

CarTrade Tech Ltd.

Automotive | India

IPO | 06 August 2021

SUBSCRIBE 

Niche Business Model with Sound Scalability

About the Company

CarTrade Tech Ltd. (CTL), incorporated 2000, is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. CTL offers a variety of solutions across automotive transaction value chain for marketing, buying, selling and financing of new and pre-owned cars, two-wheelers as well as pre-owned commercial vehicles and farm and construction equipment. Its platforms operate under several brands: CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz. Its platforms are operated by 221 technology employees working at their 3 technology centers as of June 30, 2021. CTL's brands, CarWale and BikeWale, ranked number one on relative online search popularity compared to their key competitors in FY21. The company has a large data set on vehicles in India. Notably, its websites and apps witnessed ~1.76mn and 2.15mn user sessions per day in 1QFY22 and 4QFY21, respectively. CTL generates revenue through commission and fees from auction and remarketing services of used vehicles, online advertising solutions on its platforms, lead generation, tech-based services and inspection/valuations services. Further, CTL has capable management team with significant industry experience. Mr. Vinay Vinod Sanghi (CMD & CEO) has over 30 years of experience in automobile industry.

Financials in Brief

CTLs' financial performance has not been encouraging over the last two years owing to disruptions caused by COVID-19. However, its EBITDA margin witnessed consistent improvement from 11.9% in FY19 to 15.7% in FY21. Further, CTL has recorded 15% CAGR in average Monthly Unique Visitors (including on apps) over FY19-FY21. Its asset light model and debt-free status offer comfort. Further, soft working capital cycle and improvement in margin have enabled the company to witness positive OCF and FCF over the years.

Our View: SUBSCRIBE

The IPO is valued at 73x of FY21 earnings and 27x of FY21 EV/sales, which appear to be reasonable considering first mover advantage for the company in this segment. Notably, vehicle penetration in India in terms of per thousand population was ~22 cars in 2019 compared to 750 in the USA and 207 in China. Thus, there is substantial headroom for the Indian auto industry to grow, which along with increasing digitalization in India should aid CTL to see sustainable growth, going forward. Additionally, asset light business model and sound scalability may essentially lead to generate healthy cash flow over the years. **Hence, we recommend SUBSCRIBE to the issue.**

IPO Details

Pice Band	Rs1,585-1,618
Face Value (Rs)	10
Issue Open/Closing Date	9th / 11th Aug'21
Fresh Issues (mn)	-
OFS (mn)	18.5
Total Issue (mn)	18.5
Minimum Bid Qty. (Nos)	9
Issue Size (Rs bn)	30.0
QIB / HNI / Retail	50% / 15% / 35%
Implied Market Cap (Rs bn)	74.2

Object of the Issue

- To achieve the benefits of listing

Key Risks

- Decline in individual car ownership
- Disruption or failure of technology platforms

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	0.0	0.0
Public	100.0	100.0

Key Financials

(Rs bn)	FY19	FY20	FY21
Revenue	2.4	3.0	2.5
EBITDA	0.3	0.4	0.4
EBITDA Margin (%)	11.9	13.2	15.7
PAT	0.3	0.3	1.0
PAT Margin (%)	10.7	10.5	40.5
EPS (Rs)	3.9	5.1	19.2
P/E (x)	285.2	237.7	73.4
EV/EBITDA (x)	245.1	181.2	172.1
EV/Sales (x)	29.3	23.9	27.1
Net Worth	12.3	12.6	16.8
RoE (%)	2.1	2.5	6.0
OCF	0.4	0.2	0.4
OCF Yield (%)	0.5	0.2	0.5
FCF	0.3	0.1	0.3
Gross Debt	0.0	0.0	0.0
Net Debt/Equity (x)	-0.2	-0.2	-0.4
Gross Block	0.7	0.7	0.8
Asset Turnover (x)	3.5	4.0	3.2
WCC (Days)	27	33	39
Avg. MUV (mn)	19	21	26

Source: RHP; Note: MUV- Monthly Unique Visitors including on apps.

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