Investment Ltd</i>	16,550,938	36.11%	8,409,364	8,141,574	17.76%
<i>Macritchie Investment Pte Ltd</i>	12,725,977	27.77%	5,076,761	7,649,216	16.69%
<i>Springfield Venture International</i>	3,408,416	7.44%	1,765,309	1,643,107	3.58%
Public - Investor Selling shareholders	38,417,821	83.82%	17,515,768	20,902,053	45.60%
Public - Other Selling Shareholders	2,485,288	5.42%	1,016,448	1,468,840	3.20%
Public – Others	4,930,958	10.76%		23,463,174	51.19%
Total Public Shareholders	45,834,067	100.00%	18,532,216	45,834,067	100.00%

BUSINESS OVERVIEW

Cartrade Tech Limited (“Cartrade”) is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. Their platforms operate under several brands: **CarWale**, **CarTrade**, **Shriram Automall**, **BikeWale**, **CarTrade Exchange**, **Adroit Auto** and **AutoBiz**. Through these platforms, they 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 financial year 2020.

In the 3 months ended June 30, 2021, their 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). Their brands, CarWale and BikeWale, ranked number one on relative online search popularity when compared to their 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 the financial year 2020. The strength of their brands and their association with trust, quality and reliability are key attributes in their business, which increase consumer confidence and influence their consumption behaviour. Their endeavour to deliver a superior consumer experience, which is reflected by an average time per visit of 3 minutes and 7 seconds during the 3 months ended June 30, 2021 on the CarWale website.

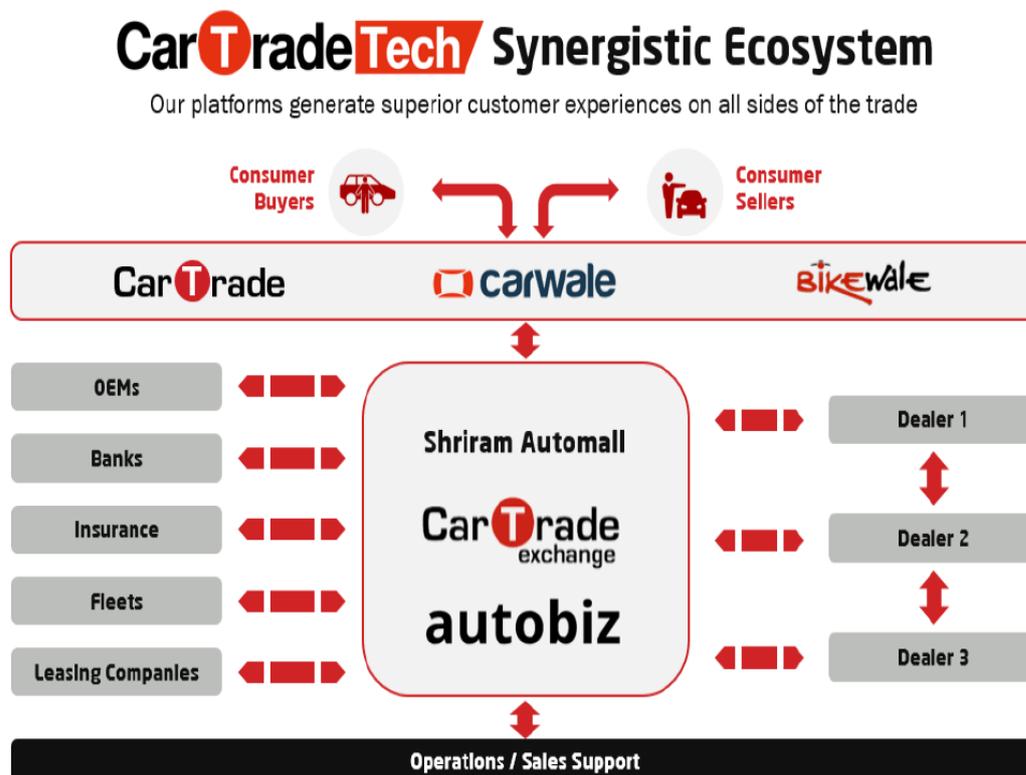
Cartrade is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. They offer a variety of solutions across the automotive transaction value chain for marketing, buying, selling and financing of new and pre-owned cars, two-wheelers as well as pre-owned commercial vehicles and farm and construction equipment.

A summary of the key offerings is as follows:

- Car shoppers can visit their **CarWale** and **CarTrade** platforms to research and connect with dealers, OEMs and other partners to sell and buy cars from the large variety of new and used cars offered by them. In addition, Cartrade engage with financing and automotive ancillary companies to offer their products and services on CarWale and CarTrade.
- Customers looking for new and used two-wheelers can research and connect with dealers, OEMs and other partners on **BikeWale** to sell and buy two-wheelers from the large variety of new and used two-wheelers offered by them.
- Company’s subsidiary, **Shriram Automall**, facilitates sales of pre-owned cars, two-wheelers, commercial vehicles, three-wheelers, and farm and construction equipment.

- **CarTrade Exchange** is an online auction platform and a used vehicle enterprise resource planning (“ERP”) tool. It is used by consumers, business sellers, dealers and fleet owners to sell vehicles to automotive dealers and fleet owners. Automotive dealers also use CarTrade Exchange to manage their processes for procurement, inventory management and customer relationship management (“CRM”).
- **Adroit Auto** offers vehicle inspection and valuation services used by insurance companies, banks and other financial institutions.
- **AutoBiz** provides new car dealers a CRM solution to manage their customers in an efficient manner.

A snapshot of the ecosystem and network effects created by their key offerings:



Cartrade has an advanced and sophisticated technology platform. Their data-driven digital platforms operate on an integrated technology infrastructure which is powered by their self-collected data and analytics. Their platforms are operated by 221 technology employees working at their 3 technology centers as of June 30, 2021. The technology platforms are both scalable and vertically integrated across the entire value chain, which allows them to address each step of the vehicle life cycle

They have a large data set on vehicles in India. Their websites and apps handled approximately 1.76 million user sessions per day for the 3 months ended June 30, 2021, and directly deliver the relevant data into their systems. Their team of statisticians and data scientists has developed complex and proprietary algorithms to transform this data into useable information that power their platforms and scale as traffic increases. They present such information through their web and mobile user interface that is immersive, simple and intuitive. Leveraging the market-leading position and growing audience, they also provide valuable inputs to automotive dealers and manufacturers as they develop their digital marketing strategies through their consumer insights and innovative products, helping them reach customers more effectively and increasing the value of their offerings to such dealers and manufacturers.

Cartrade generate revenues from several business streams primarily comprising:

- Commission and fees** from auction and remarketing services of used vehicles for retail customers, banks and other financial institutions, insurance companies, OEMs, leasing companies, and fleet and individual operators, in the amount of ₹ 142.50 crore for the financial year 2021;
- Online advertising solutions** on CarWale, CarTrade and BikeWale for OEMs, dealers, banks and other financial institutions;
- Lead generation** for OEMs, dealers, banks and other financial institutions and insurance companies;

(d) **Technology-based services** to OEMs, dealers, banks and other financial institutions and insurance companies;

The sum of revenue streams under clauses (b), (c) and (d) for the financial year 2021 is ₹ 88.20 crore; and

(e) **Inspection and valuation services** for banks and other financial institutions, insurance companies and OEMs, in the amount of ₹ 17.69 crore for the financial year 2021.

Cartrade has a strong management team with significant industry experience. Led by their Chairman, Managing Director and CEO, Vinay Vinod Sanghi, who has 30 years of experience in the automotive industry, their entrepreneurial leadership team has demonstrated the ability to successfully create, build and grow their various businesses. Their organization focuses on building an environment of innovation, trust, respect, ownership, agility and teamwork. Their **marquee institutional shareholders include Highdell Investment Ltd (affiliate of Warburg Pincus LLC), and MacRitchie Investments Pte. Ltd. (an affiliate of Temasek), JP Morgan and March Capital.**

The key operational metrics for their businesses:

Particulars	As of and for the							
	3 months ended	FY ended	3 months ended				FY ended March 31,	
	Jun'30, 2021	Mar'31, 2021	Mar'31, 31,2021	Dec'31, 2021	Sep'30, 2020	Jun'30, 2020	Mar'31, 2020	Mar'31, 2019
Average Monthly Unique Visitors, including on apps (<i>in Cr</i>)	2.71	2.57	3.20	3.00	2.53	1.54	2.05	1.93
Average Monthly Unique Organic Visitors (<i>in Cr</i>)	2.49	2.34	2.93	2.73	2.30	1.41	1.45	1.30
Number of Vehicles Listed for Auction	212,552	814,316	258,504	213,090	173,809	168,913	809,428	709,190
Percentage of Organic Unique Visitors	88.14%	88.44%	87.00%	87.00%	88.92%	93.85%	66.65%	64.67%
Number of Vehicles Sold by Auctions	30,133	156,689	62,994	45,370	31,131	17,194	197,986	199,529

BUSINESS IMPACT – COVID 19

Growth in the Used Vehicle Industry in India

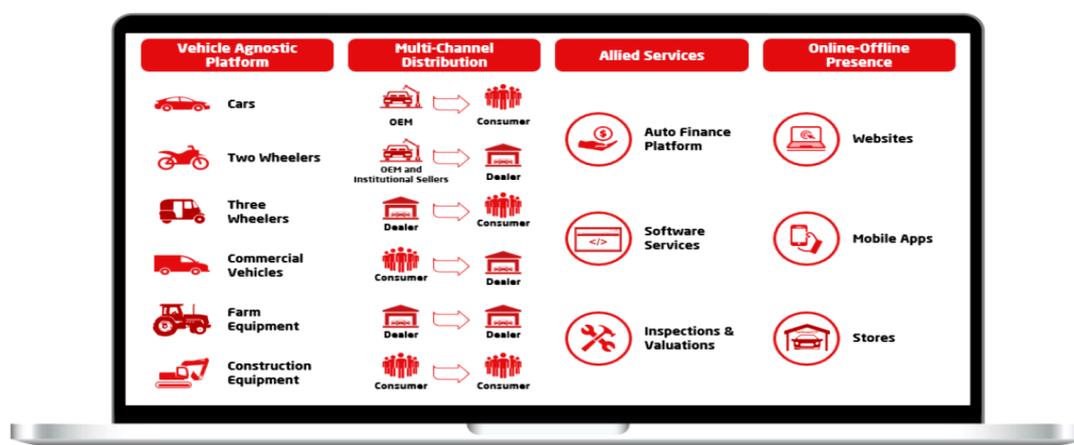
In light of the COVID-19 pandemic, there has been a shift in preference towards used cars as people limit their use of public transportation. Accordingly, the size of the used car market in India is expected to increase from 4.4 million units in financial year 2020 to 8.3 million units in financial year 2026. Likewise, the size of the used commercial vehicle market in India is expected to increase from between 1.0 to 1.2 million units in financial year 2020 to between 1.5 to 1.7 million units in financial year 2025. An increase in demand for used vehicles can impact the number of vehicle buyers on their websites and the availability of used vehicle inventory.

COMPANY OPERATIONS AND BRANDS

CARTRADE TECH LIMITED



CarTradeTech



Company's platforms, CarWale and BikeWale, ranked number one on relative online search popularity when compared to their key competitors over the period from April 2020 to March 2021, while Shriram Automall is one of the leading used vehicle auction platforms based on number of vehicles listed for auction for the financial year 2020.

Their pan-India operations cover new and used automotive categories, including passenger cars, two-wheelers, commercial vehicles, farm equipment and construction equipment. Since their launch, they have achieved rapid growth, and have constantly expanded their businesses to create a multi-channel automobile platform in India with coverage and presence across vehicle types and value-added services. Their business model is supported by the strength of their brands and their broad, scalable technology platforms that ensure a superior customer experience and differentiate them from their competitors in the automotive market.

CarWale and CarTrade

Customers come to CarWale and CarTrade to buy new or used cars or to sell their cars. They can also research their content and use their tools such as car reviews, price guides, car specifications, car images, used car inventory, car finance offers and trade-in tools. They can inquire about a new or used car and they connect them to a new or a used car dealer or OEM. In turn, new and used car dealers and car OEMs get access to these customers and can reach out to them.

OEMs and dealers can showcase their vehicles and advertise their brands and products on their platforms. Their wide consumer reach allows them to capture a significant share of the digital spending of such dealers and OEMs. They also provide OEMs with consumer insights, lead generation and data-driven solutions.

BikeWale

Customers come to BikeWale to buy a new two-wheeler or to sell their two-wheeler. Customers can research company's content and use their tools such as two-wheeler reviews, price guides, two-wheeler specifications, two-wheeler images, used two-wheeler inventory, two-wheeler finance offers and trade-in tools. They can inquire about a new or used two-wheeler and they connect them to the relevant new or used two-wheeler dealer or OEM. In turn, new and used two-wheeler dealers and two-wheeler OEMs get access to these customers and can reach out to them.

OEMs and dealers can showcase their vehicles and advertise their brands and products on the platforms. Their wide consumer reach allows them to successfully capture a significant share of the digital spending of such dealers and OEMs. They also provide OEMs with consumer insights, lead generation and data-driven solutions.

Cartrade helps customers complete a significant part of their two-wheeler buying journey. The large number of customers using BikeWale requires auto finance for their used or new two-wheeler purchase. Their finance solutions **product uses advanced technology and integrations with several banks and other financial institutions to give these** customers customized and policy-based auto finance approvals and offers across these financiers.

Shriram Automall

Shriram Automall provides retail sellers, automotive dealers, financial institutions, insurance companies, fleet and individual operators, leasing companies, OEMs and other institutional sellers with fast and convenient solutions to sell their used vehicles at scale. They acquired 55.43% of the outstanding equity interest in Shriram Automall (SAMIL) in 2018. Sellers often need to sell vehicles quickly and transparently. All the different categories of sellers wish to sell their vehicles efficiently, at good prices and within defined timelines. Buyers for these vehicles include end users, vehicle dealers and vehicle fleet and individual operators. Auctions are conducted online as well as offline at company's 114 automalls. To ensure sufficient buyer participation and interest in their auctions, they focus on building and maintaining strong relationships with the businesses as a key objective.

Building on their established relationships with vehicle buyers, their remarketing offering presents dealers and sellers with an attractive option to manage their inventories, while allowing them to earn facilitation fees computed based on a certain fixed amount and a percentage of the amount of the winning bid as commission payable to them. In the 3 months ended June 30, 2021, Shriram Automall hosted 212,552 listings.

CarTrade Exchange

CarTrade Exchange is an online auction platform and a used vehicle ERP system. Shriram Automall uses CarTrade Exchange to sell vehicles through online auction to CarTrade Exchange's users. It is extensively used by consumers, business sellers, dealers and fleet owners to sell vehicles to end users, automotive dealers and fleet owners. Automotive dealers also use this system to manage their business. The system helps dealers to manage their processes for procurement, inventory management and CRM.

Adroit Auto

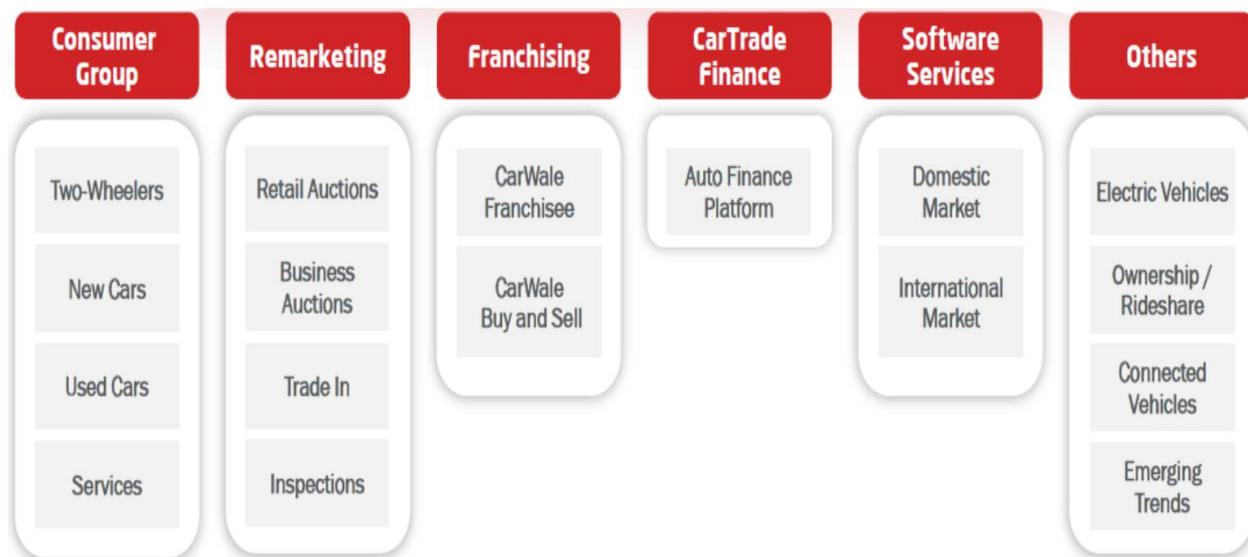
Adroit Auto provides on-site inspections and valuations to a wide range of companies within the insurance and banking space. Insurance companies require an inspection of insured automobiles in the event of a breach of the insurance policy. Similarly, lenders require independent valuation of used automobiles in case a loan is to be issued with these automobiles as collateral.

Adroit’s valuation and inspection services is also used by clients of Shriram Automall as clients typically request independent valuation reports before a vehicle is sent for auction. Adroit carried out 104,280 inspections and valuations in the 3 months ended June 30, 2021.

AutoBiz

New vehicle dealers use their cloud-based CRM tool AutoBiz to manage their sales leads and ensure that the dealership executives manage and follow up effectively as well as give dealership management insight into their sales teams’ performance.

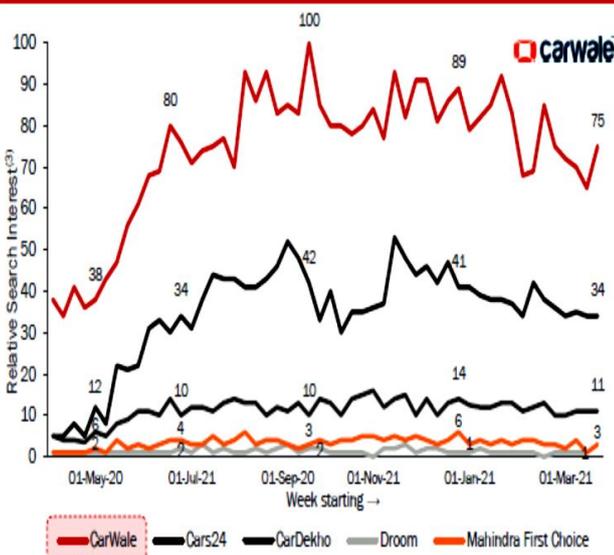
Solutions Across the Auto Transaction Value Chain



Strong Portfolio of Well-Recognized Brands

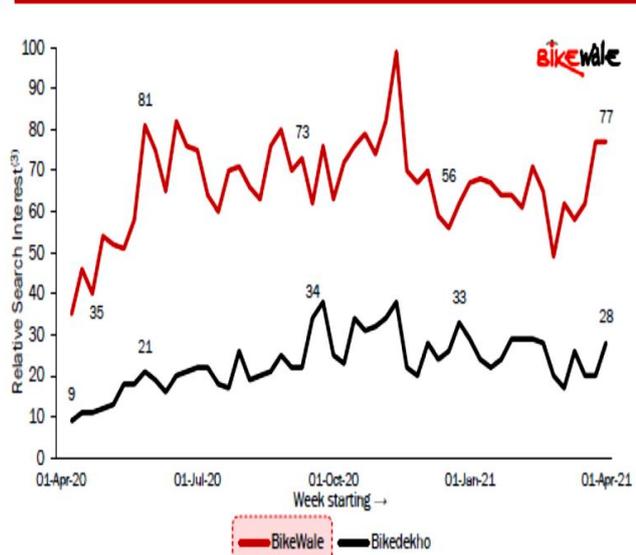
Google Trends - Relative Search Interest⁽¹⁾

(April 2020 – March 2021)



Google Trends - Relative Search Interest⁽²⁾

(April 2020 – March 2021)



CARTRADE TECH: ONLY PROFITABLE PLAYER

Financial Comparison (Consolidated)	Cartrade Tech	Cars24	Cardekho	Mahindra First Choice	Droom
Revenue (₹ 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
Changes in Inventories of Finished Goods, Work in Progress and stock in trade	0.9	(56.0)	(18.0)	(5.2)	0
Adjusted Revenue	301.2	255.8	465.4	213.3	179.5
Expenses (₹ 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 (₹ Cr)					
EBITDA	59.2	(267.2)	(284.0)	0.50	(80.3)%
% of Total Revenue	18.6%	(8.7)%	(37.6)%	0.01%	(44.7)%
PAT	29.2	(285.0)	(326.5)	(7.0)	(82.9)
% of Total Revenue	9.2%	(9.3)%	(43.3)%	(1.9)%	(4.62)%

COMPETITIVE STRENGTHS

- **Leading Marketplace for Automotive Sales with a Synergistic Ecosystem**

Cartrade is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. Their custom-built platforms provide an intuitive vehicle buying and selling experience. They offers a variety of solutions across the automotive transaction value chain from discovery and research tools, pricing and auto financing information to connecting consumers with dealers and OEMs for both used and new vehicle purchases. They also provide vehicle buyers with dynamic, personalized and real-time financing offers from multiple finance providers digitally through their finance platforms. They also provide other related services such as vehicle inspection and valuation through Adroit Auto as well as ERP and CRM tools through AutoBiz for their stakeholders.

Their combination of online and offline auctions as well as related services is synergistic and drives customer traffic, creates competition among their network of professional dealers and helps ensure that they can achieve the best price for their users. Additionally, data collected from offline and online transactions can be used for the benefit of sellers on CarWale, CarTrade, CarTrade Exchange and Shriram Automall, who can get insights into vehicle pricing and leverage price and supply differences across India.

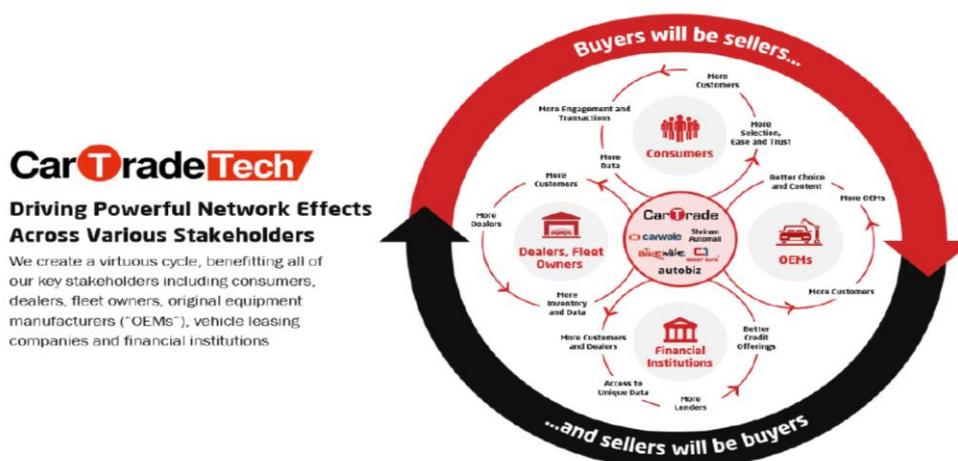
- **Brands and Customer Experience Driving Powerful Network Effects**

Company's brands, CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz, are trusted brands for automotive buyers and seller. Their brands, CarWale and BikeWale, ranked number one on relative online search popularity when compared to their key competitors over the period from April 2020 to March 2021. The strength of their brands and their association with trust, quality and reliability is a key attribute in their business, which increases consumer confidence and influences their consumption behaviour.

The company is able to offer a superior experience to all stakeholders through their large inventory selection, trust and unbiased transparency and intuitive search results. Their recognizable brands and the quality and reliability of their user experience and interface have led to a consistent growth in consumer traffic across their platforms. The monthly average number of unique visitors was 27.11 million, 25.66 million, 20.51 million and 19.27 million in the 3 months ended June 30, 2021 and the financial years 2021, 2020 and 2019, respectively, and they had 212,552, 814,316, 809,428 and 709,190 listings on their online and offline auction platforms for the same periods.

As more consumers utilize their consumer platforms, or more buyers and sellers use their auction platforms, the incremental information added to their proprietary database and algorithm increases the utility of their data and analytics platforms for all participants and enables them to offer superior customer experiences. All of these help them to attract and retain more automobile customers at various points of the vehicle buying and selling process, creating network effects which in turn increases the stickiness of automotive dealers, OEMs, financial institutions, fleet owners and other stakeholders to their platforms and creates high entry barriers for new market entrants.

Their strong recognizable brands have also allowed them to develop new offerings such as price tools, financing solutions and trade-in solutions.



- **Proprietary End-to-End Technology Platforms**

The end-to-end technology platforms largely developed by their in-house team, allows them to offer a seamless solution to their customers. They have a team of 221 technology employees located at their 3 technology centres as of June 30, 2021. They also use machine learning and artificial intelligence (“AI”) to advance their proprietary pricing, marketing and inventory technology for customers to enhance their experience and to keep their systems up to date with technological advancements. They focus on leveraging their proprietary technology platforms and analytics and data frameworks to guide consumers. Due to their deep understanding and technology penetration, they offers a suite of products which can be deployed or sold to third parties such as automotive dealers, OEMs, financial institutions or fleet owners. Their white-labelled solutions in CRM, used car ERP and other areas have been used by or licensed to BMW India Pvt Ltd (“BMW India”) and MG Motor India Pvt Ltd (“MG Motor”).

- **Focus on Data Science to Provide Superior Solutions**

Cartrade has a large data set on vehicles in India. They obtains data through their websites and apps, when, a vehicle is listed on CarWale or when data is entered by dealers into CarTrade Exchange, their ERP tool for dealers. Their websites and apps handled approximately 1.76 million user sessions per day for the 3 months ended June 30, 2021, and directly deliver the relevant data into their systems. Their statisticians and data scientists have developed complex and proprietary algorithms to leverage this data to provide pricing tools, product reviews and market insights as well as reports to consumers, dealers, financial institutions and OEMs through their web and mobile user interfaces in an engaging and easy to understand way.

- **Profitable and Scalable Business Model**

Cartrade operates on an asset-light business model, operating only 114 auto-malls, a large majority of which they lease or rent from third parties. They have invested significantly in building technology platforms that can manage considerably increased offerings without requiring sizable additional investments, and their growing scale has resulted in a decrease of the share of fixed costs. Together with their strong brands, longstanding relationships with customers, dealers and other stakeholders, and an expanding suite of offerings, they have created a profitable and scalable business model.

Their investments in technology have made their platforms scalable in a highly capital-efficient manner, and the asset-light business model has also allowed them to use cash on their balance sheet for acquisitions which have formed important parts of their strategy in the past.

- **Founder-led Management Team**

Cartrade has a capable management team with significant industry experience. They are led by their Chairman, Managing Director and CEO, Vinay Vinod Sanghi, who has over 30 years of experience in the automobile industry. Under his leadership, the company acquired Automotive Exchange Pvt Ltd (CarWale and BikeWale) in 2015 and 55.43% of the outstanding equity interest in Shriram Automall India Ltd (SAMIL) in 2018 and successfully integrated these businesses. Their key managerial personnel have been with them for 9 years on average. Their leadership team enables them to successfully create, build and grow new businesses as well to create value.

KEY BUSINESS STRATEGIES

- **Well Positioned to Benefit from Growth of the Automotive Sector and Digitalization**

India was the 5th largest car market in the world in calendar year 2020 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 financial year 2021 to 4.4 million new cars in financial year 2026, while annual used car sales is expected to grow from 4.4 million used cars in financial year 2020 to 8.3 million used cars in financial year 2026. Annual new two-wheeler sales in India are also expected to grow from 15.1 million new two-wheelers in financial year 2021 to 26.6 million new two-wheelers in financial year.

The company expects that their advertisement income will increase with the expected increased spending by OEMs on digital advertising due to their market leadership and brand strength. Further, the number of used car dealers in India subscribing to paid services on online automotive portals is expected to increase from approximately 4,000 dealers in financial year 2020 to between 8,000 to 11,000 dealers in financial year 2025.

- **Grow the Business through the Digital Ecosystem, Online-Offline Presence and Vehicle-Agnostic Approach**

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 their 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 their transactions spanning multiple vehicle categories.

- **Create an Opportunity to Monetize Value-Added Services and Untapped Opportunities Through Strong Customer Base and Technology Platform**

Cartrade uses their 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 their leadership and continued growth will enable them to further distinguish their offerings. Their technologically advanced online experience for consumers attracts a large and quality customer base which is of great value to their dealers and OEM partners. 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. They 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 their websites.

- **Invest Further in Technology**

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. They will continue to engage with dealers, OEMs and other stakeholders such as financial institutions and insurance companies so they can seamlessly offer more of their own services digitally on their platforms.

They have provided a dealer management system ("DMS") to BMW India to support all BMW dealers in India run their used car businesses in an efficient and digitally-optimized manner. BMW India also uses their DMS to power its consumer interfaces such as websites and apps. Cartrade is also building technologies for MG Motor so it can digitally offer a platform for retail finance solutions for new car buyers.

- **Supplement Organic Growth with Selective Acquisitions**

Cartrade is well-positioned to pursue value-enhancing investments and acquisitions. They acquired **CarWale** in January 2016, recording goodwill of ₹ 784.09 crore in the financial year 2016, and grew its revenue from ₹ 34.73 crore in financial year 2016 to ₹ 88.02 crore in financial year 2020. Similarly, they acquired 51% of the paid-up share capital of **AISPL** in May 2017 and 55.43% of the outstanding equity interest in **Shriram Automall** in January 2018, recording goodwill of ₹ 5.95 crore and ₹ 107.64 crore, respectively, in the financial year 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.

COMPETITION

The automotive industry in India is highly competitive. Company's key competitors include brands such as Cars24 (Cars24 Services Pvt Ltd), CarDekho and BikeDekho (Girnar Software Pvt Ltd), Droom (Droom Technology Pvt Ltd) and Mahindra First Choice Wheels Ltd.

AXIS CAPITAL LIMITED

Axis House, 1st Floor, Level-1, C-Wing, C-2, Wadia International Center, Pandurang Budhkar Marg, Worli, Mumbai 400 025.

Tel: +91 22 4325 2525; Fax: +91 22 4325 3000

www.axiscapital.co.in

This document has been prepared by Axis Capital Limited. Affiliates of Axis Capital Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating and target price of the Affiliates research report.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient.

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.

Axis Capital Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval.

Axis Capital Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document.

This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of Axis Capital Limited. The views expressed are those of the analyst and the Company may or may not subscribe to all the views expressed therein.

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Axis Capital Limited to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Cartrade Tech Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed the RHP with the RoC and thereafter with SEBI and the Stock Exchanges. The RHP is available on the website of Securities and Exchange Board of India at www.sebi.gov.in, on the websites of the Stock Exchanges at www.bseindia.com and www.nseindia.com as well as on the websites of the BRLMs, Axis Capital Limited at www.axiscapital.co.in. Investors should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP. Potential investors should not rely on the DRHP filed with SEBI for making any investment decision.

Copyright in this document vests exclusively with Axis Capital Limited.