

9 August 2021

CarTrade Tech – SUBSCRIBE

Investment Thesis

CarTrade Tech Ltd. (CarTrade Tech) is coming out with an initial public offering (IPO) on August 9, 2021. The issue comprises of offer for sale of 1,85,32,216 equity share by the selling shareholders. Objective of the issue is to provide an exit option for the selling shareholders and achieve the benefits of listing the equity shares in the stock exchange.

CarTrade Tech is a multi-channel auto platform with presence across vehicle types and value-added services. It provides services across different vehicle categories, including new and used cars, new and used two-wheelers and used commercial vehicles and farm equipment leveraging its leading brands. Its platforms provide an intuitive vehicle buying and selling experience. CarTrade Tech 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. CarTrade Tech's revenue primarily comprise from 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 as well as from online advertising solutions on CarWale, CarTrade and BikeWale for OEMs, dealers, banks and other financial institutions.

CarTrade Tech's brands like CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz, are trusted brands for automotive buyers and seller. Its brands, CarWale and BikeWale are ranked number one on relative online search popularity when compared to the key competitors during the period of FY21. Strength of CarTrade Tech are its brand equity and association with trust, quality and reliability, which is a key attribute in its business. These attributes of are key to increases consumer confidence and influences consumption behaviour.

Financials

- During the past 5 years, revenue of CarTrade Tech grew at CAGR of 61.1% while PAT grew at CAGR of 194.6% in the same period.

Consol. (Rs.Mn.)	FY19	FY20	FY21	FY22E	FY23E
Revenue	2,433	2,983	2,497	2,871	3,302
EBITDA	222	419	410	472	543
% growth	187.7	88.4	-2.0	15.0	15.0
PAT	283	313	1,011	1,162	1,337
EPS (Rs.) #	6.2	6.8	22.1	25.4	29.2
P/E (x) *#	262.3	237.0	73.4	63.8	55.5
RoE (%) #	2.3%	2.5%	6.1%	6.4%	6.7%

* At highest price band # Post listing

IPO Details

Issue Open Date	09 August, 2021
Issue Close Date	11 August, 2021
Price Band (Rs.)	1,585.00 to 1,618.00
Issue Size (Rs. Mn)*	29,985.13
Issue Size (Shares)	1,85,32,216
Market Lot	9 Equity Share
Listing Exchanges	BSE and NSE
Face Value (Rs.)	10.0/-

* At highest price band

Key Details

Fresh Issue	N.A.
Offer for Sales	1,85,32,216 Equity Shares
Issue Type	100% Book Built Issue
Book Running Lead Manager	Axis Capital, Citigroup Global Markets India, Kotak Mahindra Capital, Nomura Financial Advisory and Securities (India)
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%
Credit of Shares to Demat Account	20 August, 2021
Issue Listing Date	23 August, 2021

* At highest price band

Key Business Highlights

- CarTrade Tech is a multi-channel auto platform with presence across vehicle types and value-added services. Its platforms operate under several brands like, CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz.
- CarTrade Tech enable new and used automobile customers, vehicle dealerships, vehicle OEMs and other businesses to buy and sell vehicles in a simple and efficient manner through its platforms.
- CarTrade Tech's services span the gamut of automotive transaction throughout the value chain, i.e., marketing, buying, selling and financing of new and pre-owned cars, 2-W, CV and other vehicles.

Valuation

- CarTrade Tech's end-to-end technology platforms allows it to offer a seamless solution to its customers. It also uses machine learning and artificial intelligence to advance its proprietary pricing, marketing and inventory technology for customers to enhance experience and to keep the systems up to date with technological advancements. CarTrade Tech focus on leveraging its proprietary technology platforms, analytics and data frameworks to guide consumers. Due to its deep understanding and technology penetration, CarTrade Tech offers a suite of products which can be deployed or sold to third parties such as automotive dealers, OEMs, financial institutions or fleet owners. Its solutions in CRM, used car ERP and other areas have been used by or licensed to BMW India and MG Motor India.
- CarTrade Tech has a large data set of vehicles in India, which was obtained through its websites and apps, when a vehicle is listed on CarWale or data is entered by dealers into CarTrade Exchange. Its websites and apps handled approximately 1.76mn user sessions per day in Q1FY22 and directly deliver the relevant data into its 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 its web and mobile user interfaces in an engaging and easy to understand way.
- CarTrade Tech operates on an asset-light business model, operating only 114 auto-malls, a large majority of which are leased or rented from third parties. CarTrade Tech 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. Along with strong brands, long standing relationships with customers, dealers and other stakeholders and an expanding suite of offerings, CarTrade Tech has created a profitable and scalable business model.
- With a multi-channel auto platform with presence across vehicle types, trusted brands for automotive buyers and seller, uses machine learning and artificial intelligence to keep the systems up to date, large data set of vehicles in India and operates on an asset-light business model, we are recommending **SUBSCRIBE** to the IPO of CarTrade Tech Ltd.

Risk & Concern

- Failure to protect confidential personal information collected from customers may damage by CarTrade Tech's reputation and brands.
- Unable to keep pace with advances in technology or introduce new and complementary products and services in a timely manner, customers may reduce or stop using services of the company.
- Any increase in competition among automotive digital platforms offering superior customer experience may adversely affect profitability of CarTrade Tech.

Graphs & Charts

Figure 1: Net Sales Trend

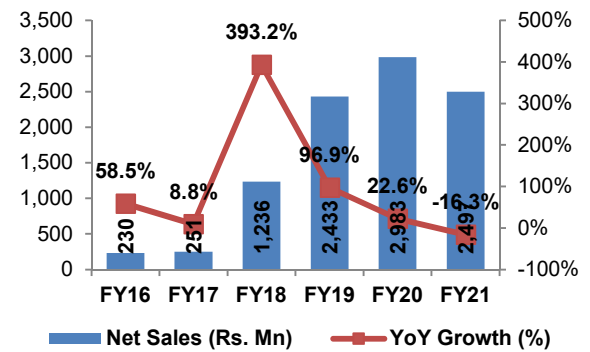


Figure 2: EBITDA & EBITDA Margin Trend

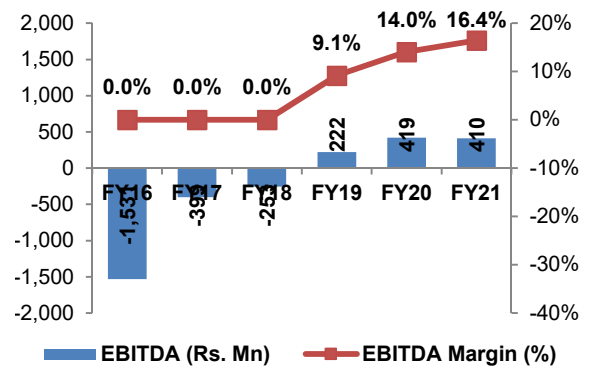


Figure 3: PAT Trend

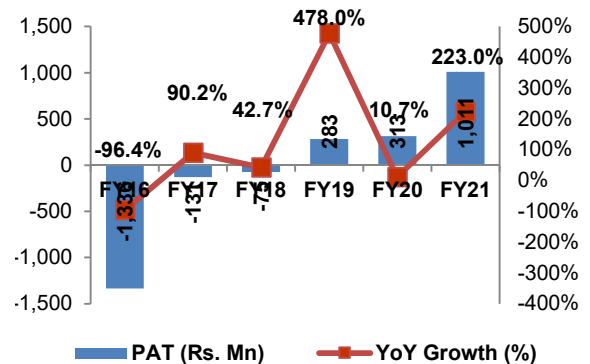
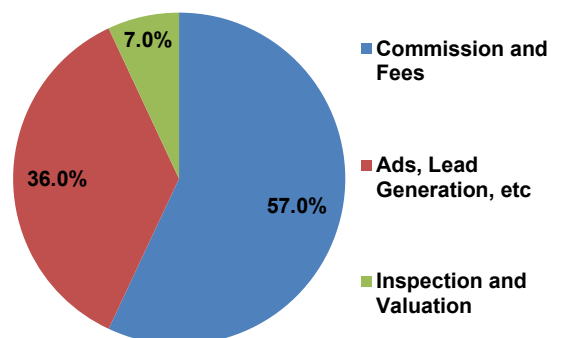


Figure 4: Stream-wise Revenue (FY21)



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