

Subscribe

| Issue Details | |
|-----------------|-----------------|
| Price Band (Rs) | Rs.1585-1618 |
| Face Value (Rs) | 10 |
| Issue Size (Rs) | Rs.2998.51 Cr |
| Issue Type | Book Building |
| Minimum lot | 09 |
| Issue Opens | August 09, 2021 |
| Issue Closes | August 11, 2021 |
| Listing on | BSE, NSE |

| Indicative Timeline | On or before |
|------------------------------------|-----------------|
| Finalization of Basis of Allotment | August 17, 2021 |
| Unblocking of Funds | August 18, 2021 |
| Credit of shares to Demat Account | August 20, 2021 |
| Listing on exchange | August 23, 2021 |

| Other Detail | |
|----------------------------|---|
| Book Running Lead Managers | Axis Capital Limited, Citigroup Global Markets India Private Limited, Kotak Mahindra Capital Company Limited, Nomura Financial Advisory and Securities (India) Private Limited. |
| Registrar | Link Intime India Private Limited |

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CarTrade Tech Ltd.

Company Background

Cartrade Tech Ltd. ("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 are operated by 221 technology employees working at their 3 technology centers as of June 30, 2021. Cartrade's platforms operate under several brands: CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz.

Issue Details

The offer comprises Offer for sale of Equity Shares aggregating upto Rs.2998.51Cr.

Issue Objectives

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

IPO share allotment pattern

| Category | Allocation | Number of Shares | Issue Size at Rs.1585 (Rs.Cr) | Issue Size at Rs.1618 (Rs.Cr) |
|-------------------|------------|--------------------|-------------------------------|-------------------------------|
| QIB | 50% | 92,66,108 | 1,468.68 | 1,499.26 |
| Non-Institutional | 15% | 27,79,832 | 440.60 | 449.78 |
| Retail | 35% | 64,86,276 | 1,028.07 | 1,049.48 |
| Total | | 1,85,32,216 | 2,937.36 | 2,998.51 |

Source: Company RHP, ACMIL Research, *Issue at Upper price band

Outlook and Valuations

Cartrade is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. 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. There is substantial headroom for the Indian auto industry to grow. This growth will definitely benefit Cartrade. At the upper price band of Rs.1618/-, the stock is valued at 84.3x of FY21E earnings of Rs.19.19 and if we exclude accounting adjustments for deferred tax, then the asking price is at a P/E of around 199.35. **Hence, we recommend only high-risk investors should subscribe to the issue from a listing gains prospective.**

Investment Rationale

Business Overview

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.

A summary of the key offerings is as follows:

CarWale and CarTrade: 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.

BikeWale: 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.

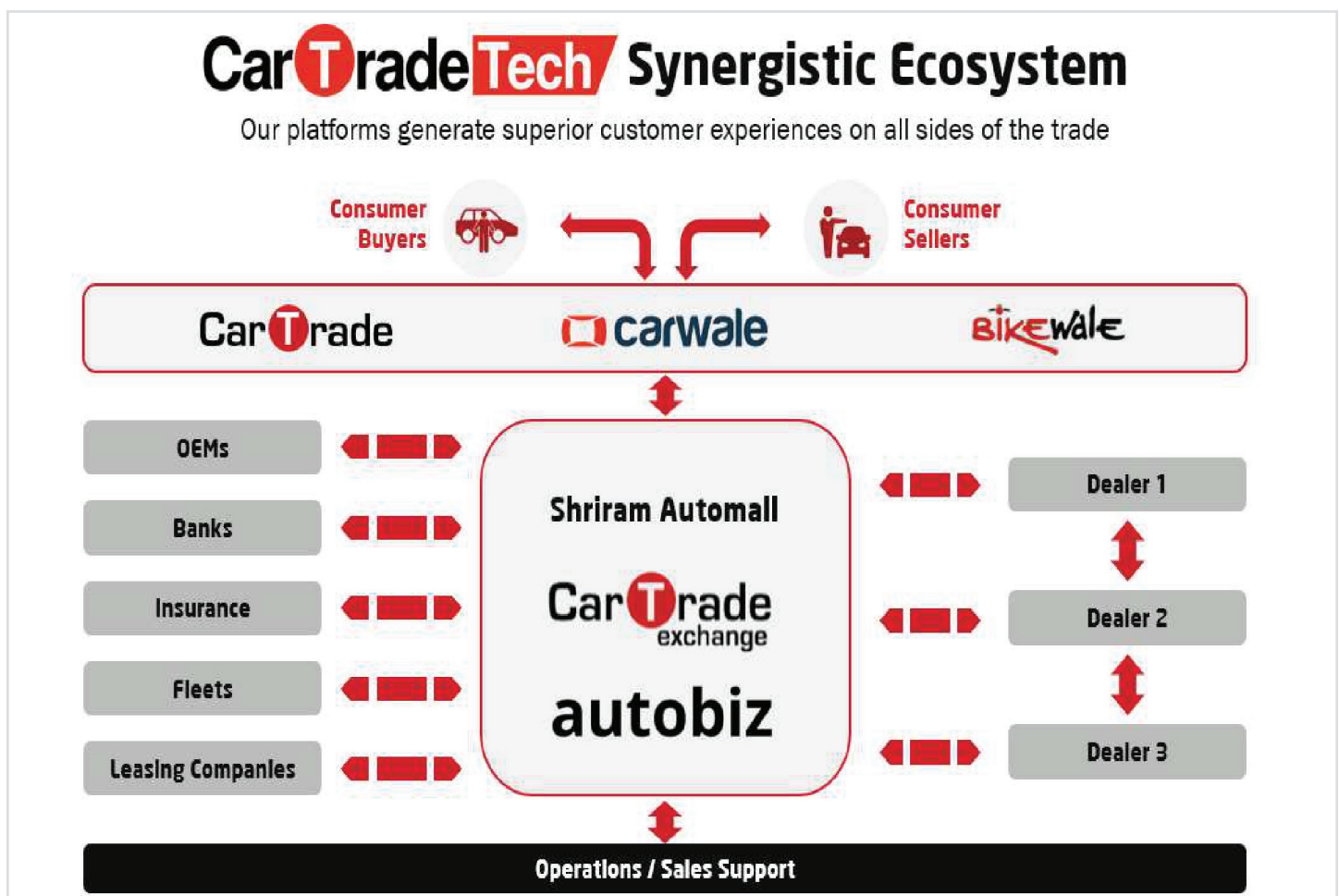
Shriram Automall: Company's subsidiary, **Shriram Automall**, facilitates sales of pre-owned cars, two-wheelers, commercial vehicles, three-wheelers, and farm and construction equipment.

CarTrade Exchange: It 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: It offers vehicle inspection and valuation services used by insurance companies, banks and other financial institutions.

AutoBiz: It 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:



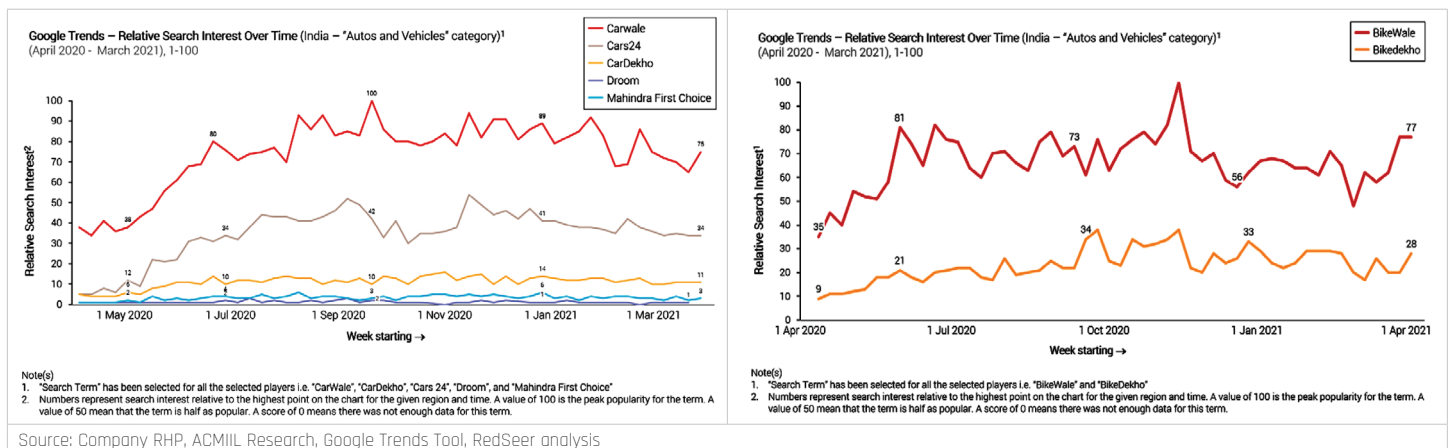
COMPETITIVE STRENGTHS

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.

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.



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.

Cartrade Tech: Only Profitable Player

| Financials Comparison (Consolidated) | carTrade tech | Cars24 | CarDekho | Mahindra First Choice | Droom |
|--|---------------|--------------|--------------|-----------------------|--------------|
| Revenue (Rs. Mn) | | | | | |
| Total Revenue | 3,183 | 30,652 | 7,547 | 3,758 | 1,795 |
| Less: Purchase of Stock in Trade | 162 | 23,654 | 3,074 | 1,678 | 0 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 9 | -560 | -180 | -52 | 0 |
| Adjusted Revenue | 3,012 | 2,558 | 4,654 | 2,133 | 1,795 |
| Expenses (Rs. Mn) | | | | | |
| Advertising Promotional Expenses | 241 | 1,415 | 1,461 | 145 | 1,979 |
| Employee Benefit Expenses | 1,342 | 2,172 | 3,388 | 653 | 420 |
| Other Expenses (excluding Finance costs, Depreciation & Amortisation expenses & Taxes) | 1,077 | 3,059 | 4,105 | 1,475 | 2,177 |
| Profitability (Rs. Mn) | | | | | |
| EBITDA | 592 | -2,672 | -2,840 | -5 | -803 |
| % of Total Revenue | 18.6% | -8.7% | -37.6% | 0.1% | -44.7% |
| PAT | 292 | -2,850 | -3,265 | -70 | -829 |
| % of Total Revenue | 9.2% | -9.3% | -43.3% | -1.9% | -46.2% |
| Source: Company RHP, ACMIL Research | | | | | |

Investment Rationale

Strong network effects driven by their unique content and transaction flywheels

The end-to-end Food Services approach makes Zomato the most unique Food Services platform globally combining the offerings of platforms such as Yelp, DoorDash and OpenTable in a single mobile app. They had 389,932 Active Restaurant Listings across 525 cities in India, as of March 31, 2021. Restaurant listings on their platform include data points such as photos of the menu, photos of the restaurant premises, address and GPS coordinates, phone number, website, social media presence (Facebook and Twitter links), cuisine, opening timings, average cost for a meal, free parking availability, indoor or outdoor seating availability, free Wi-Fi availability, whether the restaurant offers live entertainment, has a smoking room, whether table booking is recommended, among others. They term this information about restaurants as "Structured Content".

They collect and curate all Structured Content using a feet-on-street approach, aided by in-house developed technology which helps them do this in a cost effective manner. Outside of Structured Content, they also have CGC which consists of reviews, ratings and photos posted by customers on their platform. In Fiscal 2021, 12.7 million customers generated 61.8 million units of CGC on their platform. Their focus on content attracts a large number of customers to their platform organically. During Fiscal 2021, 68% of their new customers were acquired organically and not through any paid advertisements. Their customers value the rich content of the restaurant listings on their platform and further enhance the richness of the restaurant listing content by adding their own reviews and photos to the platform which leads to a virtuous cycle of more new customer acquisition.

Financial Snapshot (Consolidated)

| Particulars (Rs. Mn) | FY19 | FY20 | FY21 |
|---------------------------------|--------|--------|--------|
| Equity share capital | 35 | 35 | 35 |
| Net worth | 12,314 | 12,623 | 16,806 |
| Net asset value per share | 318 | 326 | 407 |
| Debt to Equity Ratio | 0 | 0 | 0 |
| Revenue from Operations | 2,433 | 2,983 | 2,497 |
| EBITDA (Excluding Other Income) | 295 | 397 | 394 |
| EBITDA % | 12.1% | 13.3% | 15.8% |
| Net Profit | 259 | 313 | 1,011 |
| Diluted EPS (Rs) | 3.87 | 5.07 | 19.19 |
| ROE | 1.36% | 1.73% | 5.43% |
| ROCE | 1% | 2% | 1% |

Source: Company RHP, ACMIL Research

Risk and Concern

1. Cartrade may be adversely affected by a general decline in individual car ownership or sudden declines in demand for certain types of vehicles.
2. The extent to which the COVID-19 pandemic may affect the company's business, results of operations, cash flows and financial condition in the future is uncertain and cannot be predicted.
3. The company may experience disruptions, failures or breaches of its technology platforms.

ACMIIL Retail Research Products

| Informational Products | Recommendation Products |
|----------------------------|---------------------------|
| Morning Notes | Momentum Calls |
| Equi-Tea | Positional Calls |
| Market Watch | Smart Delivery Calls |
| Investor First Magazine | Investment Ideas |
| IPO/NCD/ETF/OFS/BOND | Master Trades High Risk |
| Market Pulse | Master Trades Medium Risk |
| RBI Monetary Policy | Techno-Funda |
| Union Budget Report | Top Mutual Fund Schemes |
| Weekly Derivative Synopsis | Portfolio Review |
| Rollover Snapshot | Stock Basket |

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