

CarTrade Tech

There is value at a certain price



**Profitable Auto-tech
player with improving
margins**

**Structural moats in core
business segments**

**Initiate with a BUY and
TP of INR 860, implying
34% upside**

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CarTrade is a remarkable player that operates asset-light models profitably to provide convenience to car buyers and sellers across channels and across platforms. The company enables research and discovery for new car buyers, liquidation of inventory for banks & NBFCs and insurance companies and used cars sale and purchase for dealers and individuals. We believe the company has potential to provide sustained cashflows and has highly favourable risk-reward ratio at current market prices.

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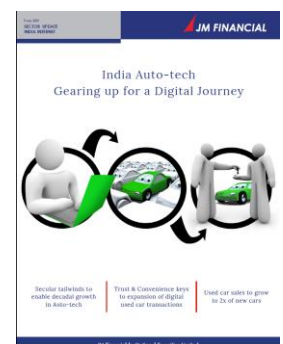
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CarTrade Tech Limited

There is value at a certain price

CarTrade is the only profitable player in Indian Auto-tech ecosystem as the company continues to focus on an asset-light business model, primarily driven by advertising and classifieds. Though the company is a distant 2nd player in New Auto, new entrant in used cars retail and dominant player only in the slow growing B2B Auctions, the company has strong structural moats in its larger business segments. Going forward, we expect CarTrade to largely grow along with the digital automotive market with a stable market share and EBITDA margins continuing to inch upwards consistently to stabilise at 35-40%. As of FY22, our proprietary analysis of auto-tech landscape suggests CarTrade to have captured ~7.4% market share of New Auto digital advertising pool and ~50% market share in B2B auctions of financial institutions' repossessed inventory and insurance salvage auctions. Furthermore, CarTrade's franchise-led approach to used cars retail can become the preferable business model if unit economics continue to be unsustainable in the capital-intensive model operated by its peers.

We initiate on CarTrade with a 'BUY' rating and Mar'23 TP of INR 860, projecting FY22-27 revenue CAGR of 25%/17%/70% in New Auto/B2B Auctions/abSure, while expecting adjusted EBITDA margin to reach 28.1% in FY27. We value CarTrade using SoTP valuation approach at 35x/25x FY24 EBITDA multiple in New Auto/B2B Auctions and a minor option value for abSure. Key downside risks include: 1) continued poor macro environment in new auto and, 2) any unexpected disruption in core New Auto or SAMIL businesses.

Carwale to consolidate its duopolistic positioning in New Auto: As of FY22, we estimate CarTrade to account for ~7.4% of overall auto digital advertising in India with CarDekho (~1.5x larger by traffic) being the only other player of scale in this business. The digital advertising split between horizontals (Google, Facebook etc) and between CarDekho and Carwale has roughly been stable over the past few years and we expect that to sustain in the future as elaborated in competitive positioning section.

SAMIL expected to be the dominant force in B2B remarketing business: CarTrade acquired an interesting asset in SAMIL that has 113 automalls and is the largest player in the category, enabling the company to have a phygital approach in used vehicle B2B transactions. This is also an inherently profitable business model. However, it should not be expected to grow more than 15-18% yoy in the best case scenario.

abSure can become interesting optionality in a tough investor environment: The current market environment suggests that investors are becoming cautious of longer path to profitability and unproven unit economics. CarTrade's foray into used cars retail using an asset-light and inherently profitable franchise model can become the preferred approach and drive strong growth if the current investor environment continues for a sustained period.

Initiate with a 'BUY' and TP of INR 860 per share: We value CarTrade using SoTP valuation methodology at 35x/25x FY24 EBITDA multiple for New Auto/B2B Auctions business while giving 10x sales multiple to abSure business as optionality. We derive Mar'23 target price of INR 860 per share, 7x/33x FY24 group revenue/EBITDA multiple (~34% upside from CMP) and initiate coverage with a 'BUY' rating. These valuation multiples take into account the sustainable growth expected from CarTrade with improving margins.

Recommendation and Price Target		Financial Summary					(INR mn)
		Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E
Current Reco	BUY	Net Sales	2,497	3,127	3,903	4,883	6,022
Current Price Target (12M)	860	Sales Growth (%)	-16.3	25.2	24.8	25.1	23.3
Upside (%)	34.4%	EBITDA	394	-1,345	376	739	1,146
		EBITDA Margin (%)	15.8	-43.0	9.6	15.1	19.0
		Adjusted Net Profit	925	-1,321	324	523	785
		Diluted EPS (INR)	20.3	-26.4	6.5	10.4	15.7
		Diluted EPS Growth (%)	300.2	0.0	0.0	61.2	50.3
		ROIC (%)	4.0	-14.9	0.8	3.1	5.7
		ROE (%)	6.3	-7.2	1.6	2.5	3.6
		P/E (x)	31.5	-24.3	98.8	61.3	40.8
		P/B (x)	1.6	1.5	1.5	1.4	1.3
		EV/EBITDA (x)	61.5	-15.7	54.9	26.8	16.4
		Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 4/May/2022

Price Performance			
%	1M	6M	12M
Absolute	1.2	-45.1	0.0
Relative*	9.4	-40.8	0.0

*To the BSE Sensex

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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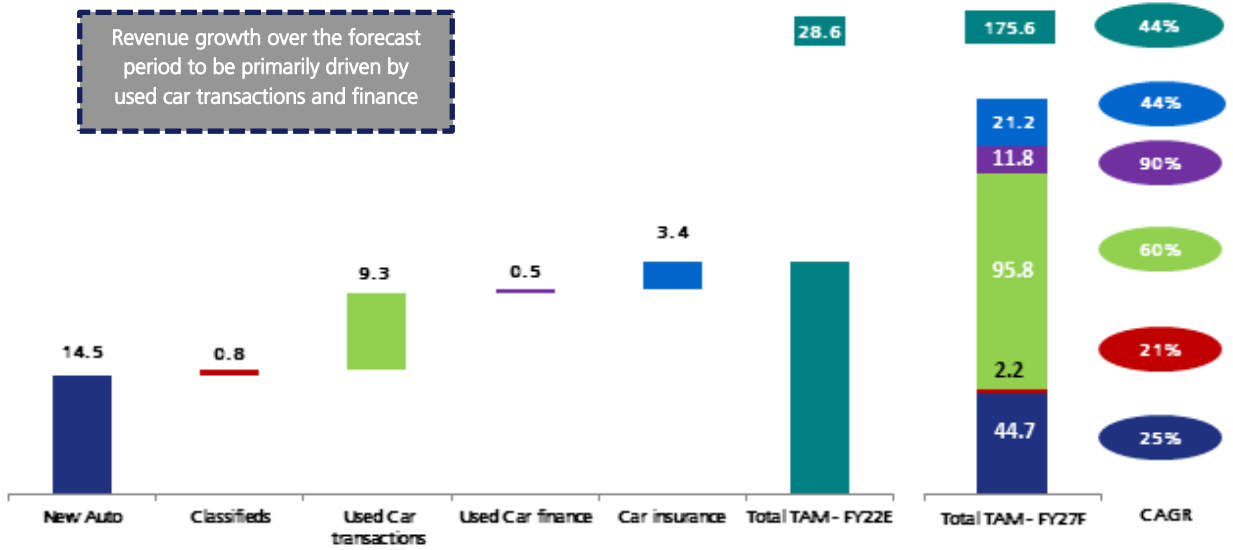
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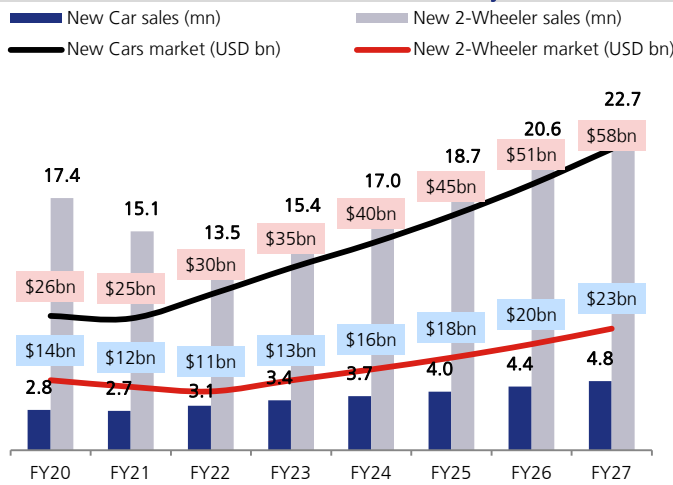
Focus Charts

Exhibit 1. Revenue pool for Auto-tech businesses in India to grow at a healthy 44% FY22-27 CAGR (INR bn)



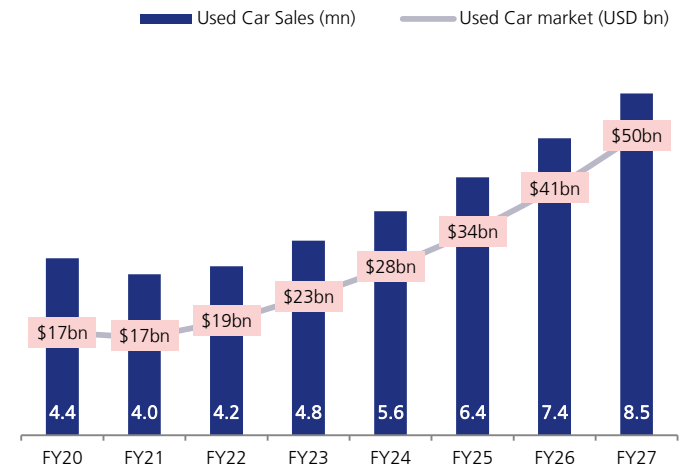
Source: JM Financial Analysis. Note: Classifieds relates to only used cars

Exhibit 2. New Auto Market to cross USD 70bn by FY27



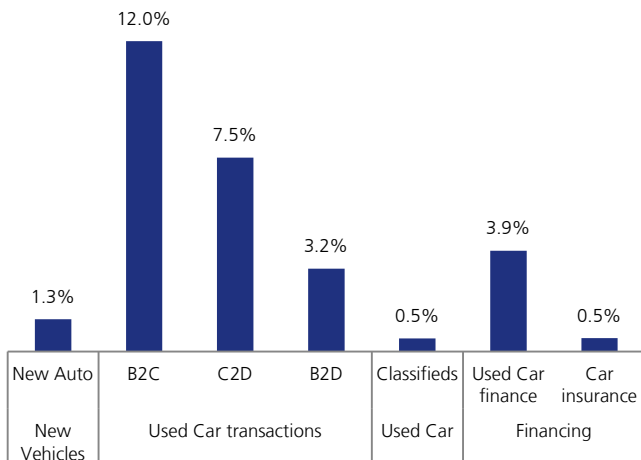
Source: SIAM, Company DRHP, JM Financial

Exhibit 3. Used Cars sold to inch towards 2x of new cars sold



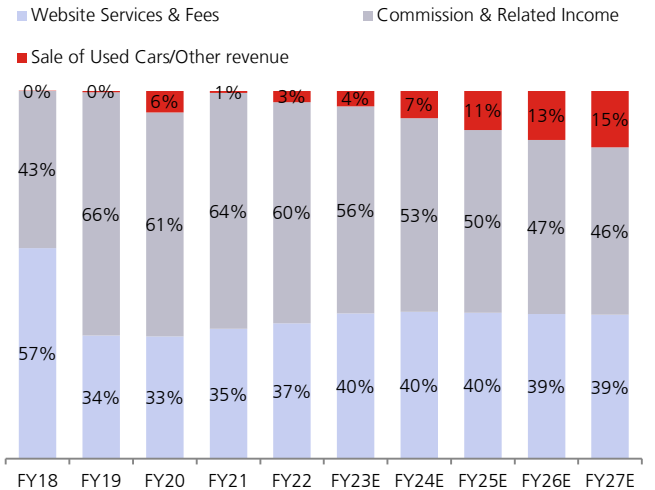
Source: IndiaBlueBook, JM Financial

Exhibit 4. Auto-tech: Steady state take rates across business models



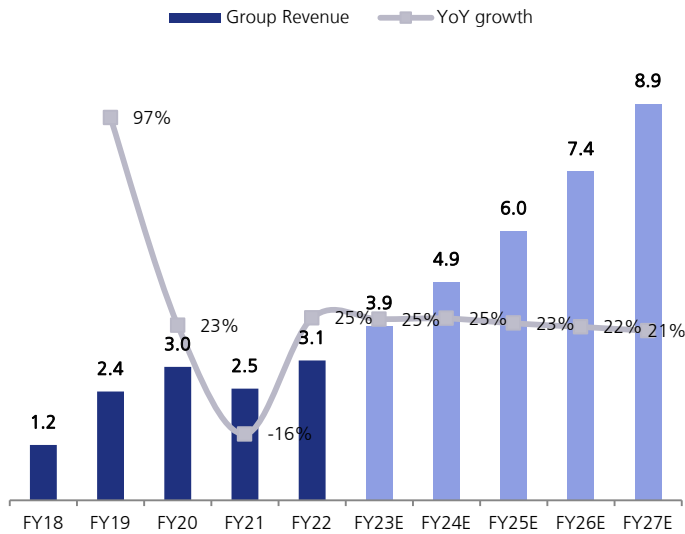
Source: JM Financial Analysis

Exhibit 5. New Auto and Used Cars txns to account for higher mix



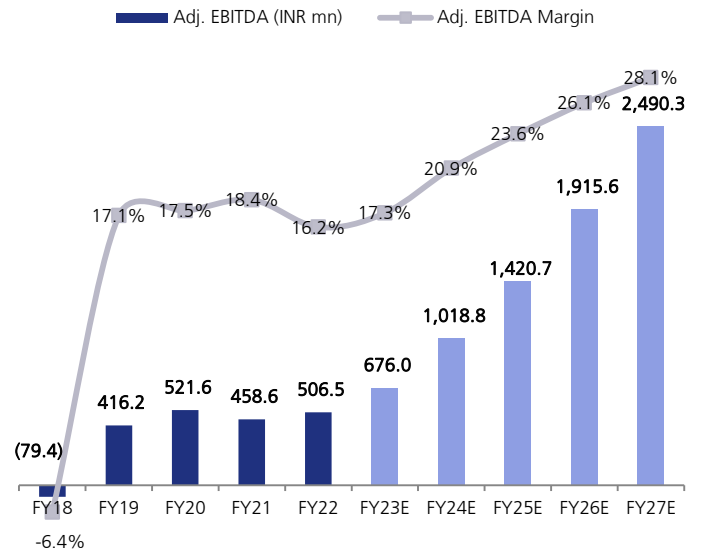
Source: Company DRHP, JM Financial

Exhibit 6. We forecast FY22-27 revenue CAGR of 23%...



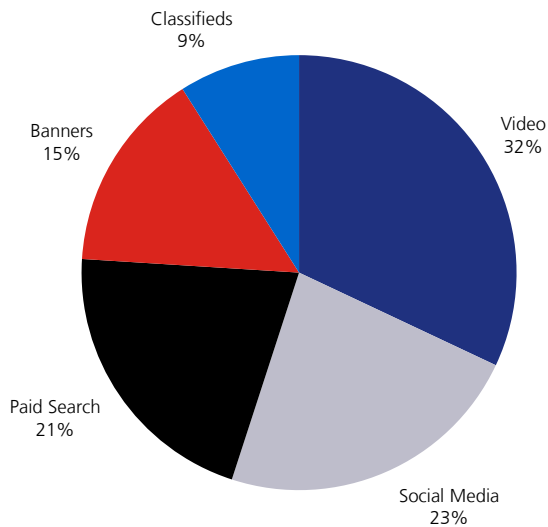
Source: Company, JM Financial

Exhibit 7. ...with abSure launch causing slight dip in EBITDA margin



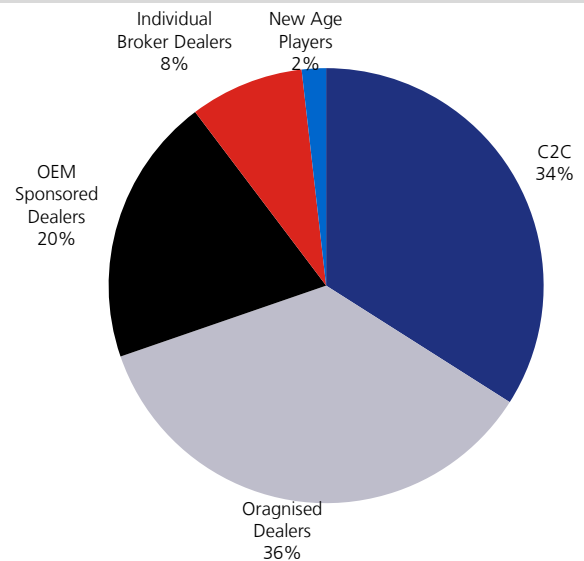
Source: Company, JM Financial

Exhibit 8. Breakdown of Auto digital advertising



Source: Dentsu Report

Exhibit 9. Used Car Transactions Mix



Source: JM Financial

Exhibit 10. Valuation Maths for CarTrade

	Revenue	EBITDA	Valuation
Website Services (Classifieds) - FY24	2.0	0.6	
Target EV/EBITDA multiple		35.0x	22.5
Commission Income (B2B) - FY24	2.6	0.6	
Target EV/EBITDA multiple		25.0x	7.8*
Sale of Used Cars (Franchise B2C) - FY24	0.4	-0.2	
Target EV/Sales multiple	10.0x		3.6
Implied Enterprise value (INR bn) on TP date			34.0
Net Debt (INR bn) on TP Date			-9.1
Market value (INR bn) on TP date			43.1
Diluted equity shares (mn)			50.1
1-year forward target price			860

Source: JM Financial

Note: For Commission Income, included only 55.43% enterprise value to align to the stake owned by CarTrade Tech

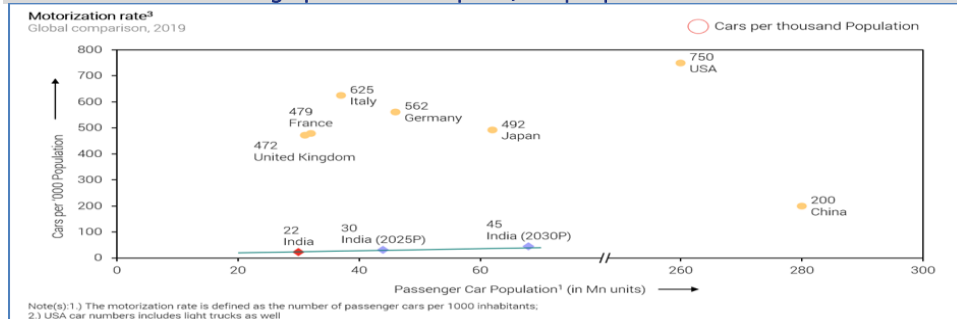
What is CarTrade?

1. Key player in an industry vertical with long-term secular tailwinds
2. Strong structural moats in CarTrade's core business segments
3. Asset-light business model generates cashflow for inorganic investments
4. Only auto-tech player with sustained profitability

1. Key player in an industry vertical with long-term secular tailwinds

- **Indian Auto is a decadal growth story:** India currently has about 34mn cars on the road, implying 25 cars per 1,000 people. With GDP per capita inching above USD 2,000, we expect India to witness a boost in discretionary spending that will drive growth in personal mobility, with cars per 1,000 people expected to surpass 45 by CY30. For context, China has about 200 cars per 1,000 people while the USA has almost 800 cars per 1,000 people. **We expect rising GDP per capita, growing urbanisation and enhanced convenience in used car sale/purchase transactions to be the primary drivers of increasing auto penetration in India.**

Exhibit 11. India is charting upwards in cars per 1,000 people



Source: CarTrade DRHP, FHWA-DOT (USA), United Nations Economic Commission for Europe (UNECE), RedSeer analysis

- **CarTrade is at the forefront of enabling transparency and liquidity in auto:** CarTrade group's carwale.com and bikewale.com are the 2nd largest new auto research and discovery portals in the country with over 5x the traffic of the 3rd largest portal. According to Google's Auto Gear Shift India 2020 report, 95% of new car buyers, 94% of used car buyers, and 90% of new bike buyers research online in India prior to walking into a dealership. A new car buyer starts the research journey 2-3 months prior to the final purchase and spends considerable time comparing and evaluating the options. With CarTrade portals ranking among the top 5 Google search results for most auto-related search queries, it is inevitable that CarTrade is influencing a significant part of the buyer's decision-making.

Additionally, the company has the dominant remarketing platform where it enables institutions such as banks, NBFCs, insurance companies and corporates in liquidating their repossessed inventory. While the company also generates some transactions from individuals the lack of brand marketing investments makes us believe that individuals account only for a trivial share of CarTrade's remarketing transactions.

2. Strong structural moats in CarTrade's core business segments

CarTrade's existing business can largely be divided between two business segments that account for over 95% of its FY22 revenue – 1) New Auto Advertising and Lead Generation, and 2) Used Vehicle Remarketing or Business to Business (B2B) Auction.

- **New Auto Advertising and Lead Generation:** CarTrade has consistently held onto its market share in the New Auto business segment with the company accounting for 6-8% of the overall digital advertising market share from auto OEMs and dealers. **While horizontals such as Google and Facebook account for 70-80% of digital advertising in auto, the split between them and the verticals such as CarTrade and CarDekho has been consistent for the past few years.** This is largely due to horizontals and verticals catering to unique advertising needs with the horizontals enabling a wider reach for brand awareness while the verticals enable access to a

focused audience including high-intent buyers. Furthermore, even among verticals, the market share has been consistent with CarDekho having had the leadership position in the New Auto business segment and CarTrade continuing to be the dominant 2nd largest player.

We postulate that these market shares will remain stagnant in the future as well, as OEMs continue to disperse their digital advertising budgets in the same ratios as they have done in the past because this helps them avoid depending excessively on either of these platforms. Additionally, we believe that existing auto-tech players with large capital raises (Cars24, Spinny) are unlikely to aggressively pursue this business model as they have their hands full trying to dominate the used cars retail business segment with a relatively faster growth potential and opportunity for higher take rates. Moreover, we do not expect any new players to be able to enter this business and overpower the domain strength and new auto dealer/OEM relationships that the incumbents CarDekho and CarTrade have built over the past decade.

- **Commission & Related Income (B2B Auctions):** CarTrade is one of the two organised yard providers in the country to the businesses needing space to park the vehicles prior to liquidation. This provides the company unique structural advantage of having first access to the inventory. Additionally, the company has a business agreement with Shriram Transport Finance Ltd (BUY, INR 1,630) as part of the SAMIL acquisition whereby SAMIL continues to be the captive B2B auction platform for repossessed inventory of Shriram Transport, which is a leading used vehicle financing platform in the country. We believe these moats are likely to be sustained in the future with no new entrant expected to disrupt these businesses with limited growth potential and a huge incumbent advantage for CarTrade.

3. Asset-light business model generates cashflow for inorganic investments

Since inception, CarTrade's founding team has focused on operating the company in an asset-light fashion through advertising and classifieds-related business models. The company has, in fact, forayed into the used cars retail business as well in an asset-light manner via used car dealer franchises that operate the store and act as the customer face on behalf of CarTrade. As these asset-light business models are inherently profitable, the company has generated positive cashflows since FY19. It used these cashflows and equity fundraises to deliver strong inorganic growth by investing in entities such as Carwale in FY16 and SAMIL in FY19 along with smaller, opportunistic tuck-in acquisitions. The company has also recently set aside a corpus of USD 100mn to strategically acquire and invest in companies in the automotive space. While the exact auto verticals or players for these investments are uncertain, we expect leasing and electrification of vehicles to get some serious consideration. With a successful track record of acquiring businesses and retaining their teams (both CarWale and SAMIL continue to be run by their original teams) to drive sustained growth, we remain optimistic on CarTrade's abilities to allocate capital efficiently.

4. Only scaled Auto-tech player with sustained profitability

While all of CarTrade's peers continue to incur significant operating losses, the company has maintained adjusted PAT level profitability since FY19 and is expected to continue delivering profit growth in the future expect for a blip in FY22 due to extraordinary ESOP expenses. This profitability is a result of the business models that the company has been focused on that have advertising and classifieds income at their core. These business models require CarTrade to invest in its digital platform with incremental revenue enabling the company to amortise its fixed costs over an increasing revenue base.

As we forecast CarTrade's core business segments of New Auto and B2B Auctions to deliver FY22-27 CAGR of 25% and 17% respectively, we estimate the company to deliver EBITDA CAGR of 38%. On a standalone and steady state basis, the New Auto business can generate 40-50% EBITDA margin while B2B Auctions is capable of generating upto 30% EBITDA margin.

Exhibit 12. CarTrade: Comparison with peers based on FY21 Consolidated Financials

	CarTrade Tech	Cardekho	Cars24	Spinny
Reported revenue (INR mn)	2,497	8,844	27,550	253
Adjusted revenue (INR mn)	2,484	4,036	2,363	253
A&P as a % of Adj. revenue	5.3%	44.0%	34.9%	127.7%
Employee costs as a % of Adj. revenue	52.4%	107.7%	92.2%	295.3%
Other expenses as a % of Adj. revenue	26.5%	35.9%	55.9%	100.4%
EBITDA (INR mn)	394	-3,534	-1,962	-1,071
EBITDA as a % of Adj. revenue	15.8%	-87.6%	-83.0%	-423.3%
PAT (INR mn)	1,034	-3,429	-1,915	-1,103
PAT as a % of Adj. revenue	41.6%	-85.0%	-81.1%	-436.0%

Source: Tracxn, JM Financial. Note 1: Reported revenue (i.e. revenue from operations) is not comparable across these companies due to significant differences in business model and revenue recognition policies. Note 2: Adjusted Revenue = Revenue from operations minus Cost of goods sold.

What CarTrade is not?

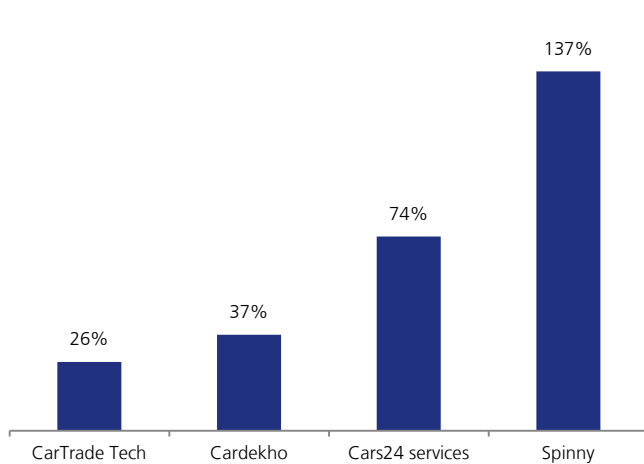
1. Not an exponential topline growth story
2. Unlikely to be dependent on investor money today or in the future
3. Not a pureplay consumer-tech platform

Unlike other recently listed new age companies, we do not expect this company to deliver 40%+ revenue CAGR with its core business models not being disruption-led. However, it is expected to generate sustained and increasing free cashflows while the peers require investors' money to sustain.

1. Not an exponential topline growth story

CarTrade's business models are driven by macro trends and are not the usual disruption-led market-grab opportunities. Hence, unlike other new age tech companies, we do not expect this company to deliver 40%+ revenue CAGR; rather, we expect it to **grow gradually along with a shift in macro trends such as new auto value growth, shift to digital advertising, finance penetration and vehicle repossession rate**. We have broken down CarTrade's core business segments basis growth drivers and expect New Auto opportunity to grow at 25% FY22-27 CAGR and B2B Auctions to grow at 17% FY22-27 CAGR.

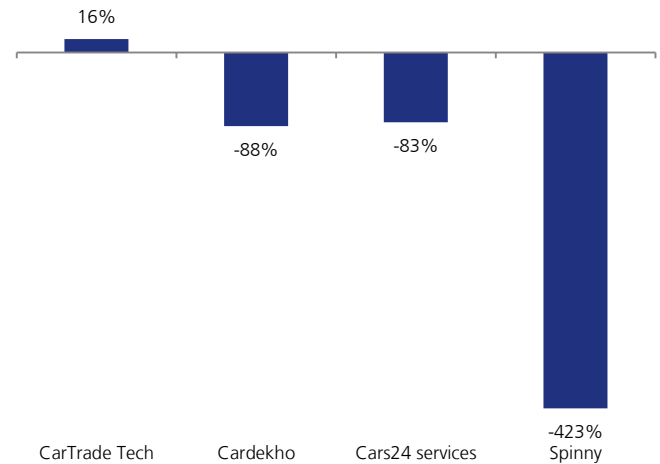
Exhibit 13. FY18-21 Adj. Revenue CAGR Comparison



Source: Industry, JM Financial.

Note: Adjusted Revenue = Revenue from operations minus Cost of goods sold.

Exhibit 14. FY21 EBITDA Margin (on Adj. Revenue) Comparison



Source: Industry, JM Financial.

Note: Adjusted Revenue = Revenue from operations minus Cost of goods sold.

2. Unlikely to be dependent on investor money today or in the future

By continuously being focused on an asset-light business model that monetises advertising and classifieds capabilities, CarTrade is expected to generate sustained and increasing free cashflows while its peers will continue to require capital raises to sustain in the near to medium term. CarTrade's peers have opted for inventory heavy business models that include buying used cars in inventory, refurbishing them and then selling to the retail buyers. The business model being followed by the peers is certainly more disruptive compared to CarTrade's franchise approach to used car retail but the unit economics are yet to be proven in that business model with no player across the globe able to generate steady positive cashflows.

3. Not a pureplay consumer-tech platform

Across CarTrade's business models, the company generates revenue from B2B partners such as auto OEMs and dealers in the New Auto business, financial institutions and used car dealers in the remarketing business, and from used car dealers again in the recently launched abSure business. B2B businesses come with the downside of relatively lower growth rates but they do enable a relatively predictable and sticky revenue base. B2B businesses are also inherently profitable as variable costs are much lower compared to B2C businesses where platforms need to spend extensively on marketing for customer acquisition, and on fulfilment capabilities.

Understanding CarTrade's Growth Drivers

CarTrade's Revenue to grow at 23% FY22-27 CAGR driven by faster growth in abSure (Used Cars Retail)

Website Services and Fees (Advertising and Lead Generation) will be driven by growth in new auto GMV, advertising spend as % of GMV, and digital advertising share as % of advertising spend. Combining the four listed factors and assuming steady market share for CarTrade, the company can potentially deliver 25% FY22-27 CAGR in its New Auto business.

1. New Auto Sales – New passenger vehicle (PV) and 2-wheeler sales in India have been severely impacted starting FY20 with uncertainty related to BSVI transition driving the downtrend in FY20 followed by Covid-induced lockdowns in FY21 and supply disruptions due to labour and chip shortage in FY22. The later months of FY22 have shown that the trend is finally reverting and we estimate PV volume to grow at 9.2% FY22-27 CAGR in comparison to 8.2% FY15-19 CAGR due to the lower base in FY22. Similarly, we forecast 2-wheeler volume to grow at 11.0% FY22-27 CAGR in comparison to 9.6% FY15-19 CAGR.
2. Average Sale Price (ASP) – Incremental to new auto volume growth, the average sale price has also continued to inch upwards driven by inflation-related price hikes and premiumisation with Indian consumers shifting to higher value cars. As a testament to this, **utility vehicles accounted for 19% of units sold in India in FY17 in comparison to 49% of units sold in FY22** with the incremental share coming at the cost of the lower ticket mini category. Over FY15-19, ASP for PV/2W has grown at 4.7%/5.3% CAGR and we estimate this to grow at 4.5%/4.2% FY22-27 CAGR.
3. Advertising as % of GMV – Historically, we have seen Indian auto players spend ~2.5% of their revenue on advertising with the established OEMs spending lower and the newer OEMs spending higher as they focus on building brand recall (think how Kia and MG were spending in FY20). OEMs also ramp up advertising budgets during a launch cycle as new launches require greater brand awareness. However, since Covid, India has seen a demand-supply mismatch with demand rising as people preferred social distancing and safety while supply has been disrupted by labour shortages initially and chip shortages recently. With most models having a heightened waiting period, OEMs have been reluctant to spend as much on advertising as they have spent historically and we estimate auto advertising spend as % of revenue to have declined to 2.1% in FY21 but climbed back to ~2.2% in FY22. As this advertising budget bounces back to 2.5% of revenue, we believe it can provide 2.6% CAGR to ad spends.

Exhibit 15.

New Auto TAM	FY22	FY27	CAGR
New Car Sales (# Mn)	3.1	4.8	9.2%
New Bike Sales (# Mn)	13.5	22.7	11.0%
ASP - New Car (INR Lacs exc. GST)	5.7	7.1	4.5%
ASP - New Bike (INR '000s exc. GST)	52.7	64.7	4.2%
Total New Auto GMV (INR Bn)	2,447	4,830	14.6%
Advertisement Spend (% GMV)	2.2%	2.5%	2.6%
Advertising Spend (INR Mn)	53,845	1,20,742	17.5%
Digital Share (%)	27.0%	37.0%	6.5%
Digital Share (INR Mn)	14,538	44,674	25.2%

Source: JM Financial, Industry

4. Digital share of advertising – India's population across city tiers has shown a sharp digital adoption rate with Jio penetrating with 4G at affordable rates. As consumers start opting for online research as the preferred channel in their auto buying journey, OEMs and dealers have also started to shift their advertising spends to digital platforms. According to Dentsu's Digital Advertising Report 2022, the auto industry spent 25% of its CY21 advertising spends digitally and we estimate the rise to continue to 37% by FY27, enabling 6.5% FY22-27 CAGR. In comparison, China, the USA and the UK already have 50%+ digital advertising in Auto.

Commission & Related Income (B2B Auctions) will be driven by new and used auto GMV growth, rise in finance penetration and changes in repossession rate. We calculate Repossessed Vehicles Auctions TAM on loans issued in the previous year as majority of the defaults tend to happen within the first year of loan origination itself. Combining the effect of these factors and factoring in the entry of a few long-tail players, CarTrade's B2B Auctions business can grow at 17% FY22-27 CAGR.

1. New Auto GMV growth – As discussed above in Advertising and Lead Generation drivers, new auto GMV is expected to grow at 14.6% FY22-27 CAGR driven by 9.2%/11.0% growth in PV/2W volume and 4.5%/4.2% growth in PV/2W ASP.
2. Used Auto GMV Growth – With the entry of digital players as well as organisation of used car dealers, the used cars market is slowly and steadily moving away from being a lemons market. Simultaneously, car buyers in India are also appreciative of the improved consumer experience and are shunning the societal taboo of buying a used car. These two factors along with higher affordability are driving demand growth in used cars and **we estimate used cars volume to grow at 15.1% FY22-27 to reach 8.5mn used cars in FY27**. With increasing demand and shortening ownership cycles, the used car market is also seeing supply of better quality cars that is expected to drive ASP growth at 5.2% FY22-27 CAGR. Combining the two drivers, **Indian Used Cars market should reach USD 50bn by FY27, growing at 21% CAGR**.
3. Finance Penetration – While improving finance penetration has resulted in B2B Auctions growth in the past, we estimate this factor to remain relatively subdued in future in the passenger vehicles category as finance penetration is already above 85%. Meanwhile, we expect finance penetration to rise in 2W and used cars as ASPs rise and NBFCs and digital aggregators enable loan access to customers who were not provided credit by established banks earlier. **We expect finance penetration to reach 90%/65%/45% in PV/2W/Used Cars by FY27 from 85%/50%/24% currently**.
4. Repossession Rate – Repossession rate is a function of overall defaults in auto loans. We expect this to remain stable for passenger vehicles and 2-wheelers while it should decline for used cars as relatively prime customers have also started purchasing used cars. Additionally, enhanced data capabilities and risk management by the lenders should keep this in check.

Exhibit 16.

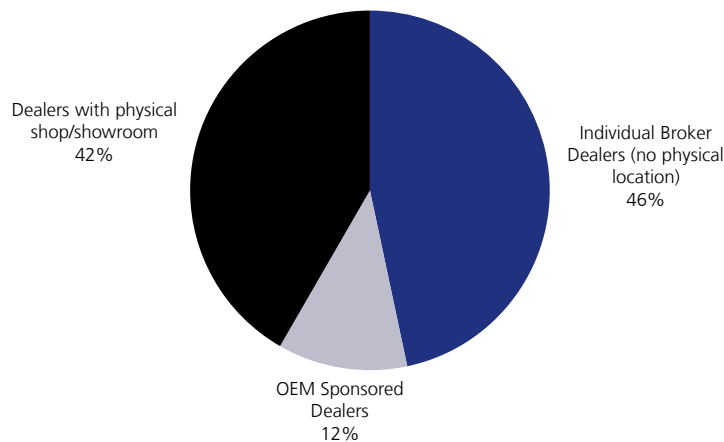
B2B Auctions TAM	FY22	FY27	CAGR
New Cars sold in PY (# Mn)	2.7	4.4	10.1%
Finance Penetration	85%	90%	1.1%
Average Loan Amount (INR Lacs)	6.3	7.9	4.5%
Repossession Rate	3.0%	2.5%	-3.6%
New Car Loans GMV (INR Bn)	1,461	3,051	16.4%
New 2W sold in PY (# Mn)	15	21	6.4%
Finance Penetration	50%	65%	5.4%
Average Loan Amount (INR '000s)	49	60	4.2%
Repossession Rate	4.0%	4.0%	0.0%
New 2W Loans GMV (INR Bn)	367	799	16.8%
Used Auto Sales in PY (# Mn)	4.0	7.4	13.0%
ASP - Used Car (INR Lacs)	3.1	4.2	6.1%
Used Car GMV (INR bn)	1,240	3,074	19.9%
Finance Penetration	24%	45%	13.4%
Repossession Rate	5.0%	4.5%	-2.1%
Used Car Loans GMV (INR Bn)	213	1,141	39.9%
Repossessed Vehicles Auctions TAM (INR Bn)	69	161	18.5%

Source: JM Financial, Industry

Used Cars Revenue for CarTrade will be driven by the number of number of abSure outlets, number of cars sold by these outlets, ASP of each car sold and take rate for CarTrade.

1. Number of abSure outlets – CarTrade is aiming to on-board organised used car dealers with proper showroom and refurbishment capabilities in order to provide the customer experience to match-up with in-house capabilities being built at Spinny, Cars24 and CarDekho. **While there are 30,000 used car dealers in India, 46% of them are individual broker dealers with no proper place of work, while another 12% are OEM-sponsored ones such as Maruti True Value, Hyundai H-Promise, etc.** This leaves ~12,500 potential used car dealers for CarTrade to target with a majority of them being largely unorganised and selling less than 10 cars a month. We estimate CarTrade to onboard 420 used car dealers by FY27, 3.4% of the addressable market.

Exhibit 17. Used Cars Dealer Landscape in India



Source: JM Financial

2. Number of cars sold by abSure outlets – As we expect CarTrade to only on-board the relatively organised used car dealers, these outlets are expected to sell 20+ cars a month on average with the outlets in the top 10 cities selling 30-40 cars a month and the ones in Tier 2+ cities selling 15-20 cars a month. We estimate CarTrade's abSure outlets to sell 29 cars per month on average in FY27.
3. ASP of cars sold – The average selling price of used cars varies widely depending on the make/model/variant as well as the condition and age of the car. Further, the used cars market is supply constrained and, hence, prices also tend to rise when any supply source gets impacted. For example, in Covid-impacted FY21 and FY22, financial uncertainty resulted in a lower share of new car sales coming from people upgrading the car, implying lesser supply of used cars and chip shortage incrementally inhibiting new car sales. This created a sharper demand-supply mismatch in the used cars market, resulting in a sharper rise in ASP. **We estimate used cars ASP to rise at 5.2% FY22-27 CAGR to reach INR 4.4lacs by FY27 with abSure used cars ASP at 16% premium to the overall market as only the relatively higher quality cars are expected to be transacted from these outlets.**
4. Take rate – While the company has not yet provided clarity on the exact monetisation model for the abSure business, we understand that the take rate to vary between 1.5-3.0% depending on the negotiation with the used car dealer and the proportion of cars being financed/insured by CarTrade. We estimate CarTrade to get a base take rate of 1.5% on cars sold where financing was provided by the franchisee dealer and ~3.0% where CarTrade provided the inventory financing and attached insurance via 3rd party tie-ups.

Industry Driven by Macro Tailwinds

Secular tailwinds to drive growth in Indian Auto

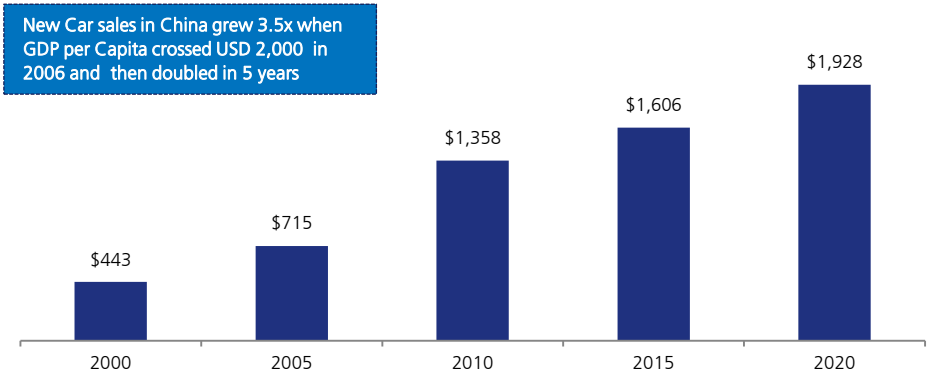
We expect India to sell 4.8 million new cars and 8.5 million used cars by FY27 with FY22-27 CAGR of 9% and 15%, respectively, keeping India’s positioning intact as the fastest-growing large auto market in the world. While the market is growing strongly in volume terms, it is important to note that the expected growth in value terms is even higher at 14% for new cars and 21% for used cars, enabling a USD 100bn+ car market in FY27E. The value growth would be driven by inflation/upgradation related price hikes by the OEMs and continued premiumisation trends seen in the cars market.

We see three macro drivers of this growth trajectory:

1. Rising GDP per capita is enabling Indian households to spend more on dispensable categories such as personal mobility.

Mini and compact cars accounted for 63% of new cars sold in India in FY17. In FY22, they accounted for only 45% of the cars sold

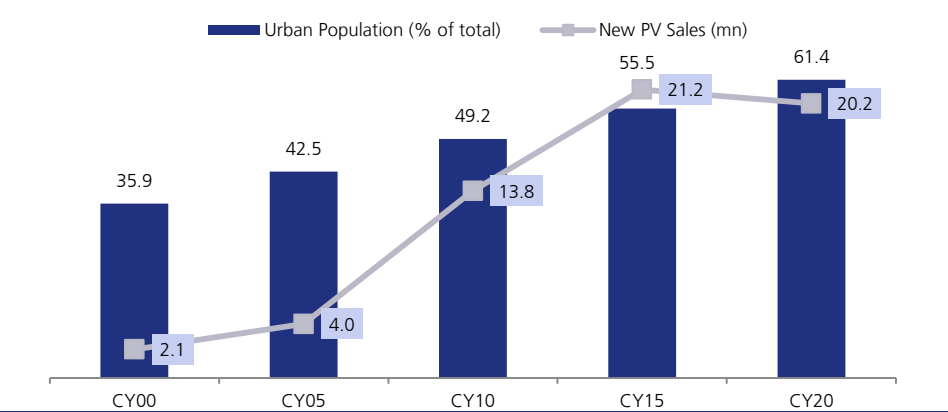
Exhibit 18. India GDP per capita crossing USD 2,000 mark



Source: CarTrade DRHP, FHWA-DOT (USA), United Nations Economic Commission for Europe (UNECE), RedSeer analysis

2. Growing urbanisation, which is driving preference for personal mobility, with cities requiring longer daily commutes as well as the necessity for a personal vehicle. According to World bank, the urbanisation rate in India is expected to reach 38.9% by 2030 from 34.9% in 2020 putting India on a similar growth trajectory as that seen in China between CY00 and CY05, when new car sales doubled.

Exhibit 19. Car sales and urbanisation rates for China between CY00 and CY20

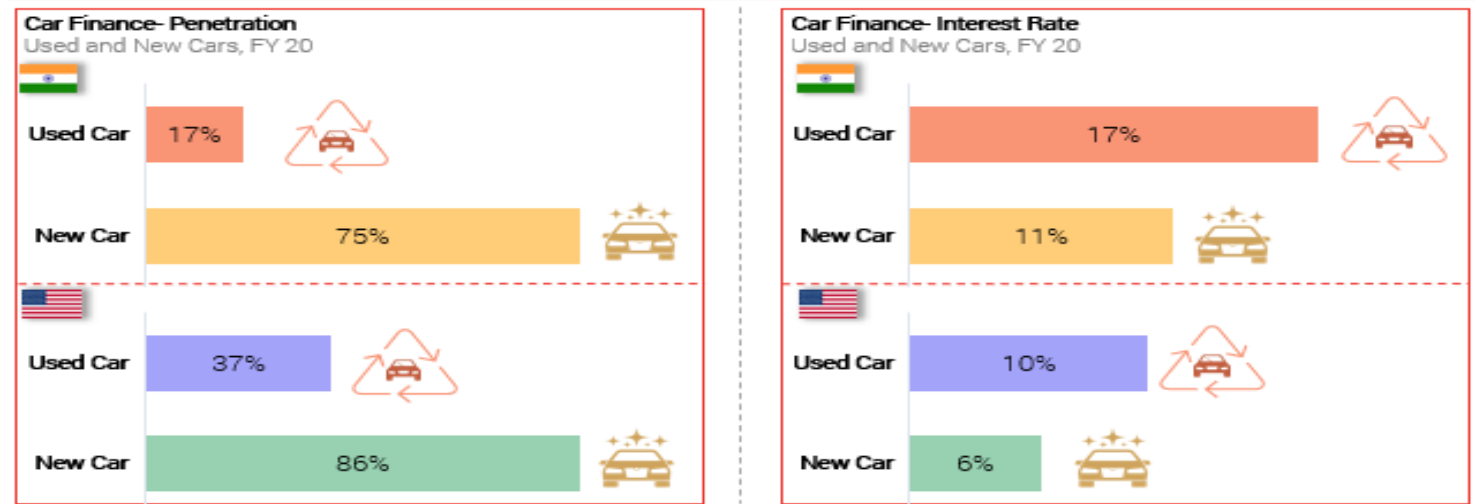


Source: World Bank, China Association of Automobile Manufacturers, JM Financial

3. Shorter ownership cycles and availability of financing are providing a strong boost to used car sales, with car owners willing to upgrade existing cars in ~4.5 years now compared with over 6 years in FY11; this is, hence, creating the much-needed supply of used cars. Used car demand has been further supported by the availability and ease of financing. While interest rates still continue to be higher than that for new cars, the availability of loans through RC transfer and valuation offerings provided by new-age portals has made used car purchase affordable for a large section of first-time buyers.

While new car sales in China grew only at 9% CAGR between CY10 and CY15, Autohome (the largest new auto platform) grew revenue at 69% CAGR, driven by shift to digital and enhanced dealer penetration.

Exhibit 20. Loan Penetration rate in Used Cars



Source: CarTrade DRHP, RedSeer Analysis

Used Cars provide a vast market ripe for tech-led, organised players

By FY27, India expects to sell 8.5 million used cars worth ~USD 50bn from 4.2 million used cars worth USD 19bn currently. The majority of this market is currently controlled by ~30,000 dealers with over 60% selling fewer than 10 cars a month. This creates a tempting disruption opportunity and we expect roughly 30% of used car transactions to be enabled via digital channels by FY27.

Tech-led disruption from organised players should provide the following advantages:

- 1. Selection** – As every used car is unique and make/model and car condition are the most important criteria for the buyer, the existing dealer (selling <10 cars a month) landscape offers very limited selection to a buyer. Organised players are slated to offer 250+ car models at each yard along with access to an even larger inventory on their web platforms.
- 2. Trust** – Used cars is a lemons market and the organised players will look to build trust in their brand and operate at 50+ Net Promoter Score (NPS). Considering the low repeat nature of a used car transaction, smaller used car dealers often resort to unfair practices such as meter tampering, misrepresenting car condition or charging high prices to generate bigger margins. The companies are building this trust via massive brand campaigns where they talk about the guarantees and no questions asked refund policies.
- 3. Convenience** – Both sale and purchase of used cars can be a stressful process. Organised players can enable a one-stop solution where not only is the transaction handled seamlessly, but processes such as registration transfer, loan closure for seller, loan issuance for buyer and insurance are also bundled with the transaction.

Used car market is highly fragmented and unorganised with most dealers selling fewer than 10 cars a month

Online Auto Portals solving pain-points for all ecosystem participants – Consumers, OEMs and Dealers

India's auto sector has grown via traditional channels so far where most parts of the process were handled physically. The next phase of growth will be driven by a "phygital" approach wherein all parts of the car buying process except test drive and delivery will be handled digitally.

Three primary stakeholders – OEMs, Dealers and Consumers – are all benefiting from digital penetration in auto:

- 1. OEMs** – Auto manufacturers have traditionally spent most of their advertising dollars on TV and print. **With 90%+ car buyers researching online prior to walking into a dealership, OEMs have started to shift their dollars to digital mediums with FY22 seeing 27% of advertising spend via the digital medium.** While it is tough to track the results of TV and print campaigns, digital is a performance-oriented advertising medium where OEMs can conveniently track the leads generated and transactions completed through their spends.

2. Dealers – New auto dealers can buy high-quality buyer leads from auto portals. In comparison with Google and Facebook, leads generated from auto portals enable better conversion rates due to the strong intent nature of buyers present on these portals. Additionally, used car procurement arms of auto portals help new car dealers in optimising the value derived from exchange-traded used cars.

Separately, used car dealers' primary pain-points are car procurement and working capital. Through used car auctions, online auto portals are providing reliable supply to these dealers from the convenience of their stores and are also offering inventory funding on the cars procured and, hence, solving for both the pain-points. The dealers can also avail services for selling these cars such as classifieds, buyer loans and insurance from these auto portals.

3. Consumers – Both new and used car buyers prefer research and discovery on online platforms as they are available 24x7 and can be done from the convenience of their home or office. As mentioned above, used car buyers also benefit from better selection, trust and convenience when dealing with online auto portals. Simultaneously, used car sellers find the process to be seamless considering the ability to sell the cars almost immediately in a single visit while also getting value-added services such as RC transfer, loan closure and traffic ticket resolution.

Auto-tech: Primary Business Models

New Auto – Advertising and Lead-gen: New Auto OEMs in India exercise close control over the dealership and vehicle sale process, including restrictions on discounting the cars or the financing / insurance partners that the dealership should work with. Hence, third-party online portals have carved their business models to focus on advertising and lead generation for the OEMs unlike in Southeast Asia and the USA where New Auto classifieds is monetised heavily.

As seen across the advertising businesses globally, this model is a 70-80% gross margin business for online auto portals with major costs incurred in digital advertising (to drive traffic) and manpower (enterprise and dealer sales teams). CarDekho and CarTrade are the primary players in this sector accounting for 18-20% share of auto digital advertising with most of the remaining share captured by Google and Facebook platforms.

Since Covid, most OEMs have increased the digital allocation of advertising budgets and FY21 saw ~24% digital spends in Indian auto advertising that further went up to ~27% in FY22. Despite a nearly 5% increase over FY20, India is still far behind China and other developed countries (with over 50% digital spends in auto). This shift to digital is slated to be an incremental growth driver for CarDekho and CarTrade along with new auto sales growth and average selling price (ASP) increase due to inflation and a segmental shift towards higher-value cars.

New Auto revenue pool for tech platforms will be driven by volume growth, incremental value growth due to inflation & premiumisation and a shift to digital

Exhibit 21. New Auto Digital Addressable Market and Revenue Potential

New Auto TAM	FY22	FY27	CAGR
New Car Sales (# Mn)	3.1	4.8	9.2%
New Bike Sales (# Mn)	13.5	22.7	11.0%
ASP - New Car (INR Lacs exc. GST)	5.7	7.1	4.5%
ASP - New Bike (INR '000s exc. GST)	52.7	64.7	4.2%
Total New Auto GMV (INR Bn)	2,447	4,830	14.6%
Advertisement Spend (% GMV)	2.2%	2.5%	2.6%
Advertising Spend (INR Mn)	53,845	1,20,742	17.5%
Digital Share (%)	27.0%	37.0%	6.5%
Digital Share (INR Mn)	14,538	44,674	25.2%

Source: SIAM, Company Financials, Dentsu Aegis Network, JM Financial

Used Auto – Classifieds: India has almost 30,000 used car dealers including individual broker / dealers. Of these, only ~17% dealers use online portals for classifieds listings as almost 14,000 are individuals who do not feel the necessity to subscribe to classifieds portals and use their network for procurement and sales. In the current model, the portals generate INR 8k-20k per dealer per month depending on the size and number of listings of the dealer. Just like New Auto, the used auto classifieds model is also a high gross margin business.

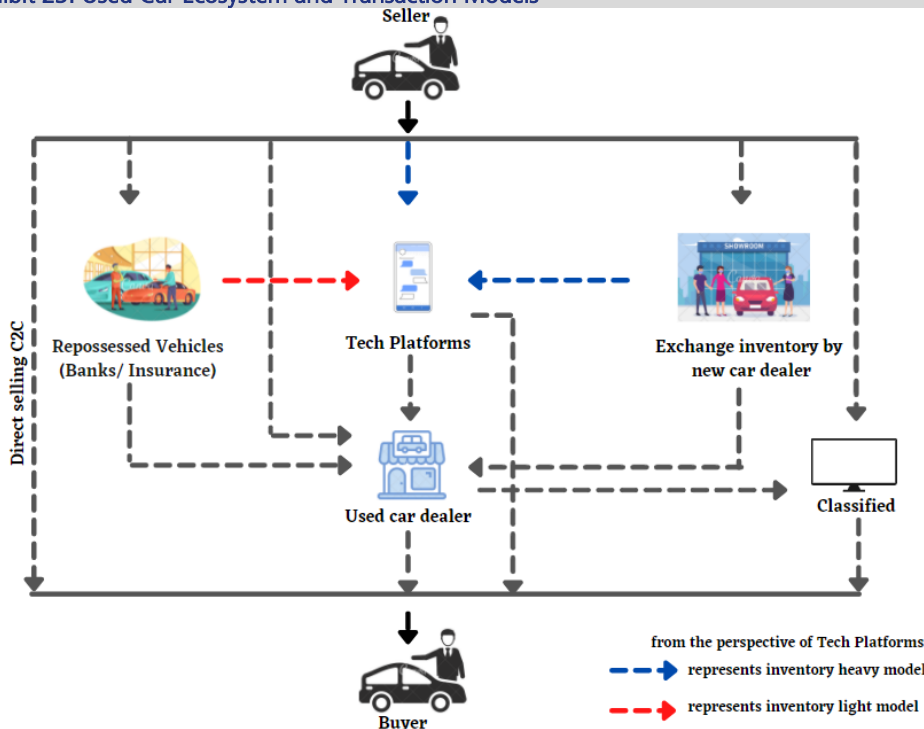
While CarDekho and CarTrade are the largest vertical classifieds platforms in India, it is important to note that OLX is the absolute largest auto classifieds platform in terms of listings and buyer leads generated. Being the largest portal with a strong brand presence, OLX holds the pricing power in this business model. However, monetisation has been tricky so far from the fragmented used car dealer community and most players are evolving the business model to become more transaction focused. While CarDekho has decided to move towards inventory led consumer-to-dealer (C2D) auctions and retail to end consumers, CarTrade is pivoting towards an asset-light used car marketplace model.

Exhibit 22. Online Classifieds Addressable Market and Revenue Potential

	FY22	FY27	CAGR
No. of Used Car Dealers	30,000	33,000	1.9%
Penetration Rate	16.7%	30.3%	12.7%
No. of Dealers on Classifieds Platforms	5,000	10,000	14.9%
Average Monthly Subscription Fee (INR)	14,000	18,000	5.2%
Revenue Potential (INR mn)	840	2,160	20.8%

Source: CarTrade DRHP, JM Financial.

Exhibit 23. Used Car Ecosystem and Transaction Models



A pre-owned car can move from a seller to end-buyer via multiple paths. Tech platforms are working towards organising these paths

Source: JM Financial.

Used Auto – Wholesale Trade: As discussed earlier, procurement is one of the major pain-points for used car dealers. Traditionally, used car dealers used to procure from brokers, exchange traded cars from new car dealers and walk-in sellers. Online auto players disrupted the traditional model by using product and a reverse auction process to buy the cars from individuals / new car dealers / financial institutions and sell it to used car dealers.

The Wholesale Trade business can be done in an asset-light model or an inventory-led model:

1. Consumer to Dealer (C2D) Auctions: As shown in the flowchart below, this process requires the auto portal to pay the seller first and then receive the payment from the dealer when he picks it up. Hence, this business requires the company to invest in infrastructure (yards & stores) as well as logistics to move the car from one place to the other. Additionally, cars are bought directly from the seller and sold to the dealer via a reverse auction, leaving the cars on the platform’s balance sheet for 7-10 days. Being a customer facing business, this also requires huge brand marketing investments to build a strong brand. The players are, however, well rewarded for these investments with 5-8% buy-sell margin potential in this model.

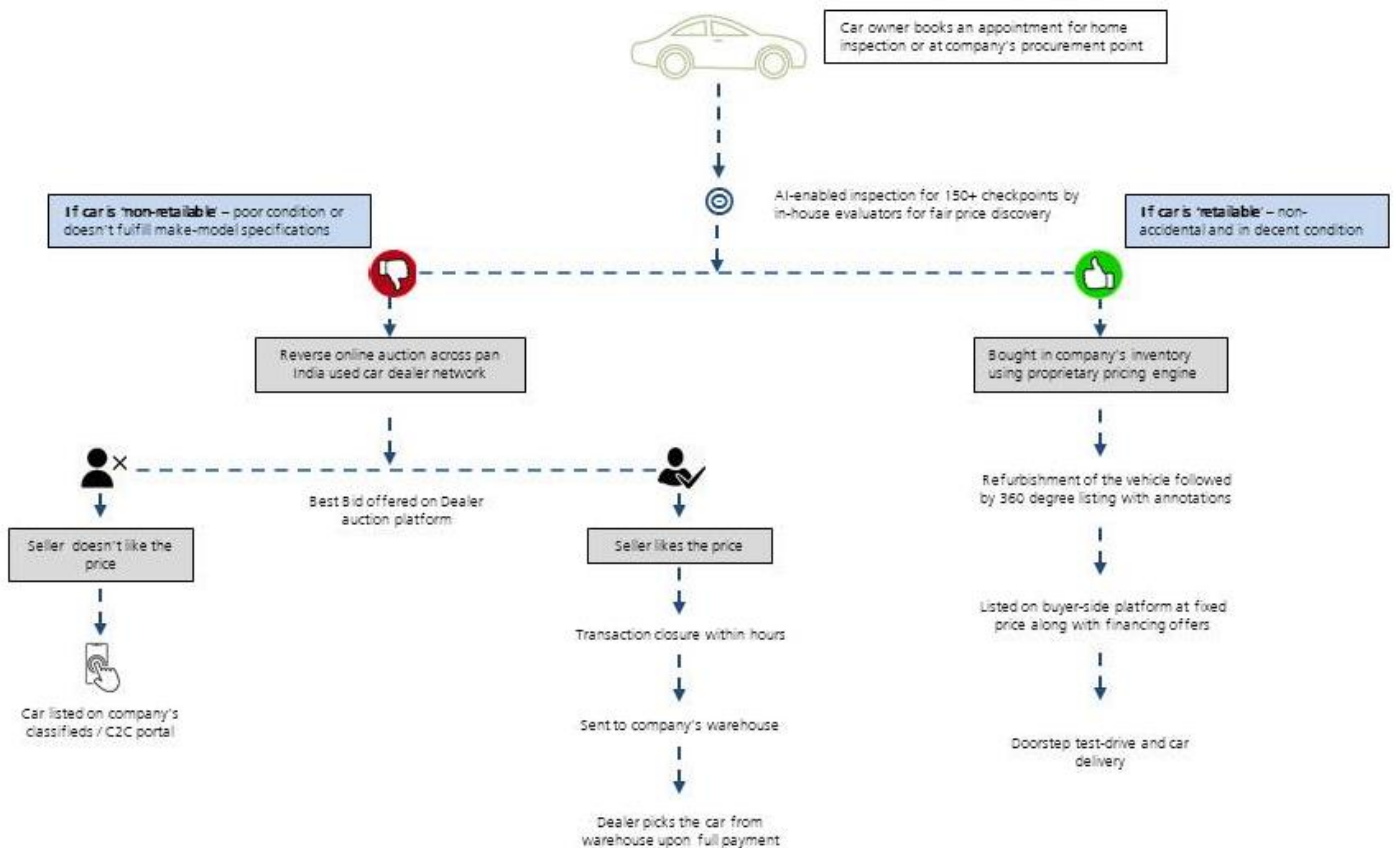


Cars24 pioneered the C2D auctions model in the country in CY15 and has invested over USD 75mn in marketing money to build awareness for this category and become the dominant player. OLX CashmyCar and CarDekho Gaadi Store were also launched in Nov’18 and Jan’19, respectively, but remain distant 3rd and 2nd largest players with Cars24 transacting ~20,000 cars per month.

2. Business to Dealer (B2D) Auctions: As the name suggests, this includes auctions where the buyer, just as in C2D Auctions, is a used car dealer but the sellers are businesses such as banks / NBFCs, insurers, corporate fleets, rental and leasing / subscription companies. However, the platforms do not need to pay the sellers beforehand in this model and

operate under a commission arrangement of 1-3% upon completion of a transaction. Hence, B2D Auctions players can operate in an asset-light manner with CarTrade being one of the largest players. In the last fiscal year, CarTrade completed ~200k auctions and we estimate 40-50% of these were used cars and the rest being commercial vehicles and 2-wheelers.

Exhibit 24. Generic used car transaction flow across buying and selling models



Source: JM Financial

Used Auto – Retail Trade: While building the wholesale trade business, the online auto players achieved significant control over supply. Now, retail trade has recently started to gain interest of these companies as they look to disrupt the unorganised retail players. By vertically integrating the supply chain and bypassing the used car dealers, there is an opportunity to generate 10-12% of GMV as buy-sell margin while also getting the opportunity to cross-sell insurance, loans, warranty and roadside assistance services to the end-buyer. Incremental to the investments required in wholesale trade, this business model also needs the companies to invest in refurbishment and logistics capabilities to deliver reliable cars to the buyers in a convenient fashion.

Spinny and Truebil became the first players to delve into this business after initially starting off with the C2D business model in CY15. Both companies procured a majority of their cars from the auctions businesses of Cars24, CarDekho and OLX, resulting in a slow scaling process with Spinny acquiring Truebil in Aug'20. With the latter set of companies launching their own B2C retail model in the second half of 2020, Spinny has developed an in-house, direct procurement channel while being single-mindedly focused on building the entire value chain in-house, including refurbishment and logistics. With used cars being a supply-constrained market, the supply leaders - Cars24 and CarDekho - are scaling the retail trade business at a faster pace but Spinny is the only player to have matured the business model and established proper processes and infrastructure.

Used Car retail trade provides exponential growth potential with high take rates and incumbents that are easy to disrupt with product and technology enablement

Exhibit 25. Online Used Car Transactions: Addressable Market and Revenue Potential

	FY22	FY27	CAGR
Used Car Sales (million)	4.2	8.5	15.1%
Consumer to Dealer Auctions (%)	7.0%	15.2%	16.8%
B2D Auctions (%)	5.2%	5.3%	0.4%
B2C Retail by Online Portals (%)	1.8%	10.5%	42.3%
C2C Transactions (%)	34.0%	25.0%	-6.0%
Procured directly by Used Car Dealers	52%	44%	-3.3%
Take-rate in C2D Auctions	6.0%	7.5%	4.6%
Commission in B2D Auctions	2.0%	3.2%	9.9%
Take-rate in B2C Retail	7.0%	12.0%	11.4%
ASP - Used Car (INR)	3,40,000	4,38,084	5.2%
Digitally Influenced Transactions (million)	0.6	2.6	35.1%
Revenue Potential (INR bn)	9.3	95.8	59.5%

Source: Indian Blue Book, CarTrade DRHP and JM Financial.

Auto Finance and Insurance: Auto financial services are primarily limited to used cars for online auto portals as new car dealers do not allow access to new car buyers. Compared with 85% new cars sold on finance, only 24% used cars are sold on finance due to two structural issues: 1) Registration transfer is a long and tiring process in the country and the financiers have no recourse to the car in case of a default during this time with loans issued to the buyer while the car is still technically owned by the seller; and 2) Valuation of used cars is also a tough ask for the financiers who do not have the in-house valuation capabilities considering the intricacies involved in used cars. Digital players such as CarTrade (via Adroit), and CarDekho continue to solve for these pain-points through a marketplace model while Cars24 has received an NBFC license to serve used car dealers and buyers.

Exhibit 26. Online Used Car Finance Addressable Market and Revenue Potential

	FY22	FY27	CAGR
Used Car Sales (million)	4.2	8.5	15.1%
Finance Penetration	24%	45%	13.4%
Online Penetration	4.5%	15.0%	27.2%
Loan to Value	65%	75%	2.9%
Commission (% of GMV)	4.0%	5.2%	5.4%
ASP - Used Car sold on Finance (INR)	4,08,000	5,25,700	5.2%
Digitally Influenced Loans ('000s)	45	574	66.1%
Revenue Potential (INR mn)	481	11,763	89.5%

Source: Indian Blue Book and JM Financial.

While insurance is mandatory for all vehicles plying on Indian roads, **~8% of 34 million private cars are still uninsured in the country.** Auto continues to be the largest non-life insurance category and digital players are driving penetration through lowers TATs and enhanced convenience. Policybazaar continues to be the largest auto insurance marketplace with Turtlemint, InsuranceDekho (CarDekho) and Renewbuy also running scaled businesses. Finally, digital first insurers such as Acko and Digit as well as horizontal Fintech players such as PhonePe and Paytm are also focused on penetrating auto insurance, considering these policies are relatively standardised in comparison to life and health insurance that require much more handholding for the buyer.

Finance penetration on used cars has been an abysmal 24% in FY22 due to structural issues such as delays in registration transfer and unavailability of reliable valuation

Exhibit 27. Online Car Insurance Addressable Market and Revenue Potential

	FY22	FY27	CAGR
Car Parc (million)	34.5	49.9	7.6%
Insurance Penetration	92%	95%	0.6%
Online Penetration	8.5%	20.0%	18.7%
Insurance GMV (% of IDV)	2.5%	3.0%	3.7%
Commission (% of GMV)	15.0%	17.0%	2.5%
Average Insured Declared Value (INR)	3,40,000	4,38,084	5.2%
Digitally Influenced Policies (million)	2.7	9.5	28.5%
Revenue Potential (INR mn)	3,444	21,178	43.8%

Source: Insurance Information Bureau of India, Grant Thornton and JM Financial.

Company Overview

Business Model and Mix

CarTrade is building an asset-light digital automotive ecosystem that would simplify and make the process of buying/selling of new and old automobiles between customers, OEMs, dealers, banks, insurance companies and other stakeholders much more efficient. To achieve this, the company has adopted a multi-channel approach and operates platforms/brands such as CarWale, BikeWale, CarTrade, Shriram Automall, CarTradeExchange, Adroit Auto and AutoBiz that offer a wide range of B2B, B2C and C2B solutions to these stakeholders.

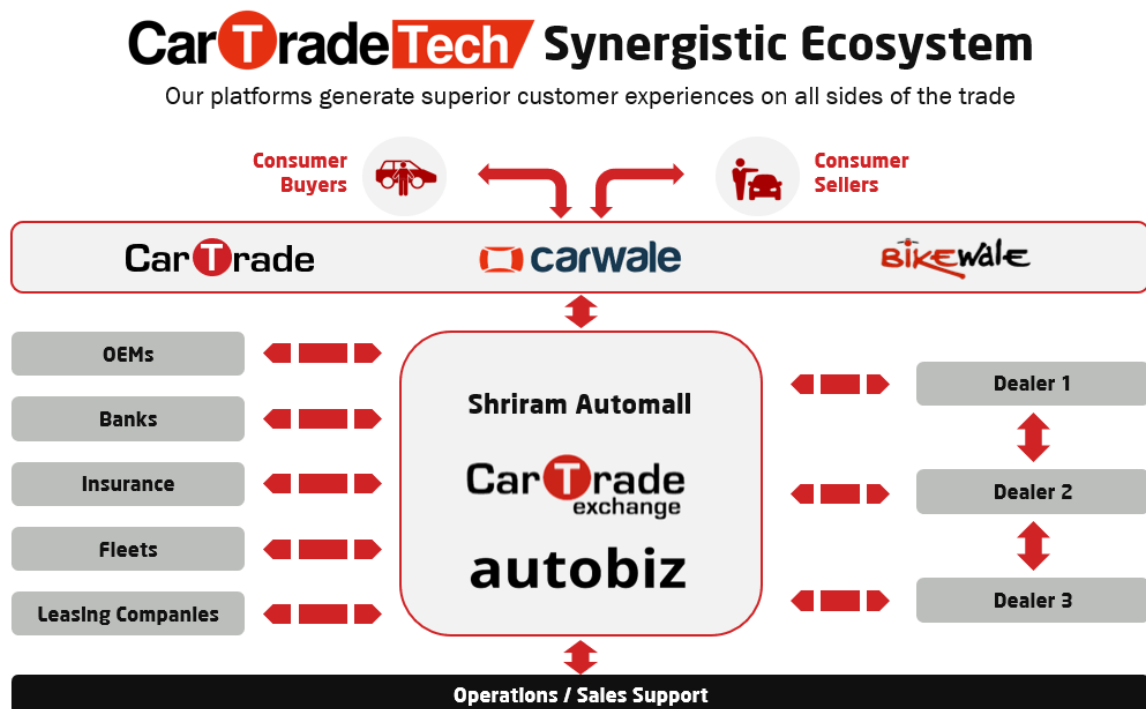
CarWale, BikeWale and CarTrade: These platforms are primarily used by potential car/bike buyers to research and compare a wide range of available options. Customers can also use these platforms to connect with dealers, OEMs and other partners. The company monetises these platforms by running paid advertisements and marketing campaigns from OEMs, dealers, banks, insurance companies and other financial institutions. It also earns lead generation revenue by generating and sharing customer leads with these business partners and classifieds revenue by selling short-term subscription packages to used car dealers for listing their vehicles for sale.

Shriram Automall and CarTrade Exchange: Through these brands, the company facilitates sales of pre-owned vehicles (passenger vehicles, 2/3 wheelers, commercial vehicles and farm and construction equipment) of retail customers, banks and other financial institutions, insurance companies, OEMs, leasing companies, and fleet and individual operators by organising offline/online auctions and offering remarketing services. While Shriram Automall facilitates offline auctions through its network of 113 automalls spread across the country, CarTrade Exchange is the digital auctions platform. We understand that most commercial vehicle auctions are done offline in these automalls while passenger vehicle buyers have adopted digital auctions.

Adroit Auto: The company provides ancillary services such as valuation, inspection and registration to banks, insurance companies and other financial institutions and OEMs.

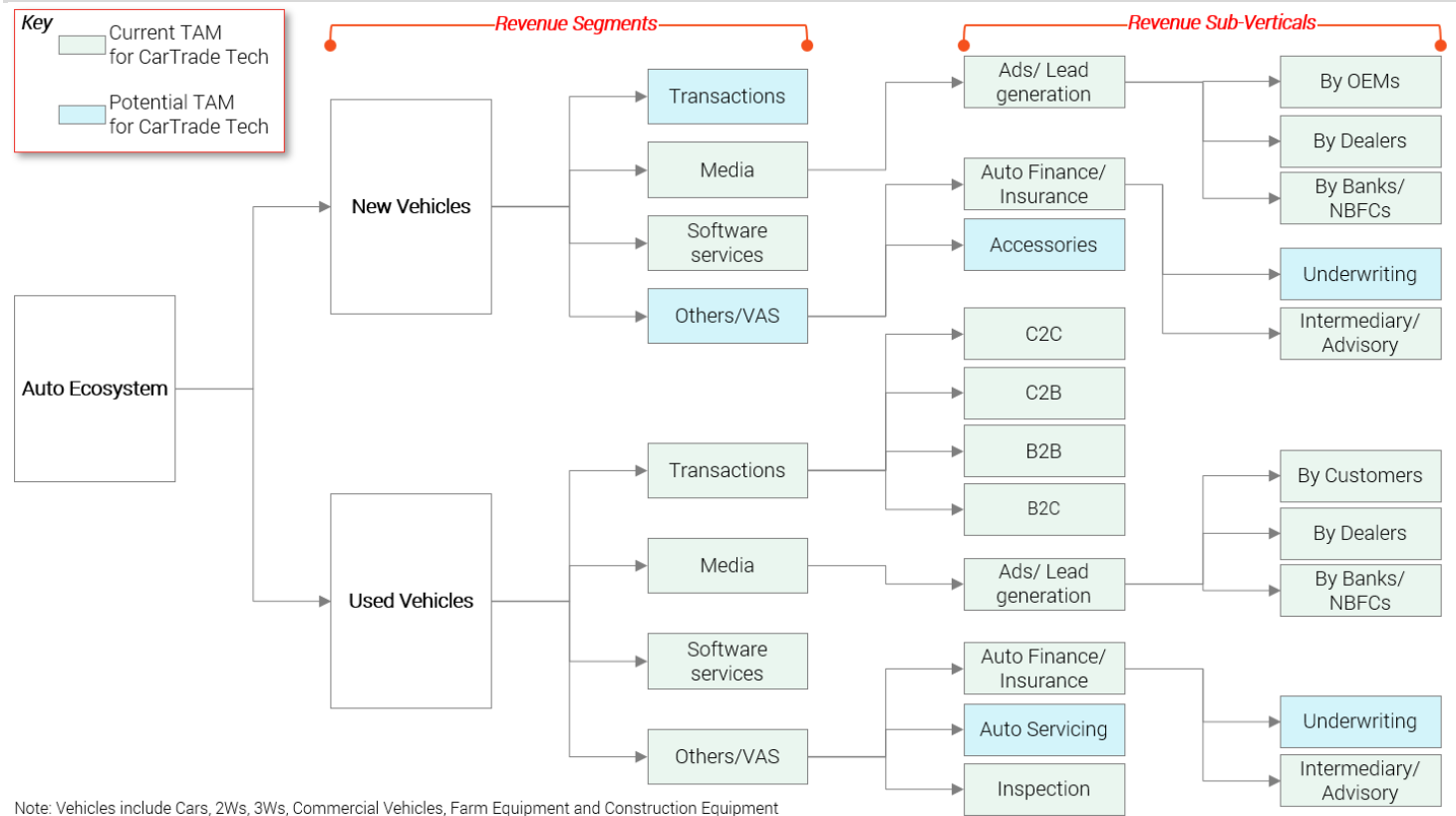
AutoBiz: In this business, the company offers cloud-based CRM solutions to new dealers to manage sales leads and generate insights.

Exhibit 28. CarTrade Ecosystem



Source: Company DRHP

Exhibit 29. CarTrade: Current and Potential TAM



Note: Vehicles include Cars, 2Ws, 3Ws, Commercial Vehicles, Farm Equipment and Construction Equipment
 Source: Company DRHP

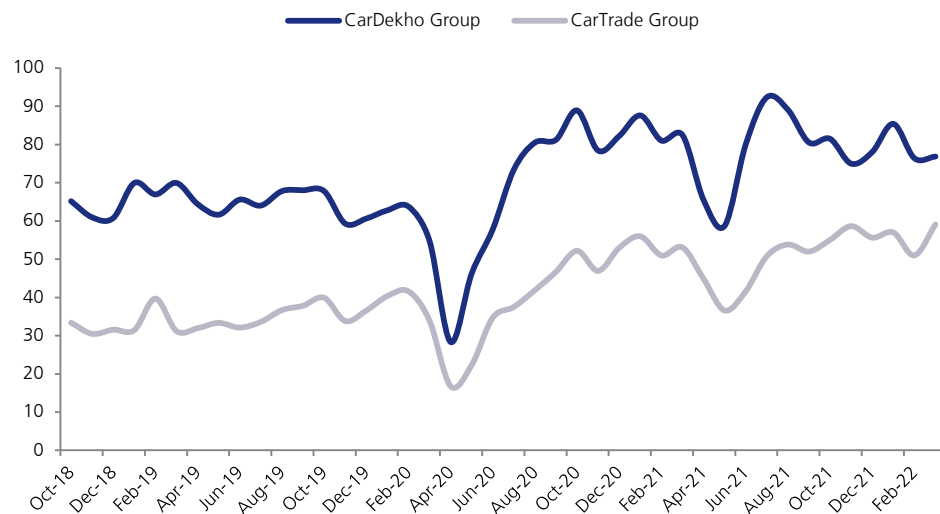
Competitive Positioning

New Auto: Automobile OEMs in India (through their close control over dealerships) continue to resist attempts from third-party digital automotive platforms to build a marketplace model for new vehicle purchases. While they have increased the digital mix in recent years to ~27% of total advertising spends, a significant proportion of these spends (75-80%) are done through social networking platforms such as Google and Facebook. Therefore, most new vehicle purchase focused digital platforms have limited themselves to offering research, review and comparison services to potential customers. In fact, only the likes of CarDekho and CarTrade have managed to penetrate the digital advertising spends pie of OEMs on the back of strong visitor traffic trends and relationships with new car/bike dealers. We do not envisage any new competition emerging in the new automobiles advertising and lead generation space in the near term due to limited opportunities to gain market share on account of dominance of the social media giants as well as significant time and investments that would be required to attract a sizeable proportion of traffic and build a strong dealer network. We estimate that any newcomer will need to gain traffic dominance (>40 million monthly visits) and build a stronger brand and domain authority than what CarDekho and CarTrade have built in the past 10-12 years of operation.

As seen in the exhibit below, Similarweb data indicates traffic (includes desktop and mobile web traffic only) across CarDekho and CarTrade has shown a similar trend over the past 3.5 years with the difference also remaining roughly consistent. This demonstrates that the market share between the two companies has been stable and we expect it to continue being in the same range in the future as well.

We show only these two as they are the only relevant players who operate an advertising driven monetisation model for which traffic is a critical metric. Meanwhile, transaction-driven monetisation models such as Cars24 (3.7mn visitors in Mar’22) and Spinny (1.9mn visitors in Mar’22) do not focus on traffic as a metric but are more focused on generating leads and converting them.

Exhibit 30. Auto-tech: Traffic trends (monthly visitors in million)



Source: SimilarWeb (Google Analytics), JM Financial. Note: CarTrade Group includes CarWale.com, BikeWale.com, CarTrade.com and CarDekho Group includes CarDekho.com, BikeDekho.com, ZigWheels.com, Gaadi.com

Used Vehicles: CarTrade through SAMIL and CarTrade Exchange is one of the leading used vehicle auction services providers for B2B businesses in the country. SAMIL facilitates offline auctions through 113 automalls spread across the country while CarTrade owns the digital auction platform. In this space the company primarily competes with Mahindra First Choice Wheels while other major players in the used vehicles auction business such as Cars24 and CarDekho, amongst others, are primarily C2B focused. It is pertinent to note that while C2B focused players are expected to report stronger growth than B2B focused players in the near-medium term, they are also required to heavily invest in brand advertising and operational expenses that continue to have a severe impact on their profitability.

Exhibit 31. Auto-tech in India: Competitive Landscape

	CarDekho	Cars24	CarTrade	OLX	Spinny
New Auto – Advertising and Lead Gen	Dominant player with 75+ million monthly visitors	-	2 nd largest player 45+ million monthly visitors	-	-
Used Auto – Classifieds	~700 dealer tie-ups	No classifieds play but can help find the buyer on a success commission basis	~800 dealer tie-ups	Dominant player with ~4k dealer tie-ups	-
Used Auto – Wholesale Trade	Presence in ~50 cities with ~2k monthly transactions	Dominant player with ~20k monthly transactions across 100+ cities	Primarily focused on B2B auctions from captive SAMIL business	3 rd biggest player with slower growth	Only procure cars that they can sell in retail themselves
Used Auto – Retail Trade	Presence in ~20 cities with ~1k monthly transactions	Launched in 30+ cities with ~3k monthly transactions	Launched abSure to sell cars via a franchisee network	Planning to operate in a franchise model	Focused on B2C retail with established process, infrastructure and logistics – over 3k monthly transactions
Finance & Insurance	Marketplace model with 150k+ insurance policies and 6k+ loans issued per month	NBFC license being used to offer consumer and dealer loans	Attach finance & insurance on cars that pass through them	-	Attach finance & insurance on retail cars in partnership with third parties

Source: JM Financial, Company websites.

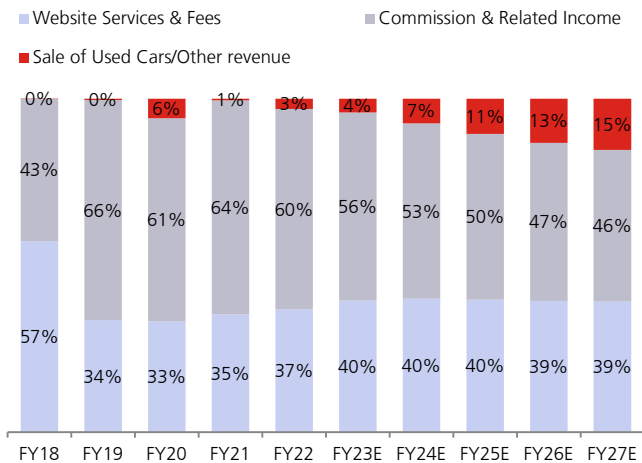
Operating leverage key to margin expansion

CarTrade primarily derives its revenue from large B2B businesses such as automobile OEMs, banks/NBFCs, insurance companies and other financial institutions amongst others, where customer stickiness is high and, therefore, following a certain level of fixed initial investment, there is little need for a proportionate increase in employees (the key cost component for CarTrade). This is akin to a typical online classifieds model where the in-built operational leverage kicks in once the company becomes profitable resulting in significant improvement in margin profile each year. We, therefore, believe operating leverage will be the key to margin expansion for CarTrade hereon.

Optionality for Inorganic Growth

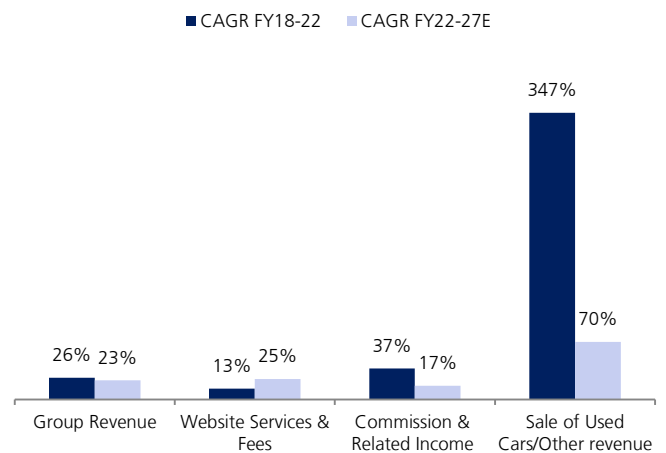
Since CY16, CarTrade has demonstrated a strong inorganic growth record via acquisitions such as Carwale, SAMIL, Adroit and BlueJack. The company has not only made these value-accretive acquisitions but has also integrated them seamlessly into the broader platform. With increasingly positive cashflow from operations, the company has already demarcated INR 7.5bn for investments and acquisitions in automotive ecosystem and we believe it can continue delivering further inorganic growth through strategic bolt-on acquisitions.

Exhibit 32. CarTrade: Revenue mix



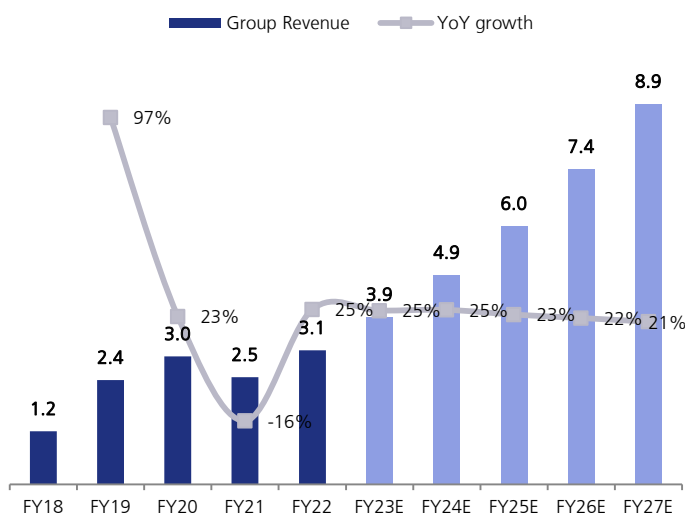
Source: Company, JM Financial

Exhibit 33. CarTrade: Businesswise revenue growth



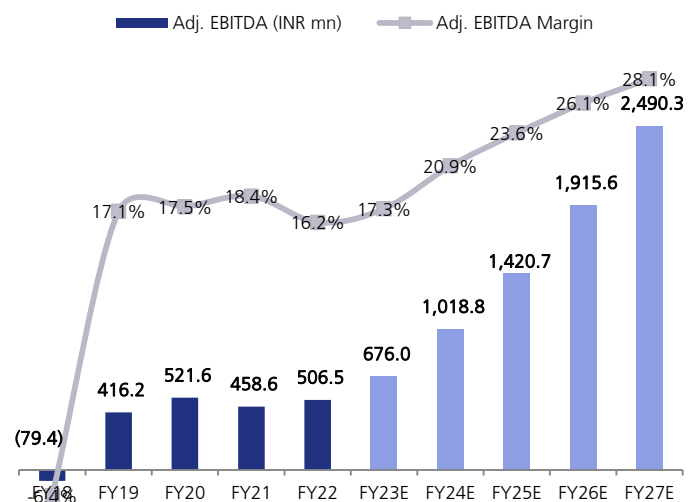
Source: Company, JM Financial.
 Note 1: Historical growth rate for Website Services & Fees has suffered due to BSVI transition in FY20 followed by COVID and chip shortage.
 Note 2: Commission & related income saw inorganic growth due to SAMIL acquisition in FY19.

Exhibit 34. We forecast FY22-27 revenue CAGR of 23%...



Source: Company, JM Financial

Exhibit 35. ...with Adj. EBITDA margin reaching 28%+ by FY27



Source: Company, JM Financial

Valuation Methodology

We initiate coverage on CarTrade with a 'BUY' rating, TP of INR 860 per share

We value CarTrade using a Sum of the Parts (SoTP) based methodology in order to provide segment-level visibility for the varied business models that the company operates in. We value the Website Services business (includes New Auto Advertising and Lead Gen and Used Car Classifieds) as of Mar'23 at 35x EV/FY24 EBITDA, as this business is expected to drive strong topline growth with steady state margin likely to reach 45%+ as seen for global peers such as Auto Trader, Carsales and Autohome. Simultaneously, we value the Commission Income business at 25x EV/FY24 EBITDA multiple as we believe the margins for this business are still maturing and likely to settle below 30% EBITDA margin depending on the mix between vehicle categories. Finally, we value the abSure business as optionality at 10x EV/FY24 Sales multiple as this business is still subscale and might need some time to figure out the exact product-market fit.

Accounting for the net cash on balance sheet of INR 9.1bn as of Mar'23, we derive an equity value of INR 43.1bn for CarTrade, implying a TP of INR 860 per share. We also triangulate the valuation using the intrinsic DCF method taking into account the actual cashflows of CarTrade by explicitly forecasting until FY32 and then fading it upto FY42, deriving a price of INR 970 per share, higher than the SoTP-based valuation.

Our Mar'23 TP of INR 860 per share implies ~34% upside to the CMP, demonstrating that the stock is currently trading at significantly low valuation. We initiate coverage on CarTrade with a 'BUY' rating. **Our target price implies a conservative 7.0x/33.4x FY24 Sales/EBITDA multiple on group numbers.**

Exhibit 36. Key Assumptions

	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY32E	CAGR FY'22-27	CAGR FY'27-32
Website Services and Fees (New Auto)										
New Car sales in India (Mn units)	2.7	3.1	3.4	3.7	4.0	4.4	4.8	7.1	9.2%	8.3%
ASP New Car (INR Lacs exc. GST)	5.4	5.7	5.9	6.2	6.5	6.8	7.1	8.6	4.5%	4.0%
New Two wheeler sales in India (Mn units)	15.1	13.5	15.4	17.0	18.7	20.6	22.7	31.7	11.0%	6.9%
ASP - New Bike (INR '000s exc. GST)	50.6	52.7	54.9	57.2	59.6	62.1	64.7	76.9	4.2%	3.5%
New Auto Market Size (INR bn)	2,234	2,447	2,877	3,281	3,732	4,246	4,830	8,518	14.6%	12.0%
Advertising as % of GMV	2.1%	2.2%	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%	2.6%	0.0%
Advertisement Spend (% GMV) (INR Bn)	46.9	53.8	67.6	80.4	93.3	106.1	120.7	213.0	17.5%	12.0%
Digital Share (%)	24.0%	27.0%	29.0%	31.0%	32.8%	35.0%	37.0%	45.0%	6.5%	4.0%
Digital Advertising Spend (INR Mn)	11,258	14,538	19,606	24,920	30,605	37,149	44,674	95,829	25.2%	16.5%
Website Services and Fees Revenue	882	1,152	1,542	1,952	2,391	2,894	3,472	7,439	24.7%	16.5%
y/y growth	-11.0%	30.6%	33.8%	26.6%	22.5%	21.0%	20.0%	14.1%	-	-
Commission & Related Income (B2B Auctions)										
Commission & Related Income Revenue	1,602	1,879	2,199	2,568	2,993	3,480	4,038	8,223	16.5%	15.3%
y/y growth	-11.8%	17.3%	17.0%	16.8%	16.5%	16.3%	16.0%	14.8%	-	-
Sale of Used Cars (abSure)										
abSure Outlets (end of period)		47	120	200	280	350	420	750	55.0%	12.3%
Cars sold per Outlet per month		0	21	23	25	27	29	32	133.3%	1.7%
Average Selling Price		0.41	0.43	0.44	0.47	0.49	0.51	0.62	4.5%	4.1%
GMV		97	12,979	24,509	39,236	55,723	74,275	1,76,440	277.8%	18.9%
Net Revenue*		9	146	363	639	978	1,362	3,599	172.9%	21.5%
Take rate (%)		nm	1.1%	1.5%	1.6%	1.8%	1.8%	2.0%	-	2.2%
Total Revenue	2,497	3,127	3,903	4,883	6,022	7,352	8,872	19,262	23.2%	16.8%
y/y growth		25.2%	24.8%	25.1%	23.3%	22.1%	20.7%	15.0%	-	-
Adj. EBITDA	459	506	676	1019	1421	1916	2490	6407	37.5%	20.8%
Adj. EBITDA Margin (%)	18.4%	16.2%	17.3%	20.9%	23.6%	26.1%	28.1%	33.3%	11.6%	3.5%

Source: JM Financial, Company

Exhibit 37. Valuation Maths for CarTrade

	Revenue	EBITDA	Valuation
Website Services (Classifieds) - FY24	2.0	0.6	
Target EV/EBITDA multiple		35.0x	22.5
Commission Income (B2B) - FY24	2.6	0.6	
Target EV/EBITDA multiple		25.0x	7.8*
Sale of Used Cars (Franchise B2C) - FY24	0.4	-0.2	
Target EV/Sales multiple	10.0x		3.6
Implied Enterprise value (INR bn) on TP date			34.0
Net Debt (INR bn) on TP Date			-9.1
Market value (INR bn) on TP date			43.1
Diluted equity shares (mn)			50.1
1-year forward target price			860

Source: JM Financial

Note: For Commission Income, included only 55.43% enterprise value to align to the stake owned by CarTrade Tech.

Exhibit 38. Sensitivity of DCF Equity Value to WACC and Terminal Growth Rate

		Terminal Growth Rate				
		4.0%	4.5%	5.0%	5.5%	6.0%
WACC	11.50%	1,180	1,220	1,270	1,320	1,390
	12.00%	1,080	1,110	1,150	1,200	1,250
	12.50%	1,000	1,020	1,050	1,090	1,130
	13.00%	920	950	970	1,000	1,030
	13.50%	860	880	900	920	950
	14.00%	800	820	840	860	880
	14.50%	750	760	780	800	810

Source: JM Financial. Our SoTP target price of 860 is at 4.0% perpetuity growth rate and 13.5% WACC.

Comparison with Global and Indian Tech Comps

Exhibit 39. Valuation Comps

Company	MCap (USD bn)	EV (USD bn)	EV / Revenue (x)			Rev CAGR 22-24E	EV / EBIT (x)			EBIT CAGR 22-24E	P / E (x)			EPS CAGR 22-24E
			CY22E	CY23E	CY24E		CY22E	CY23E	CY24E		CY22E	CY23E	CY24E	
Cartrade Tech	0.4	0.3	5.7x	4.6x	3.7x	24%	201.1x	48.2x	26.1x	178%	102.3x	56.7x	37.6x	65%
Global Auto Classifieds														
Auto Home	3.7	0.6	0.7x	0.7x	0.6x	1%	2.5x	3.3x	2.7x	-4%	0.1x	0.2x	0.1x	-4%
Carguru	4.0	3.9	4.1x	2.1x	1.5x	63%	15.1x	16.6x	14.8x	1%	0.3x	0.3x	0.2x	13%
Carsales	4.1	4.5	13.5x	12.5x	11.1x	10%	30.3x	26.5x	25.1x	10%	0.8x	0.6x	0.5x	25%
Auto Trader	7.5	7.5	15.4x	13.7x	12.1x	13%	22.2x	19.0x	17.0x	14%	2,832.7x	2,394.7x	2,140.3x	15%
B2B Auctions														
KAR Auction Services	1.8	4.4	2.0x	2.2x	2.0x	-2%	17.6x	22.5x	18.5x	-3%	18.0x	20.4x	14.5x	11%
Copart	27.2	26.4	8.6x	7.6x	nm	nm	18.7x	16.7x	nm	nm	26.9x	25.3x	23.1x	8%
Ritchie Bros	5.9	7.5	5.3x	4.7x	4.4x	10%	19.4x	19.1x	16.9x	7%	27.5x	28.3x	24.0x	7%
IAA	4.8	7.1	3.9x	3.4x	3.3x	8%	12.9x	12.9x	12.3x	3%	14.9x	15.5x	14.4x	2%
ACV Auctions	1.9	1.4	3.8x	3.0x	2.3x	29%	nm	nm	nm	nm	nm	nm	nm	nm
Used Car Transactions														
CARVANA	10.3	16.8	1.3x	1.0x	0.8x	27%	nm	nm	nm	nm	nm	nm	nm	nm
VROOM	0.2	0.2	0.1x	0.1x	0.0x	24%	nm	nm	nm	nm	nm	nm	nm	nm
CAZOO	1.1	1.2	2.0x	0.5x	0.3x	171%	nm	nm	nm	nm	nm	nm	nm	nm
SHIFT Technologies	0.1	0.2	0.3x	0.2x	0.1x	58%	nm	nm	nm	nm	nm	nm	nm	nm
AUTO1	2.3	1.5	0.3x	0.2x	0.2x	28%	nm	nm	nm	nm	nm	nm	nm	nm
India Internet														
Nykaa*	10.6	10.7	13.0x	9.0x	6.8x	38%	162.1x	80.5x	49.5x	81%	220.6x	107.7x	65.2x	84%
Zomato*	6.7	6.0	7.5x	5.5x	4.2x	34%	-29.9x	-44.0x	-79.7x	-39%	-40.0x	-84.8x	-419.9x	-69%
Policybazaar*	3.8	3.6	13.9x	9.9x	7.2x	39%	nm	nm	nm	nm	nm	nm	nm	nm
Paytm*	5.1	4.8	nm	5.2x	4.0x	nm	nm	nm	nm	nm	nm	nm	nm	nm
Easy Trip Planner	1.2	1.2	43.2x	23.5x	17.7x	56%	nm	42.9x	32.4x	nm	80.0x	54.6x	40.1x	41%
Makemytip	2.7	2.4	7.3x	4.3x	2.9x	60%	108.9x	nm	49.0x	49%	112.0x	322.1x	42.9x	62%
Affle	2.1	2.1	17.1x	11.6x	9.0x	38%	96.3x	61.3x	42.5x	50%	77.8x	67.7x	49.0x	26%
Nazara	0.7	0.6	8.5x	5.8x	4.3x	41%	nm	58.4x	36.6x	nm	172.3x	97.3x	61.7x	67%
IRCTC	7.6	7.4	36.9x	22.1x	17.1x	47%	81.3x	51.7x	43.4x	37%	105.2x	68.8x	57.5x	35%
Info Edge*	7.2	7.2	27.6x	23.3x	19.9x	18%	86.2x	68.9x	56.5x	23%	88.9x	73.1x	60.2x	22%
Indiamart Intermesh*	2.0	1.6	13.0x	11.0x	9.3x	18%	42.7x	34.3x	27.8x	24%	52.5x	43.4x	35.0x	22%
Justdial*	0.9	0.4	4.2x	3.3x	2.7x	24%	nm	126.7x	24.9x	nm	82.3x	44.5x	27.6x	73%
Mean - Global Auto Classifieds (ex-CarTrade)			8.4x	7.2x	6.3x	22.1%	17.5x	16.3x	14.9x	5.5%	708.5x	598.9x	535.3x	12.6%
Mean - B2B Auctions (ex-CarTrade)			4.7x	4.2x	3.0x	11.4%	17.1x	17.8x	15.9x	2.4%	21.8x	22.4x	19.0x	7.0%
Mean - Used Car Transactions (ex-CarTrade)			0.8x	0.4x	0.3x	61.5%	nm	nm	nm	nm	nm	nm	nm	nm
Mean - India Internet (ex-CarTrade)			17.5x	11.2x	8.8x	37.6%	78.2x	53.4x	28.3x	32.3%	95.2x	79.5x	1.9x	36.3%

Source: Bloomberg consensus estimates for non-coverage companies and JM Financial estimates for JM covered companies (marked with *). Valuations as of 4th May 2022.

There are no exact comps for CarTrade considering its diverse business models and growth potential. We believe the Website Services (New Auto) business should get EBITDA multiples similar to India classifieds companies such as Indiamart and Justdial, and the Commission Income (B2B Auctions) business should be valued at EBITDA multiples of similar global B2B auctions companies. Finally, the recently launched abSure (sale of Used Cars) business should just be given a minor option value.

Key Risks

Downside risks: **1) Slower-than-expected digital penetration in Auto advertising:** Our growth forecasts factor in a growing share of digital channels in auto advertising and lead generation to reach the levels seen in the USA currently (45% digital share) by FY32. However, if penetration in India is slower, it could significantly impact CarTrade's ability to ramp up the new auto business. **2) Sharp rise in competitive intensity:** While market share in new auto digital advertising have been roughly stable for the past few years, significant movements by any of the other players including CarDekho and horizontals such as Google, Facebook or short-video apps can impact the revenue potential for CarTrade. **3) OEMs ramping up online capabilities:** Despite over a decade of operations, neither CarDekho nor CarTrade have managed to break into Maruti that accounts for ~43% of cars sold in India in FY22 with Maruti building strong digital marketing capabilities in-house. If other large OEMs also follow suit, it can decrease the TAM available for CarTrade. **4) Physical Dependence:** We estimate that a significant portion of SAMIL business includes commercial vehicles that are auctioned via physical auctions in yards. Failure by the company to increase the mix towards passenger vehicle will keep the physical intensity of the business high. **5) abSure Franchisee Model not gaining market acceptance:** While all other auto-tech players are solving for used car transactions business by building captive capabilities and opening their own stores and refurbishment centres, CarTrade has decided to address the same problem by leveraging its used car dealer network and the jury continues to be out on whether that can provide the desired consumer experience.

Upside risks: **1) Gaining share in New Auto transactions:** Except the top 2-3 OEMs, most others do not have significant presence in smaller cities of the country and there could be an opportunity for CarTrade to become an aggregator for these OEMs in smaller cities and gain more of the value chain. **2) Electric Vehicles distribution:** For internal combustion engine vehicles that require frequent servicing, OEMs have avoided working with the digital players for distribution in order to avoid antagonising their dealer network that provides the service/repairs support. However, EVs require minimal service infrastructure and EV OEMs can distribute and deliver digitally where CarTrade can be a strong strategic partner. **3) Loss of investor faith in inventory led user cars retail:** All of CarTrade's peers are taking the inventory led approach for used car retail and are dependent on investor money in order to fund their operating burn. With the largest such global player (Carvana) continuing to see its valuation drop sharply, any similar disenchantment by investors in funding the players in India could make CarTrade's abSure business very attractive for used cars retail. **3) Value accretion from inorganic expansion:** With consistent cash flow generation, CarTrade has decided to allocate INR 7.5bn for investments in the automotive space. The company has a strong track record of delivering inorganic growth and can follow it up with more in the future.

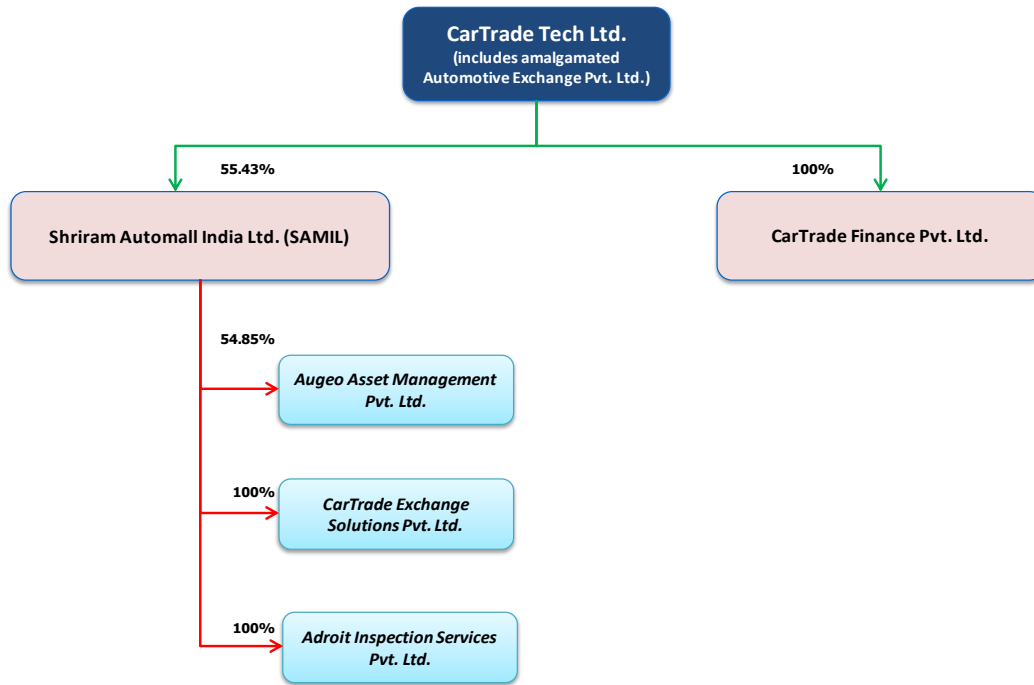
CarTrade: History, Corporate Structure, Management & Shareholding

Exhibit 40. CarTrade: Major historical Events

Date/Period	Event Type	Description
28 Apr'2000	Foundation	Incorporated as 'Kaymo Fastener Company Private Limited' in Mumbai, Maharashtra
20 Jul'09	Acquisition	Acquired 'Cartradeindia' web portal from Nassau IT Services Private Limited for a consideration of INR 0.95mn
12 Aug'09	Company name change	Company name changed to 'MXC Solutions India Private Limited' from 'Kaymo Fastener Company Private Limited'
Oct'09	Change in Control	Vinay Vinod Sanghi and other related shareholders acquired equity shares in CarTrade and took control of management
Dec'09	Fund raise	Canaan VIII Mauritius invested INR 45mn at a post money valuation of INR 125mn
CY10	New business/platform launch	Launched B2B and C2B auctions
CY11	Fund raise	Epiphany Overseas Ventures and Tiger Global Six India II Holdings invested INR 113mn and INR 329mn, respectively at post money valuation of INR 1.66bn
CY12	New business/platform launch	Launched CarTrade.com and CarTradeExchange.com platforms
19 Oct'12	New business/platform launch	CarTrade Exchange Solutions Private Limited (erstwhile Motogo India Private Limited) incorporated
CY14	Fund raise	Highdell Investment Ltd. (Warburg Pincus) invested INR 1.37bn at a valuation of INR 5.54bn
CY15	Fund raise	Springfield Venture International (March Capital) invested INR 1.27bn
CY16	Fund raise	MacRitchie Investments Pte Ltd. (Temasek), Foundation Investments of Ohio Limited, Manbro P.E. IV, LP and MSF Private Equity Fund LLC invested INR 3,323mn, INR 20mn, INR 186mn and INR 126mn, respectively at a valuation of INR 21.3bn.
CY16	Acquisition	Acquired Automotive Exchange Pvt. Ltd. that owns brands such as CarWale and BikeWale for USD 100.1mn to enter the new Automobile space
CY16	Fund raise	MacRitchie Investments Pte Ltd. (Temasek) invested INR 2,423mn at a valuation of INR 28.1bn
CY17	Acquisition	Acquired 100% stake in Adroit Inspection Services Private Limited (Adroit) that offers valuation, inspection and registration services for INR 130mn
CY18	Acquisition	Acquired 51% stake (on fully diluted basis) in Shriram Automall India Limited (SAMIL) for INR 1,564mn
24 Jun'19	New business/platform launch	Augeo Asset Management Private Limited (a step-down subsidiary of SAMIL) incorporated to provide NPA management services and e-auction of financial and other assets. SAMIL owns 54.84% stake in this (so effective share ownership of CarTrade Tech is 30.4%) .
1 Jul'19	New business/platform launch	CarTrade Finance Private Limited, a 100% wholly owned subsidiary incorporated to lend and advance money.
4 Nov'19	Amalgamation	Automotive Exchange Pvt. Ltd. was amalgamated with CarTrade Tech Limited.
Jun'20	Fund raise	Raised INR 3.22bn from MacRitchie Investments Pte Ltd. (Temasek), Springfield Venture International (March Capital) and Highdell Investment Ltd. (Warburg Pincus) at a valuation of INR 40.1bn
Jul-Oct'20	Key management appointments	Aneasha Menon, Vikram Alva, Akshay Shankar and Banwari Lal Sharma appointed/promoted to Chief Financial Officer, Chief Strategy Officer – Group (CSO), Chief Product Officer - Group and CEO – Consumer Business, respectively
20 Apr'21	Company name change	Company name changed to 'CarTrade Tech Private Limited' from 'MXC Solutions India Private Limited'
Apr'21	Fund raise	Raised INR 2.4bn from IIFL Opportunities fund and Malabar fund, among others at a valuation of INR 71.2bn
Apr-May'21	Board of Director Changes	Sumant Mandal, Avneet Singh Kochar, Rajan Jitendra Mehra and Hemant Hans Raj Luthra ceased to be on the board/resigned. Aneasha Menon, Hemant Hans Raj Luthra, Kishori Jayendra Udeshi, Siddharth Narayan and Lakshminarayanan Subramanian were appointed as new directors.
20 Aug'21	Public Listing	Company got listed on stock exchanges in India. (BSE, NSE)
14 Sept'21	New business/platform launch	Launched abSure, a tailor-made platform to provide hassle-free car buying and selling experience to customers, all under one roof.
Dec'21	Investment Announcement	Announced plans to invest INR750cr in acquiring and investing in new business driving innovation in automotive ecosystem (Auto finance, leasing, insurance, EV, new age tech)

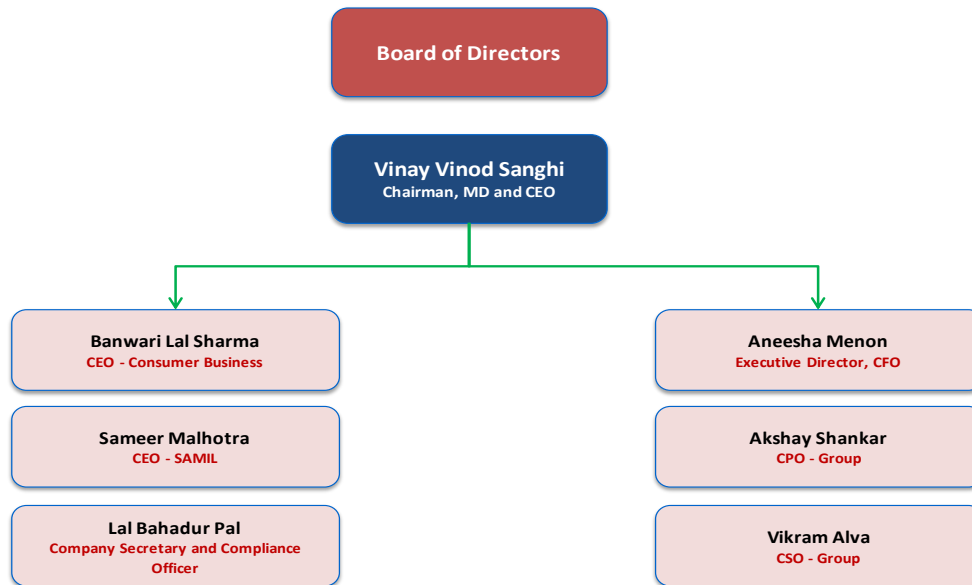
Source: Company DRHP, Tracxn, Media Reports, JM Financial.

Exhibit 41. CarTrade: Corporate Structure



Source: Company DRHP, JM Financial

Exhibit 42. CarTrade: Management structure



Source: Company DRHP, JM Financial

Exhibit 43. CarTrade: Board of Directors details

Name	Position	Director Since	Education	Total experience	Past Experience	Other Directorships
Vinay Vinod Sanghi	Chairman, MD and CEO	6 Jul'09	Bachelor's degree in commerce from the University of Bombay	30 years of experience in the Automobile industry	Mahindra First Choice Wheels Limited and Project Automobiles (Bombay) Private Ltd.	Greaves Cotton Ltd. and Shriram Automall India Ltd.
Aneesha Menon	Executive Director and CFO	23 Apr'21	Chartered accountant with the Institute of Chartered Accountants of India	13 years of experience in Finance	S. R. Batliboi & Co. LLP	CarTrade Finance Pvt. Ltd. and Shriram Automall India Ltd.
Victor Anthony Perry III	Non-Executive Director	22 Oct'14	Bachelor's degree of Science in Civil Engineering from University of Virginia and Master's Degree in Business Administration from Harvard University	NA	President and chief executive officer of TrueCar, Inc.	NA
Kishori Jayendra Udeshi	Independent Director	23 Apr'21	Master's degree of Arts in Economics from University of Bombay. She is an associate of the Indian Institute of Bankers.	NA	Deputy governor of the Reserve Bank of India from 10 Jun'03 to 12 Oct'05	Elantas Beck India Ltd., Haldyn Glass Ltd., Ion Exchange (India) Ltd., Kalyan Jewellers India Ltd., Shriram Automall India Ltd., SOTC Travel Ltd., Thomas Cook (India) Ltd.
Vivek Gul Asrani	Independent Director	23 Apr'21	Bachelor's degree in science from the University of Mumbai	25 years of experience	Kamyo Fastener Company and Kamyo Industries	Indo-Italian Furniture Company Pvt. Ltd., Om Pharmaceuticals Ltd., Shree Luxmi Woollen Mills Estate Pvt. Ltd., Transasia Bio-Medical Ltd. and Zesa Properties Pvt. Ltd.
Lakshminarayanan Subramanian	Additional Independent Director	12 May'21	Bachelor's degree of science from University of Delhi and Diploma in advanced studies in Economic and Social Studies from Victoria University of Manchester	NA	Past member of Indian Administrative Services who has served as a Secretary to the Government of India, Ministry of Home Affairs. Team Leader for Care India.	Elcom Innovations Pvt. Ltd., Elcom Systems Pvt. Ltd., Indofil Industries Ltd., Shriram Automall India Ltd., Shriram Life Insurance Company Ltd., Shriram Transport Finance Company Ltd.

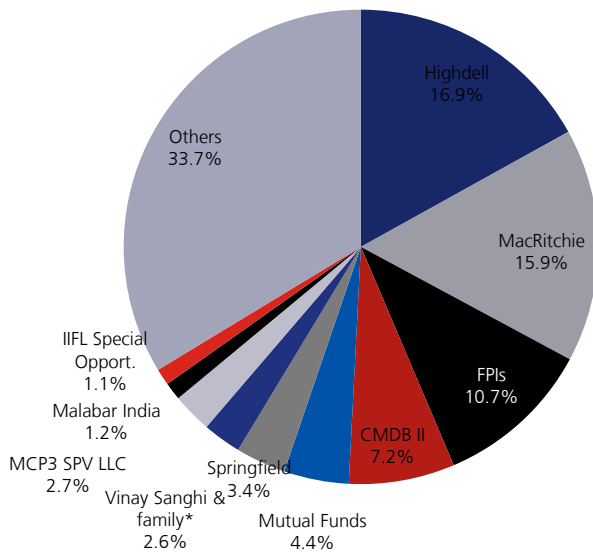
Source: Company DRHP, JM Financial

Exhibit 44. CarTrade: Key management personnel details

Name	Position	Since	Education	Total experience	Past Experience
Banwari Lal Sharma	Chief Executive Officer - Consumer Business	1 Oct'20	Bachelor's degree in Engineering (Computer Science and Engineering) from University of Technology of Madhya Pradesh	17 years of experience in Software Engineering	Automotive Exchange Pvt. Ltd. (an erstwhile subsidiary that was amalgamated with CarTrade Tech)
Sameer Malhotra	Chief Executive Officer - SAMIL	16 Nov'10	Bachelor's degree in Commerce from University of Delhi and Post graduate diploma in Financial Management from Sardar Patel College of Communication and Management. Passed intermediate examination held by the Institute of Cost and Work Accounts of India.	Over 31 years of experience in sales industry	Ritchie Bros. Auctioneers (ME) Ltd., Ansal Housing and Construction Ltd., Empire Finance Company Ltd., Premium Finance and Leasing Ltd. and SREI Infrastructure Finance Ltd.
Akshay Shankar	Chief Product Officer - Group	1 Oct'20	Master's degree in Science (with honours) from University of Twente, Netherlands	14 years of experience in Product Management	ABN AMRO Central Enterprise Services Pvt. Ltd., Director of Nassau IT Services Pvt. Ltd., erstwhile owner of the CarTradeIndia.com
Vikram Alva	Chief Strategy Officer - Group	1 Oct'20	Bachelor's degree in Engineering from University of Pune and Post graduate Diploma in Management from Institute of Management Development & Research, Pune, India	24 years experience in building businesses, product management and marketing	Tata International Ltd., Webneuron Services Ltd. (JobsAhead.com) and Solutions Integrated Marketing Services Pvt. Ltd. (Solutions DIGITAS)
Lal Bahadur Pal	Company Secretary and Compliance Officer	13 May'21	Masters and Bachelor's degree in commerce from University of Mumbai and Associate with Institute of Companies Secretaries of India	5 years experience as a Company Secretary	Auto & Household Finance (India) Ltd.

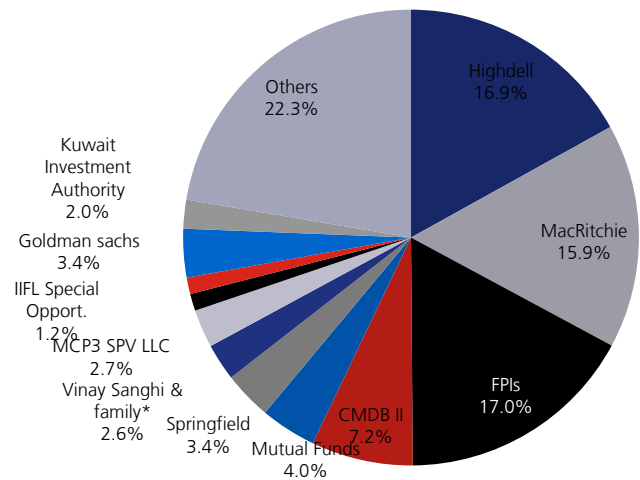
Source: Company DRHP, JM Financial

Exhibit 45. CarTrade: Diluted Post IPO Shareholding



Source: Company DRHP, JM Financial. * indicates combined shareholding of Vinay Sanghi and Bina Sanghi. Note: Highdell Investment, MacRitchie Investments, CMDB II and Springfield Venture are affiliates of Warburg Pincus, Temasek, JP Morgan and March Capital, respectively.

Exhibit 46. CarTrade: Diluted Current Shareholding



Source: Company DRHP, JM Financial. * indicates combined shareholding of Vinay Sanghi and Bina Sanghi. Note: Highdell Investment, MacRitchie Investments, CMDB II and Springfield Venture are affiliates of Warburg Pincus, Temasek, JP Morgan and March Capital, respectively.

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Sales	2,497	3,127	3,903	4,883	6,022	
Sales Growth	-16.3%	25.2%	24.8%	25.1%	23.3%	
Other Operating Income	0	0	0	0	0	
Total Revenue	2,497	3,127	3,903	4,883	6,022	
Cost of Goods Sold/Op. Exp	13	88	16	0	0	
Personnel Cost	1,301	3,328	2,047	2,336	2,684	
Other Expenses	790	1,057	1,464	1,808	2,193	
EBITDA	394	-1,345	376	739	1,146	
EBITDA Margin	15.8%	-43.0%	9.6%	15.1%	19.0%	
EBITDA Growth	-0.7%	0.0%	0.0%	96.5%	55.1%	
Depn. & Amort.	199	247	269	289	310	
EBIT	194	-1,593	107	450	835	
Other Income	318	466	585	632	698	
Finance Cost	43	65	95	117	144	
PBT before Excep. & Forex	470	-1,191	598	964	1,390	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	470	-1,191	598	964	1,390	
Taxes	-564	22	120	243	350	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	109	107	154	199	254	
Reported Net Profit	925	-1,321	324	523	785	
Adjusted Net Profit	925	-1,321	324	523	785	
Net Margin	37.0%	-42.2%	8.3%	10.7%	13.0%	
Diluted Share Cap. (mn)	45.5	50.1	50.1	50.1	50.1	
Diluted EPS (INR)	20.3	-26.4	6.5	10.4	15.7	
Diluted EPS Growth	300.2%	0.0%	0.0%	61.2%	50.3%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Shareholders' Fund	16,806	19,793	20,417	21,220	22,280	
Share Capital	36	466	466	466	466	
Reserves & Surplus	16,806	19,793	20,417	21,220	22,280	
Preference Share Capital	0	0	0	0	0	
Minority Interest	818	951	1,105	1,304	1,558	
Total Loans	546	771	953	1,180	1,440	
Def. Tax Liab. / Assets (-)	-699	-712	-712	-712	-712	
Total - Equity & Liab.	17,471	20,802	21,762	22,991	24,566	
Net Fixed Assets	10,229	10,413	10,632	10,778	10,944	
Gross Fixed Assets	1,254	1,755	2,062	2,297	2,551	
Intangible Assets	9,238	9,170	9,101	9,034	8,969	
Less: Depn. & Amort.	263	511	531	553	576	
Capital WIP	0	0	0	0	0	
Investments	7,007	10,056	10,300	10,593	10,913	
Current Assets	1,303	1,626	2,520	3,598	5,180	
Inventories	16	12	2	0	0	
Sundry Debtors	473	415	672	687	940	
Cash & Bank Balances	245	626	1,208	2,188	3,412	
Loans & Advances	493	276	276	276	276	
Other Current Assets	77	297	362	447	552	
Current Liab. & Prov.	1,069	1,293	1,689	1,979	2,470	
Current Liabilities	222	209	337	319	462	
Provisions & Others	847	1,084	1,352	1,660	2,008	
Net Current Assets	234	333	831	1,619	2,710	
Total - Assets	17,471	20,802	21,762	22,991	24,566	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Profit before Tax	470	-1,191	598	964	1,390	
Depn. & Amort.	199	247	269	289	310	
Net Interest Exp. / Inc. (-)	-24	-402	-490	-515	-554	
Inc (-) / Dec in WCap.	-50	-601	-159	-103	-185	
Others	-140	1,852	300	280	275	
Taxes Paid	-103	-36	-120	-243	-350	
Operating Cash Flow	352	-130	398	673	886	
Capex	-54	-431	-487	-435	-476	
Free Cash Flow	298	-562	-90	238	410	
Inc (-) / Dec in Investments	-3,310	-2,383	0	0	0	
Others	71	402	490	515	554	
Investing Cash Flow	-3,294	-2,412	3	79	79	
Inc / Dec (-) in Capital	3,217	2,481	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-208	443	182	227	260	
Others	-43	0	0	0	0	
Financing Cash Flow	2,966	2,924	182	227	260	
Inc / Dec (-) in Cash	25	381	582	980	1,225	
Opening Cash Balance	220	245	626	1,208	2,188	
Closing Cash Balance	245	626	1,208	2,188	3,412	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Margin	37.0%	-42.2%	8.3%	10.7%	13.0%	
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2	
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1	
RoE	6.3%	-7.2%	1.6%	2.5%	3.6%	

Key Ratios						
Y/E March	FY21A	FY22A	FY23E	FY24E	FY25E	
BV/Share (INR)	406.4	430.3	437.6	454.8	477.5	
ROIC	4.0%	-14.9%	0.8%	3.1%	5.7%	
ROE	6.3%	-7.2%	1.6%	2.5%	3.6%	
Net Debt/Equity (x)	-0.4	-0.5	-0.5	-0.5	-0.6	
P/E (x)	31.5	-24.3	98.8	61.3	40.8	
P/B (x)	1.6	1.5	1.5	1.4	1.3	
EV/EBITDA (x)	61.5	-15.7	54.9	26.8	16.4	
EV/Sales (x)	9.7	6.8	5.3	4.1	3.1	
Debtor days	69	48	63	51	57	
Inventory days	2	1	0	0	0	
Creditor days	39	17	35	28	35	

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for large-cap stocks* and REITs and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for large-cap* stocks and REITs and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* Large-cap stocks refer to securities with market capitalisation in excess of INR200bn. REIT refers to Real Estate Investment Trusts.

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