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There are no listed peers to compare valuation with Car Trade Tech. On valuation front, the company's PE stands at 199x for FY21 (excluding the deferred tax) and Market Capitalization (Post Issue)/Sales at 29.70x for FY21, which appears to be expensive. Thus, we recommend to 'Avoid' the issue.



#### About the Company :

CarTrade Tech is a multi-channel auto platform with coverage and presence across vehicle types and value-added services (Source: RedSeer Report). 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. The vision of the company is to create an automotive digital ecosystem which connects automobile customers, OEMs, dealers, banks, insurance companies and other stakeholders.

#### Promoters

Company is a professionally managed company and does not have an identifiable promoter in terms of the SEBI ICDR Regulations and the Companies Act.

#### Objective of the Offer

The objects of the Issue are:

- To carry out the Offer for Sale of up to 18,532,216 Equity Shares by the Selling Shareholders
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

#### Issue details

Price Band (Rs in per share)	1585-1618
Issue size (Rs in Crore)	2937.36-2998.51
Offer for Sale (Shares in lakhs)	185.32
Issue open date	09-08-2021
Issue close date	11-08-2021
Tentative date of Allotment	18-08-2021
Tentative date of Listing	23-08-2021
Total number of shares (lakhs)	185.32
No. of shares for QIBs (50%) (lakhs)	92.66
No. of shares for NII (15%) (lakhs)	27.80
No. of shares for retail investors (35%) (lakhs)	64.86
No. of shares for Eligible Employees (lakhs)	NA
Minimum order quantity	9
Face value (in Rs)	10.00
Amount for retail investors (1 lot)	14265-14562
Maximum number of shares for Retail investors at lower Band	117(13 Lots)
Maximum number of shares for Retail investors at upper band	117(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in Rs)	185445-189306
Exchanges to be listed on	BSE, NSE

**Brief Financials \***

Particulars (Rs. Cr)	FY21	FY20	FY19
Share Capital	3.58	3.45	3.45
Net Worth	1680.58	1262.23	1231.45
Revenue from Operation	249.68	298.28	243.28
Net Profit/(Loss)	101.07^	31.29	25.92
Basic EPS	22.06	5.65	4.31
Net Asset Value (Rs)	392.83	325.75	317.80
P/E #	73.35	NA	NA
P/B #	4.12	NA	NA

Source: RHP, \*Restated consolidated numbers # Calculated at the upper price band  
^Deferred Tax (credit) ,Excluding Deferred Tax-PAT 37.20 Crores, EPS 10.40, P/E 155.80x

**Industry Review:****India's Digital and E-commerce Trends**

Internet and smartphone penetration in India has nearly doubled from 2015 to 2020, and is expected to increase further in the future. Since 2000, many Indians have skipped the traditional fixed line phones and embraced mobile phones. Indian internet users consumed an average of approximately 15 GB of data monthly in calendar year 2020, compared to approximately 11 GB in China. Indian internet users consumed an average of approximately 15 GB of data monthly in calendar year 2020, compared to approximately 11 GB in China. By calendar year 2025, India is expected to have between 950 to 1,000 million internet users and 800 to 850 million smartphone users. This is an advantage to the industry with increasing penetration of audience moving to digital channels/online sales.

**Automotive Sector in India**

India became the fifth largest car market in the calendar year 2020. Domestically, the two-wheeler segment dominates the market in terms of volume, owing to a growing middle class and a young population. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector

**Growth Drivers for the Automotive Sector**

- Robust Demand: Rise in middle class income and young population;
- Rising Investment: High inflows of foreign direct investment ("FDI");
- Policy support: Reforms such as GST, policies such as 'Make in India', FAME (faster adoption and manufacturing of hybrid and electric vehicles) and Production-Linked Incentive ("PLI") schemes; and
- Opportunities: Electric vehicles and increased reliance on self-owned vehicles.

**Role of Online Platforms**

The entire automotive ecosystem is highly fragmented, complex and riddled with challenges. Vehicles reach end buyers through several channels and after going through multiple intermediaries and exchanges. The multiplicity of transactions creates potential inefficiencies that negatively affect the overall system. Online platforms are present across new and used vehicles. Online platforms are present across new and used vehicles and are helping to streamline this ecosystem. CarTrade Tech Limited ("CarTrade Tech") plays an important role across the value chain by connecting different stakeholders



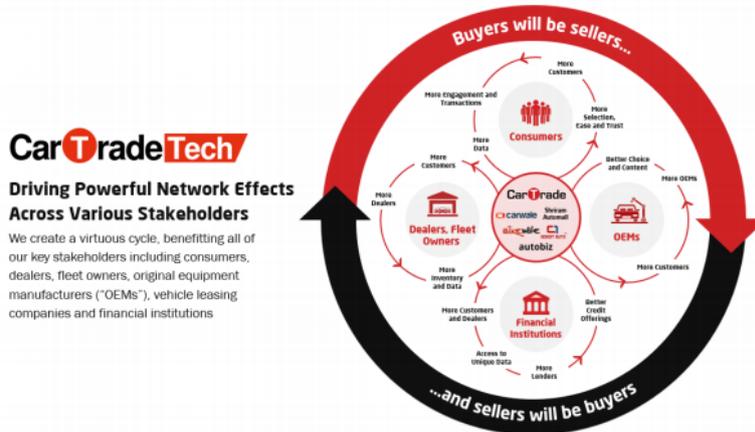
## Competitive Strengths

### Leading Marketplace for Automotive Sales with a Synergistic Ecosystem

Company believe that 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 company can achieve the best price for their users. This is because, company 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. Company also provide vehicle buyers with dynamic, personalized and real-time financing offers from multiple finance providers digitally through their finance platforms. Company believe that their end-to-end model allows them to offer a superior solution and experience to all stakeholders. Along with this, they are also into remarketing business, Shriram Automall facilitates sales of pre-owned cars, two-wheelers, commercial vehicles, three-wheelers, and farm and construction equipment. Shriram Automall is one of the leaders in used vehicle auctions in India, in terms of number of vehicles listed for auctions for the financial year 2020

### Brands and Customer Experience Driving Powerful Network Effects

Company believe that their brands, CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz, are trusted brands for automotive buyers and sellers, and enjoy a strong brand affinity. 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 monthly average number of unique visitors was 27.11 million, 25.66 million, 20.51 million and 19.27 million in the three months ended June 30, 2021 and the financial years 2021, 2020 and 2019, respectively, and company had 212,552, 814,316, 809,428 and 709,190 listings on their online and offline auction platforms for the same periods. The network effects of this brands-based growth are significant and create a positive feedback loop. For instance, more listings and more transactions lead to better brand awareness. 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



Source: RHP, CBSL

### 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. Company have a team of 221 technology employees located at their three technology centers as of June 30, 2021. Company believe that their agile and flexible technology is capable of supporting new offerings and scale. Company 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.



## Risk Factors

### **Sudden declines in demand for certain types of vehicles**

Demand for cars sold through their platforms may be adversely affected by trends that lead to a decline in demand for cars. Company have typically experienced higher revenue growth rates in the third and fourth quarters of the fiscal year than in each of the first or second quarters. Demand for certain types of used cars may suddenly decline due to the introduction of innovative technologies for new cars, such as autonomous driving systems. Actions by manufacturers or dealers may have a significant impact on demand for vehicles on their platforms.

Further, the Supreme Court of India has banned the nationwide sale and registration of motor vehicles which conform to Bharat Emission Stage IV standards, with effect from April 1, 2020. As a result, demand for affected cars may decline significantly and prices for these cars, including vehicles on their platform, may drop suddenly. Such sudden developments may prevent sellers from successfully selling affected vehicles, adversely affecting their own revenues

### **Disruptions, failures or breaches of their technology platforms**

Company depend on the efficient and uninterrupted operation of their technology platform, including their proprietary pricing algorithms, given that the sale and purchase of vehicles through their websites and apps is the core of their business. The same is true for other key functions such as marketing, logistics, forecasting and accounting. Company also store data, such as proprietary information regarding vehicle transactions and customer behavior in their data centers. Such data is essential to their business and their ability to correctly price used vehicles.

In addition, technical advances or a continued expansion and increased complexity of their platform could increase the likelihood of security breaches. Any leakage of sensitive information could lead to a misuse of data, violate applicable privacy, data security and other laws, cause significant legal and financial risks and negative publicity, and adversely affect their business and reputation

### **Impact of COVID-19 on business:**

The COVID- 19 pandemic has affected and may continue to affect their business, results of operations, cash flows and financial condition during the lockdown, it caused a material decline in general business activity, including weaker demand for personal mobility during the first few months of the COVID-19 pandemic and during the current financial year. The average number of unique visitors per month on their consumer platforms decreased to 27.11 million during the three months ended June 30, 2021 from 31.99 million during the three months ended March 31, 2021. Any intensification of the COVID-19 pandemic or any future outbreak of another highly infectious or contagious disease may adversely affect their business, results of operations, cash flows and financial condition.



## Peer Comparison

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

## Our Views

CarTrade Tech is an integrated automotive digital ecosystem for purchase and sale of automobiles with online and offline presence. Company is having an asset light model where any incremental revenue adds to the margin substantially due to lower pressure of overhead costs, which makes the margins also sustainable in long term.

The company is the only profitable among competitors in FY20 being the No. 1 car & two wheeler auto portal in India. They have different avenues for growth like remarketing (auctions), franchising, car trade finance, software services, electric vehicle, rideshare etc. This provides them with huge untapped opportunities to scale up their business through technology and software integration. There are no listed peers to compare valuation with Car Trade Tech. On valuation front, the company's PE stands at 199x for FY21 (excluding the deferred tax) and Market Capitalization (Post Issue)/ Sales at 29.70x for FY21, which appears to be expensive. Thus, we recommend to 'Avoid' the issue.

Sources: Company Website and Red Herring Prospectus



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