

August, 06, 2021

CarTrade Tech Ltd

Cartrade Tech Limited (Cartrade) was incorporated on April 28, 2000. Cartrade is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. They offer a variety of solutions across the automotive transaction value chain for marketing, buying, selling and financing of new and pre-owned cars, two-wheelers as well as pre-owned commercial vehicles and farm and construction equipment. Their platforms operate under several brands: CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz. Their platforms are operated by 221 technology employees working at their 3 technology centers as of June 30, 2021. In the 3 months ended June 30, 2021, their consumer platforms, CarWale, CarTrade and BikeWale collectively had an average of 27.1 million unique visitors per month, with 88.14% being organic visitors.

Positives: (a) The Company is leading marketplace for auto sales (b) Cartrade has strong brands, better technology (c) Profitable and Scalable business model (d) Good financial track records (e) Experienced Board and senior management team.

Investment concerns: (a) Overall slowdown in the automobile industry could impact revenue growth of the company.

Outlook & Valuation: In terms of valuations, the post-issue FY2021 PE works out 73.4x to (at the upper end of the issue price band). There are no listed peers for comparison. However, the company is doing better compared to its unlisted peers in terms of financial. We believe the company has a strong brand, better technology platforms, a profitable & scalable business model. **Hence, we recommend a subscribe rating on the issue.**

Exhibit 1: Key Financials

Y/E March (Rs cr)	FY2019	FY2020	FY2021
Net Sales	243	298	250
% chg	-	22.6	(16.3)
Net Profit	26	31	101
% chg	-	17.1	1.3
OPM (%)	12.1	13.3	15.8
EPS (Rs)	5.7	6.8	22.1
P/E (x)	286.1	237.0	73.4
P/BV (x)	6.0	5.9	4.4
RoE (%)	2.1	2.5	6.0
RoCE (%)	1.1	1.7	1.1
EV/Sales (x)	29.4	23.9	27.2
EV/EBITDA (x)	242.0	180.2	172.8

Source: Company, Angel Research

Subscribe

Issue Open: Aug 09, 2021

Issue Close: Aug 11, 2021

Issue Details

Face Value: ₹ 10

Present Eq. Paid up Capital: ₹ 45.8cr

Offer for Sale: 1.85cr share

Fresh issue: NIL

Post Eq. Paid up Capital: ₹ 45.8cr

Issue size (amount): ₹ 2,999cr

Price Band: ₹ 1585-1618

Lot Size: 9 shares

Post-issue mkt.cap: ₹ 7,265*– 7,416cr**

Promoters holding Pre-Issue: 0%

Promoters holding Post-Issue: 0%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50%
Non-Institutional	15%
Retail	35%

Post Issue Shareholding Pattern

Promoters	0.0%
Public	100.0%

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Company background

Cartrade Tech Limited was incorporated on April 28, 2000. Cartrade is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. They offer a variety of solutions across the automotive transaction value chain for marketing, buying, selling and financing of new and pre-owned cars, two-wheelers as well as pre-owned commercial vehicles and farm and construction equipment.

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Their platforms are operated by 221 technology employees working at their 3 technology centers as of June 30, 2021. In the 3 months ended June 30, 2021, their consumer platforms, CarWale, CarTrade and BikeWale collectively had an average of 27.1 million unique visitors per month, with 88.14% being organic visitors.

Their brands, CarWale and BikeWale, ranked number one on relative online search popularity when compared to their key competitors over the period from April 2020 to March 2021. Company's marquee institutional shareholders include Highdell Investment Ltd (affiliate of Warburg Pincus LLC), and MacRitchie Investments Pte. Ltd. (an affiliate of Temasek), JP Morgan and March Capital.

Issue details

Cartrade is raising ₹ 2,999cr through offer for sale and Investors are selling equity share 1.85cr in the price band of ₹ 1,585-1,618.

Exhibit 1: Pre and post IPO shareholding pattern

	No of shares (Pre-issue)	%	No of shares (Post-issue)	%
Promoters	-	0.0%	-	0.0%
Public	45,834,067	100.0%	45,834,067	100.0%
Total	45,834,067	100.0%	45,834,067	100.0%

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

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

Exhibit 2: Consolidated Income Statement

Y/E March (` cr)	FY2019	FY2020	FY2021
Net Sales	243	298	250
% chg		22.6	(16.3)
Total Expenditure	214	259	210
Raw Material	0	17	1
Personnel	128	133	130
Others Expenses	86	108	79
EBITDA	30	40	39
% chg		34.3	(0.7)
(% of Net Sales)	12.1	13.3	15.8
Depreciation& Amortisation	15	17	20
Impairment of non financial asset	-	-	-
EBIT	14	22	19
% chg		55.7	(12.6)
(% of Net Sales)	5.9	7.5	7.8
Interest & other Charges	2	3	4
Other Income	24	20	32
(% of PBT)	66.4	51.8	67.8
Share in profit of Associates	-	-	-
Recurring PBT	35	39	47
% chg		9.8	20.7
Tax	10	8	(54)
(% of PBT)	26.9	19.6	(115.2)
PAT (reported)	26	31	101
Basic EPS (`)	5.7	6.8	22.1
% chg		20.7	223.0

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (` cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	38	38	42
Reserves& Surplus	1,193	1,224	1,638
Shareholders Funds	1,231	1,262	1,681
Total Loans	34	42	55
Deferred Tax Liability	10	8	6
Total Liabilities	1,330	1,383	1,823
APPLICATION OF FUNDS			
Net Block	1,010	1,016	1,023
Capital Work-in-Progress	-	0	0
Investments	287	295	645
Current Assets	127	157	196
Inventories	1	0	2
Sundry Debtors	36	47	47
Cash	22	22	24
Loans & Advances	26	38	49
Other Assets	42	51	74
Current liabilities	97	88	107
Net Current Assets	30	69	89
Deferred Tax Asset	3	3	65
Total Assets	1,330	1,383	1,823

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Profit before tax	35	39	47
Depreciation	15	17	20
Change in Working Capital	7	(30)	(5)
Interest / Dividend (Net)	(0)	(0)	(2)
Direct taxes paid	(17)	(9)	(10)
Others	(6)	1	(14)
Cash Flow from Operations	35	17	35
(Inc.)/ Dec. in Fixed Assets	(24)	4	(336)
(Inc.)/ Dec. in Investments	3	(12)	(5)
Cash Flow from Investing	(20)	(8)	(341)
Issue of Equity	0	0	322
Inc./(Dec.) in loans	(3)	(8)	(9)
Dividend Paid (Incl. Tax)	0	0	0
Interest / Dividend (Net)	(2)	(3)	(4)
Cash Flow from Financing	(5)	(11)	308
Inc./(Dec.) in Cash	9	(2)	2
Opening Cash balances	12	22	20
Closing Cash balances	22	20	22

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	286.1	237.0	73.4
P/CEPS	180.3	152.4	61.3
P/BV	6.0	5.9	4.4
EV/Sales	29.4	23.9	27.2
EV/EBITDA	242.0	180.2	172.8
EV / Total Assets	5.4	5.2	3.7
Per Share Data (₹)			
EPS (Basic)	5.7	6.8	22.1
EPS (fully diluted)	5.7	6.8	22.1
Cash EPS	9.0	10.6	26.4
Book Value	268.7	275.4	366.7
Returns (%)			
ROCE	1.1	1.7	1.1
Angel ROIC (Pre-tax)	1.5	2.3	1.8
ROE	2.1	2.5	6.0
Turnover ratios (x)			
Asset Turnover (Net Block)	0.2	0.3	0.2
Inventory / Sales (days)	1	0	2
Receivables (days)	54	57	69
Payables (days)	136	98	145
Working capital cycle (ex-cash) (days)	(80)	(41)	(73)

Source: Company, Angel Research

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