

Date: March 11, 2023

To,
Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai - 400001
Scrip Code: 543333

To,
Listing Department,
National Stock Exchange of India Limited
Exchange plaza, Plot No. C/1, G Block
Bandra Kurla Complex, Bandra East,
Mumbai – 400051
Scrip Symbol: CARTRADE

ISIN: INE290S01011

Dear Sir(s),

CarTrade Tech Limited (the “Company”) have seen an article (copy attached) which suggests an acquisition by the Company.

Therefore, the Company would like to clarify that the article is speculative. Even though the Company continue to evaluate such opportunities no decision has been taken in relation to any acquisition as suggested by the article or at all.

Kind regards,

For CarTrade Tech Limited

Lalbahadur Pal
Company Secretary and Compliance officer
Mem. No. A40812

Enclosed: a/a

CarTrade Tech Limited (formerly known as MXC Solutions India Private Limited)

Reg. Off. & Corp. Off.: 12th Floor, Vishwaroop IT Park, Sector 30A, Vashi, Navi Mumbai 400705.

W: cartradetech.com | T: +91 22 6739 8888 | CIN: L74900MH2000PLC126237



GoMechanic

The deal will come as a relief for the beleaguered car repair startup, while it will be an opportunity for the used-car company to expand into a new business segment.



Samiksha Goel
Delhi



Shivani Verma
Delhi

11 March, 2023



Unlocked story

Almost two months after co-founder Amit Bhasin admitted to financial misreporting, GoMechanic has found a buyer. The car repair startup is being acquired by used-car



repair startup is being acquired by used-car company CarTrade, according to two people familiar with the matter, who asked not to be named.

While the details of the deal are unclear, GoMechanic seems to have been valued at a little over \$30 million (around Rs 245 crore), says a third person in the know, also requesting anonymity. The startup was last valued at \$285 million, in a June 2021 funding round.

According to one of the first two people cited above, another investment firm is also part of the transaction. In a conversation with potential buyers, Bhasin had said the company was looking to sell at Rs 250 crore, says the third person. A buyer willing to cover Rs 200 crore had been found, this person says, and Bhasin was looking for someone willing to put up another Rs 50 crore or so. “Both Bhasin and [co-founder] Kushal Karwa are in the market to sell their stakes,” says this

CarTrade is buying
GoMechanic





market to sell their stakes,” says this person. The exact stake CarTrade—and its co-investor/buyer—will be taking is not known.

Queries sent to CarTrade and GoMechanic on Friday evening went unanswered.

GoMechanic has been exploring a sale for the past few weeks. The Gurugram-based startup held talks with several firms, including CarTrade’s rivals, Cars24 and Spinny. The Morning Context had [reported](#) in February that GoMechanic was in talks with CarTrade for a potential sale.

The deal will come as a respite for GoMechanic, which has already laid off 70% of its workforce, is almost out of money and has been taken to bankruptcy court by one of its vendors. The startup has been struggling to survive over the past few months. Last year, GoMechanic was in talks to raise money at a valuation of more than a

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GoMechanic



to raise money at a valuation of more than a billion dollars when a due diligence exercise revealed inflated revenue numbers, fictitious garages and diversion of funds. The fundraise fell through and, after The Morning Context [reported](#) the developments at the company, Bhasin ended up admitting to errors in the company's financial reporting in a LinkedIn post.

For CarTrade, this is an interesting investment. It seems that with this acquisition, the company is entering a new business line with car servicing, something that will position the company as a rival to the likes of Pitstop and GoBump. The question then is, how much value will GoMechanic add to CarTrade's existing business?

A good fit

Founded in 2010, CarTrade primarily lets customers buy and sell used cars. The

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Founded in 2010, CarTrade primarily lets customers buy and sell used cars. The Mumbai-based firm also offers several other services, such as marketing, valuation and financing of new and pre-owned cars, two-wheelers, commercial vehicles and farm and construction equipment.

The company, which went public in August 2021, has made acquisitions to expand into different business segments before. About two weeks ago, it also announced the launch of CarTrade Ventures to scale up its investments and acquisitions.

In late 2015, it acquired CarWale, which now operates as its new and used car listings vertical (along with CarTrade), and also for two-wheelers through its BikeWale division. In 2017, it bought Adroit Inspection, a vehicle valuation company; this helps complement the core used car business. In 2018, it acquired a majority stake in Shriram Automall from Shriram

CarTrade is buying
GoMechanic



stake in Shriram Automall from Shriram Transport Finance, which remains invested in the vehicle auction company.

The GoMechanic deal is more of a fire sale, which gives CarTrade a low-cost asset with an existing brand and operations.

According to an industry executive who asked not to be named, it makes sense.

“GoMechanic, despite all the negative publicity, is still able to attract 500-700 vehicles daily to its workshops, based on the value it has created. People still rely on cheap services around them, which makes this acquisition well in favour of CarTrade,” he says.

“Having GoMechanic will enable CarTrade to offer after-sales services,” says a second industry executive, who also requested anonymity. “It can now give warranty on parts, promise servicing, even sell insurance. It can also retain the customer and keep her coming back for servicing.”

“If your car is under warranty, you have to

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“If your car is under warranty, you have to go to the authorized service centre and they will only get spare parts sold by the company. So the costs you pay as a customer are huge. But once the car is out of warranty, why would you want to send it to the authorized service centres?” this person says.

Pre-owned cars are the mainstay of CarTrade’s business, and most of the vehicles on sale are out of warranty, they add. “With the GoMechanic deal, they are actually trying to replicate the full-fledged network like there is for new cars. I think Spinny also bought a telematics company, which will enable it to build a similar infrastructure.”

But the downsides of GoMechanic’s business model remain.

Bumpy ride

Apart from the financial misreporting,

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Apart from the financial misreporting, GoMechanic's problems revolve around its spares business and the poor unit economics of its workshop business. We had earlier written about its [many](#) struggles:

The industry itself is loss-making as customer acquisition costs are very high. While [GoMechanic] launched its private label for bigger margins, it has not been able to keep up with automakers. Now it's forcing its partner workshops to buy its private label products, only worsening its relationships.

In a heavy cash flow business, with no money and high customer acquisition costs, GoMechanic's future will be decided by its next fundraise. If it is not able to raise money, it may likely shut its core business and pivot to an insurance business, selling its own policies. The startup has been in the

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process of getting a licence for the insurance business, but that has not progressed for some time now, according to the first former executive.

GoMechanic's fire sale is a cautionary tale for startups lured by the growth at all costs mindset. The company reportedly was looking at a valuation of \$1 billion when it was in talks with SoftBank to raise funds for over a year before its business unravelled early this year. An acquisition at \$30 million or thereabouts is a steep fall.

Nevertheless, it would come as a relief, especially since one of its vendors, DigiRovers, [filed a petition](#) with the National Company Law Tribunal, claiming GoMechanic had defaulted on payments worth Rs 1.25-1.5 crore.

GoMechanic had put the delay in payments down to an extended audit and due diligence process. To recover the outstanding amount, DigiRovers issued a

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diligence process. To recover the outstanding amount, DigiRovers issued a notice to the Sequoia-backed startup in mid-January, but it neither received the payment nor got a clear response. The next hearing at the NCLT is scheduled for 27 March, when the new GoMechanic team is likely to appear.

For CarTrade, how the deal works out will depend on three things, says the second industry executive quoted earlier. “First, the price. If they are getting the business at throwaway prices, which they might, considering the issues with GoMechanic. They have to also find out about the business and its real capabilities, because a lot of numbers have been misreported. Finally, they have to ensure that they don’t bite off more than they can chew.”

Pradip K. Saha contributed to this story.

Lead illustration by Rajat Baran/The

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