

**Date:** August 18, 2023

**To,**  
**Department of Corporate Services,**  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street  
Mumbai - 400001  
**Scrip Code:** 543333  
**ISIN:** INE290S01011

**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

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

**Sub: Transcript of the CarTrade Tech Limited Q1FY24 Earnings Conference Call held on Thursday, August 10, 2023**

Dear Sir/ Madam,

With reference to our letter dated August 07, 2023 intimating about the Analyst / Investor Call with Analysts/Investors, please find enclosed the transcript of the CarTrade Tech Limited Q1FY24 Earnings Conference Call held on Thursday, August 10, 2023.

The above information will also be available on the website of the Company: [www.cartradetech.com](http://www.cartradetech.com).

This is for your information & record.

Thanking You.

*for CarTrade Tech Limited*

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**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 2024 Earnings Conference Call”

August 10, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 10, 2023, will prevail.



**MANAGEMENT: MR. VINAY SANGHI – CHAIRMAN AND MANAGING  
DIRECTOR – CARTRADE TECH LIMITED  
MS. ANEESHA BHANDARY – EXECUTIVE DIRECTOR  
AND CHIEF FINANCIAL OFFICER – CARTRADE TECH  
LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to CarTrade Tech Limited Q1 FY '24 Earnings Conference Call. This conference call may contain forward-looking statements of the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the 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 touchtone phone. Please note that this conference is being recorded.

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

**Vinay Sanghi:** Thank you. Good afternoon, everybody, and I want to welcome you to this quarterly earnings call and thank you for taking the time out to spend this next one hour with us. Just wanted to give you the highlights of the quarter to start with, we had also circulated and uploaded a presentation. The first part was really the key metrics of the company. We have now 200-plus physical locations in the last quarter we auction at rate of almost 1 million vehicles a year. Monthly unique visitors compared to last year continue to grow at 34 million unique visitors. The organic traffic continue to be strong at 85%, which is really the strength of the brand and the company.

Revenues were approximately INR107 crores, INR106.9 crores. Adjusted EBITDA touched INR31 crores. PAT was INR13.5 crores and we continue to have free cash flows as well as a strong cash balance, approximately 1,100 crores. Just to give you context, revenues with about 18%, adjusted EBITDA by 74% and PAT was almost 3x, which is at 307%.

If you look at the stand -- the consolidated. We can pick up the consolidated financials first. As I already said, revenue is INR107 crores --, INR106.9 crores, which is approximately 18% higher than last year. You will see the total expenses almost 5% up from last year, which is the reason why the adjusted EBITDA is up by 74%, which shows the leverage in the business.

Adjusted EBITDA percentage from 20% last year on 29%. If we took out the other income, it's about still higher at 12%. As you see here, PBT has grown by 316% and PAT by 307%. On a consolidated basis, we're glad to inform you the profitability has grown, the robustness in the model has been shown. Costs have remained more about 5%. It's mostly flat. Some breakups our stand-alone business now is 56% and the remarketing revenue is about 44%.

So I think that's a bit of a change and that's been reflected in the stand-alone accounts, which is the next slide. As you can see, our stand-alone revenue has gone up by 28%. Stand-alone adjusted EBITDA, that the operating revenue up by 28%. The total revenue is up by 48% on a stand-alone company.

The Net Revenue INR60 crores & the adjusted EBITDA is up to INR20 crores from INR8.6 crores last year, which is a 141% increase in adjusted EBITDA. EBITDA margin is a 34% stand-alone against 21% last year. If you took out the other income, the adjusted EBITDA margin up

from last year, 4% to 8%. And you can see the stand-alone profit is almost 6x -- 6.3x in -- PAT which is a INR 12.34crores and PBT is about 7.7x, INR14 crores. So all in all, the financial have been strong for the company led by 28% growth in operating revenue.

And so I just want to highlight a couple of things here. One is the expenses includes a one-time due-diligence costs pertaining to the Sobek Auto acquisition, and that's included in our other expenses. That's number one. Some other key highlights here are in the stand-alone is that a new -- not much is changed in the split of used car revenue and new car revenue still use about 17%, new is about 83%. The OEM dealer competition also is pretty consistent and stable. OEM is about 62%. Dealer contribution to this business about 38%, so this is in the stand-alone accounts.

Revenue has faced some challenges, which continues to be over the last 2, 3 quarters is the remarketing side of the business, where revenue over last year has degrown by 7%, although EBITDA is up by 11%. And that's partly because of cost reduction of 11%, which has improved the profitability, the unit economics, but revenue still continues to be a challenge there.

And I think this is coming from what we've talked about in the previous quarters, it's a decline in the repossession business. Our repossession business, which from banks and NBFC supply from all the various banks and NBFC is down and is now 45% of our business. Our fastest-growth segment is our retail side of supplier to remarketing business, which now becomes 40% of our business.

So, the previous quarter, the remarketing of 55% of our business, comes down to 45%. Our retail was 33%. EBITDA was 40%. So we're seeing a segmentation change and we're hoping that the repossession also picks up in the next few quarters. But at this point, the repossession business is down, and that's actually dragging some of the revenues down. Although the profitability is marginally better.

So this is the remarketing side of the business. If you go to the traffic on the consumer side or CarWale, BikeWale and other platforms, the traffic is actually up from last year, which was at 31.1 million is on 34.2 million in the same period. So it has grown. Auction volumes are down, consistent with the revenue being down by 8%, so it's down to -- in this quarter to an average of approximately 272,000 vehicles -- sorry, 250,000 vehicles this quarter, versus last year's 270,000, which is down by 8%.

On the Google trends, the brand we continue to have clear leadership over the competitors, both CarWale and BikeWale are several times or a couple of times in terms of Google brand Indexes on the digital brand index. And as you know, 85% of our traffic comes organically which means traffic we don't pay for. So this is a few key highlights of the financials and key metrics for the quarter. It's been a strong performance at a consolidated level on a stand-alone basis.

The remarketing business has faced some headwinds, which we are hoping we will correct in the next few quarters. During the quarter, we also worked on the acquisition of Sobek Auto, which is also signed an SPA to acquire Sobek Auto on 10th of July. We had disclosed this earlier that we've acquired Sobek Auto, which not only runs the entire OLX Classified business, but

also their B2B transaction business. So we acquired 2 businesses from them, both in Sobek Auto and we acquired 100% of Sobek Auto and its businesses.

The OLX Classified business is something, which all of us use for selling a car or 2-wheeler or electronics or any other item. There are multiple buyers on the platform, 100 million downloads under classified site, more than 100 million downloads and that leads to a large amount of monthly organic traffic very consistent with our philosophy of working with strong brands and acquiring strong brands. It's a very strong organic brand as well.

It also has a C2B transaction side of the business, which we acquired, which is helping consumer sell vehicles to peers in an auction mechanism. Even though a very, very small inventory, it generally does not pick up position on vehicles, which is typical to our approach on auctions. These were two business acquired there. Of course, with the transaction -- we signed a share purchase agreement to acquire 100% of the company on 10th of July. We were likely to close this transaction in the coming few days.

And obviously, at the time of once we close, we will give out a lot more data and details around this transaction itself. But we're very excited about it. It's an acquisition for approximately INR537 crores and extremely excited about acquisition itself. We feel it will add a lot to the CarTrade Tech portfolio of companies, which are CarWale, BikeWale, Shriram Automall etcetera, etcetera.

This is what I had. I'm happy to pick up any questions and clarifications which you might have.

**Moderator:** The first question is from the line of Siddhartha Bera from Nomura.

**Siddhartha Bera:** I had a question first on this Sobek Auto acquisition. I mean, would it be now possible to sort us share what will be the mix between the classified and the C2B business in terms of revenues? And any update if you can share on the profitability side as well maybe for last year, whatever you can share here?

Basically, you have to understand more about -- I mean we have generally followed a very asset-light approach to businesses and Sobek Auto seems slightly more on the sort of asset heavy side but -- so any color if you can share on the current mix and how profitability? How should we think about over the medium to longer term to play out in this business?

**Vinay Sanghi:** Sure. Thanks for the question. As I said, because we signed SPA and not closed, I'm not able to disclose at this point the financial data of the businesses. But what I do want to say is that various principles of CarTrade Tech around running strong consumer brands, running strong consumer businesses, delivering value to its customers, having good unit economics in that business is something which will apply to all our companies, not just Sobek Auto.

So, I think what we are pretty sure of or confident of is that Sobek Auto which is classified business or the transaction business, will deliver value and we have -- we will obviously want to create strong unit economics in these new businesses and also maintain our stance on keeping up businesses as asset light as possible. I think that's something we do clear. We're building marketplaces which are going to have good unit economics and be asset light in nature.

**Siddhartha Bera:** Got it. Okay, sir will wait for more clarification on this acquisition? And on the current businesses now, sir, repossession has been subdued for now quite a few quarters. I think from next quarter, we might start facing some favourable base intact as well because now it's been like close to a year when we have started seeing a weak set of numbers.

So when do you expect some of these recovery in terms of volumes to play out? Will it happen in the second half of this year? Or do you think it may take longer now depending on your visibility at the ground level?

**Vinay Sanghi:** Honestly, there are two parts to the question. The first is the repossessed side. It's hard for us to tell when that would recover. And yes, there will be some base effect. But the bigger factor is that the economy seems to be doing well and financial and financing vehicles seem to have better payments on the loans and clearly lower NPAs. And that's one of the reasons why seen the repossession business is lower.

And it's hard to predict when the stir on the side will change. But what we're doing, and I think where we are feeling more confident about is, we're building other segments of supply by force, right? And I think that process has started some time ago. And as you see here, even though the repossession fall in an alarming rate, other segments have taken up and filled up these volumes, which is what we are confident about doing, is building our own retail business there so that the vehicles we bring in are more than compensating for the repossessed vehicles.

And if the repossessed supply was to get better, then of course, we'll be in a much, much better position as well. So I think our focus is really not just waiting for the repossessed business to come back, but really is about growing other segments of our business, which is actually partly what's one of the reasons why the business has still been stable, even though there have been high fall in repossessed business.

**Siddhartha Bera:** Got it. Sir, lastly, what will be the cost you have in regard for this due diligence which you have said they have come in other expenses?

**Vinay Sanghi:** Yes, sure. Aneesha, you want to just give a number it on approximately?

**Aneesha Bhandary:** It's approximately INR1 crore, Vinay.

**Vinay Sanghi:** It's approximately INR1 crore.

**Moderator:** The next question is from the line of Ankit Kanodia from Smart Syne Services.

**Ankit Kanodia:** My question is -- so my first question is related to the acquisition only. So if you look at the competitive landscape in the used car asset heavy business, one of our competitors recently shut shop, then OLX is also right now, they have sold to us. So what is our thinking, or rationale behind making this kind of an acquisition?

Of course, something it is clear that probably the valuation at which you have got is very good. But from a business perspective, looking at the competitors, it looks like it's a very, very, difficult space to be in. So what is our rationale and strategy to take it up from this acquisition now?

**Vinay Sanghi:**

Sure. So we've acquired two businesses. I think the first business we acquired is the OLX Classified Platform, where a consumer like me and you are selling millions of vehicles, cars, two-wheelers, etcetera. And it is actually – and then other items, electronics, to various other things. It also has a significant job platform and a significant real estate platform. So I think what we've acquired, the first is the entire OLX Classified Platform.

And as you know, the brand of users or the number of users on the platform is extremely high. It gives us strength on having a large amount of organic traffic in addition to CarWale and BikeWale and the platforms we have. Like CarWale and BikeWale, a lot of their traffic is, again, organic, as we say, which is not paid for, which makes its unit economics and its business economics extremely attractive to us.

And this has been built on great customer experience that they've delivered. So, I think that's the first reason which we see, you know, the strength in the brand and the number of users they have and that's the business we acquired, which is completely asset-light and not asset-heavy, as you know. The second business we acquired is the C2B Transaction Business, where they sell or auction vehicles of consumers like you and me who want to sell their car to dealers.

And there, you know, again, they tend to auction it out. It's a very, very minimal inventory with almost an asset-light manner. Where they're different from some of the other competitors is they tend to be more asset-light, number one, and they tend to have a very large base of synergy or a large synergy from the classified business, because many of the customers who sell the vehicles come from the core classified business. So that's where they're different.

We see a lot of synergies in both the classified side as well as the C2B Transaction side, naturally. And that's what we believe. We also believe that because of all the traffic we get on OLX or CarWale, we have a differentiated advantage in the C2B business, right? It's the run, the Transaction business. So that's where we are at. I think we also believe that it'll take us some time to, it's a significant, you know, it will be a significant event for the company.

And it'll take us some time to integrate various things like technology, brand, people, etc., etc., which is what we are in the process of working through once we close the transaction.

**Ankit Kanodia:**

Thank you so much. That was really detailed. So just a follow-up on this. So is it fair to assume that given the kind of unit economics, all these asset-heavy used car businesses have been, the transaction business which you are talking about, when we integrate the books, I'm not asking you for an exact number, but is it fair to say that again, right now CarTrade is profitable, but once we integrate this business, probably we will again see a ride in our consolidated numbers?

**Vinay Sanghi:**

I can't comment on financials at this stage, you know, until we close the transaction. I think a lot of this will give out at the point of when we, you know, post-closing the transaction.

**Ankit Kanodia:**

Fair, fair enough. So one last question. So when you are talking about the classified business, I'm just clarifying my doubts. You own the whole classified platform. So like, even if I want to trade on electronics, even that will be now under CarTrade, right?

**Vinay Sanghi:** That is correct. The entire classified platform in India is what we've signed a contract to acquire. That is correct.

**Ankit Kanodia:** Great, great. Thank you so much. I'll come back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Vijit Jain from Citi. Please go ahead.

**Vijit Jain:** Hi. So my question is, first off, on the OLX classified side, just staying on that topic for a little bit. When we see the financials, the future for Sobek Auto and OLX for FY'22, which is available, specifically on the classified side, there is two components to that business, right? There's the India business, and then there is stuff that OLX used to do for the global entity. So is it sufficing to say that whatever is disclosed in FY'22 on the India business is what you are acquiring? And will there be business bifurcation here as well? Because I imagine some of the costs within OLX classifieds in India were also kind of attuned to their global business?

**Vinay Sanghi:** We, just to clarify, and we've clarified this in the disclosures as well that we bought Sobek Auto, which acquired OLX's India classified business and already owned the C2B transaction business. So what we are buying is a classified business and the transaction business, not OLX's global business. Just want to clarify that. I don't reflect or communicate on the financials of the previous year of theirs, as I said, the way those companies were, we, both Sobek has actually acquired a – signed a BTA to acquire from OLX India, which is the OLX classified business. So as I said, I can only comment on the financials once we've closed the transaction.

**Vijit Jain:** Yes, okay. Then the second question is on just the standalone business, so you mentioned used cars is now 27%, new cars is 73%. From what I recall, last year, the used car business was 16% and new was 84%. So relatively speaking, new car business has been somewhat weak. Is that accurate? And the second question related to that is, when I see auto OEMs make commentary on their plans for this year and their general plans for this year, it does look like as it is going up or is slated to go up, there are the new launches from big OEMs across both two wheelers, as well as four wheelers. So just your thoughts on that, new vehicle business this quarter and as you look forward into FY'24?

**Vinay Sanghi:** Just, you know, new car revenue is going by 29%, used car revenue is going by 33%. I mean, there's not really much change in the ratio, 83:17, 84:16. It's like not much change, to be honest, in the ratios. But I can give you a little bit of the idea of the market. The new car market actually has grown in the first quarter in India. It's also not only has it grown, I think one of the problems for not last year, but the year before that has been that supply has been a problem in the new car industry.

That seems to have now gone away, where there is supply and there is demand and volumes have grown, which is a good position and a good market position to be, which is why you see the growth and robustness and growth as well across in our business as well. So, it seems to be in a good position, the new car industry by itself, volumes are up, supply is better than it used to be. Demand is also good, which is the best place for a consumer and for a manufacturer and a dealer and companies like ours.



It seems to be all okay. The used car market also seems to be growing and that's where we've grown as well. Yes, generally around in the car industry, things seem to be quite stable and seem to be in a position where, I think even on last year's higher base, I think growth. So all in all, I would say the new car industry, used car industry, reasonably good place in the first quarter. I don't think there's any reason for us to assume that it'll change in the next quarter either, in terms of car market, the new car and used car market.

On the two-wheeler side also, volumes have got better and we've seen reasonable growth on the two-wheeler side as well. So just generally all in all, even if you see our traffic has gone from 31 million to 34 million across these platforms. So all in all, it just seems to be that the auto industry, it seems to have a reasonable quarter, not a really, you know, high growth quarter, but a reasonable quarter. I think that's what it seems like.

**Vijit Jain:** Got it. Thanks, sir. And then the last question on the remarketing business. What has been the growth in the retail segment within the remarketing side in this quarter, if you can give me a broad sense of that?

**Vinay Sanghi:** Let me just check this. Yes, what I can see, I don't exactly, but I think that, Aneesha, correct me if I'm wrong, but the repossession has been down by like 25% or so. I mean, I'm not exactly sure the exact number, but in that range, and the retail has grown, I don't have that exact number, but that has grown by about 25%. Is that correct, Aneesha? You can just check.

**Aneesha Bhandary:** The repo has declined by 28% - that you're right. Retail, year-on-year, has gone up by about 6%.

**Vinay Sanghi:** Yes, retail has gone up, yes.

**Vinay Sanghi:** Okay, got it. Thanks Vinay. Thanks, Aneesha.

**Aneesha Bhandary:** Thank you.

**Moderator:** Thank you. (Operator Instructions). The next question is from the line of Sachin Dixit from JM Financial. Please go ahead.

**Sachin Dixit:** Hello, good evening Aneesha. Congrats on the results.

**Vinay Sanghi:** Hi, Sachin. Thank you, Sachin.

**Sachin Dixit:** Hi. Quickly a question on basically how is the retail business in remarketing different from OLX's C2B businesses. Can you explain that?

**Vinay Sanghi:** Yes, OLX's is retail, OLX's auction business or the C2B business of consumers like you and me, who want to sell a car. Shriram Automall's retail business includes people like you who want to sell a car, but also includes, it could be commercial vehicles, could be all types of vehicles. I think Shriram Automall is actually product agnostic. It could be cars, it could be commercial vehicles, it could be even some tractors or farm equipment. OLX is only cars, consumer vehicles. I think that may be the question you're asking.

**Sachin Dixit:** In terms of the structure of the transaction, I guess OLX basically buys the car from the customer and basically, they have some sort of bid for this car at the back end from some dealer. But in case of Shriram Automall, you are never buying the car from the customer. You are just getting the transaction done and taking permission once the transaction happens. Is that right?

**Vinay Sanghi:** In Shriram Automall, when you give a vehicle for auction, the vehicle is auctioned and the seller pays the buyer directly. That is correct. What you say is absolutely correct. In OLX, when they do an auction, the buyer pays them, they pay the seller. That's the only difference. But they do have a back-to-back auction done against every car they transact. So, even though it's quite similar, Shriram Automall doesn't actually pay the seller and take money from the buyer. That's correct.

**Sachin Dixit:** Understood. So, basically, if my understanding is right, Shriram Automall is completely inventory free; in OLX while there is a back-to-back bid. But in case the dealer runs away or something like that happens, there is some risk.

**Vinay Sanghi:** That is correct. That is absolutely correct.

**Sachin Dixit:** Coming to our abSure business, I think that's a business that we have seem to have forgotten completely about. You are now buying an OLX transaction business. There was a transaction story that you yourself launched by doing abSure. Any update on what's happening there? How is it going to work?

**Vinay Sanghi:** AbSure has gone to 99 stores now. The business is not connected with OLX C2B transactions because abSure is the place where people like you and me can buy a car from, whether online or offline. CarWale or abSure branded stores. And if you want to acquire OLX and close the transaction, it will only help abSure outlets. But in any way, the C2B transaction business and abSure are not that correlated with each other apart from the fact that all the C2B vehicles with OLX may auction may be available for abSure dealers to buy, which is even available now.

But otherwise, there's no real link in their business. An abSure outlet is really a place where you go and buy a car. C2B auction is where you get onto OLX and say, listen, I want to sell my car. So it's a little different in that sense. I think the C2B auction business is more connected with, I mean, in similarity with Shriram Automall than CarWale, abSure outlets.

**Sachin Dixit:** Right. Got it. Just one final question from my side. Basically, on the OLX transaction again, the Sobek Auto transaction, basically, looking at how that business has grown in the past, they started quite close to, when the market leader in that business started, but they were, I think, third or at some point maybe even the fourth place there. Considering that their lead exists in classifieds business where they are the market leader in terms of used car classifieds in India?

I don't think that's the seamlessness that you talked about, right? That classifieds business running, helping them do C2B auctions very well, really played out. How do you think it's going to change? What's different now?

**Vinay Sanghi:** So, I don't want to comment on their past at all. And I think the way we look at it is that we are acquiring a classified business where they have tremendous strength in helping consumers like

you and me sell something, right? And also a marketplace where a lot of buyers come to buy those products that are being sold. So we are very excited about the consumer marketplace or the classified marketplace, independent to the C2B business, which also we're excited about, because it gets us a certain sort of auction supply and transaction, which is quite unique by itself.

Getting a large number of car single users to sell their cars in a completely simple manner, with very high technology being used. So one must not also put into account that they built excellent technology on both the classified side and the transaction side, which of course will be available to us. And that's what excites us. The synergies between the classified businesses and the transaction business, the supply coming from there, something we'll talk about once we close.

But obviously, the classified business is a very strong platform and has quite rightly as you say, leadership in the classified business, whether it is cars, motorcycles, electronics, etc, etc. So we feel good about all of it. I don't want to comment on what they did in the past or what they exploited in the past or not, but we see an opportunity here.

**Moderator:** The next question is from the line of Saurabh Shah from AUM Fund Advisors. Please go ahead.

**Saurabh Shah:** Hi, sir. A few questions on the remarketing business. I just want to understand, how does it go? So you said that the OEM supply has been good and it's good for all of us. But on the contrary, we are seeing a degrowth in terms of our revenues, first of all. So how do you see that growing in the next three years, three to five years, if you can give a mid-term view on the thing? And how does the profitability in this business go? So now that our costs are, I guess, more or less incurred, so what additional cost would be coming into picture for the business growth and everything?

**Vinay Sanghi:** So I think two things. One is the repo business is down you're right, the retail business is growing. We see along with retail adding other segments and we see a very strong, positive business in the next three or four years. It's a marketplace, the remarketing business is a marketplace where it enables businesses and consumers, all types of vehicles to sell their vehicle in an efficient, transparent manner.

And we auction more than one million vehicles a year, so we see a very strong business model for the next three, four years. It is possible there is some segmentation change, which is repossessed and being replaced by retail currently in that business. And when repossession comes back, of course, Shriram Automall will be the place where all these businesses will come to sell their vehicles. So we see that. I think on the cost side, you've seen one of the reasons the profitability or the unit economics is better is because costs have remained flat in spite of revenues slightly degrowing.

And therefore, we see that also like any marketplace, most of the costs are incurred and we feel that as revenue grows, a large part of that revenue comes to profit or EBITDA. So we feel very good about the cost structure of the company. I think what we are working on is really growing the retail side of the revenue and other segments of revenue.

**Saurabh Shah:** So what I also want to get a sense is how has market share grown over the last, past three to five years with, CarWale, BikeWale compared to Cars24 and now OLX autos and everyone coming into picture. And of late, what has been the whole trend?

**Vinay Sanghi:** So CarWale, just CarWale, BikeWale of course not connected with Cars24. BikeWale is a bike platform and Cars24 and the others are car platforms. So it's not connected. But even CarWale is a marketplace. It's an inclusive marketplace where everybody, whether it's people like you and me or whether the dealers in India come and sell vehicles and buy vehicles. And it's an independent asset-light marketplace. In a way, Cars24, the way the model works is an asset-heavy auction business and asset-heavy dealer, right?

Which buys vehicles and sells them to dealers and to consumers. They're almost complementary and not competitors. So market share is hard to compare, but because you can't compare markets, you're almost complementary to CarWale where even today Cars24 lists vehicles on CarWale for sale. They're almost customers of CarWale. They're not competitors. So I think a lot of people feel that some of them are competitors, but as I said, they're quite complementary in nature to what CarWale does. Just wanted to clarify that.

**Saurabh Shah:** And in case if you can just give a sense in terms of earlier, what kind of, what was the earlier traction in terms of an offline model where there used to be some dealers, distributors who used to buy and sell cars to consumers and what has that trend changed from offline to online? What type of conversion do you see in that?

**Vinay Sanghi:** There's no change from online to offline. I think what the way the used car market is structured is that it is even now mostly dominated or controlled by fragmented dealers across the country. Many thousands of fragmented dealers. I think I would still think about 80, 90% of it is mostly with small, fragmented dealers. I think what's changed in the industry is that it's got platform that CarWale and others, the dealers have become more tech savvy and their mode of acquiring a customer earlier, you'd have to walk into one of these outlets and buy a car, find a car.

Now you'll come to CarWale and try to figure out which car to buy and then walk into one of these dealerships. So CarWale has become the destination for, like OLX has, the destination for many of these dealers to find customers to sell cars and buy cars too. And that's how they are connected with these platforms. The customer mostly still goes physically to the dealership, chooses a car, and buys it. But what CarWale and OLX have become is integral to the dealership network of used cars to really get customers to that outlet.

So a large, large percentage of all used car buyers now would come online first, find their car, do all their work, and then maybe look for a certified car and then physically go into a dealer and buy the car.

**Moderator:** The next question is from the line of Rohit Mehra from SK Securities. Please go ahead.

**Rohit Mehra:** Yes, thank you for the opportunity. So in the last call, we mentioned the CarWale signature outlets in addition to or in place of CarWale abSure outlets and the number discussed was 90 outlets. So how many outlets do you have now and how do we see this ramping up?

- Vinay Sanghi:** As I said earlier in the call, the total outlets are 99, including CarWale signature and CarWale abSure. We continue to add outlets on both the signature side as well as the abSure side. A large percentage are still CarWale abSure side dealers, but we can add both. We feel good about the rollout. We also are quite happy with the customer value proposition and the customer service delivered by these outlets.
- In terms of a total percentage of business to our total overall revenues, it's still small, but it is growing and it's actually been one of the big growth drivers for us already in the last year, even though in percentage terms of our total business, it's quite small, but we feel very good about the whole CarWale signature and abSure locations.
- Rohit Mehra:** So secondly, on the car mela organized in Vadodara, so what is the rationale behind this type of event and will there be other such events will be organized?
- Vinay Sanghi:** We do many such below-the-line activities, which are regularly done across and I guess we'll continue the very small below-the-line marketing activities actually. So I think there was one in Vadodara, but there'll be others as well. So, this is just tactical and below-the-line.
- Moderator:** The next question is from the line of Nihal Kumar as an individual investor. Please go ahead.
- Nihal Kumar:** Hi, sir. Thank you for the opportunity and congrats for the good set of numbers. My question is, since we are mostly through this acquisition decision of what to acquire, which was long pending, and I assume that it will take one to two years to integrate the business.
- Now, we will still be left with around INR600 crores and since CarTrade is already generating positive cash, any shortfall for running this new business can be met by that. So if my understanding is correct, can we expect board to expedite the buyback decision? I mean, the share buyback, it's been long due that investors have actually got something out of it.
- Vinay Sanghi:** It's something we discussed the board and, we want to first close this transaction. And at that time, we'll go back to our board and reassess whether it's possible or not, and look at whether, where we can grow this company and how we can grow the company. But it's something we'll take back to the board. I think the first part is to close this transaction.
- Nihal Kumar:** Because otherwise, again, this additional INR600 crores will be lying in our balance sheet. And balance sheet has cash since last four or five years. So that is something I think the street is not appreciating having such a high amount of cash on balance sheet and earning 6% around yield is, daunting our return on equity.
- Vinay Sanghi:** I understand. I will take this feedback to the board and pick it up and debate this. But I think the first priority is to close this transaction. But yes, we definitely take this feedback.
- Moderator:** The next question is from the line of Naitik Mohata from Sequent Investments. Please go ahead.
- Naitik Mohata:** Thank you for the opportunity. Most of my questions have been answered. Just one question. What was the ESOP cost for us during the quarter? And what do we estimate for the entire year?

- Vinay Sanghi:** Yes, ESOP cost, I think for the quarter was broken up as a unit hour exactly. It is, as you see, has gone down from the previous year. But for the quarter, it is INR4.63 crores, which was INR5.3 crores last year. So it is down by 12% for the quarter. And we estimate it will be in similar lines to the first quarter, Aneesha. Would that be correct?
- Aneesha Bhandary:** Yes, it is.
- Vinay Sanghi:** Yes, so that INR4.63 crores for the first quarter. It is down 12% from the previous year.
- Naitik Mohata:** Okay, so we are planning something around INR16 crores, INR17 crores for the year.
- Vinay Sanghi:** Yes, I think we estimated in that range. Yes, that's right.
- Moderator:** Next question is from the line of Ankit Kanodia from Smart Sync Services.
- Ankit Kanodia:** Thank you for allowing the follow up. So in one of the participants' questions, you answered that in case of the OLX transaction business, basically, you purchase a vehicle from the customer and then there is a back-to-back arrangement with the dealer who then purchases from you. So any ballpark number in terms of how much days it takes and how many days the inventory lies with us?
- Vinay Sanghi:** The inventory is just very, very short and it is auctioned. So it is in that sense completely there is a buyer on the other side. So it is auctioned, for seller vehicles auctioned. More for convenience of sellers and buyers, we pay and then pick up the vehicle and give it to a dealer. But the inventory is very insignificant, very small. As I said, I cannot give exact data out. But we will at closing, give out some of this data.
- Ankit Kanodia:** So you need to say that only when you have a clear-cut transaction with a dealer, you then go and pick up the vehicle from the customer, right?
- Vinay Sanghi:** That is correct. The vehicle has to be bought in auction before that.
- Ankit Kanodia:** So my next question is, in our CarWale platform where we have dealers onboarded on our platform. So, in our channel check, we got to know from some dealers, I don't know whether it is correct or not and please correct me if I'm wrong, that they also get free leads. Is it that possible for -- free leads. Like I understood that it's a paid platform where they pay a fee to you every year.
- Vinay Sanghi:** Is it new car dealer or a used car dealer?
- Ankit Kanodia:** I'm talking about new car and used car both.
- Vinay Sanghi:** In new cars, you have to be a paid dealer. In used cars, it's possible that very small dealers register as individual. It is possible that they register as an individual. But if you are a registered dealer, it is paid only. Unless I'm not sure, there may be very small cities where we've not launched paid, maybe C-class towns, etc. It's possible. If it's a very small city, it is possible. It is possible. I'm not exactly sure which city because there will be some long tail cities that we've not started paid as yet. It's possible.

- Moderator:** Next question is from the line of Govinda Alagi from Natverlal and Sons Stockbrokers. Please go ahead.
- Govinda Alagi:** Yes, thank you so much for the opportunity. My question is about the commission on auction selling of cars. Any rough idea about how much percent do you all charge on selling those cars? And also, can you also provide us the percentage revenue split between different verticals?
- Vinay Sanghi:** No, I'm not going to provide at this point, the vertical split, but roughly, I think the take rate, Aneesha, is about 4%. Correct me if I'm wrong. Approximately 4% on auction of the vehicle.
- Govinda Alagi:** So, the second one is can EV penetration, specifically on two wheelers, affect the business of BikeWale verticals like going forward?
- Vinay Sanghi:** The penetration of EVs is very slow to the total volume in India at this stage. But it actually doesn't affect us either way, whether a vehicle is an ICE or an EV. We're quite indifferent to it. Either way, manufacturers and dealers have to sell these vehicles on platforms like BikeWale or CarWale. So, it doesn't really matter whether it's an ICE or EV to us.
- Govinda Alagi:** The third one is, so, do we expect the same operating leverage on the business provided the employee cost and the product development cost? Will more or less remain the same or perhaps reduce further going forward?
- Vinay Sanghi:** Yes, as you've seen last year, the results of the company stand alone as well as remarketing and consolidated and even this year, for us, increase in revenue is a lot of contribution to our unit economics and profitability. It's just the way it's architecture, asset-like businesses, where costs are stable. And increase in revenue results in profitability. So, we see this, that's just the architecture of our business. Yes, we see it this way.
- Govinda Alagi:** And the last one is, relying upon multiple business models like B2B, B2C, C2B, so that could be like a stable business blueprint going forward for exponential growth potential?
- Vinay Sanghi:** Yes, because of the number of customers we have on CarWale or on Shriram Automall, and then we have sellers and buyers, we tend to be across segments. Also, we're a very open marketplace. So, you can come and sell a car on CarWale, you can come and buy a car from CarWale, new cars, used cars. On Shriram Automall, we cater to retail users, people selling the vehicles, we cater to big businesses selling vehicles.
- Yes, I think one of our goals and aspirations is to build a marketplace for the entire automotive industry. And that's how we feel that many of the buyers and sellers build a network of effects on these platforms, which is why we see - being in multiple segments is correlated a little bit to growth. That is correct.
- Govinda Alagi:** And lastly, I want to know the accuracy rate of your ERP tools. Like you're providing the inspection ERP tools, right?
- Vinay Sanghi:** We provide ERP solutions to – we provide dealers on our platform, can use our management software to run their business. So, what did you ask? What was the question?

- Govinda Alagi:** I want to know the accuracy rate? How accurate is that is that the whole inspection go behind in that ERP?
- Vinay Sanghi:** No. So, you mean the price tool, the used car price tool, is that what you mean?
- Govinda Alagi:** Yes, yes.
- Vinay Sanghi:** I got it. No, no. Of course, we believe it's accurate, but it's like something which is used by all consumers. So, if you're coming to CarWale today and you want to buy a used car, again, almost all cars we provide what we think is the right price for that car. It's done by a lot of data science among figuring out what price's cars are sold in India or bought in India. And then we come out with these price tools. So, we believe it's quite accurate. I mean, it just depends on what the user wants and wants to see.
- Moderator:** The next question is from the line of Sachin Dixit from GM Financial. Please go ahead.
- Sachin Dixit:** Hi, I had one more question regarding the cost items. So, if I look at employee cost, excluding ESOP expense for this quarter, they have grown only 8% Y-O-Y. Similarly, if I look at other expenses and I remove the effect of the diligence cost, they have actually de-grown Y-O-Y. How should we think of steady state sort of growth in these cost items? These grow at 10%, 20%. How do you think of it?
- Vinay Sanghi:** Yes, normally, you think that that would be the growth rate. And that's what we think will be the growth rate as well. I think we've also gone through a quarter where, Shriram Automall's revenue has been, slightly lukewarm. And I mean, that's part of the reason why cost escalation also has not taken place. But, but yes, the nature of you see our revenues over the last three quarters, four quarters, and more or less, I'm sorry, the costs have remained very stable. As I said, these businesses tend to be where costs are stable and our basic push is to increase revenues always, right.
- Sachin Dixit:** But fixed costs should still increase at what rate is what I was trying to understand?
- Vinay Sanghi:** I think normally, wage inflation rate, there's very, I mean, manpower increases are based on just, mostly on a very conservative basis, because for increasing revenue, not necessarily you have to increase manpower in some of the businesses. So it tends to be inflation, more incremental and increments in inflationary in nature, and some increase, but not completely. If we increase our revenue by 100, doesn't mean we need to increase our cost or manpower by equal number, right? I think it just tends to be naturally, that's the leverage in the business these platforms are showing.
- Sachin Dixit:** And if I, if we exclude any potential impact of the OLX transition coming in, in, how should we, what sort of steady state EBITDA margins would you forecast the businesses to reach?
- Vinay Sanghi:** So, if you see the last four quarters, I mean, if you see last year and this year, it's increased in every, our continuous effort is to increase our EBITDA margin. So we're still far from, best in class. And, but the effort is to, as revenues increase over the next few quarters or next few years to be best in class in EBITDA margins. I mean, the numbers right now, if you look at, we are at about, on a consolidated basis at about 29% with other income, 12% without, right. But the last



quarter, we were at almost 20%, which is March and in March, the demand, last quarter seems to be the highest always, right. Because the cyclical nature in the business, but yes, the effort is to get to best in class, just keep growing it.

**Sachin Dixit:** And so the reason why I was asking was like, you're probably peer in China, Autohome, like EBITDA margins of 40% to 50%. Is that something that you aspire to? Our effort will be --

**Vinay Sanghi:** Absolutely aspire to, absolutely aspire to achieve. If you already had 20% last quarter, I mean, in January to March, right? I think we definitely want to, in the next, I don't know whether it's one year or two years or three years but aspire to get to those kinds of margins. We are asset light in nature, so as revenue grows up, we'll get there. But I think that it's more a factor of revenue growth than cost control.

**Moderator:** Next question is from the line of Raghav Behani from Citi. Please go ahead.

**Raghav Behani:** I want to ask about the INR40 crore inter-corporate loan, which was disclosed to the stock exchange today. Can you highlight what this loan is about?

**Vinay Sanghi:** Sure. It's an enabling resolution. We haven't yet actually given the loan. It's an enabling resolution is that when, then if we close the OLX transaction, we will give an inter-corporate loan, which will, to a company called Bizloan, which gives loans to dealers who buy on OLX. So I think that is the intent. It's more inter-corporate loan to, and BizLoan gives or lends money to many OLX dealers who bid on its platform. So that's the intent here, to grow the OLX transaction business.

But this will be done only post-closing of the transaction. It's just an enabling resolution. And since, it is material and to be disclosed to regulation, we've disclosed it today because our board has approved it. But as I said, this transaction will, or this loan will only be given when we close the OLX transaction.

**Raghav Behani:** Sure. So, this would basically facilitate dealers to make the transactions and from what's given in the disclosure, it will be, there will be, it will be against the receivables for the dealers.

**Vinay Sanghi:** It is securitized by the receivables of the dealer. That is correct.

**Moderator:** Ladies and gentlemen, due to paucity of time, that would be our last question for today. I now hand the conference back to the management for their closing remarks. Thank you. And over to you.

**Vinay Sanghi:** Thank you everybody for joining this call and look forward to catching up soon. Thank you everybody. Bye-bye.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of CarTrade Tech Limited, we conclude this conference. Thank you all for joining us. And you may now disconnect your lines.