

## Company Overview

Incorporated in 2000, CarTrade Tech Ltd is a multi-channel auto platform provider company. The company operates various brands such as CarWale, CarTrade, Shriram Automall, BikeWale, CarTradeExchange, Adroit Auto, and AutoBiz. The platform connects new and used automobile customers, vehicle dealers, vehicle OEMs, and other businesses to buy and sell different types of vehicles. 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.

## Objects of the issue

The IPO proceed will be used towards the following purposes;

- ⇒ To carry out an offer for sale.
- ⇒ To achieve the benefits of listing the Equity Shares on the stock exchanges.

## Investment Rationale

### A leading automobile sales platform with a collaborative ecosystem.

CarTrade Tech Limited is India's number one online auto portal for both cars and two-wheelers, based on relative online search popularity in FY 2021, and is a leading used vehicle auction platform based on number of vehicles listed for auction for FY 2020. Among their key competitors, they were the only and most profitable automotive digital platform. The combination of its online and offline auctions and related services creates synergy and drives customer traffic. creates competition among your network of professional distributors and helps ensure that they can achieve the best price for users. In addition, data collected from online and offline transactions can be used by sellers on CarWale, CarTrade, CarTrade Exchange and Shriram Automall, who can obtain information on the price of vehicles and take advantage of price differences and supplies across India.

### A strong brand and excellent customer experience have strong effects on the network

The company is a multi-channel auto platform that covers and exists in various models and value-added services through its brands, namely: CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz. Between April 2020 and March 2021, its CarWale and BikeWale platforms ranked first in terms of relative online search popularity compared to their top competitors, and Shriram Automall is the leading auction-based, used car auction platform. In the three months ending June 30, 2021, the company's consumer platforms CarWale, CarTrade, and BikeWale averaged 27.11 million unique visitors each month, of which 88.14 were organic visitors (i.e. that is, as a result of searches you do not pay).

## Valuation and Outlook

Car trade is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. Further, car trade actively invests 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 to the above, 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. Apart from above, its comprehensive range of services i.e. automotive buying, selling, financing, marketing, etc and profitable and scalable business model provide for further growth visibility. On the valuation front, at the upper price band, the company is valued at 73.3x P/E considering the diluted equity shares and FY21 annualized earnings. Taking into account the factors mentioned above, we give a "SUBSCRIBE" rating on this issue for the long term.

## Issue Details

Offer Period	9th August - 11th August, 2021
Price Band	INR.1585 to INR.1618
Bid Lot	9
Listing	BSE&NSE
Issue Size (no. of shares in mn)	18.5
Issue Size (INR. in bn)	29.9
Face Value	10

## Issue Structure

QIB	50%
Retail	15%
NIB	35%

BRLM	Axis Capital, Citigroup Global, Kotak Mahindra Capital, Nomura Financial
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Registrar	: Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter	-	-
Public— Investor selling S/H	83.8	45.6
Public - Other Selling S/H	5.4	3.2
Public - Other	10.8	51.2
<b>Total</b>	<b>100</b>	<b>100</b>

(Assuming issue subscribed at higher band)

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## Income Statement (In mn)

Particulars	FY19	FY20	FY21
<b>Revenue</b>			
Revenue From Operations	2,433	2,983	2,497
<b>Total Revenue</b>	<b>2,433</b>	<b>2,983</b>	<b>2,497</b>
<b>Expenses</b>			
Employee Benefit Expenses	1,276	1,331	1,301
Changes in Inventories of Finished Goods and Work-In-Progress	(9)	9	(16)
Purchase of Stock in Trade	9	162	28
Other Expenses	862	1,084	790
<b>Total Operating Expenses</b>	<b>2,138</b>	<b>2,587</b>	<b>2,103</b>
<b>EBITDA</b>	<b>295</b>	<b>396</b>	<b>394</b>
Depreciation and Amortisation Expense	152	174	199
Other Income	235	202	318
<b>EBIT</b>	<b>378</b>	<b>424</b>	<b>513</b>
Finance Costs	24	35	43
Exceptional Item	-	-	-
Share in Profit/(Loss) of Joint Ventures	-	-	-
<b>PBT</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current Tax	106	113	98
Deferred Tax Charge	(11)	(37)	(639)
Total Tax	95	76	(541)
<b>PAT</b>	<b>259</b>	<b>313</b>	<b>1,011</b>
<b>Diluted EPS</b>	<b>5.7</b>	<b>6.8</b>	<b>22.1</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21
Cash flow from operating activities	352	172	352
Cash flow from investing activities	(180)	(82)	(3,408)
Cash flow from financing activities	(78)	(111)	3,081
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>93</b>	<b>(21)</b>	<b>25</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>122</b>	<b>216</b>	<b>195</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>216</b>	<b>195</b>	<b>220</b>

Source: RHP, BP Equities Research



## Balance Sheet (In mn)

Particulars	FY19	FY20	FY21
<b>Liabilities</b>			
Share Capital	34	34	36
Other Equity	12,837	13,291	17,588
<b>Net Worth</b>	<b>12,871</b>	<b>13,325</b>	<b>17,624</b>
Long Term Borrowings	217	346	464
Deferred Tax Liabilities			
Long-Term Provisions	37	42	45
Other Non Current Liabilities	96	80	64
<b>Total Non Current Liabilities</b>	<b>350</b>	<b>468</b>	<b>573</b>
Trade Payables	181	196	222
Current Tax Liability	-	-	-
Borrowings	-	-	-
Other Financial Liabilities	603	493	587
Lease Liabilities	118	76	82
Other Current Liabilities	121	114	180
Short Term Provisions	27	33	34
<b>Total Current Liabilities</b>	<b>1,050</b>	<b>911</b>	<b>1,104</b>
<b>Total Equity &amp; Liabilities</b>	<b>14,271</b>	<b>14,704</b>	<b>19,302</b>
<b>Assets</b>			
Property, Plant & Equipment	476	497	511
Capital Work in Progress	-	2	5
Right Use Of Assets	273	366	480
Other Intangible Assets	8,977	8,980	8,980
Goodwill	377	313	254
Financial Assets	49	253	426
Other Tax Assets	92	84	108
Deferred Tax Assets (net)	-	-	-
Other Non-Current Assets	74	52	674
<b>Total Non current assets</b>	<b>10,318</b>	<b>10,547</b>	<b>11,437</b>
Investment	2,853	2,742	6,274
Trade Receivables	360	467	473
Cash and Cash Equivalents	216	195	220
Other Current Assets	152	128	57
Bank Balances	0	21	25
Other Financial Assets	362	604	800
Inventories	9	0	16
<b>Total Current Asset</b>	<b>3,953</b>	<b>4,157</b>	<b>7,865</b>
Net Current Assets	2,903	3,246	6,760
<b>Total Assets</b>	<b>14,271</b>	<b>14,704</b>	<b>19,302</b>

Source: RHP, BP Equities Research

### Key Risks

- ⇒ If the company's websites do not achieve a high ranking in organic search results or are removed from app stores, this could reduce traffic to their websites and apps and prevent them from competing successfully.
- ⇒ The company rely on third-party service providers for many aspects of their business, and any failure to maintain these relationships could harm their business
- ⇒ The company had negative cash flows in the past and may continue to have negative cash flows in the future.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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