

Date: August 06, 2024

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

Ref: Regulation 30 read with Schedule III Part A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of the CarTrade Tech Limited Q1FY25 Earnings Conference Call held on July 30, 2024

Dear Sir/ Madam,

With reference to our letter dated July 24, 2024 intimating about the Analyst / Investor Call with Analysts/Investors, please find enclosed the transcript of CarTrade Tech Limited Q1FY25 Earnings Conference Call held on July 30, 2024.

The above information will also be available on the website of the Company: www.cartradetech.com.

This is for your information & record.

Thanking You.

for CarTrade Tech Limited

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

Enclose: a/a

CarTrade Tech Limited

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“CarTrade Tech Limited
Q1 FY '25 Earnings Conference Call”

July 30, 2024

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on July 30 2024, will prevail.



**MANAGEMENT: MR. VINAY VINOD SANGHI – CHAIRMAN AND
MANAGING DIRECTOR – CARTRADE TECH LIMITED
MS. ANEESHA BHANDARY – EXECUTIVE DIRECTOR
AND CFO – CARTRADE TECH LIMITED
SGA, INVESTOR RELATIONS – CARTRADE TECH
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to CarTrade Tech Limited Q1 FY '25 Earnings Conference Call. This call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectation of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to the Chairman and the Managing Director of CarTrade Tech Limited, Mr. Vinay Sanghi. Thank you, and over to you, sir.

Vinay Sanghi: Good afternoon, everybody, and thank you for joining CarTrade Tech's Quarterly Earnings Call. It's been a very good quarter for the company. If we go to slide number five, the company has shown a 64% in operating revenue growth and a 46% growth in overall revenue, and the profit after tax has grown at 69% in Q1.

CarTrade Tech continues to be the number one automotive platform in India, the number one used classified platform, the number one vehicle auction platform and also the number one horizontal classified platform. More than 70 million unique visitors or unique customers visit our various platforms, CarTrade, CarWale, BikeWale, OLX every month. What is more important is that 95% of them come organically or come because of brand or organic search and affinity to these platforms, giving us a very low cost of customer acquisition. We have more than 400 physical locations, which include Automalls, abSure outlets, OLX India outlets. We auction at a rate of more than 1 million vehicles a year.

Revenue is the highest ever in the Q1 in any quarter 1 ever in history at INR156.4 crores. Adjusted EBITDA, which is INR43 crores or close to INR43 crores, is also highest ever in any Q1. And PAT is INR22.9 crores for the quarter. We are obviously a debt-free company and carrying a cash balance of equivalent of INR782 crores.

If you look at slide number six of the presentation, it shows the revenue growth of 64% from operations, which is up to -- total income, including other income is up to INR156 crores. The EBITDA, which shows a leverage in our business, as we've spoken repeatedly, incremental revenue growth needs to disproportionate increase in margins. And you can see, the EBITDA is up 295% or 300%, close to 300%.

Operating margins and EBITDA margins have gone from 6% to 15% Q-on-Q, I mean, year-on-year, sorry, which shows again the leverage in the business. Revenues increased at a far greater rate than cost move. Within the profit for the year at the bottom in a consolidated accounts is 69% up to INR23 crores. And adjusted EBITDA, as we calculate, is up at INR43 crores from INR30 crores last year.

If we go into the standalone accounts, which is slide number seven, which is really a proxy for our consumer group business, CarWale, BikeWale, the operating revenue is up 18%. The other

income is down because of the OLX acquisition last year, and therefore, there's a reduction in the cash balance, which has led to reduction in the other income or a treasury income. But operating revenue up 18%. And again, here, you can see the leverage in the business. Costs have gone up. Just three -- the cost actually down by 2% for a standalone account, which has shown a 700% increase in our EBITDA. It was actually negative INR1.25 crores last year to this year, a positive INR7.23 crores of EBITDA.

And again, it resulted in a minus 3% margin, going to 14%, again, shows an increase in revenue that will disproportionately increase our operating profits and profits. PAT is at 13 -- PBT at about INR13.71 crores, PAT is up to INR12.87 crores. And it's on the standalone accounts slightly -- growth was slightly lower just because of reduction in the other income and treasury income. On an operating basis, as you can see, EBITDA is up almost from 1 point -- negative INR1.25 crores to positive INR7.23 crores.

In slide number eight is a remarketing results. I think this is the one area where we would, of course, like to do a lot better from a position of most of the vehicles being repossessed to almost 42% of it now being retail supplier vehicles. This has enabled us to get to a flattish to plus positive 4% revenue growth, but a 12% increase in profits. We continue to work hard in this business to grow revenues and -- but it's been a difficult 12 to 14 months for this company. And we feel committed. We feel fully committed to it as well as we feel pretty optimistic about the next 12 to 24 months. But at this point, this is the one area where we've been difficult for us to grow considering the fall in repossession of vehicles and increase in retail of vehicle -- supply retail vehicles.

We'll get to slide number nine, which is the results of our OLX classified business. Total income is up Q-on-Q. We don't have a year comparison because we acquired this in August last year. But Q-on-Q up by about 8%. EBITDA is up from INR7.25 crores to INR8.05 crores for the quarter. And adjusted -- profit for the -- profit for the year is up to INR8.57 crores as of June end. Adjusted EBITDA, which is a proxy for our operating performance, is up from 24% margin to 27% margin for the quarter.

If you look at slide number 11, it shows, again, Google Trends, CarWale versus competitors and BikeWale versus competitors, and we clearly still show a big difference between our competition in terms of brand affinity. Slide number 12 talks about OLX versus other competitors. And as you see here, OLX is much, much stronger and has a very well competition in the horizontal classified side.

So this is what I had on the presentation, a brief summary of the quarter, the financials, and a few operating metrics. I'll be happy to go into a detailed question and answer. We feel very optimistic about the quarter. And we feel OLX and CarWale have had a very good quarter. SAMIL has had a flattish revenue quarter, but a little bit of profit growth. And we're very, very optimistic about the next few quarters coming.

Thank you, and happy to answer any questions at this point.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone, who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Hi Sir, thanks for the opportunity and Congrats on a good set of numbers. Sir, first, on the consumer business. If you can give some more color on the growth, how has been the used car and the new car segment growth? Any mix if you can share? And generally, going ahead, how do we look at further areas of monetization in terms of growth drivers for us -- for this business going ahead?

Vinay Sanghi: Yes, the consumer group, as you can see, has grown by 18% operating revenue with a huge profit growth as well as the 18% growth. The mix is pretty much the same, and I say not covered. It is pretty much the same across quarters. 84% - 85% of the business is new cars and new 2-wheelers. So we feel that -- look at the industry itself, there has been a 3% to 4% growth in the car industry. The 2-wheeler industry growth has been stronger. But we feel very optimistic about the business itself.

If you see the consumer group in a single quarter, its highest ever performance as well, even though your 18% is highest ever quarter performance ever. We feel very optimistic about the business. The drivers continue to be the same. I think it's about more of a dealer and manufacturer listings and advertising. And we feel pretty good about not only the growth -- of the growth rate, which are at, but also the fact that the leverage in the business is starting to show, where you can now evidently see that with revenue growth, there's a big, big profit growth coming in these businesses as well.

Siddhartha Bera: Sir, as we look at the marketing expenses, it has been, as a percentage of revenue, been coming down for the last few quarters. Do you think -- I mean, in case if we try to push more, there is a possibility of stronger, like 20%-plus growth by sort of raising our sort of spend on the marketing side? Or do you think this is the level of profitability we will try to achieve going ahead?

Vinay Sanghi: There are 2 things in this, the marketing, obviously, marketing numbers, something -- revenue for the revenue is increasing. So that's coming down as a percentage. So once you keep in mind also that the traffic is simultaneously going. It's not that the traffic in this platform is not growing. So we feel an increase in marketing expenditure is not necessary at this stage. The traffic in the consumer group is almost 40 million users a month, which is reasonable growth there as well.

So -- and if you look at the brand affinity versus its direct competitor, it's again very, very strong. So we feel the marketing expense is okay. Obviously, we keep trying and saying listen, can the 18%, which is in Q1 be growing at a stronger rate or not, and that's what we keep working on. But we feel it may not be at this point necessary to increase the marketing expense in the business.

Siddhartha Bera: Got it, sir. Sir, lastly, on the OLX side, if you can talk a bit about -- we have been now working on this for the last few quarters. So how do we look at a step-up in the growth? What are the monetization areas you have already capitalized and which all the other areas you are working on? And does this current financials reflect full impact of all of the cost initiatives you have taken? Or do you think we should expect more costs to come? Or we should expect more margin expansion on a sustainable basis?

Vinay Sanghi: Yes. I think the first question is it's been about a year since the acquisition. The first few months, maybe first 5, 6 months were really spent on technology transition, moving to our environment, product development, team stability, many such things, which normal M&A takes. I think it's in December, January that we've been able to look at the business and start focusing on growing the business. And you see now over the Jan-to-March quarter and the April to June quarter, the consistency and stability in the business across whether it is revenues or margins. And we feel this is not different from any other business we run where revenue growth will lead to margin expansion.

You can already see that in a very small way. It's gone 24% to 27% Q-on-Q last quarter to this quarter. And this nature of the business very similar, costs are fully baked in. In fact, costs are a little inflated because in the first quarter, we took increments too in this business, which will not come in the next 9 months now. So the costs are slightly higher in the first quarter on account of increments. And now you see the benefit of costs remaining stable over the next 9 months, but revenue is growing.

As you know, in all companies, the increment cycle is 1st April and therefore this Q1 for us across our businesses, even consumer group is carrying increments in them. And as actually in July to March, these costs will not go up, whereas we believe that the revenues can grow from here. So yes, there should be margin expansion in the consumer group business. I mean, in OLX, again, the consumer business. And in all our business, actually, it's pretty similar. It's not all that different.

Siddhartha Bera: Got it. Thanks a lot.

Moderator: Thank you very much. The next question is from the line of Natraj Shankar from DSP Mutual Fund. Please go ahead

Natraj Shankar: Hi, thanks for the opportunity. I just want to understand the OLX part as we build-out over the next couple of years. How does that -- what is the TAM? How does it look like? And what will it take to get there from investment and back end and front-end point of view?

Vinay Sanghi: Sure. So OLX has got different verticals. I mean the one vertical, which is very associated and connected with our overall group, is the use car classified part, which is about 45% of OLX India's revenue, which is created in the entire used car market with dealers advertising and consumer buying. So it's very, very strong in that segment, and 45% revenues come from there. The TAM for that is, in our opinion, extremely high. There are almost more than 5 million used cars sold in India.

And obviously, we are catering to -- OLX is a very, very strong enabler for dealers to sell used cars in India. It is the #1 used car platform in India, and thousands of dealers, advertise on OLX to sell their cars to consumers. We obviously feel very optimistic about the size of market and the TAM in the segment.

The second segment for OLX is a non-auto business, which carries classifieds for homes, jobs, electronics, 2-wheelers, et cetera. That TAM is really catering to all consumers in India, who want to sell a used product or buy a used product. It is the largest used product listing platform in the country. It's also the largest platform for people to buy used products in this country.

So obviously, in a country like India, where there are more than 1.4 billion people, the need for most Indians is to buy or sell a used product, right? And we feel that the TAM of that is also limitless. Obviously, for us, as a group, we -- in the first few months of the acquisition, a little more focus on the used car side because that's what we understood better. And obviously, our plans are to grow in the medium term to used car classified side. But we are also making strong plans for the non-used car side, which is homes, jobs, electronics, household items, 2-wheelers, et cetera, et cetera. And we feel that TAM could really be the future growth driver for the company over the next few years.

Natraj Shankar: Okay. On the non-used cars part of it, what kind of investments would you need over the next 2 to 3 years from an opex point of view to get there? And would that -- how would that play out in your balance sheet and P&L?

Vinay Sanghi: Yes. So there's obviously a lot of tech and product investment as well as investment in in various other the processes, like sales and other operations, etcetera, etcetera. But the non-auto, the non-used car part is profitable as well today. We don't see further cash going into it. I think the investment is really in resources and bandwidth more than cash. As I said, it's already profitable, the non-auto part. So we don't see that issue. But we do see a lot of investment going from our side on various other things.

Natraj Shankar: Okay. Thank you.

Moderator: Thank you very much. The next question is from the line of Ankit Kanodiya from Smart Sync Services. Please go ahead.

Ankit Kanodiya: Thank you for taking my question and Congratulations on a good set of numbers. My first question is related to the OLX business. So I know that we don't have numbers to compare for the previous June 2023 quarter. But if I look at the August to March 2024 period, so broadly, it will be a monthly run rate of around INR13 crores. And in this quarter, we have done more than INR15 crores. So.... (disturbance in the background)

Vinay Sanghi: I think we missed your question. The signal is weak.

Moderator: Mr. Kanodiya, you are unmuted.

Ankit Kanodiya: Hello? Am I audible?

- Moderator:** Yes.
- Ankit Kanodiya:** Shall I repeat the question?
- Vinay Sanghi:** Yes, we didn't get the last part, we got the -- yes, could you repeat the question, anyway? I mean we didn't get the full question.
- Ankit Kanodiya:** Yes. So what I was saying that in the August to March period, we had INR110 crores in Olx India. And out of that, INR13 crores was the monthly run rate. So if you could divide it by 8 months, it would come to INR13 crores. And it also included -- I'm assuming it also included -- it doesn't lead to any of the discontinued business...
- Vinay Sanghi:** No, it does not. That is correct.
- Ankit Kanodiya:** Yes. So now in this quarter, when we see the monthly revenue run rate comes to about 15.3. So, is this a seasonal jump? Or do we expect this to continue -- similar level to continue going forward as well? That was my first question.
- Vinay Sanghi:** Yes. Thank you. I think actually -- the season is actually weaker now than it is. Normally the automotive or non-automotive season in India for shopping is mostly from October to March, and April to June is normally the weakest quarter of the year in terms of revenues normally across auto and non-auto for us. But we do feel there's some revenue growth, but I think a lot of this is just us getting more focused on the efficiencies of both the auto and nonautomotive business. And actually, we do expect -- and we are working towards stronger revenues in the coming months. It's not a seasonal jump in April to June, if that is the question.
- Ankit Kanodiya:** Great. So that's very helpful. Second question is related to the expense. In the last quarter also, I asked this question, and I think you mentioned that the current level of expenses in the OLX business will continue. We don't have any one-off anymore. So INR36 crores was the total expense last quarter. In this quarter, it has been INR38 crores. Do we expect a similar kind of run rate...
- Vinay Sanghi:** Yes, we don't see much change. I think the costs are fully baked in, as we answered earlier. I think, in fact, as I said again, this carries increments in April for OLX -- the team at OLX, which, of course, is now fully baked in here as well. Every company has increment cycle and ours is April, and that's also been factored in here. So definitely, in the next 9 months, we should see a very stable cost environment.
- Ankit Kanodiya:** So other expenses here includes the marketing advertisement costs or...
- Vinay Sanghi:** It's only operating costs. There's almost no marketing in this company. It's a very, very -- OLX, as you know, is a very, very strong brand. It gets almost 31 million customers a month, unique customers, which comes almost through brand-related apps which people have on their phones. So the marketing expense is almost 0 in this company, and this is really operating expenditure, also operating spend, including technology and infrastructure as well.
- Ankit Kanodiya:** Yes. Got it. So technology-wise, we have already done all the expenses, we don't expect...

- Vinay Sanghi:** No, there are obviously monthly costs in our team and server cost, et cetera, we incur, but these are fully factored in this result.
- Ankit Kanodiya:** Okay. Sir, my last question would be related to our remarketing business or SAMIL business, which I think in the last 4 to 6 quarters has been very, very, very difficult. And in the last quarter, I think we all got to the point that we are trying to focus more on the retail than the repossession side. So any color as to how we progress...
- Vinay Sanghi:** Yes. Same thing. Yes. I think unfortunately, the same thing, repossession continues to be -- repossession supply for us continues to be a challenge and that speaks well of the Indian economy, I would say, the fact that NPA are lower in banks and NBFCs for automotive, automotive lending is a result of repossession being lower. The reality is the team out there focused very, very strongly in the last 3, 4 years on building an alternative supply segment, which is retail, which is almost now equal to repossession supply. So that is the reason results are marginally up because of that effort. But repossession is still not showing any uptake for which hurts the remarketing business actually.
- Ankit Kanodiya:** I just want to clarification. You mentioned that retail is almost equal to repossession...
- Vinay Sanghi:** In terms of volume supply for us. Yes, correct. Yes.
- Ankit Kanodiya:** Thank you so much.
- Moderator:** The next question is from the line of Vijit Jain from Citi. Please go ahead.
- Vijit Jain:** First off, congratulations. This looks like a pretty decently good set of numbers across all 3 businesses to me. My first question is on the OLX side, so growth looks pretty solid in the quarter, right? I mean the only way to look at growth, I guess, is Q-o-Q, and it's about 8%. And you guys had called out that growth should start to pick up from this quarter onwards. So congratulations on that. And I'm just wondering, how should one look at this Q-o-Q number from a going-forward perspective? And related to that, any thoughts on additional disclosures on user metrics on OLX?
- Vinay Sanghi:** Yes, obviously, the idea is to keep these revenues growing. I mean, obviously, I'm not able to give guidance on whether it will be 8 or Q-on-Q or what the rates could be. But for us, in the last quarter, we're heavily focused on getting the operations of the company and process in the company in place. I think the first 6 months, we spend on technology transition and other things. And obviously in the last 3 months from April, we got heavily focused on the automotive, non-automotive processes and strategy of the company.
- And it takes time, but we're pretty confident looking at the TAM on the used car market and the non-automotive side, we should have a strong revenue growth in this business. A lot of efforts are on, and this was affecting partly in the first quarter. But it's very early days. I think a lot of work is still to be done in the company. And I said the TAM is just limitless as far as we think, in both the auto and non-automotive side. So optimistic place to be in, but a lot of work to be done by the team as yet, I would say.

In terms of user metrics, I think the big ones are for us have always been traffic, which we talked about in the business. The other big metric for us is the revenue split by auto and non-auto. But is there some specific metric you want, if you tell us what they are, then maybe we can consider them and start giving it out...

Vijit Jain: Yes. So Vinay, just a quick clarification, the traffic metric that you shared, the 40 million unique visits, that doesn't include OLX properties, right?

Vinay Sanghi: No, 40 million is only consumers group CarWale, CarTrade, BikeWale. OLX is another 30 -- I think 31 million last month...

Vijit Jain: Yes, I think -- to start off, I think that metric would be useful, I suppose. And also transaction activities...

Vinay Sanghi: We will do that. We'd do that separately.

Vijit Jain: Great. And Vinay, my next question is, in general, now OLX is also hitting that comparable to stand-alone business margins and obviously the growth seems to be a bit higher. So where does the margins grow from here? I guess, you are already at 24% adjusted EBITDA margin, I think, 17%, 18% if we include ESOP costs. So with this -- and this looks like it's growing ahead of the stand-alone business, right? So I'm just trying to get a sense of where do you think margins go from here? And will that be a function mainly you think of growth, or you have further cost savings to achieve here?

Vinay Sanghi: No. I think margins in both OLX, or the consumer group were better in April, June and will rise with increase in revenue. As revenue goes up, as we always said, margins will go up, and profits will go at a much larger rate, which is obvious from the first quarter results. In fact, the first quarter results carries as I said increments. If they were not there, the rates of growth would be even faster. I mean, the profit growth would be even faster.

Vijit Jain: Yes. I mean it's pretty -- yes, it's well above what I would have thought. So I'm...

Vinay Sanghi: Exactly. So that is just nature of the business. It will continue. There was no change. I don't think cost reduction -- there may be some minimal cost reduction, but I don't think cost reduction is now. I think we've done a lot of optimization of cost across the group in the last six months. So I can't see cost being the driver of margin growth, it has to be revenue as a margin growth driver.

Vijit Jain: Got it. And the last question on the remarketing side. So thanks for the earlier comment on retail and repossession and metrics around that. In general, if I see your revenue, and the way I look at it is remarketing revenues per vehicle auctioned and that number seems to be up decently on a Y-o-Y basis. So even with seasonality, it seems to be a pretty decent number. So I'm wondering, is that driven by used car prices going up?

Vinay Sanghi: No, it's a little driven by supply chain mix because the more retail goes up, it does help our margins a bit. It's harder to grow retail, but it does help our margins a bit. I think the challenge here is that if half the business is growing and half is not or degrowing, half is degrowing, that becomes a challenge sometimes. And I think the repossession has actually been degrowing for

like some time now over 12 to 16-month period or 12 to 15-month period. So that's been the challenge. Retail continues to be strong, and margin growth is coming a little bit from retail.

Vijit Jain:

Got it. And sir, Vinay, if I can ask a last question related to it. Within the OLX business, since nearly half of its revenues comes from used vehicles. So in general, when you have this revenue number for June quarter, right? And if I, let's say, just for comparison, say, compare it to March, are you -- this growth mainly come because of more transactions on the platform? Or was there better monetization because of the same dynamics at play here? Basically auto industry dynamics, whatever they might be.

Vinay Sanghi:

No. So we don't -- OLX used cars is a classified platform. Dealers pay subscriptions to be on the platform. It's a little like CarWale used cars, where also dealers pay subscription to be on the platform. It does not actually monetize a used car transaction, right? Dealers don't do the transactions. They pay for buying packages to list on OLX or on CarWale. So the revenue growth is coming from more dealers or higher ARPUs from existing dealers, right? It doesn't come from transactions specifically. In fact, April, June is actually a sluggish period for the -- for car industry in general, I mean, compared to the rest of the year. If not -- the automotive cycles have now become less evident. But then still April, June is normally the worst quarter of the whole year for the automotive industry, right, normally?

But yes, so I don't think it's being driven by doing transactions. It's just about more dealers or high ARPU to existing dealers. That's what comes in this particular model. And we keep working on adding dealers to the platform, renewing existing dealers, a lot of upgrading, how would you charge existing leaders through providing more value to them. So that's a continuous, continuous effort for us over the next many years is how do existing dealers renew faster, renew on time?

How do we upgrade them to -- give them more services so they pay more money to us. And the third part is, how do we keep adding new dealers to the platform? There applies to OLX and applies to CarWale as well. The only difference is used cars in..., CarWale is 85% new, OLX is 45% used. And OLX is the #1 used car platform in the country as well.

Vijit Jain:

Got it. So, Vinay, I guess this also helps me answer your earlier question to me better because if you could share more metrics around how many dealers subscribe to packages and the yields on those packages that you get and so we can better gauge whether you are seeing growth in -- what amount of growth is coming from adding new dealers versus upgrading them adding new services. If it's relevant to include details around how many services and what kind of packages dealers are availing so we could really track how those things...

Vinay Sanghi:

What kind of package, of course, is completely public information already because dealers buy those packages...

Vijit Jain:

In terms of mix in your revenues.

Vinay Sanghi:

But some of these metrics, we are still after because it's a new acquisition. We're still maturing, reviewing, getting into the details. But we will, at appropriate time, absolutely share some of the data as well.

- Vijit Jain:** Great. Thanks, those were my questions and congratulations once again.
- Moderator:** Thank you very much. Ladies and Gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. The next question is from the line of Jitu Punjabi from EM Capital Advisers. Please go ahead.
- Jitu Punjabi:** So on this whole OLX thing, I just want to be clear. Everything that was in OLX, the autos, non-autos, technology cost, everything is folded into this number and the INR8 crores EBITDA is an outcome of that. Is that a fair assumption?
- Vinay Sanghi:** That is correct. Everything we do, which means we -- that's the company Sobek Auto, which is called OLX India, which is basically classified for used cars, classified for home, jobs, electronics, 2-wheelers and household items and other items as well and all its associated of technology or people or anything else. So it's stand-alone. It's 100% subsidiary, and the accounts are reflected in that.
- Jitu Punjabi:** So the question linked to really is that you had 2 parts of the business fundamentally. One was the non-auto, one was the auto and then you have the tech cost around, which is a separate line you guys paid for, right? The idea was to cut the auto losses, consolidate on the profits coming out of the OLX classifieds and then the tech costs can come out of the number. Is there more to cut on the auto side losses...
- Vinay Sanghi:** No, no. First of all, the 2 businesses we bought, one was the classified business. The classified business carries in automotive, non-automotive side, which is what is reflected in all our accounts now. There was an automotive transaction business, the C2B, which is asset-heavy business, that bought vehicles and sold vehicles, which was reflected in us discontinuing operations last year, which we discontinued. So what you have seen in the last 2 quarters is what is left after discontinuing the asset-heavy business.
- And the continuing operations, which you're seeing in the accounts, has a used car classified business, which is 45% of its business, and has a non-automotive side, which is 55% of its business. And all tech costs related is moved to our environment on 1st January this year, about 8, 9 months ago, which are completely reflected, and all those costs reflected in accounts now. So they had been in fact for the last 2 quarters actually, not just down, but for last...
- Jitu Punjabi:** Yes. Okay. So sorry, my bad that's...
- Vinay Sanghi:** These are a full reflection of the company is classified business, automotive and nonautomotive, these current accounts.
- Jitu Punjabi:** Okay. The second question is really around -- I mean the chitter-chatter out there is a lot of PV inventory, passenger vehicle inventory sitting out from the OEMs in the system. The system is heavy, whatever. Now can you just take us analytically through whether that's an advantage or a disadvantage for you guys? How do you play that out? And what are the implications on CarTrade over the next year because of that?

- Vinay Sanghi:** Yes, sure. You can see the PV, the passenger vehicle industry was at 3%, 4% in the first quarter. And normally, for companies like ours, where manufacturers and dealers spend money to sell vehicles or advertise, it is favourable that supply is more than demand. So normally, a market which is growing, but supply exceeds demand is better than when demand exceeds supply because if demand exceeds supplies, dealers and manufacturers tend to mute or control their advertising, which happened in the past 2, 3 years ago, when we had the supply chain issues around semiconductors, etcetera, etcetera. But clearly, an environment where the market is stable and growing and supply is more than demand or manufacturers want to sell more vehicles or dealers grew, it's a little better or a better market situation for companies like us.
- Jitu Punjabi:** Yes. So you'd expect that there will be a positive outcome...
- Vinay Sanghi:** And that's why you see this big growth, 18% growth as well as this big profit growth, which has come in, in the first quarter in the consumer group.
- Jitu Punjabi:** Okay, Superb. Thank you so much, really appreciate it.
- Moderator:** The next question is from the line of Akshay J from Xponent Tribe.
- Akshay J:** Hi, Thank you for the opportunity. I want to focus on the OLX side of the business. First question I have here is that on the cellular platform, I mean my broader understanding is that our platform should probably be also compared to Facebook Marketplace, given that the way people sell there is also similar. So have you got a chance to compare how the seller side of the platform looks there versus here? And what are the areas in which we can improve the targeting capabilities that we give to sellers?
- Vinay Sanghi:** Yes, we've looked at all similar kind of sites, of course, and our product and tech teams continuously do that. I mean, obviously, the scale of OLX on the used side is very, very strong, whether someone listing, as I said, cars or 2 wheelers or electronics, houses or even household items. You obviously feel there's a tremendous product and response and strength which OLX has got in terms of sheer usage of these products, right, by consumers, who list or buy, right, compared to any other platform in this country. I mean, you've obviously always looked at Facebook Marketplace and others and tried to do competitive benchmarking...
- Akshay J:** I'm sorry, what I meant is that which are the areas in which we can kind of improve because when I use -- as a seller, I use it, it seems like there is very few things I could do as a seller. And so could you -- for example, target -- I mean, there was -- at least I couldn't see a single capability to target my ad better.
- Vinay Sanghi:** So as an individual seller of a product, like we have 2 types of sellers. We have dealers who sell and consumers who sell. Consumers like me and you, who sell a car or a 2-wheeler or a phone or any other item, can list their product and buyers for these products can sort and find these products in the geography and where you are. So if you are selling it in one area or one location or one PIN code in Delhi, someone can target you from that PIN code and find you and find the product, right?

OLX is best-in-class in the responses per listing, which means if you list -- and you have 2 options to list, you can list for free or for paid.. Once you list, obviously, the user has a chance to look at your listing and then pick and choose and see whether they want to buy this product or not. But just to tell you, the consumer response to listings is probably the highest best-in-class in OLX, maybe across the world even, not just in India...the response rate.

Akshay J: Sure, sure. And second question was on the -- I'm sorry, just on the revenue mix. How much of our revenue would be coming from people paying for ads versus coming from Google delivering ads on our landing pages?

Vinay Sanghi: You're saying how much -- consumers paying for listing is what do you mean, right?

Akshay J: Merchants paying for their own ad on the product...

Vinay Sanghi: I'll just stick with the percentage, consumers paying, not businesses paying, maybe about maybe 10-or-less percent. I'm just guessing a bit, but maybe 10-or-less.

Akshay J: Okay. No, sir, what I meant is from the Google ads or the various open Internet ads that get delivered on a landing page, right, which are not our ads?

Vinay Sanghi: Sorry, what is the question?

Akshay J: So what part of revenue comes from ads that are not from consumer or businesses, but from the open Internet?

Vinay Sanghi: You mean just through Google ad networks or any ad network, is that what you are saying?

Akshay J: Yes, yes.

Vinay Sanghi: It's about just a little more than 10%.

Akshay J: Okay. And do you see scope there?

Vinay Sanghi: Yes, we see -- that's kind of a little correlated with the traffic. Of course, the scope will increase, but kind of correlated with the amount of traffic you get.

Moderator: The next question is from the line of Sachin Dixit from JM Financial.

Sachin Dixit: Vinay, congrats on a great set of results. I had a few questions, some of them have already been covered. So the first question is basically on the new auto. Obviously, that 18% growth is good. But I just wanted to understand from your angle, how much growth is achievable in this business? Is this a 15% on an average sort of level growth story? Or this is a 20, 22-odd percentage story? Where do you think is roughly the sort of steady-state growth for this business?

Vinay Sanghi: Very hard. We don't -- very hard to give exact guidance, whether it's 15% or 22% or some other number on it. But we've got to look at the fact that the new passenger car market is only 3%, 4%. It's hard for me to predict what the market will grow in the next 9 months, the new car market. But I would think we would outpace that by a big number, right. And we -- as

you've seen here, when we do -- whether we do 15% or 22% or whatever the number is, our profits will grow multiple times. And I think you can see in the results, I think that is very, very clear. But it's hard for us to go around guidance exactly what that percentage of growth might be.

Sachin Dixit: Got it. And my...

Vinay Sanghi: Just to add to that question, that the new car -- I mean, our new car, not only a new vehicle, rather the consumer group itself as a whole is achieving its highest ever quarter performance quarter after quarter, right? I think that one should keep in mind that every quarter, it delivers its highest ever number.

I think that's one thing one should keep in mind given the numbers delivered this last quarter. Even though April to June, which is not typically the biggest in terms of the seasonality or the cyclical nature of this business, it still achieved highest ever number or its highest ever number in a quarter.

Sachin Dixit: So basically, that part -- it has done better than Q4 of last year, I think...

Vinay Sanghi: Yes. It is not normal for the automotive industry. It's not normal.

Sachin Dixit: Yes. So that's it. Coming to basically on some pieces like in remarketing business, what we are seeing is that there seems to be a dip in employee expense, both on Y-o-Y as well as Q-o-Q basis. I understand that the business is not growing in company so you might not need more people, but are we getting rid of people or are they not filling in people who are leaving?

Vinay Sanghi: No, we're not doing that. We're obviously very cautious about cost, the business which is flattish. We're reallocating costs, right? Suppose the repossession business is degrowing and the retail business is growing, obviously, reallocating jobs. But we're very conscious of cost in a business that doesn't grow, right, is not growing.

We do feel like we are not cutting investment with that attention if that's the question, whether it is technology or product or people or operations, et cetera, et cetera. But we are conscious of costs in that business to make sure that even in kind of growth we get contributes directly to our bottom line. But we are conscious -- as I said, we are conscious of costs.

Sachin Dixit: Just one final question for me. I mean this is more of a follow-on to Vijit's questions, that in case of OLX, we have gotten decent 7.5%, 8% of sequential growth. This growth is driven by more sort of businesses, obviously, more people getting listed on the platform and giving you listing as a subscription fee? Or this is also driven by price hikes? So I remember you were talking about low-hanging fruits and the acquired OLX and price hikes was one of them.

Vinay Sanghi: It's mostly -- it's a combination of it. But obviously, our attempt right now is not so much right price, but it's about really making sure we get more people onto the platform. I mean whether it's traffic on one side or it's dealers or advertiser on the other side, I mean it is important to increase liquidity on the platform. It's just healthy, and we obviously have to be very careful of

just increasing prices. It's more important to get more people onto the platform in the near term, right? So we're obviously focused heavily on it.

But it's very early days, a lot of work to be done. I think it's, as I said, a year from the M&A. And in that period, we had to do many, many things in the first 5 months. We've got a very, very stable, that is a good part of the business. Maybe if you can see the last 2 quarters or even the last 3 quarters, you see a tremendous amount of stability to growth in the classified business and margin expansion and complete transfer of technology and other things.

And not only that was not coming out this presentation is really people stability. I think in lots of M&A, you find that's the challenge, which in this case, as I said earlier, almost all the key MP or the key management of the company, all of it in fact, there's actually no one from the key management who has left the team.

So it's all of these things. There's lots and lots of work to be done on revenue growth. We are just starting our work, I would say it will take us. And as I again said, I think the question asked earlier, the potential to grow on the used classified side or on auto and non-auto side is just tremendous. And as I said, we feel very optimistic. But at the same time, we got a lot of work in the next many quarters coming.

Moderator: The next question is from the line of Sahil Doshi from Thinkwise.

Sahil Doshi: My question pertains to OLX, where if you can get some metric related to the paid listing that we have today? And how that number has grown over the last 1 year? And what will be the strategy in terms of that because that's when you want to really like you alluded to the fact that you want to grow the number of transactions in the listing.

Vinay Sanghi: We acquired it August. So reflection of growth in paid listings is the reflection of growth of the revenue of the company. As you can see, the company's revenue growth, as earlier discussed, has gone from INR43 crores in the last quarter, operating revenue, 43.4 to 46.68 in this quarter. So that is the growth 7% or 8% quarter-on-quarter sequential.

And obviously, as we've won, our objective is to, as we discussed, to keep this increasing number of advertisers. And advertisers for us are 2, 3 times, there are dealers for various products, cars, 2-wheelers, et cetera, et cetera. And then there are consumer advertisers, people like you and me who come on the platform to sell products. But the objective is, of course, to increase both these sets of paid listings or advertisers as we call.

Sahil Doshi: Sure. Sir, would we be in a position to quantify some of this paid listing?

Vinay Sanghi: We don't normally give guidance on the revenue and the number of paid listers, which will go up or likely to go up in the future. But obviously the effort of the company is entirely to increase the paid listers whether they are the dealers or consumers.

Sahil Doshi: Sure, sir. And I think the past conversation you alluded; you have said that you'll be building out a team for developing the non-auto business. Where are we in that journey? And how do you plan the investments in this for the rest of the year?

Vinay Sanghi: Sure. That's a good question. And we've actually, in the last few months, appointed a head of our non-auto business, who's always taking charge of all our nonautomotive businesses. He was the CEO of OLX India. And obviously, his job is to run homes, electronics, jobs, household items and various other categories exist.

He's also now started building out his team and building out a strategy to grow this business. For us, in the first phase, obviously, used car classified came on, actually it was in a group, and we focused heavily on that in the first few months, but now we're starting to spend a lot more time on the non-automotive side.

And the objective is we start to keep doing that business as well in the next few months and quarters. But we have built up the CEO. But as I said earlier, the investments are in bandwidth and people and our own focus is not so much about money because this business is profitable. So whether we invest in field people or we invest in technology and product teams out here, it's not likely to cause any financial investment. It's more likely to be more bandwidth investment, actually because the business is already profitable.

Sahil Doshi: Okay. Got it. So if I think Q-on-Q, we've seen -- at least on the OLX side, we've seen a sharp increase in the employee costs and also the ESOP has also increased. So just on account of the new hirings under the new CEO is coming in place, and hopefully, they should stabilize going forward? Or how do we think about this?

Vinay Sanghi: OLX cost increase of manpower is mostly on account of increments. There is some manpower increase but mostly from the account of increment cycle, and increments are given on 1st April. We also acquired the company between the year end and the first increment we've given. So that's what's happened. The ESOP cost actually not gone up.

The ESOP cost was actually the same rate as the last quarter. It is last quarter. It's given -- I think it was in February. So we factored 2 months in the previous quarter and now it is 3 months. So that's what it is. The CEO hired was actually previously in the quarter. So it was not new to this quarter if that's the question. Yes.

Sahil Doshi: Okay. No because the question because I see a 26% growth this quarter employee cost, right? So meaning that is slightly higher than the normal increment, which I see in a classified business, so...

Vinay Sanghi: Yes. It is on account of -- a bit of an account of increments, and I would say some new hires during the quarter. The employee cost is up, yeah okay if you add ESOPs. But otherwise, incremental cost is actually -- is it 26 Aneesha? 13% to 16%?

Aneesha Bhandary: Yes, Vinay.

Vinay Sanghi: Okay. Got it. It's been increments and hires

Sahil Doshi: Understood, sir. And sir we really appreciate if you can incrementally share out more data points of valuating OLX business for better, like how you do give out the operating metrics for the last five years. Similarly, if you can possibly list out the number of paid listings you have. Or any

other metric which could give us a sense on how the business is growing, whether in auto or non-auto will be really helpful, sir.

Vinay Sanghi: Yes, we will come back on this. I think it's a point which an earlier speaker had made as well on some of the metrics for OLX evaluation.

Sahil Doshi: Sure. And just the last question...

Moderator: Sorry to interrupt, sir. May we request you that you return to the question queue for follow-up questions.

Vinay Sanghi: It's okay. We'll just quickly finish this. Go ahead.

Sahil Doshi: Yes, sir. Just related to the cash balance, do we have a plan on buyback or something of that sort?

Vinay Sanghi: Aneesha, you want to answer this question?

Aneesha Bhandary: Yes. Sure. So on the buyback, as per the Companies Act compliance, unfortunately, we're not able to do a buyback right now. But the question I think is also to say that because we have the INR782 crores of balance, we will buy back when probably the Companies Act allows us to do so which is once we wipe out all the brought forward losses.

Sahil Doshi: Understood. Thank you.

Moderator: The next question is from the line of Akshay Satija from Alpha Invesco. Please go ahead.

Akshay Satija: Congratulations on a great set of numbers. Sir, I actually wanted to understand a little more on the abSure side of the business. I believe you already mentioned that we are operating INR400-plus crores, and I believe the OLX stores are also included in that portion. And the closing of C2B business for OLX? So I just wanted to understand, I had a little confusion like what's happening on the OLX stores fund? And secondly, if you could throw some light on what sort of revenues come in from the abSure business? What's the take rate for that-- yes, slightly on that side...?

Vinay Sanghi: Yes. So we've got -- in CarWale, we've got abSure signature outlet as well as OLX, and we acquired the company and OLX franchise stores. These OLX franchise stores have got nothing to do with the C2B transaction business that we shut. That was more a transaction operating business for a different kind of business. The OLX franchise stores continue to be there. I think collectively, between abSure and signature stores, plus OLX franchise stores will be more than 200, 220 -- I mean probably 225 -- unsure about the number, but 225 to 230 stores.

Obviously, our objective is to keep growing this. It's a big part of our focus. It's part of our used car classified businesses on both CarWale as well as OLX. And a lot of discussions happened the last 2, 3 months on taking this franchise network of OLX India stores and abSure plus signature stores of CarWale and growing this out. And we feel committed to this, to establish a very differentiated retail network. So that's the objective here. I think the total, as I said, the total number of stores are close to over 250 stores between OLX and CarWale abSure plus signature.

Akshay Satija: Okay. Sir, if you could throw some light on the -- so we believe all these retail numbers are included in the remarketing business. If you could throw some light on what's the volume between retail and probably the B2B business, what will be the take rate for us in retail and B2B business?

Vinay Sanghi: The retail is about 42% of our business, and the B2B repossession, supply from repossession is about 46% of our business. So this is a rough ratios of the percentages of revenue. The margins, we don't have a cut right now on the different margins, but we did disclose -- I mean, we did indicate the previous speaker as well that obviously, the margins from retail are higher than the margins on repo because just from the nature of supply coming from individual source or single source versus bulk supply coming from corporates or big banks and NBFCs. So the margins are higher here. But we are not, at this point, got a margin cut in the financials between the two.

Akshay Satija: Okay. So my understanding is we roughly get -- so in terms of revenue, if I just simply look at the remarketing revenue and the number of cars that we have sold, it shows we will get roughly INR10,000 revenue per car. So I just wanted to understand, would it be somewhere around INR12,000 for a retail car and probably INR8,000 for...

Vinay Sanghi: I can't give the exact margin, but the margin in retail are higher. That's the point. I can't -- I don't off hand can say 12 or 8, but the margins in retail are high, that is correct.

Akshay Satija: Okay. If you could also just throw some light in terms of what -- so I believe India sells 5 million used cars. What would be our percentage in terms of market share? Because I believe the 2.5 million -- 2.5 lakh cars that we sell every year, it also includes maybe some commercial vehicles. It's not just passenger vehicle...

Vinay Sanghi: From SAMIL's point of view or from all our platform's point of view? I think the different things -- there are different ways we address the market. If there are 5 million -- more than 5 million used cars sold every year, about -- I mean, there are some estimates given that about 25%, 30% of the consumers were consumer-to-consumer transaction, which is like me and you selling to a friend or somebody we know. OLX caters to that in a very big way, where consumers list and consumers buy. So we address the used car market across the group in different manners. So OLX completely is the strongest C2C platform in this country for consumers buying and selling. So that's one part of the used car market.

The second part of the used car market is goes B2C, which is dealers selling to consumers, right? And again, OLX and CarWale are dominant there where a large, large percentage of the dealers who sell 70% of India's used car sales advertise on OLX and CarWale. And obviously, OLX and CarWale are big, big contributors to that balance part of market, right?

So it's just, as I said, and then comes the auction side where some part of India's market is of retail consumers or big businesses, taking used cars and selling them across, or used vehicle, selling across an auction. So there are different, different segments. I think Shriram Automall caters to one of that segment. OLX is another one. CarWale is some of the segments. So different, different ways, we're addressing that 5 million used car market across the different businesses.

- Moderator:** The next question is from the line of Gunit Singh from Counter Cyclical PMS.
- Gunit Singh:** I just want to understand certain basic things about the business. So in OLX, our main revenue stream is from the listing fees that the people listing on the platform provide us. Is that correct?
- Vinay Sanghi:** Yes, the people include people like you and me, who lists products and dealers in India for dealers, for car, 2-wheelers, electronics, brokers for real estate, etcetera, etcetera.
- Gunit Singh:** All right. So one -- would be dealers selling to consumers, one would be consumer selling to consumers...
- Vinay Sanghi:** That's right.
- Gunit Singh:** And sir, I mean, what does the remarketing business basically constitute?
- Vinay Sanghi:** The remarketing business is about -- it's got 2 different segment or 2 main segments, I would say, where it's a physical and online auction platform, where if you're a big bank, like any big bank in India or a non-banking finance company, and if you repossess vehicle, you need a platform to sell them. So these big banks keep the vehicles with us, in some cases, and they do an online sale on our platform to dealers. So there's a B2B side, and that's one part of our business.
- The second part is retail users. It could be a taxi owner to a truck owner to a car owner saying, listen, I want to sell my vehicle to a dealer. So they come in, put up an online sale for these vehicles on our platform to dealers. So it's a B2B, C2B transaction system. That's remarketing business.
- Gunit Singh:** All right. Got it. And sir, what about the retail stores that we have? I mean, what part of business do they...?
- Vinay Sanghi:** That's part of our classified B2C platform. So if you're a dealer in India selling used cars to consumers on OLX or on CarWale, as a dealer, you can also say, listen, I want to become a franchisee of your brand, CarWale or OLX. And I'll take your brand and processes and a technology and your product, and I will in a way being just from a retailer, I'll become a CarWale curated store, which is operated by the dealer and owned by the dealer but operated under a CarWale or OLX brand plus the software elements of that brand, which is technology product, et cetera, et cetera.
- Gunit Singh:** All right, sir. So all of our outlets are basically franchise...
- Vinay Sanghi:** All franchisees. We don't own any stores. We don't -- we're completely an asset-light company.
- Gunit Singh:** So sir, what is the margin difference between selling by ourselves and selling the cars, say, from the franchise?
- Vinay Sanghi:** We don't sell cars ourselves. So we don't buy, sell cars in any one of our businesses. We are a platform where we're a marketplace. We're a little like the buyers and sellers come and sell cars and buy cars. We don't... dealers list and consumer buy.

- Gunit Singh:** Involving the franchise versus selling this from a platform...
- Vinay Sanghi:** Obviously, the margin on franchisees are obviously higher, there are more value-added services provide to a franchisee than to a standalone dealer. Even the standalone dealer selling on CarWale or OLX or a franchisee doing it, obviously, our margin of franchisees and our fees are much higher on a franchise store than a normal store.
- Gunit Singh:** All right. Sir, I also understand that we also benefit from sale of new cars. Is that correct?
- Vinay Sanghi:** That's true. 85% of CarWale business is new cars, where the manufacturer and dealers put up their products for sale to consumers, cars, and 2-wheelers both, that is. Yes.
- Gunit Singh:** How does this new car, I mean, business work? In my understanding what I understood was that -- I mean new cars are just bought from, say, if I wanted Toyota, I'll go to the Toyota dealership, and I buy a car from there...
- Vinay Sanghi:** So I think consumers come to CarWale because -- to find out which car to buy, whether it is Toyota or Honda or Ford, any car. And then they do all their work on CarWale and then eventually connect to a dealer through CarWale, that's how it works, or a manufacturer through CarWale.
- Gunit Singh:** So I mean does this happen online? Or is it from some physical stores?
- Vinay Sanghi:** It happens completely online. The stores which advertise are physical or the dealers advertise on CarWale.
- Gunit Singh:** All right, sir. So I mean, what kind of revenue do we earn...
- Vinay Sanghi:** I think what we can do because this is more into detail -- I think what we can do -- this is an earnings call. What we can do is maybe offline if you contact us, we will spend time and explain this entire thing because we're going into -- as I said its earnings call. So we should better stick to the earnings in the later quarter performance. We're getting in the very core of the business and the strategy of the background of the business. It's probably better to do it in a separate conversation.
- Gunit Singh:** Sure. Thanks a lot, most of my questions have already been answered.
- Vinay Sanghi:** Thank you so much. Thank you.
- Moderator:** **Thank you very much.** Ladies and gentlemen, that was the last question for today's call. I would now like to hand the conference over to the management for closing comments.
- Vinay Sanghi:** Thank you, everybody, for joining the call and going through this earnings performance update from the company. As I said, we're going to be very excited about the company's future and also excited about the results for the last quarter and look forward to seeing you again. Thank you so much. Bye-bye.

Moderator: On behalf CarTrade Tech Limited, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.