

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

Price 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.

Senior Research Analyst:

Vikas Jain

Contact: (022) 42157022 / 9324611393

Email : vikas.i.jain@relianceada.com

Reliance Securities Limited (RSL), the broking arm of Reliance Capital is one of the India's leading retail broking houses. Reliance Capital is amongst India's leading and most valuable financial services companies in the private sector. Reliance Capital has interests in asset management and mutual funds, life and general insurance, commercial finance, equities and commodities broking, wealth management services, distribution of financial products, private equity, asset reconstruction, proprietary investments and other activities in financial services. The list of associates of RSL is available on the website www.reliancecapital.co.in. RSL is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014

General Disclaimers: This Research Report (hereinafter called 'Report') is prepared and distributed by RSL for information purposes only. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through RSL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security(ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by RSL to be reliable. RSL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of RSL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

Risks: Trading and investment in securities are subject to market risks. There are no assurances or guarantees that the objectives of any of trading / investment in securities will be achieved. The trades/ investments referred to herein may not be suitable to all categories of traders/investors. The names of securities mentioned herein do not in any manner indicate their prospects or returns. The value of securities referred to herein may be adversely affected by the performance or otherwise of the respective issuer companies, changes in the market conditions, micro and macro factors and forces affecting capital markets like interest rate risk, credit risk, liquidity risk and reinvestment risk. Derivative products may also be affected by various risks including but not limited to counter party risk, market risk, valuation risk, liquidity risk and other risks. Besides the price of the underlying asset, volatility, tenor and interest rates may affect the pricing of derivatives.

Disclaimers in respect of jurisdiction: The possession, circulation and/or distribution of this Report may be restricted or regulated in certain jurisdictions by appropriate laws. No action has been or will be taken by RSL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. RSL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to RSL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Disclosure of Interest: The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the securities and their respective issuers. None of RSL, research analysts, or their relatives had any known direct /indirect material conflict of interest including any long/short position(s) in any specific security on which views/opinions have been made in this Report, during its preparation. RSL's Associates may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report. RSL, its Associates, the research analysts, or their relatives might have financial interest in the issuer company(ies) of the said securities. RSL or its Associates may have received a compensation from the said issuer company(ies) in last 12 months for the brokerage or non brokerage services. RSL, its Associates, the research analysts or their relatives have not received any compensation or other benefits directly or indirectly from the said issuer company(ies) or any third party in last 12 months in any respect whatsoever for preparation of this report.

The research analysts has served as an officer, director or employee of the said issuer company(ies)?: No

RSL, its Associates, the research analysts or their relatives holds ownership of 1% or more, in respect of the said issuer company(ies)?: No

Copyright: The copyright in this Report belongs exclusively to RSL. This Report shall only be read by those persons to whom it has been delivered. No reprinting, reproduction, copying, distribution of this Report in any manner whatsoever, in whole or in part, is permitted without the prior express written consent of RSL.

RSL's activities were neither suspended nor have defaulted with any stock exchange with whom RSL is registered. Further, there does not exist any material adverse order/judgments/ strictures assessed by any regulatory, government or public authority or agency or any law enforcing agency in last three years. Further, there does not exist any material enquiry of whatsoever nature instituted or pending against RSL as on the date of this Report.

Important These disclaimers, risks and other disclosures must be read in conjunction with the information / opinions / views of which they form part of.

RSL CIN: U65990MH2005PLC154052. SEBI registration no. (Stock Broker: INZ000172433, Depository Participants: CDSL IN-DP-257-2016 IN-DP-NSDL-363-2013, Research Analyst: INH000002384); AMFI ARN No.29889.