



IPO Note – Cartrade Tech Limited

08-August-2021

Issue Snapshot:

Issue Open: Aug 09 – Aug 11 2021

Price Band: Rs. 1585 – 1618

*Issue Size: 18,532,216 eq shares
(Entirely Offer for sale)

Issue Size: Rs.2937.4 – 2998.5 cr

Reservation for:

QIB	atleast	50% eq sh
Non Institutional	atleast	15% eq sh
Retail	Upto	35% eq sh

Face Value: Rs 10

Book value: Rs 406.52(Mar 31, 2021)

Bid size: - 9 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 45.83 cr
Post issue Equity:	Rs. 45.83 cr

Listing: BSE & NSE

Book Running Lead Managers: Axis Capital Ltd, Citigroup Global Markets India Private Ltd, Kotak Mahindra Capital Company Ltd, Nomura Financial Advisory and Securities (India) Private Ltd

Registrar to issue: Link Intime India Private Ltd

Shareholding Pattern

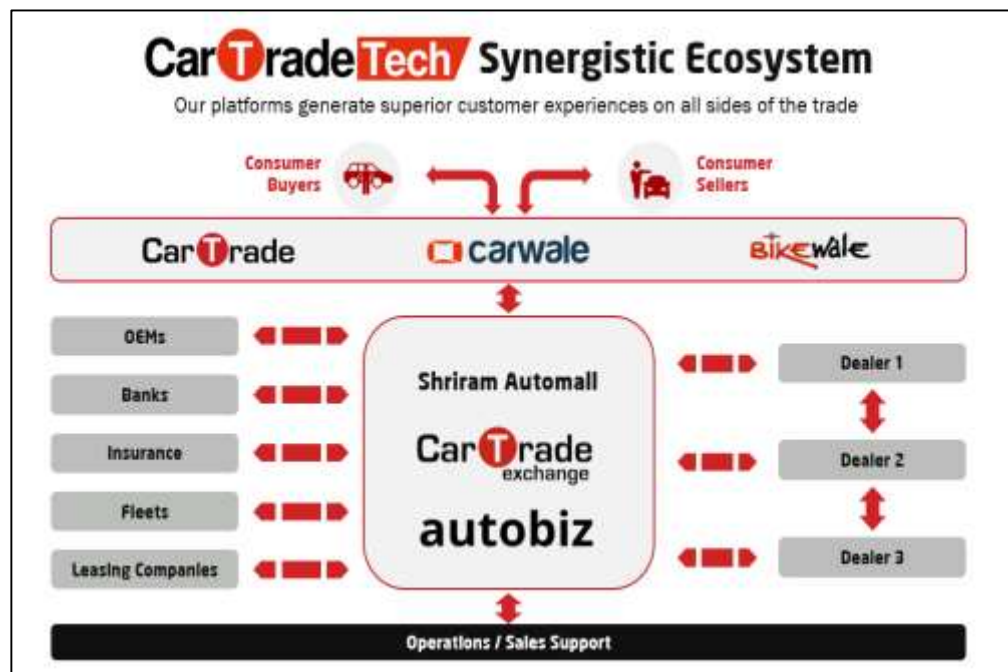
Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	0.0	0.0
Public	100.0	100.0
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

Cartrade Tech Ltd (CTL) platforms, CarWale and BikeWale are ranked number one on relative online search popularity when compared to its key competitors over the period from April 2020 to March 2021, while Shriram Automall is one of the leading used vehicle auction platforms based on number of vehicles listed for auction for the financial year 2020. Among its key competitors, CTL was the only profitable automotive digital platform for the financial year 2020. It is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. Its platforms operate under several brands: CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz. Through these platforms, it enables new and used automobile customers, vehicle dealerships, vehicle OEMs and other businesses to buy and sell its vehicles in a simple and efficient manner. Its vision is to create an automotive digital ecosystem which connects automobile customers, OEMs, dealers, banks, insurance companies and other stakeholders.

In the three months ended June 30, 2021, CTL's consumer platforms, CarWale, CarTrade and BikeWale collectively had an average of 27.11 million unique visitors per month, with 88.14% being organic visitors (i.e., as a result of unpaid searches). Its 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. The strength of its brands and its association with trust, quality and reliability are key attributes in its business, which increase consumer confidence and influence consumption behaviour. It endeavours to deliver a superior consumer experience, which is reflected by an average time per visit of 3 minutes and 7 seconds during the three months ended June 30, 2021 on the CarWale website. It is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. It offers 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. The diversity and number of users across all its platforms provides value to its buyers and sellers and creates a network effect in its businesses. A snapshot of the ecosystem and network effects created by its key offerings is illustrated below:



CTL has an advanced and sophisticated technology platform. Its data-driven digital platforms operate on an integrated technology infrastructure which is powered by its self-collected data and analytics. It leverages data to increase the effectiveness of its brands, enhance the customer experience, analyse market dynamics at scale, calibrate the search results on its platforms and optimise the inventory management by dealers and OEMs. Its platforms are operated by 221 technology employees working at its three technology centers as of June 30, 2021. Its technology platforms are both scalable and vertically integrated across the entire value chain, which allows to address each step of the vehicle life cycle.

CTL has a large data set on vehicles in India. Its websites and apps handled approximately 1.76 million and 2.15 million user sessions per day for the three months ended June 30, 2021 and March 31, 2021, respectively, and directly deliver the relevant data into its systems. Leveraging its market-leading position and growing audience, it also provides valuable inputs to automotive dealers and manufacturers as they develop its digital marketing strategies through consumer insights and innovative products, helping them reach customers more effectively and increasing the value of its offerings to such dealers and manufacturers. It generates revenues from several business streams primarily comprising:

- commission and fees from auction and remarketing services of used vehicles for retail customers, banks and other financial institutions, insurance companies, OEMs, leasing companies, and fleet and individual operators, in the amount of Rs. 1,424.95 million for the financial year 2021;
- online advertising solutions on CarWale, CarTrade and BikeWale for OEMs, dealers, banks and other financial institutions;
- lead generation for OEMs, dealers, banks and other financial institutions and insurance companies;
- technology-based services to OEMs, dealers, banks and other financial institutions and insurance companies;
- inspection and valuation services for banks and other financial institutions, insurance companies and OEMs, in the amount of Rs. 176.92 million for the financial year 2021.

The table below shows key operational metrics for businesses:

Particulars	As of and for the							
	Three months ended	Financial year ended	Three months ended				Financial year ended	
	June 30, 2021	March 31, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	March 31, 2019
Average Monthly Unique Visitors, including on apps ⁽¹⁾ (in millions)	27.11	25.66	31.99	29.96	25.32	15.35	20.51	19.27
Average Monthly Unique Organic Visitors ⁽²⁾ (in millions)	24.85	23.42	29.26	27.28	22.99	14.14	14.54	13.04
Number of Vehicles Listed for Auction ⁽³⁾	212,552	814,316	258,504	213,090	173,809	168,913	809,428	709,190
Percentage of Organic Unique Visitors ⁽⁴⁾	88.14%	88.44%	87.00%	87.00%	88.92%	93.85%	66.65%	64.67%
Number of Vehicles Sold by Auctions ⁽⁵⁾	30,133	156,689	62,994	45,370	31,131	17,194	197,986	199,529

Objects of Issue:

The objects of the Offer are to (i) to carry out the Offer for Sale; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges. CTL will not receive any proceeds from the Offer and all such proceeds will go to the Selling Shareholders. Further, it expects that listing of the Equity Shares will enhance its visibility and brand image and provide liquidity to its Shareholders and will also provide a public market for the Equity Shares in India.

Competitive Strengths

Leading Marketplace for Automotive Sales with a Synergistic Ecosystem: CTL platforms, CarWale and BikeWale, ranked number one on relative online search popularity when compared to its key competitors over the period from April 2020 to March 2021, while Shriram Automall is one of the leading used vehicle auction platforms based on number of vehicles listed for auction for the financial year 2020. Among its key competitors, CTL was the only profitable automotive digital platform for the financial year 2020. It is a multi-channel auto platform with coverage and presence across vehicle types and value-added services. Its custom-built platforms provide an intuitive vehicle buying and selling experience. It offers a variety of solutions across the automotive transaction value chain from discovery and research tools, pricing and auto financing information to connecting consumers with dealers and OEMs for both used and new vehicle purchases. It also provides vehicle buyers with dynamic, personalized and real-time financing offers from multiple finance providers digitally through its finance platforms. Its end-to-end model allows to offer a superior solution and experience to all stakeholders while reducing its cost of operations and enhancing ability to offer complementary products and services and derive multiple revenue streams from a single customer.

CTL also provide other related services such as vehicle inspection and valuation through Adroit Auto as well as ERP and CRM tools through AutoBiz for its stakeholders. Its combination of online and offline auctions as well as related services is synergistic and drives customer traffic, creates competition among its network of professional dealers and helps ensure that it can achieve the best price for users. Additionally, data collected from offline and online transactions can be used for the benefit of sellers on CarWale, CarTrade, CarTrade Exchange and Shriram Automall, who can get insights into vehicle pricing and leverage price and supply differences across India.

Brands and Customer Experience Driving Powerful Network Effects: CTL's brands, CarWale, CarTrade, Shriram Automall, BikeWale, CarTrade Exchange, Adroit Auto and AutoBiz, are trusted brands for automotive buyers and sellers, and enjoy a strong brand affinity. Its

brands, CarWale and BikeWale, ranked number one on relative online search popularity when compared to its key competitors over the period from April 2020 to March 2021. The strength of its brands and its association with trust, quality and reliability is a key attribute in business, which increases consumer confidence and influences their consumption behaviour. The Company is able to offer a superior experience to all stakeholders through large inventory selection, trust and unbiased transparency and intuitive search results. Its recognizable brands and the quality and reliability of its user experience and interface has led to a consistent growth in consumer traffic across its platforms. Monthly average number of unique visitors was 27.11 million, 25.66 million, 20.51 million and 19.27 million in the three months ended June 30, 2021 and the financial years 2021, 2020 and 2019, respectively, and it had 212,552, 814,316, 809,428 and 709,190 listings on its online and offline auction platforms for the same periods. The network effects of this brands-based growth are significant and create a positive feedback loop. Its strong recognizable brands have also allowed to develop new offerings such as price tools, financing solutions and trade-in solutions.

Proprietary End-to-End Technology Platforms: The end-to-end technology platforms largely developed by CTL's in-house team allow to offer a seamless solution to the customers. It has a team of 221 technology employees located at three technology centers as of June 30, 2021. Its agile and flexible technology is capable of supporting new offerings and scale. It also uses machine learning and artificial intelligence ("AI") to advance its proprietary pricing, marketing and inventory technology for customers to enhance experience and to keep systems up to date with technological advancements. Its focus on leveraging proprietary technology platforms and analytics and data frameworks to guide consumers on its vehicle search, enable better price discovery and provide efficient inventory management for used car dealers and institutional sellers. Due to CTL's deep understanding and technology penetration in each of the businesses it run, it offers a suite of products which can be deployed or sold to third parties such as automotive dealers, OEMs, financial institutions or fleet owners

Focus on Data Science to Provide Superior Solutions: CTL analyze vehicle sales that happen through auctions, as well as vehicles offered for sale by dealers on CarWale, CarTrade and BikeWale using data science and proprietary algorithms based on a number of factors, including vehicle-specific information on automotive transactions, vehicle registration records, consumer buying patterns and behaviour, demographic information, and macroeconomic data. Its websites and apps handled approximately 1.76 million and 2.15 million user sessions per day for the three months ended June 30, 2021 and March 31, 2021, respectively, and directly deliver the relevant data into its systems. As a result, it has a large data set on vehicles in India.

The Company's statisticians and data scientists has developed complex and proprietary algorithms to leverage this data to provide pricing tools, product reviews and market insights as well as reports to consumers, dealers, financial institutions and OEMs through its web and mobile user interfaces in an engaging and easy to understand way. CTL also rely on insights from its quantitative data analysis to maximize operational metrics. Its data analytics-driven decision making provides with a key competitive advantage in designing offerings which can be deployed to third parties such as dealers, OEMs, fleet owners, financial institutions and other stakeholders. Its optimal usage of data also results in superior products and services for its customers, increased business efficiencies for it and its customers and thus increased profitability for the Company.

Profitable and Scalable Business Model: CTL became profitable in financial year 2019, with a restated profit for the year of Rs. 259.17 million in the financial year 2019. It was the only profitable automotive digital platform for financial year 2020 among its key competitors in India. It operates on an asset-light business model, operating only 114 automalls, a large majority of which it leases or rent from third parties. It has invested significantly in building technology platforms that can manage considerably increased offerings without requiring sizable additional investments, and its growing scale has resulted in a decrease of the share of fixed costs. Together with the strong brands, longstanding relationships with customers, dealers and other stakeholders, and an expanding suite of offerings, CTL has created a profitable and scalable business model. Its operating expenses have grown at a lower rate than its revenues, as it is able to leverage its operations, sales and marketing and technology over a broader revenue base. Its investments in technology has made its platforms scalable in a highly capital-efficient manner, and its asset-light business model has also allowed to use cash on its balance sheet for acquisitions which has formed important parts of its strategy in the past.

Founder-led Management Team: CTL has a capable management team with significant industry experience. It is led by its Chairman, Managing Director and CEO, Vinay Vinod Sanghi, who has over 30 years of experience in the automobile industry. Under his leadership, the Company acquired Automotive Exchange Private Limited (CarWale and BikeWale) in 2015 and 55.43% of the outstanding equity interest in Shriram Automall India Limited (SAMIL) in 2018 and successfully integrated these businesses. Its key managerial personnel have been with it for nine years on average. Its leadership team enables it to successfully create, build and grow new businesses as well to create value through inorganic growth. It has created a distinct entrepreneurial structure within organization, with each of its business lines being managed as an independent profit centre. It is also backed by several marquee institutional shareholders, such as Highdell Investment Ltd (affiliate of Warburg Pincus LLC), Temasek, JP Morgan and March Capital through its affiliates MacRitchie Investments Pte. Ltd., CMDDB II and Springfield Venture International, respectively.

Business Strategy:

Well Positioned to Benefit from Growth of the Automotive Sector and Digitalization: India was the fifth largest car market in the world in calendar year 2020 and is expected to become the third largest automotive market in the world in terms of volume by 2025. The vehicle

penetration in India was approximately 22 cars per thousand populations in 2019, which is one of the lowest ratios in the world. In comparison, the same ratio for the United States and Germany is 750 and 562, respectively, per thousand populations. Thus, there is substantial headroom for the Indian auto industry to grow. In addition to the growth in the automotive market, which will benefit CTL greatly, it also expects a further increase in digitalization of the automotive sector. More than 90% of customers in India use online channels for research before buying a new or used car, with online platforms being rated higher than offline platforms in terms of quality and trust.

The automotive sector has been amongst the three largest contributing sectors to the digital advertising market in India, in terms of amount spent. Digital marketing spend by OEMs is expected to increase in line with the growth of the digital advertising market in India, which has been growing at a CAGR of approximately 20% from financial year 2018 to 2020. CTL expects that its advertisement income will increase with the expected increased spending by OEMs on digital advertising due to its market leadership and brand strength. Further, the number of used car dealers in India subscribing to paid services on online automotive portals is expected to increase from approximately 4,000 dealers in financial year 2020 to between 8,000 to 11,000 dealers in financial year 2025. Increased dealer spending on online services will greatly favour the strongest brands and platforms and that, based on its brand strength, which is evidenced by the number one rank of its brands, CarWale and BikeWale, in terms of relative online search popularity compared to its key competitors over the period from April 2020 to March 2021, CTL will benefit from the shift to digital by OEMs and dealers.

Grow Business through Digital Ecosystem, Online-Offline Presence and Vehicle-Agnostic Approach: Leveraging leading brands, CTL provide services across different vehicle categories, including new and used cars, new and used two-wheelers and used commercial vehicles and farm equipment. Its multi-vehicle approach increases its efficiencies and profitability as its services and technology can be leveraged and applied across vehicle categories. In addition, because banks, insurance companies, vehicle accessory companies and its other business partners work across multiple vehicle categories, CTL can be an efficient and effective partner for such companies as it can work with them in its transactions spanning multiple vehicle categories. Through various business operations CTL work with several stakeholders in the vehicle ecosystem. It works with automobile consumers, dealers, insurance companies, financiers and leasing companies through its technology platforms. With its relationships and integration with its stakeholders and large customer base, it can create and build products and services for its customers quickly and efficiently, giving it opportunities to grow its business with these partners. In addition to its online presence, CTL has created a physical presence through Shriram Automall and the CarWale franchisee network comprising a select number of used car dealers who carry the CarWale brand and who are required to adhere to certain standard operating processes so that customers can buy used cars with confidence. This online and offline Pan-India presence will enable to efficiently grow its products and services and cater to its customer needs across touch points.

Create an Opportunity to Monetize Value-Added Services and Untapped Opportunities Through Strong Customer Base and Technology Platform: CTL use its technology to not only facilitate sales of new and used vehicles, but to also build scalable proprietary technology solutions. The complexity of a vehicle purchase transaction provides substantial opportunity for technology investment and that its leadership and continued growth will enable to further distinguish its offerings. Its technologically advanced online experience for consumers attracts a large and quality customer base which is of great value to its dealers and OEM partners. Its unique visitor traffic on its platforms CarWale, CarTrade and BikeWale, as well as its dealer base and its ecosystem approach of connecting OEMs, banks and other stakeholders, provides an opportunity to grow other business lines with relatively low entry and customer acquisition costs and could enable it to create an end-to-end marketplace that would provide a comprehensive set of offerings for automotive customers.

CTL intends to increase monetization opportunities by introducing complementary, value-added products and services to improve the experience of buying, selling and owning vehicles. It also plans to provide vehicle servicing, automobile accessories and automobile insurance by engaging with product and service providers who will provide these to consumers on its websites. Further, it offers software and technology service to automotive clients domestically and plans to grow that business internationally and invest in new trends such as connected vehicles, electric vehicles, ridesharing and vehicle subscription services. Finally, subject to regulatory approvals, CTL may consider diversifying into the business of financing the purchase of vehicles on its platforms.

Invest Further in Technology: CTL plans to continue to invest in improving its technology such as AI and machine learning capabilities in order to provide more relevant and timely information to its customers, and enhance user experience. In addition, it will continue to build advance technology to digitalize offline elements of the customer's vehicle buying journey to the extent practicable. CTL will continue to engage with dealers, OEMs and other stakeholders such as financial institutions and insurance companies so they can seamlessly offer more of its own services digitally on its platforms. It is also building technologies for MG Motor so it can digitally offer a platform for retail finance solutions for new car buyers and additionally support sales and operational processes related to its used car business. Its price tools available across its platforms leverage data science and AI and helps customers make informed buying and selling decisions.

Supplement Organic Growth with Selective Acquisitions: CTL is well-positioned to pursue value-enhancing investments and acquisitions. Given its track record of successful consolidations, it is well positioned to take advantage of the expected consolidation and shift towards organized providers in the industry. It will be both opportunistic and disciplined in its acquisition strategy. Being an established business, CTL expect that its strengths in market reach and efficient advertising solutions, coupled with proven track record for developing innovative

and complementary products and services, will help drive innovative approaches to revenue generation, efficiency gains in acquired businesses and synergy benefits across its entire business. Through expertise and demonstrated track record of identifying appropriate targets, successfully integrating them and helping them grow, CTL is well positioned to create synergies and drive growth of its business through inorganic route.

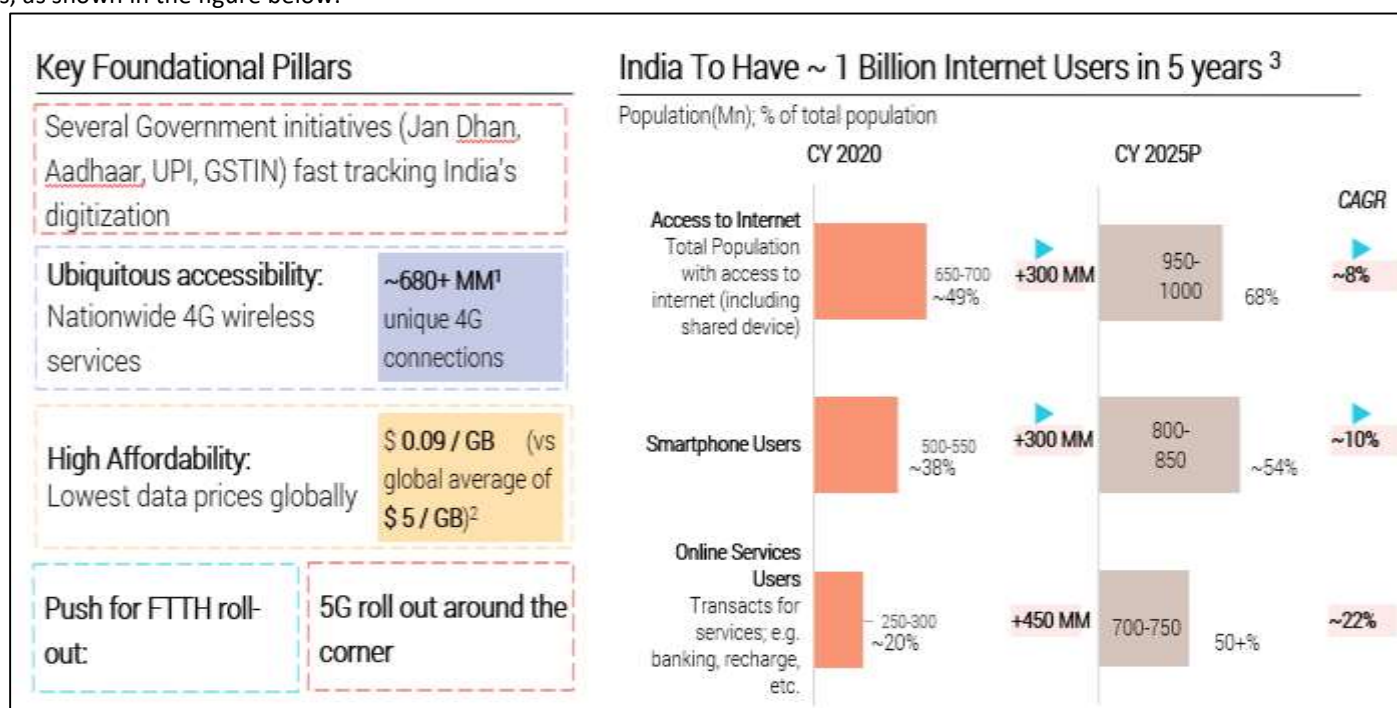
Industry

India's Digital and E-commerce Trends

Internet and smartphone penetration in India has nearly doubled from 2015 to 2020, and is expected to increase further in the future. Since 2000, many Indians have skipped the traditional fixed line phones and embraced mobile phones. 90% of all phone connections were fixed-line in the calendar year 2000. Today, 90% of all phone connections are mobile, according to analysis by the Telecom Regulatory Authority of India. Internet adoption has picked up gradually, as data rates in India have declined. In 2016, with the launch of Reliance Jio, data prices became affordable at approximately US\$0.09 per GB or the so-called "Jio effect", and India's internet adoption increased significantly from 317 million internet users in the calendar year 2015 to approximately 690 million users in the calendar year 2020.

At the same time, there has been significant growth in adoption of smartphones, driven by availability of low-cost alternatives from local and global brands. Easy availability of smartphones, ease of consuming content on them, cheap data and high speed 4G connections have enabled Indians to embrace digital apps.

Indian internet users consumed an average of approximately 15 GB of data monthly in calendar year 2020, compared to approximately 11 GB in China. In the calendar year 2019, Indians downloaded more than 19 billion mobile apps based on an AppAnnie report, which translates to approximately 42 apps per smartphone user, representing an increase of 195% in apps downloaded compared to 2016 (while the same for US and China was 5% and 80%, respectively). These underscore the fact that India has witnessed very high rate of digital adoption. By calendar year 2025, India is expected to have between 950 to 1,000 million internet users and 800 to 850 million smartphone users, as shown in the figure below:



There is significant headroom for growth, with interest from large corporates to democratize data as a means to provide services and impetus provided by the GoI for digital inclusion and for more people to use the Internet and its services. Schemes of the GoI such as BharatNet, Bharatmala, Startup India, Standup India, 'Make in India', Sagarmala, industrial corridors, UDANRCS, dedicated freight corridors, and E-Kranti are interconnected with the Digital India initiative, all of which show the GoI's push towards a digital and cashless economy. India Stack, which is the backbone of Digital India, is a complete set of application programming interfaces ("APIs") for developers, and includes the Aadhaar for Authentication, e-KYC documents (a safe deposit locker for the issue, storage and use of documents), e-Sign (a digital signature acceptable under the law), unified payment interface (UPI) for financial transactions, and privacy-protected data sharing within the API stack. The API stack allows the building of an entire digital world around a uniquely identifiable individual.

Automotive Sector in India

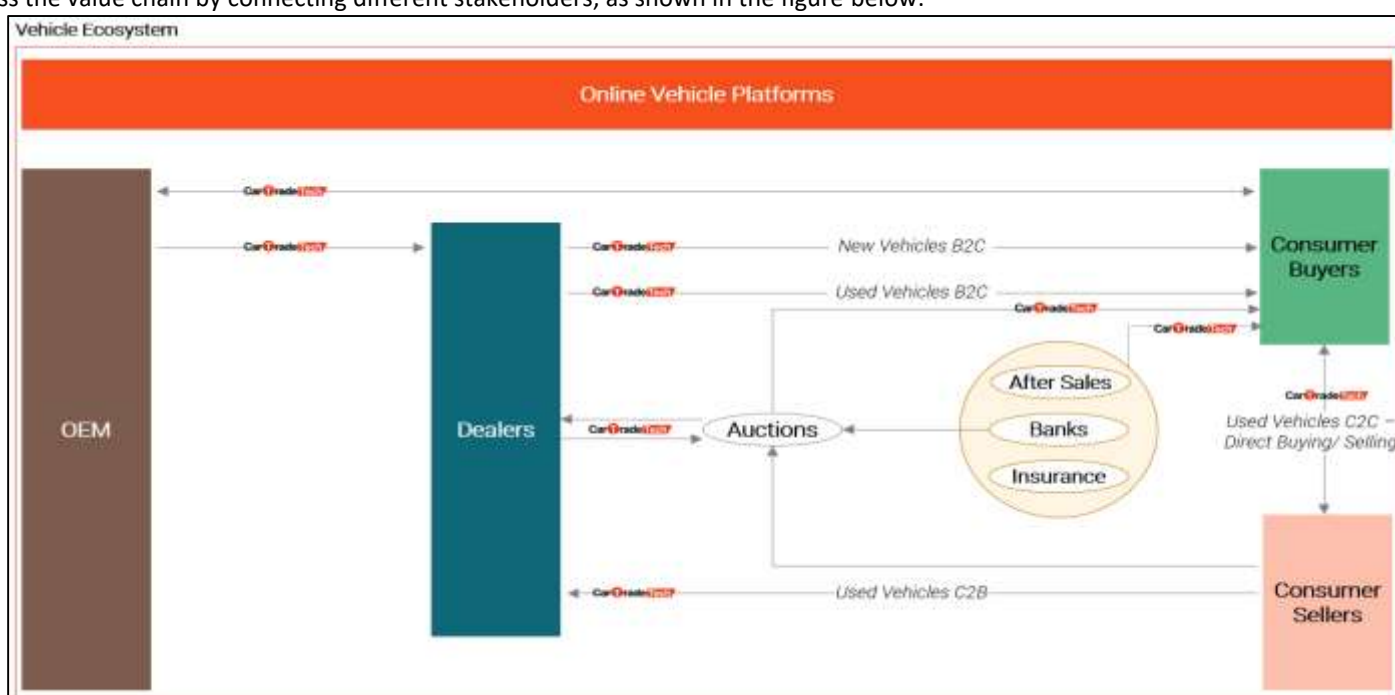
India became the fifth largest car market in the calendar year 2020. Domestically, the two-wheeler segment dominates the market in terms of volume, owing to a growing middle class and a young population. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector.

Growth Drivers for the Automotive Sector

- Robust Demand: Rise in middle class income and young population;
- Rising Investment: High inflows of foreign direct investment ("FDI");
- Policy support: Reforms such as GST, policies such as 'Make in India', FAME (faster adoption and manufacturing of hybrid and electric vehicles) and Production-Linked Incentive ("PLI") schemes; and
- Opportunities: Electric vehicles and increased reliance on self-owned vehicles.

Role of Online Platforms

The entire automotive ecosystem is highly fragmented, complex and riddled with challenges. Vehicles reach end buyers through several channels and after going through multiple intermediaries and exchanges. The multiplicity of transactions creates potential inefficiencies that negatively affect the overall system. Online platforms are present across new and used vehicles. Online platforms are present across new and used vehicles and are helping to streamline this ecosystem. CarTrade Tech Limited ("CarTrade Tech") plays an important role across the value chain by connecting different stakeholders, as shown in the figure below:



Growth drivers for automotive portals

Digital journey transformation of customers: The entire vehicle buying journey is undergoing digital transformation, from pre-purchase browsing and researching, to pricing comparison, dealer discovery, financing options, value-added services discovery and purchase. Similarly, the customer's process of selling their vehicles is also increasingly getting digitized, from online price discovery to identification of potential buyers and dealers, auctioning processes, payments and post-sale processes.

Digital transformation of dealers' journey: Dealers have also realized the value of online platforms and have started using them for services such as listings, sourcing vehicles, leads generation, pricing comparisons, transactions, auctions and value-added services such as inspections.

Digital media spend: Overall online media spend is increasing for automobile OEMs as well as for dealers. Automotive portals are well-positioned to tap this growing market by being present across various sources such as videos, search engines, websites and review sites.

Auto finance: There is a need to fill the gap in financing of vehicles, especially of used vehicles where interest rates are more attractive, while penetration for auto finance is still low at only 17%.

Auctions / remarketing: Auctions and remarketing services that cover C2B/ B2B transactions form an important offering that enables sourcing and selling of used vehicles.

Strong growth of the automotive market in India: After a significant downturn in the automobile sector over the last two years, it is expected a sharp recovery in the number of new cars sold with a CAGR of around 10% until financial year 2026.

New Vehicles

India is expected to become the world's third largest automotive market by 2025 in terms of volume, driven by key factors such as digitization, changing consumer behavior and innovative services. The automotive industry in India is a significant driver of macroeconomic growth and technological development, representing 7.1% of India's GDP in financial year 2020. The automotive sector is expected to have held a similar share of exports in financial year 2021, given that both automobile production units and nominal GDP are estimated to have fallen by approximately 7% to 9% year-on-year.

Major growth drivers

Growing Demand: The rise in middle class income and the increase in the young population in India are expected to lead to strong growth. India was the fourth largest automotive market in the world in financial year 2020 and, due to the COVID-19 pandemic, there has been a strong pull towards using personal vehicles as compared to public transport or shared mobility.

Government Initiatives:

PLI Scheme: To enhance India's manufacturing capabilities in the automobile and automotive component sectors and exports under Atma Nirbhar Bharat, the GoI has announced an outlay of Rs. 750.00 billion for automobiles and components (including batteries) under the new PLI scheme. Because automobiles account for more than 40% of India's manufacturing GDP, the PLI scheme aims to accelerate domestic manufacturing. The PLI scheme may be the catalyst required to boost OEM exports

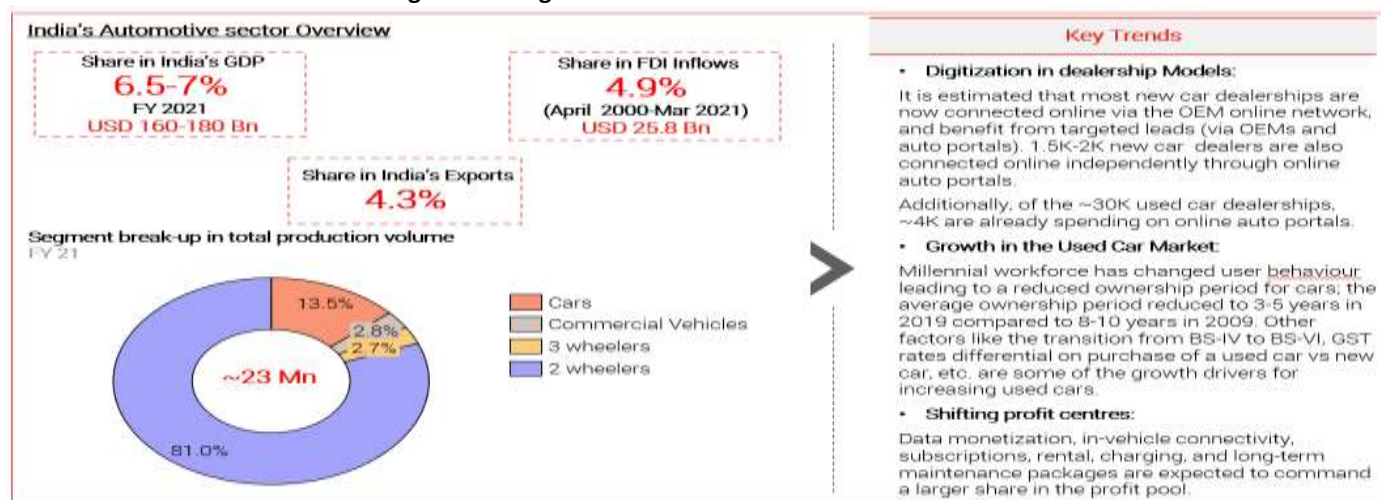
FAME India Scheme Phase II: The FAME India Scheme II is proposed to be implemented over three years from April 1, 2019, to promote faster adoption of electric mobility and the growth of electric and hybrid technology. In February 2019, the GoI approved the FAME-II scheme with a fund requirement of US\$ 1.39 billion for financial years 2020 to 2022. The Government of India recently extended this scheme for another two years until March 31, 2024.

National Automotive Testing and R&D Infrastructure Project ("NATRIP"): To enable the automotive industry to adopt and implement global performance standards and to develop India as a global manufacturing centre and a Research and Development ("R&D") hub, the GoI established NATRIP at a total cost of US\$ 573 million. The main focus is to provide low-cost manufacturing and product development solutions.

New scrappage policy: To encourage owners to scrap vehicles older than 15 years and purchase new ones, the GoI offers financial or tax-based benefits to consumers purchasing new vehicles. The policy is aimed at creating demand stimulus in the automotive sector. Purchasers of new vehicles who are scrapping their old vehicles in the same vehicle category are exempt from paying fees for a registration certificate and assignment of a new registration mark for their new vehicles.

Investment Opportunities: Under the automatic route, FDI of up to 100% is allowed along with full delicensing. There is a huge demand for low-cost electric vehicles suitable for safe short-distance urban commutes (averaging 50 to 100 km per trip) and that are rugged enough to perform reliably through India's summer and monsoon seasons. Private players such as Hyundai, Suzuki and General Motors are interested in setting up an R&D base in India, while foreign manufacturers are keen to set up facilities due to the presence of a large pool of skilled and semi-skilled workers and a strong educational system in India.

The figure below gives an overview of India's automotive sector:



In the third and fourth quarters of financial year 2021, the Indian automotive industry witnessed a V-shaped recovery, quite different from previous recoveries which were spread over a period of two to three years. Personal mobility demand weakened during the first few months of the COVID-19 pandemic, then rebounded quickly after the “unlock” phases, as consumers preferred self-owned vehicles to ensure social distancing and reduce dependence on a weak public transport system. In addition, restrictions on travel and the downward trend in other discretionary spends have caused a shift towards spending on vehicle ownership. The general trend was for consumers to browse vehicles online and then visit brick-and-mortar dealerships to make the final purchase. According to a Google report entitled “Auto Gear Shift India 2020: Purchase Journey of a Four-Wheeler Buyer in India” (“Auto Gear Shift India 2020”), 92% of new and used car buyers and 86% of used car sellers rely on online channels during their buying and selling journey. Vehicle sales slowed in April 2021 after the onset of the second wave of COVID-19 in the first quarter of the financial year 2022, although production lines were not affected significantly as in the previous year, and the automotive industry is expected to recover quickly on account of booking enquiries and trends observed by industry experts.

The automotive industry can be categorized into sub-sectors such as passenger vehicles (cars), commercial vehicles, three wheelers and two-wheelers. Two-wheelers occupy the dominant position, constituting about 80% of the market by volume due to a growing middle class and a young population, while cars comprise 13% of the market share by volume. Moreover, the growing interest of companies in exploring rural markets further aided the growth of the automotive industry. The impact of COVID-19 has been less in rural markets compared to urban markets, while expansion in the distribution network and increasing finance penetration make this market attractive for the next wave of growth.

Passenger cars

The car market in India was the fifth largest car market in the world in calendar year 2020 and is expected to grow at a CAGR of approximately 10% from financial year 2021 to financial year 2026. Between financial years 2016 to 2019, the Indian car market was one of the fastest-growing markets in the world, growing at a CAGR of 7%, although its growth was adversely affected in financial year 2020 due to factors such as the economic slowdown, inventory adjustment due to the need to comply with Bharat Emission Stage -VI norms (“BS-VI”) and change in insurance regulations.

India is well-positioned among other developed markets, with 2.7 million passenger car registrations in financial year 2021. India’s motorization rate, one of the lowest in the world, is expected to increase, aided by favorable demographics, a rising middle class, an aspiring, young millennial population and access to car financing. India has a fast-growing middle class which is expected to constitute approximately 45% of total households by calendar year 2025, growing from approximately 30% in 2005. Such growing shift from India’s lower class to middle class will improve the car penetration, which is currently among the lowest in the world, with India having 22 cars per thousand populations in 2019. In terms of value, the size of the new car market size was approximately US\$ 50 billion in financial year 2021 and is expected to grow at a CAGR of 12% to reach approximately US\$ 90 billion by financial year 2026, driven by new product launches, quick economic recovery and the expected economic upside due to the roll-out of COVID-19 vaccines. India is mostly a small car market. As shown in the figure below, mini and compact cars comprise approximately 60% of the total volume sold, and the cost of small cars is within the budget of first time buyers.

Two-wheelers

The two-wheeler market in India is expected to grow at a CAGR of approximately 8% to reach around 23 million units in financial year 2026, driven by increased demand in urban and semi-urban areas and the relatively low cost of ownership of two wheelers, which makes them the preferred alternative to public transport and four-wheelers.

India is the world's largest two-wheeler and three-wheeler manufacturer as of calendar year 2020. The motorcycle segment comprises two-thirds of sales volume (in terms of units), followed by scooters and mopeds, with the market share of the scooter segment declining slightly over the past year. The two-wheeler market has witnessed significant growth at a CAGR of approximately 7% over the last decade. First-time buyers in rural areas have been the biggest drivers of growth in the two-wheeler segment. Due to increased demand for entry level two-wheelers, ramping up supply became a concern for manufacturers. In the premium two-wheeler segment, competition among manufacturers increased as mass motorcycle manufacturers made plans to enter such segment. In the urban markets, which continue to be severely impacted by repeated waves of COVID-19, a preference towards personal mobility could increase demand for two-wheelers in the near-term.

Used Vehicles

Used cars

The used car market in India is relatively smaller than those of other developed countries. In India, the parc turn rate, which is the total number of used cars sold divided by the total volume of cars, is approximately 16%, indicating significant headroom for used car sales. The figure below shows the ratio of used to new cars sold and the parc turn rate in India compared to that of other countries: Trends such as decreasing replacement cycles and increasing preference of first-time buyers for used cars due to, among other reasons, a desire to limit use of public transport because of COVID-19, are expected to fuel the growth of the used car market in India. The used car market in India

is expected to grow at a CAGR of at least 11% in the next five years, from its current size of approximately 4.4 million cars in financial year 2020 to approximately 8.3 million cars in financial year 2026.

Entry-level cars account for approximately 50% of the used car market in India in terms of volume. A majority of used car buyers are first-time car buyers who prefer entry-level models due to the low cost of ownership. The average age and price of used cars sold in the market is approximately four years and less than US\$ 5,000 per unit, respectively. Approximately 30% of used cars sold in financial year 2020 were less than three years old and approximately 85% of the used car sellers were first owners of the car.

The used car market is highly fragmented in India and comprises a mix of individual dealers or brokers who have no physical place of business, and institutional dealers, or those that operate out of a physical place of business, comprising unorganized dealers and branded showrooms. Approximately 90% of dealers are unorganized. In financial year 2020, there were 8.5 million transactions involving used cars, including exchanges among sellers and dealers for sale to the end buyer (consumer).

Used two-wheelers

The used two-wheeler market in India is expected to increase, in terms of units sold, at a CAGR of approximately 8%, from 20 million units in financial year to 30 million units in financial year 2026, driven by trends such as shorter replacement cycles and increasing preference of first-time buyers for used two-wheelers.

Two-wheelers in India are seen as an alternative to walking, riding bicycles and public transit systems. India is currently the largest producer and manufacturer of two-wheelers in the world, followed by China. In India, commuters across all age groups use motorized vehicles, especially two-wheelers, owing to the increasing population and rapid increase in traffic congestion, thereby making two wheelers the most appropriate and convenient mode of transportation in urban areas. The market is dominated by scooters and motorcycles with a volume share of approximately 95% during the financial year 2020.

Generally, Indians use a two-wheeler for a period of three to five years before disposing of it. This figure has dropped from an average of six to seven years in the recent past due to frequent launches of two-wheelers and effective marketing techniques used by companies.

The used two-wheeler market is predominantly run by the unorganized sector, comprising individual sellers, local mechanics and small dealerships who resell used two-wheelers. This traditionally-fragmented market lacks a concrete format and comes with various inadequacies that reflect negatively in the consumer experience. This presents an opportunity for online or offline channel players that provide better price discovery and convenience in addition to value-added services.

Used commercial vehicles

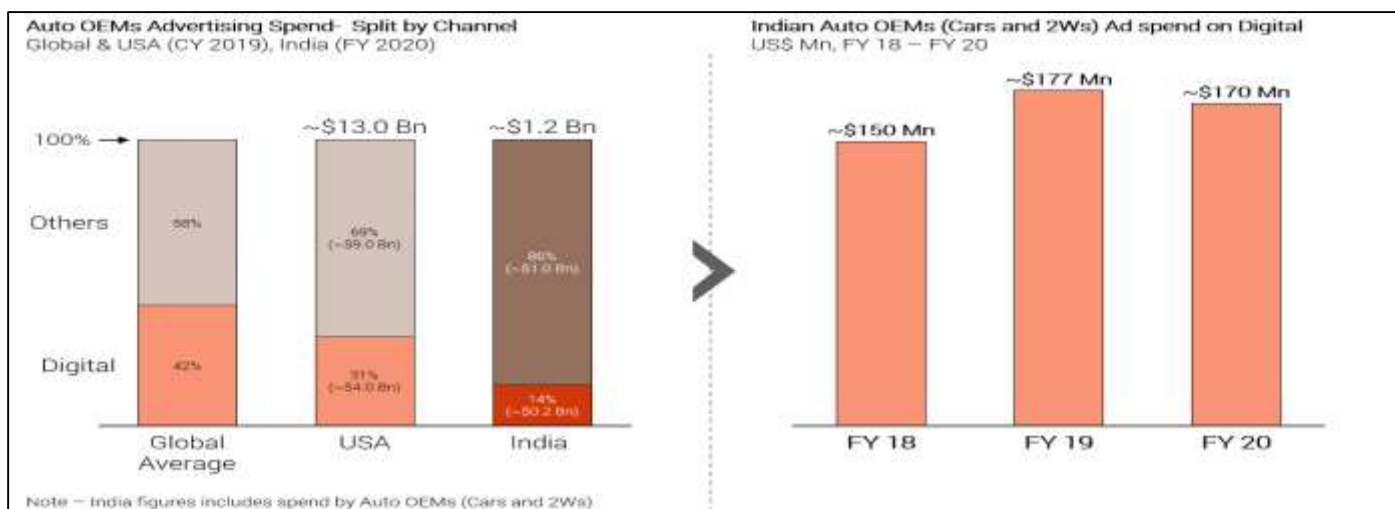
The market for used commercial vehicle sales in terms of volume is expected to grow at a CAGR of 7% over the next five years, as shown in the figure below. The second-hand market in the commercial vehicle segment is driven through middlemen sales where there are several inefficiencies and information asymmetry arising from lack of standardization of pricing and quality checks. This represents a huge opportunity for organized players. Further, according to industry experts, commercial vehicle manufacturers are expected to increase production of vehicles that conform to BS-VI. However, it is expected that such commercial vehicles will be marked up considerably and will be priced higher than previous models, on account of additional production expenses required to comply with BS-VI, leading to a surge in demand for well-maintained used trucks that comply with Bharat Emission Stage III or IV standards.

Online Transition of the Buying and Selling Process across Vehicles

Amidst evolving customer needs and strong digital trends such as increasing internet penetration, smartphone adoption and growth of e-commerce, the Indian automotive industry is ripe for digital disruption. The way consumers purchase cars is changing, with consumers placing much higher importance on online and digital channels. According to Auto Gear Shift India 2020, over 92% of the buyers of new and used cars research online. Given the above shift, technological progress in terms of search engine optimization, online video or education and touchpoints for leads through the digital channel (websites) have become critical. Websites and automotive portals act as buyer consulting zones and play significant roles in the purchase decision.

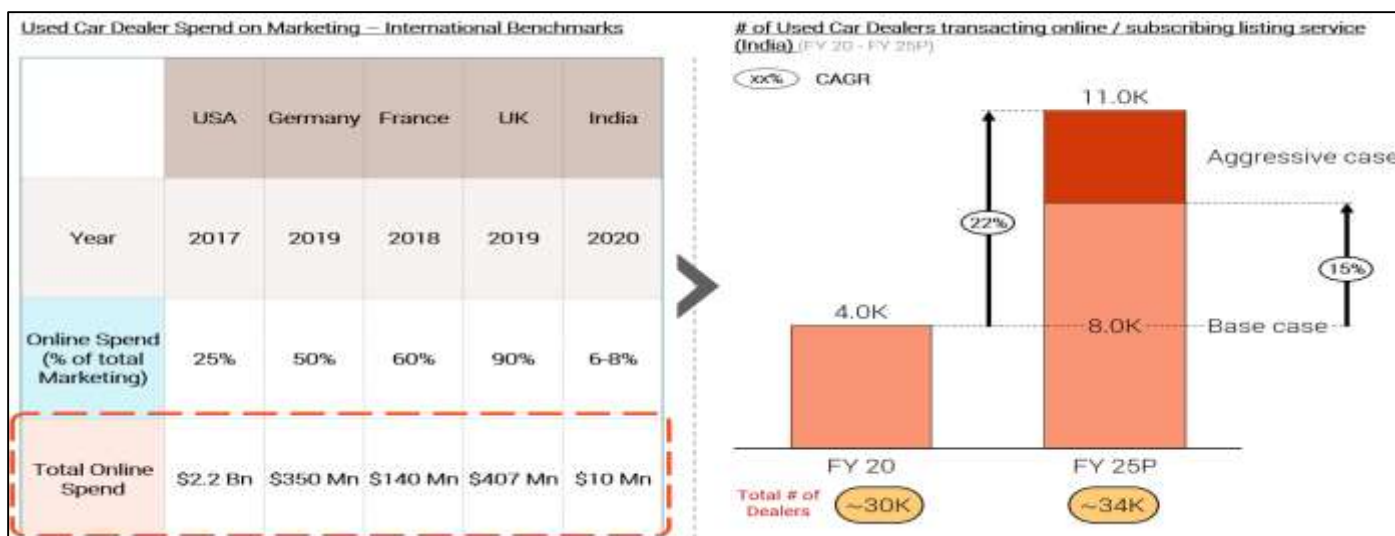
Digital Advertising Market by the Automotive Sector in India

Globally, both OEMs and dealers spend a significant part of their advertising budgets on digital channels, a trend which is likely to be followed in India. In the financial year 2020, Indian car and two-wheeler OEMs spent only US\$ 170 million on digital advertising, or approximately 14% of their total advertising budget of US\$ 1.2 billion, which is significantly lower than the global average for OEMs of 42%, as shown in the figure below:



The automotive sector has been amongst the three largest contributing sectors to the digital advertising market in India in terms of amount spent. Digital marketing spend by OEMs is expected to increase in line with the growth of the digital advertising market in India, which has been growing at a CAGR of approximately 20% from financial year 2018 to 2020. The relatively low share of digital advertising in the total advertising spend of Indian OEMs, compared to that in other countries, also indicates headroom for growth.

On the other hand, as shown in the figure below, used car dealers in India spent approximately US\$ 10 million on online channels in 2020, comprising 6% to 8% of their marketing spend. In other mature markets, dealers spent between 25% to 90% of their marketing spend on online channels, indicating strong headroom for growth in India. In addition, the number of used car dealers in India subscribing to paid services on online automotive portals is expected to increase from approximately 4,000 dealers in financial year 2020 to between 8,000 to 11,000 dealers in financial year 2025, representing a CAGR of as much as 22%, as shown in the figure below:



Further, it is estimated that there are approximately 7,000 to 8,000 new car dealers that are connected online via the OEM network and receive online directed leads through OEMs. Approximately 20% of such new car dealers, i.e., 1,500 to 2,000 dealers, also use online automotive portals independently for lead generation services and pay for such services. These 1,500 to 2,000 dealers collectively spent approximately US\$ 7 million to US\$ 9 million on digital channels, representing approximately 10% of the overall marketing budget of all new car dealers in financial year 2020. A portion of the new car dealers' overall marketing spends, ranging from 50% to 70%, is subsidized by automotive OEMs as part of their marketing expense agreements.

Automotive Value-Added Services

Value-added services such as accessories, automotive insurance and auto finance allow automotive portals to diversify their revenue streams.

Accessories (Automotive Aftermarket) The automotive aftermarket in India has grown at a moderate pace, with stable demand year-on-year and increased vehicle parc turn rate as major drivers of growth.

Major growth drivers

Growing market of pre-owned cars: The second-hand car market is one of the biggest opportunities for the automotive accessories aftermarket. Consumers who cannot afford to buy luxury cars are now investing in used cars and using automotive accessories to make the used cars look brand new. In some cases, accessories of cars that have been discontinued by car manufacturers are no longer sold by the relevant car manufacturer, which requires the car owner to buy from the accessories aftermarket. Further, both new and used car buyers buy accessories in the aftermarket to get reasonable prices.

Online Platforms: By catering to online buyers, automotive accessory companies can reach millions of potential customers daily without much incremental effort. For online platforms, selling automotive accessories becomes a great value add-on for customers as they can provide a one-stop integrated solution to vehicle buyers.

Automotive Insurance

Premiums on automotive insurance account for approximately 40% of non-life insurance premiums. Premiums on automotive insurance grew at a CAGR of 12.6% from financial year 2016 to financial year 2020. The Motor Vehicle Act, 1988 requires insurance on a motor vehicle to cover third-party risk, and prohibits a vehicle from being used in a public place without an insurance policy covering third party risks. Third-party liability ("TPL") means risk cover for bodily injury, death and damage of property of an involved third party. After recent amendments made to the Motor Vehicles Act, non-possession of a minimum TPL insurance policy now attracts a fine of Rs. 2,000 for the first offence and Rs. 4,000 for the second offence. The recent amendment in the Motor Vehicle Act imposing penalties for failing to possess a basic TPL policy has contributed to an increase in the sale of motor insurance policies in India. In the case of two-wheelers, the fine is greater than the cost of insuring a two-wheeler, which has led many two-wheelers to become insured. Insurance on pre-owned cars is required by the Motor Vehicle Act, 1988, which has driven demand for automotive insurance for used vehicles.

Auto Finance

According to a report by the RBI entitled Sectoral Deployment of Bank Credit and dated April 2020, approximately US\$ 34.5 billion of vehicle loans were outstanding as of March 31, 2021. Auto finance, especially in the pre-owned vehicles market, is a highly under-penetrated market, and thus has potential for growth. In financial year 2020, approximately 17% of used cars were purchased with auto finance, compared to 75% for new cars. Auto loan financing rates for used cars in financial year 2020 was higher than that for new cars. Compared to some developed countries, such as the U.S. as shown in the figure below, there is significant headroom for financing penetration in both new and used cars in India: Used car valuation has been one of the key concerns for both banks and other financial institutions when reviewing loan applications for used cars purchase. Online platforms aim to solving this problem by providing analytics and quality-based inspections to certify cars, thereby improving price discovery.

Inspections and Valuations

Automotive portals also offer inspections and evaluations to cater to the used car auto loan financing industry, as well as to the secondary market for insurance renewals. CarTrade Tech's valuation and inspection business, Adroit Auto, caters to this space.

Key Concerns:

- CTL may be adversely affected by a general decline in individual car ownership or sudden declines in demand for certain types of vehicles.
- The extent to which the COVID-19 pandemic may affect the business, results of operations, cash flows and financial condition in the future is uncertain and cannot be predicted.
- May experience disruptions, failures or breaches of CTL's technology platforms.
- CTL's actual or perceived failure to protect personal information and other data could damage the reputation and brands.
- If CTL is unable to keep pace with advances in technology or develop and introduce new and complementary products and services in a timely manner, customers may reduce its use of, or stop using, its services.
- May be adversely affected by fraudulent behavior of sellers or purchasers of used vehicles listed on the platforms.
- Any failure to maintain, protect and enhance the recognition and reputation of its brands could limit the ability to retain or expand its customer base and may adversely affect the business.
- CTL may not be able to acquire, utilize and maintain its domains and trademarks.

- If CTL's websites do not achieve a high ranking in organic search results or are removed from app stores, this could reduce traffic to its websites and apps and prevent it from competing successfully.
- Failure to provide quality content on CarWale, CarTrade and BikeWale may reduce traffic to CTL's sites and adversely affect its business, results of operations, cash flows and financial condition.
- If CTL fails to maintain or increase its base of customers, its business, results of operations, cash flows and financial condition would be adversely affected.
- Increase in competition among automotive digital platforms may adversely affect the profitability.
- Acceptance of online offering as a suitable platform for the sale and purchase of vehicles may decrease or fail to improve.
- CTL has grown significantly in the recent years and may not be able to maintain its profitability or manage future growth efficiently.
- Business depends on the culture and attractiveness of CTL's platforms to potential and existing users.
- Changing laws, rules and regulations and legal uncertainties, including the withdrawal of certain benefits or adverse application of tax laws, may adversely affect the business, results of operations cash flows and financial condition.
- Success depends in large part upon CTL's qualified personnel, including its senior management, directors and key personnel and its ability to attract and retain them when necessary.
- Used vehicles in automalls may be stolen, damaged or destroyed before these vehicles can be sold. Further, vehicles stored at CTL's automalls, parked with or owned by it may be stolen or used without authorization or for illegal activities, exposing it to liabilities and negative publicity and damage the trust and confidence of the customers.
- Relies on third-party service providers for many aspects of CTL's business, and any failure to maintain these relationships could harm the business.
- Investments in marketing may fail to drive attention for CTL's websites and apps and may not result in additional transactions completed through its platform.
- CTL may not be able to procure financing for vehicle purchases by customers.
- The Company may face challenges in operating and maintaining the sites it occupies for its automalls.
- Closures or consolidation among dealers or OEMs could reduce demand for, and the pricing of, its marketing solutions and advertising on websites and apps.
- Co-shareholder's interests in subsidiary, SAMIL, may conflict with CTL's interests.
- Compliance with, and changes in, environmental, health and safety and labor laws and regulations could adversely affect the business, results of operations, cash flows and financial condition.
- CTL may be required to receive or renew certain approvals or licenses required in the ordinary course of business or to commence new businesses.
- CTL's existing intangible assets may become impaired, depending upon future operating results.
- CTL may not be able to effectively communicate with its customers through email and other messages. A lack of such communication could adversely affect the business and operations or cause it to be subject to claims.
- CTL is subject to risks related to online payment methods.
- Business is substantially affected by prevailing economic, political and other prevailing conditions in India.
- The Company may be affected by competition law in India and any adverse application or interpretation of the Competition Act could in turn adversely affect the business.

Profit & Loss

Particulars (Rs in million)	FY21	FY20	FY19
Revenue from Operations	2496.8	2982.8	2432.8
Other Income	318.4	201.6	235.3
Total Income	2815.2	3184.5	2668.1
Total Expenditure	2103.2	2586.6	2137.8
Purchase of stock-in-trade	28.1	162.2	9.4
Changes in inventories of stock-in-trade	-15.6	9.2	-9.4
Employee benefits expense	1301.1	1330.8	1276.1
Other expenses	789.6	1084.4	861.7
PBIDT	712.0	597.9	530.3
Interest	43.0	34.9	23.8
PBDT	669.0	563.0	506.5
Depreciation and amortization	199.3	173.8	152.2
PBT	469.8	389.2	354.3
Tax (incl. DT & FBT)	-541.0	76.2	94.4
Current tax	97.8	112.8	105.1
Deferred Tax	-638.7	-36.6	-10.7
PAT	1010.7	312.9	259.9
EPS (Rs.)	22.06	5.65	4.31
Face Value	10	10	10
OPM (%)	15.8	13.3	12.1
PATM (%)	40.5	10.5	10.7

(Source: RHP)

Balance Sheet

Particulars (Rs in million) As at	FY21	FY20	FY19
Assets			
Non-current assets			
Property, plant and equipment	511.2	496.9	475.7
Goodwill	8979.6	8979.6	8976.8
Capital work-in-progress	4.9	1.9	0.0
Other intangible assets	253.8	313.3	377.0
Right of use assets	479.9	365.8	273.2
Intangible assets under development	0.0	0.0	0.3
Financial assets			
- Investments	180.5	205.5	17.2
- Other financial assets	245.6	48.0	31.6
Deferred tax assets (net)	654.2	30.6	28.1
Income tax assets (net)	107.8	83.6	92.4
Other non-current assets	19.9	21.8	46.0
Total non-current assets	11437.4	10547.0	10318.2
Current assets			
Inventories	15.8	0.2	9.4
Financial assets			
- Investments	6274.4	2742.0	2853.4
- Loan	493.0	378.5	259.5
- Trade receivables	473.0	466.9	360.4
- Cash and cash equivalents	219.9	195.2	215.9
- Bank balances other than Cash and cash equivalents	24.9	20.7	0.4
Other financial assets	307.0	209.1	93.5
Income tax asset (net)	0.0	16.9	8.7
Other current assets	56.7	127.6	151.6
Total current assets	7864.6	4157.1	3952.7
Total assets	19302.0	14704.1	14270.9

Equity and Liabilities			
Equity			
Equity Share Capital	35.8	34.5	34.5
Instruments entirely in the nature of equity	388.0	349.0	349.0
Other equity	16381.9	12238.8	11930.9
Equity attributable to equity holders of the Company	16805.8	12622.3	12314.5
Non-controlling interests	818.4	702.8	556.8
Total equity	17624.2	13325.1	12871.2
Liabilities			
Non-current liabilities			
Financial liabilities			
- Lease liabilities	464.0	345.7	217.4
Provisions	45.2	41.9	37.1
Other non-current liabilities	1.4	1.0	0.0
Deferred tax liabilities	63.1	78.9	95.7
Total non-current liabilities	573.6	467.5	350.2
Current liabilities			
Financial liabilities			
- Trade payables			
<i>total outstanding dues of micro enterprises and small enterprises</i>	0.6	0.0	0.3
<i>total outstanding dues of creditors other than micro enterprises and small enterprises</i>	221.8	195.7	180.3
Other financial liabilities	587.0	493.2	602.7
Lease liabilities	81.5	75.7	117.6
Provisions	33.6	32.8	27.3
Other current liabilities	179.7	114.0	121.3
Total current liabilities	1104.2	911.5	1049.5
Total equity and liabilities	19302.0	14704.1	14270.9

(Source: RHP)

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