

Date: October 28, 2022

To,
**Department of Corporate Services,
BSE Limited**
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001

To,
**Listing Department,
National Stock Exchange of India Limited**
Exchange Plaza, C-1, G Block,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

Scrip Code: **543333**Scrip Symbol: **CARTRADE**ISIN: **INE290S01011**

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of the CarTrade Tech Limited Q2FY23 Earnings Conference Call held on Friday, October 21, 2022

Dear Sir/ Madam,

With reference to our letter dated October 18, 2022 intimating you about the Analyst / Investor Call with Analysts/Investors, please find enclosed the transcript of the CarTrade Tech Limited Q2FY23 Earnings Conference Call held on Friday, October 21, 2022.

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 (formerly known as MXC Solutions India Private Limited)

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

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



“CarTrade Tech Limited
Q2FY23 Earnings Conference Call”

October 21, 2022

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 21st October 2022 will prevail.



MANAGEMENT: **MR. VINAY SANGHI - CHAIRMAN AND MANAGING
DIRECTOR**

**ANEESHA MENON – EXECUTIVE DIRECTOR AND
CFO**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY23 Earnings Conference Call of CarTrade Tech Limited. This conference call may contain forward-looking statements about the company, which are based on the belief, opinions and expectations of the company as on date of this call. These statements are not the guarantee 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 "*" then "0" on your touch-tone phone. Please note, that this conference is being recorded.

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

Vinay Sanghi: Thank you. Good afternoon, everybody and I like to welcome you all to this Q2 call. We have you know, uploaded a presentation for each one of you and if you can go to straight away Slide number 3 of the presentation. I have great news, informing you we've grown revenues by about 30% in H1; adjusted EBITDA grew by 47% in the first half of the year as well. And of course, the adjusted PAT which is Profit After Tax not including deferred tax and ESOP by about 80%. We continue to be the number one two-wheeler automobile portal in India. We are now 190 plus physical locations including automalls and abSure outlets. Annualized auction rate, we did over 300,000 in Q3, which takes us to 1.2 million auction listings per year.

Last quarter, we recorded 37 million unique visitors on our platforms, which is our highest traffic, consumer traffic in a quarter. What is more remarkable is, 86.6% of them still come organically, which means we don't pay for that traffic. The revenues in H1 was INR195.3 crores or \$1.9 billion. Adjusted EBITDA for H1 was INR485 million or INR48.5 crore, and adjusted PAT was about almost INR28 crores for H1. We continue to have strong cash balance, debts, being debt free with almost over INR1000 crores as investable surplus.

If you go to Slide 4, it breaks down the consolidated financials of the company. Our net revenue for the quarter was INR102.5 crores, which was up from INR90 crores in the previous quarter and up from INR86 crores the previous year, same quarter, which gives a 19% growth in the quarter and a 31% for the six-month ending 30th September 2022. We achieved approximately INR195 crores as below, written below in the financials and INR192 crores is the operating net revenue, which is 31% growth in H1.

As we discussed in the last call, our costs do not move in relation to our revenue. So, even though the revenues have gone from INR90 crores in the previous quarter to INR102 crores this quarter, our costs have more or less remained flat Q-o-Q and it resulted in EBITDA going from INR17.74 crores in the June quarter to almost INR30.74 crores in the September quarter, which takes us to a total of INR487.48 crore adjusted EBITDA in the first six months, which is a growth of 47% for the six months and a 26% growth in EBITDA in the quarter year-on-year. And you see the adjusted PAT which is adjusted for tax and is at INR19.26 crores, which is a growth of 40% year-on-year and 80% for the six months. The Adjusted PAT for six months is of INR27.84 crores. Company's profit after tax, which is after deferred taxes, a deferred tax adjustment of INR5.73 crores entry and an ESOP entry of INR7.9 crores for the quarter takes profit after tax to INR5.57 crores, which is compared to a loss of INR35 crores the previous year. For the six-month ended, the profit after tax is INR8.89 crores, which is against a loss of INR81 crores in the previous year, which is due to the ESOP of INR93 crores and the deferred tax of INR3.59 crore.

So, that gives you a rough synopsis of the consolidated financials, with a 31% growth in revenue in the first half and a 47% growth in adjusted EBITDA in the first half as well and an 80% growth in adjusted profit after tax.

If you go to Slide 5, it gives the standalone result. The standalone result show INR48.28 crores of revenue for the quarter and INR88.98 crores revenue for the six months. The quarter growth is 30% and the six-month growth is 36%. Again, here the costs, Q-o-Q are more or less flat. EBITDA for the quarter has gone to INR16.2 crores or 51% growth, 65% growth for half year. So that's the adjusted EBITDA. PAT is at INR14.54 crores, which is 56% growth, adjusted PAT this is and 74% growth for the six months at INR21.46 crores. I think the one thing to be highlighted here is the adjusted EBITDA margin is at 34% and 13% without other income, which is up from 4% the previous quarter. So, it's almost three times up than the previous

quarter. I just want to also go back to Slide 4 and the consolidated adjusted EBITDA margin is now at 30% versus 20% the previous quarter.

If you look at the standalone which is our consumer business, or the consumer group, some other key ratios and numbers for you. The new business in half, in first six months has grown by 31%, the New Car business. The Used Car business has grown by 160% year-on-year for the first six months, although it's at a smaller base. Our OEM dealer now has grown by 33%, all the advertising from car manufacturers, our dealer business has grown by 59%. In our consumer group, now the dealer business is about 40% of our business and the OEM is about 60%. So, this gap is now narrowing. Both are growing, of course, but the dealer business is growing at a faster rate than our OEM business and Used is going faster than New. I mean, these are the two big things in our standalone financials.

If you look at the remarketing side, which is Slide number 6, it's gone to INR54 crores during the quarter, which is a growth of about 9% year-on-year and a 25% annual growth. So, the Shriram Automall, the consolidated entity has grown by 25% for six months, year-on-year. The adjusted EBITDA has grown 31% year-on-year and now at INR14.57 crores for the quarter. Cumulative EBITDA or adjusted EBITDA is INR23.76 crores for six months for Shriram Automall. The adjusted EBITDA margin has come to 27% for the quarter for Shriram Automall.

And I think the one thing we want to highlight here is that in, even though the Group has grown by 31% year-on-year for the first six months, Shriram Automall has had a tough quarter with the growth of only 9% in the last quarter, and that's been highlighted due one of our segments, which is auction of repossessed vehicles, which has been close to flat for the quarter. And that's been due to mainly two reasons. One is of course, the fact that a lot of the banks find that the portfolio quality is a little better. And obviously, the number of vehicles being auctioned is not grown or the repossessed vehicles have not grown, although, it's not gone down. It has not grown. And the second thing is of course, the resale values of vehicles in the market being bought at higher and many of the people, rather than telling us their vehicles get repossessed, try and sell the vehicle on their own, or pay off the loan. One of the two.

So, I think this is probably the reason why we find this is maybe a temporary market situation, where the repossession part of our business has actually remained flat while the rest of the company has actually grown quite, quite well. But the overall remarketing side has grown by only 9% and 25% for the six months.

If you go to Slide 7, the average monthly unique visitors stand at 37 million, which is as you can see over the last many quarters, our highest ever traffic numbers. It's another reflection of the growth in the car market itself.

And as you can see in Slide number 8, the brand affinity compared to competition has remained strong. Still four times the next competitor. So, CarWale or CarTrade, and CarWale the brand or the brand affinity is still four times and here it comes from the fact, and that is one of the reasons why, 86.6% of all the traffic is unpaid for or organic as we say.

If you go to Slide 9, it talks about the auction volumes and is a reflection of the last quarter, 9% growth. We auctioned 304,000 vehicles. But as you can see, the growth rate of auction listings is only 12% in H1 and volume has grown by about 30% in H1. But if you look at Q2 to Q2, it's almost flat, which is a reflection of the 9% growth. And as I said that is primarily grown a 9% because of a flattish growth in our repossessed part of our auction volume within the Shriram Automall. So, I think this is just a rough highlight of all the metrics. To start the conversation, I want to spend 10, 15 minutes --- I wanted to spend 10 minutes to 15 minutes to give you the key financial highlights and the key metrics. Now we can go into detailed question answers to clarify all your doubts and questions which you might have.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Siddhartha Bera from Nomura Holdings. Please go ahead.

Siddhartha Bera:

Yeah. Hi, sir. Thanks for the opportunity. And wish you Happy Diwali to the entire team. Sir, I had a question on this auction business. Basically, like you said that the repossession part of the business has not grown on a Y-o-Y basis. So, possible to share some more thoughts here in terms of, is this more of a cyclical thing which should normalize going ahead? Or do you think this might continue for some more time may lead to our auction volumes largely at these levels? Or shall we expect some improvement?

And second is, if you can share how big is that portfolio of repossessed vehicles, for Shriram? So, how big is the portfolio of the repossessed vehicle in the total family, if you look?

Vinay Sanghi: Just as high. Due to the auto industry growing, financing volumes in the auto industry is growing. If financing volume grows, and there's a peculiar problem in the last two months where repossession has gone down, and I think it's a factor of portfolios being slightly better. It's also a factor of resale values being higher. This is normally rare and we do believe that, I don't know about the immediate short-term, but the but the medium to long-term view is that, if you lend money against vehicles, repossession is going to be required to be done. And the rate of repossession is unlikely to go down in the medium to long-term. So, as I said, you know, I think this is a short-term cyclical issue, not a long-term structural issue, number one, which is what your question was.

Number two is, you asked, Shriram Automall's repossession business last quarter was flat. We believe that with the markets, I think as and when, repossession of vehicles goes back to normal, which will happen in due course, I think, obviously, Shriram Automall will be a gainer in that process.

Siddhartha Bera: So, in terms of outlook, do you expect to go back to that double-digit growth levels for the auction volumes in the coming quarters? Or do you think that may take some time, probably next year, we may start seeing some improvement in overall volumes?

Vinay Sanghi: It is hard for us to predict at this stage. This is an issue for the last two to three months. It's hard to predict whether the repossession will go back to normal. But on the other hand, I think the big focus for us and Shriram Automall is growing all other segments of the business. So, one of the fastest growing segments for us at Shriram Automall, and it's almost now 30%, 31% of its business, is the retail side of its business or supply of vehicles for auction. And that's been a big fast-growing segment for us. Also growing all other segments, insurance, leasing companies, dealers, all other segments of our business. And when repossession etc. corrects itself, I think the prospects of Shriram Automall will look even better because the other segments are rapidly growing.

Siddhartha Bera: Got it. Got it. And sir, second question on the standalone business or the classified business. Obviously, the growth has been good in the quarter. But given that now the supply situation is pretty close to normal and we have started seeing a lot of ad spends by many OEMs. Any color here in terms of the growth trends going ahead? Do you expect that, should we expect reasonable improvement in terms of trend from the current levels, or this is largely the trend we should expect? Any thoughts here?

Vinay Sanghi: So, we've seen, in the standalone, we've seen a growth of 36% in H1, right. And 30% odd on the New Car side, and 160% on the Used Car side. Then supply chain has got better, volumes of cars have got better. In fact, if you've seen, the growth in passenger vehicle industry itself has been pretty robust in the first six months. We feel pretty good about the New Car side of the business. When the shortage is in the business or supply chain is affecting vehicle shortage, or there is shortage of vehicles and customers have to wait, generally, manufacturers spend less money or dealers spend less money on advertising. With supply chain improving, volumes improving, it actually is a little more favorable for us as a business to market. So, the market is far more favorable today than it was six months ago. And this year, I think most estimates are putting the passenger vehicle growth at about 20% to 25% this year, in the current year, in the financial year 2023.

Moderator: Thank you. We have a next question from the line of Vijit Jain from Citi. Please go ahead.

Vijit Jain: Thank you. Hi, Vinay. Hi, Aneasha. My question is, first is just a housekeeping question. At the start of this call, you highlighted the 1H business mix for New, Used, and OEM dealers in the consumer business? Could you give the same numbers for 2Q specifically only? That is first. And my next question is on just an update on abSure would be helpful.

Vinay Sanghi: Sure. Okay. Q2, I will have to find the numbers but you wanted the mix or what did you want?

Vijit Jain: Sir, 2Q the growth rate for the new vehicles and used vehicles in consumer business and OEM business growth rate and the dealer growth rate in that consumer business? The same numbers. I think you mentioned four numbers for 1H. I was just looking for 2Q.

Vinay Sanghi: Okay. Aneesha, you want to bring these out, I think maybe easier. In the meantime, I can talk about the abSure, right.

Aneesha Menon: Sure.

Vinay Sanghi: Yeah. So, abSure, actually, we've got about 62 locations now. And our objective has been to keep growing the locations and get to about another, maybe between 100 by the end of the year. Our focus had earlier been to roll out locations. Now the focus is really operational efficiency and customer experience within the location and within the abSure model itself. What is the customer's experience when they buy a vehicle? And that whole experience of booking it online and picking up the vehicle. So, our focus is on the certification product, the warranty, the money back guarantees and all of that. And there we find we made a lot of progress.

Where, I think one of the questions all of you had a year ago was that in a model which is franchised out, whereas most of our competitors are full stacked, which means a competitor the buying the vehicle themselves, touring it themselves, refurbishing it themselves, and selling it themselves, how will we work with the franchise asset like model. And what we had indicated a year ago was that, we're going to get the dealer or the franchisee to buy stock refurbishing, and we're going to provide all the online services, a booking technology tools, etc., etc., and the certification, the warranty, the money back to the customer. But we're going to get the heavy lifting to be done by the franchisee.

We feel the biggest question mark to us was the quality of the car or the quality of experience and we feel now in the last year, very confident that the customer experience is best in class, even though we're running a fully franchised asset light model. So that is the second. After the rollout, that was the second thing we wanted to work hard towards.

And the third thing we're working on now is also the franchise viability. How many cars you need to sell to break even? How do we make profits? How do we make sure that they're having a very healthy business? And then of course, how do we make sufficient return from this business, right? So, these are all the four things we've been working very closely with. We feel pretty confident a year later now that the model is played out. The one good thing is that we are assets light and at this particular scale, it will ramp up very quickly as you keep appointing franchisees across the country.

Vijit Jain: Got it. Thanks. Vinay, if I can ask, within the abSure, is there a number you can give me on the number of cars that you've branded with that abSure label? So far this year, what inventory or what throughput of cars do you think you would get to in terms of just branding, not necessarily sales, where you've certified them, inspected, and all of that? Any metrics on that?

Vinay Sanghi: I don't know the number offhand, I will not be able to get the number of cars, unfortunately. But we'll check this up and try and put it back. But I would not offhand remember the number of cars, actually. But here, the objective is to keep growing this out and get to 100 outlets by the end of the year, is what we had indicated, each one doing maybe 15 to 25 cars a month, somewhere in that range.

Vijit Jain: 5 to 25. Got it. And my next question is on, so obviously, this year, so far, and in this quarter also, I can see that the marketing spends on the standalone business side have been flat Q-o-Q and not a lot of growth on Y-o-Y basis as well. Just wondering now that we are heading into auto OEM cycle recovery happening. Is there a chance that you might up your investments on the marketing side? And what are you seeing your competition doing on that front?

Vinay Sanghi: Yeah. Vijit, we've consistently said that, for us growing traffic, at 37 million a month is a huge amount of users, right. And, what's been more, we've always said, 86%, 87%, we don't pay for. It's only 13% of the traffic, which we buy. I don't see any significant change, to be honest in marketing costs. In fact, with the car industry growing, more and more users come to us automatically, right, because of 87% factor. And that's reflected in the 37 million users. As the car industry grown, our traffic has grown. If you see the competitive data, and we showed you Google Trends, the brand index, or the digital index, or if you see traffic numbers, we've just got relatively better to competition. So, we're still multiple times some of the other competitors.

So also, I think we're in a space where, as you can see, we're a profitable company. It is reflected in our EBITDA margins and adjusted EBITDA margin and our profits, whereas many

of our competitors are still investing in their businesses. And even when they've invested, a period where they've invested in marketing, our traffic has continued to grow, as you can see in the last quarter itself. So, we don't see any significant change, actually, frankly.

- Vijit Jain:** Got it. Just one final question on the marketing side, I'm just wondering all the content development, be it on the website or in terms of car reviews, and all those kinds of things, where does that fit in your costs? It does that fit in marketing or in other expenses?
- Vinay Sanghi:** Content means the website content development?
- Vijit Jain:** Yeah. I mean, there are videos produced on...
- Vinay Sanghi:** Yeah. That is mostly in wages. The employees of a company, lot of content developer, almost all are content developers. Internally, there is a content team. So, it might fit in our salary, wage cost.
- Vijit Jain:** Got it. Thanks. So, those were the questions.
- Aneesha Menon:** Yeah. I'm just confirming whether you wanted to know the new vehicles growth within consumer group for Q2? That is one question, right?
- Vijit Jain:** Yes.
- Aneesha Menon:** Which is about 19%. The Used Car grew Q2 versus Q2 within the consumer group about 160% in Q2. Were there any other metrics that you wanted to know?
- Vijit Jain:** The dealers and OEMs? So, I think, when I mentioned earlier in the call, Dealers grew 33% Y-o-Y, sorry, OEM grew 33%.
- Aneesha Menon:** OEMs grew 33%.
- Vijit Jain:** Dealers grew 59%.
- Aneesha Menon:** Yes. The same numbers, about 21% and 47%, which is OEM grew by about 21% and dealers grew by 47% quarter-on-quarter.
- Vijit Jain:** Got it. Thanks. And sir, just sorry for belaboring on this, but on the New and Used you said 19% and 160%? Is that it?
- Aneesha Menon:** 19% and 160%, right.
- Moderator:** Thank you. We have our next question from the line of Sachin Dixit from JM Financial. Please go ahead.
- Sachin Dixit:** Hi, Vinay and Aneesha. So, I had a couple of questions on the actual business in terms of how the guidance has changed. I remember the last time we were discussing 120 stores. So, is there a reason why we are now targeting 100 stores? I was hoping like asking that you're probably your competitor, thanks to the funding being tougher and all might be going slower, and this might be an opportunity for you to grow faster rather. So slightly surprised?
- Vinay Sanghi:** No, I think we had estimated about 120. We would probably be at about 100. And I think the main reason for that is really to focus on operating, because if we have 100 or 120, doesn't matter for us. The focus has moved a lot from rollout to as I say customer experience, as well as operating efficiency that the franchise, product technology around it, etc., etc., and we want to get that right. It's still a very early-stage business for us and we want to get the complete experience completely right. And that's the thing.
- Sachin Dixit:** Understood, and on the timing of the side, it's almost been a year that we have been doing extra business like buying. When can we expect, like we start to see some numbers here, right? It's been a while.
- Vinay Sanghi:** It has been a while, but we will try and as we progressively go, can communicate as much as you can, but it's very early days for the business. It is still, as I said, 12 to 15 months old real business. So, it is still very early days yet.

- Sachin Dixit:** And finally, you mentioned about, in Vijit's answer, you mentioned that you are focusing on the franchisee breaking even. I was, like my understanding of this business was that, that's a business that franchisees have already been a part of and should be profitable from day one. What am I missing here?
- Vinay Sanghi:** In many cases, a franchisee may profit on day one. In some cases, they may be new businesses or new locations of franchisee putting up, which has its own time to get to its particular volume. It doesn't take time for a franchise to make profits or breakeven, but it's our objective that everyone makes money or has a certain return on the investment they made. It's not about just breaking even. So, franchise viability and health is at the core of what we want to work with, right, on one side.
- On the other side is the customer experience because the business model is really about two pillars, right, customer experience and franchise viability. So, both are just things that you are -- it's very early business. So, we're working very closely. There are some franchises which are one year old, which will make money but some are starting last month or starting this month, and we were very conscious about them getting profitability and certain returns very, very quickly.
- Sachin Dixit:** I mean just to clarify, our franchisees putting up a completely new location for abSure or they're just upgrading their existing place?
- Vinay Sanghi:** Some existing dealers are upgrading, some are putting on new locations. It's a mix.
- Moderator:** Thank you. We have a next question from the line of Noel Vaz from Asian market Securities. We'll move on to the next question from Mr. Karthi Keyan, Suyash Advisors. Please go ahead.
- Karthi Keyan :** Yeah. Good afternoon both of you. You spoke one on your auction business, you can you split up the 1% growth in volumes on a year-on-year basis into what was the degrowth in repossession? What would have been the growth in retail and the other categories? That will be interesting. And as a subset of this, I understand the market degrew in general but, for repossession that is, but could you have gained market share or lost market share? What is the theme like for both of these?
- Vinay Sanghi:** Sure. Let me get the answers to these two questions. Just give me a second. So, the growth in retail is about 51% in quarter two for us, whichever the other one which you track very closely, which is 31% of our business as I said. And repossession as I said is flat, which is the one which is actually bringing the growth rate down. Although, it's not dragging the company performance down, it is bringing the growth rate down. But retail is the other big one. It is 30% of our business, which has grown by 51%, Q2. Is there a second question?
- Karthi Keyan :** Yeah. I asked you about market share?
- Vinay Sanghi:** Ah. Yeah. The market shares are pretty strong still. I don't think, the market share, they're not changed. The total, and this is in Q2 specifically, repossession itself is lower.
- Karthi Keyan :** No, I understand. But do you have a number for that? Something that we can...
- Vinay Sanghi:** I'm not able to...At this point, I will not be able to give you market share number out. But we would have not lost market share. But I'm not able to get the number out right now at this point, right.
- Moderator:** Thank you. We have our next question from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.
- Ankit Kanodia:** Thank you. Hi, Vinay, Aneesha. So, first of all, I just wanted to know your opinion on this INR1,000 crore cash, which I think we have been having for a long time. So how do we look at that cash? Of course, that cash deserves some optionality. So, what I could think of is that, right now, when the market cap is around INR2,500 crore - INR2,800 crore and you have INR1000 of cash itself. Hypothetically speaking, let's say you do some macro event is there, which we see crashing the market, would you be willing to put it, do a buyback? Or you would be more interested in acquisition, or you will do with the acquisition? How do you see it? That is my question.

Vinay Sanghi: Yeah. Thank you for the question. You are right. We are sitting with almost INR1,000 crores or more than INR1,000 crore cash in the bank. And we are generating cash. It is a profitable business. So, we are generating cash every day. The intent here is, at this point, to look at investments and acquisitions in our ecosystem, and we get 30 million customers a month. You know, can we provide, who come to buy a new car or used car or to two-wheeler on our platforms, can we provide additional services to them, value added services or other services? Financing, insurance, car servicing, etc., etc.? So, the intent is to look at investments and acquisitions in our ecosystem, and that's why we, at this point, kept the cash. We have in cash regenerating.

Over the last six months, we've actively aggressively looked at this space, and we haven't yet zeroed down on a particular acquisition on investment area, but we're continuously looking actively at it. And over the next few months, we'll see if we can get a target business, which can give us a product or a service in these adjacencies, which will help all these car and two-wheeler buyers on our platform. The intent would be to do that. Of course, in a specific duration of time, if we're not able to get these target companies or investments or acquisitions done, we would look to obviously, distribute parts of that liquid surplus.

Ankit Kanodia: Right. So, is it fair to assume buyback is out of your equation as of now?

Vinay Sanghi: No, we haven't. I don't think anything is out of the question right now. I think we just have not, at this point, our Board is still not taking decisions on buybacks, etc., etc.

Ankit Kanodia: My second question is just a follow up on this cash and acquisition. So, while we are sitting on a cash, I believe, some of our competitors are having a very tough time in terms of cash crunch. So, do you want to give some thoughts as to how do you see the competitive space? How is it in the New car and old car, Used Cars? So, if you can throw some color into what is happening there, in terms of competition, that will be helpful.

Vinay Sanghi: Sure. So, one of the things, we've been embarked on in 2018. And you've seen the company for the last five years also published our five-year results in our annual report. We've always been focused on unit economics and profitable growth. It's not been growth at any cost, but profitable growth is literally the mantra of the organization, which means getting value for the services you deliver from your customers. I think in markets where money is harder to get, we feel that because we have this profitable growth mantra, and we're generating cash, we are in a really good position and our business gets stronger. We also feel that some of the competitors who have not, as of now sorted out the unit economics, and when money raising becomes harder, obviously, dial down and dial up. And that typically, is that sometimes beneficial to us.

But we're just focused on more than all these factors. I think eventually, the biggest thing we are focused on is delivering better value to our customers, and experience to our customers. So can we build great products on CarWale or at Shriram Automall which helps our sellers and buyers. That's what eventually differentiates one from the other. As you've seen Google Trends, and you see the digital brand index, multiple times the competitors, because our focus has really been on building CarWale, the fantastic shopping destination for all car users, I think that's the focus, really. And as long as we can keep investing in our product and technology and tomorrow, when you come on our website, we can make sure you can buy a car on one click, as we call it, the one-click experience. We will win in this game or we will continue to grow.

So, our focus is really on customer experience, I think and again, within that experience, we should have a second mantra, which is really about profitable growth, right. It has to be around profitable growth.

Ankit Kanodia: Sure. If I may ask one last question. So, when we're talking about customer experiences, how involved we are with our team at SAMIL. So, is it the SAMIL management and their old management and teams, which have been looking after that business for last 10 years, they are only taking part, or we are actively involved in the day-to-day activities? Because in terms of customer experience, what we see on something like the CarWale and then what now what we see in Shriram Automall, I think there is a complete disconnect. Maybe I'm wrong. This is my own personal view. So, do we have any day-to-day discussion or involvement with the team at SAMIL or we let them run their show independently?

Vinay Sanghi: People ask what the culture of the organization is and the group. The culture of the organization is entrepreneurial, which means what a car consumer coming on CarWale

requires, a vehicle may auction and Shriram Automall may require something completely different. And I think the way we build the culture of the organization is to do what is best required for the customer. Also, the culture of execution is about, or the culture of people is about, as I said entrepreneurial. So, Sameer, who runs or is the MD of the Shriram Automall is of course empowered to deliver fantastic value to his customers. And at the same time, giving out returns to his shareholders, at the same time and create value for the company. Whatever else Sameer needs, people like me or Aneesha or his entire Board, including independent directors will provide to him. So, we are available at his beck and call when he wants. But of course, he's fully empowered to create value for his customers and all of the stakeholders or shareholders in that business.

- Moderator:** Thank you. We have a next question from the line of Abhishek Singh, an individual investor. Please go ahead.
- Abhishek Singh:** Hi. Thanks for the opportunity.
- Vinay Sanghi:** Hi, Abhishek. How are you?
- Abhishek Singh:** Yeah, I'm good. Hope everyone is doing well? Just wanted to understand, we have INR1,000 crore of cash and compared to the business size, very small, like INR200 crores of revenue and INR10 crores of profits in first half. So, what is the outlook on that? I mean, even if you go for acquisition, what size or scale you are planning to and over what time horizon you are looking to invest those INR1,000 crores?
- Vinay Sanghi:** So, as discussed earlier, the intent is here is to look at investments or acquisitions, which can help our current customers or current products and services which we offer. We're not a fund so we haven't put a size in mind. It could be a small acquisition, or it could be, as you have seen in the case of the CarWale in 2015, it was quite sizable. Our intent is that over the next few months and years, is to make sure that we are able to provide more and more products to our current customers.
- For example, we've launched an automotive financing product on CarWale, which allows customers to get approval for a new car or insta-loan within minutes. So that's an internal investment we have made in product and technology. But like this, we are continuously looking at other opportunities. So, the customers coming on our platform can get multiple products and services. I think that is the intent over the next 6 to 12 months. Until we find a target acquisition or investment to do, it's very hard to talk about the size of it, because it could be large or it could be very small. I mean, it just depends on what provides value to a consumer.
- Abhishek Singh:** Okay, and sorry, I have not been tracking this for a long time. So, what is the source of this cash because I believe the IPO was more of a secondary sale of private equity investors. So, how did we acquire this cash?
- Vinay Sanghi:** Yes. IPO was 100% offer for sale, which means the company did not raise any money during the IPO. It was only selling shareholders. There was no company. The company did not raise cash. So, this cash has not come from the IPO. This cash has come previously from or from profits generated in profitable or cash profitable generated from 2018. Number one. And number two is also from equity raises we did in the past. I think it's a combination of both of those.
- Abhishek Singh:** Okay. Okay. So, I believe we have been looking for right investment opportunity from long time and we have cash on our balance sheet again from last few years. If I'm right.
- Vinay Sanghi:** That's correct.
- Moderator:** Thank you. We have a next question from the line of Vijit Jain from Citi. Please go ahead.
- Vijit Jain:** Thank you, again, for the opportunity. Just from the ad business, Vinay, I just wanted to get overall thoughts. If I look at the traffic rate, on a Y-o-Y basis, it's up about 10%. And obviously, one part of your ad business growth is driving better conversion, driving better results for OEMs or for dealers. But the other part is also ad load on the website, versus each of these traffic. Right. So, I just wanted to get your thoughts on do you think there is significant scope to increase the ad monetizability per unit traffic? Or is that the right way to think about it?

- Vinay Sanghi:** Yeah. The way you're seeing it is probably correct. I think that's one of the drivers of the ad business is what percentage of our manufacturers' budgets are digital first, or a dealers' budgets are digital first, right? So, if a dealer spends INR100 or manufacturer spends INR100 for advertising, what part goes digital? And then within digital, what is our share versus maybe the horizontal, the Google or Facebook, right?
- And part of the, I mean, one of the drivers of the revenue is probably this metric, right. If a manufacturer spends INR100, so much goes digital, so much from digital comes to CarWale, right. And that over the last few years is growing. First is, the digital part is growing. The second part is, as volume of vehicle sales grow, the total advertising budget of manufacturers grows as well, right. So, they are two drivers of this. But it's not necessary that traffic is the only driver for digital ad spend or for growth in ad business. It's also a manufacturer's commitment to digital. And then you know from digital what our share comes. So, I think that's probably the bigger drivers that you are asking.
- Vijit Jain:** Right? And so, from more two to three-year perspective growth here or significant growth here will come as in when new OEMs sign relationships with you, like MG has done, for example, let's say or is it that you expect to grow into the wallet share of existing OEMs? Or is it going to be a combination of both?
- Vinay Sanghi:** It's actually most OEMs are signed on. So, the real drivers are growing wallet share, which means more money going. There are two parts. One is, ad budget of manufacturer itself is whole growing because car sales are growing, right. So, if INR6,000 crores a year is spent on automotive advertising, that is going to INR7,000 crores, INR8,000 crores, INR9,000 crores, INR10,000 crores. That's one part. Total advertising.
- Then the second part is, if 13% 14% of digital is going, in many countries it is 40% today. In the U.S., China, Europe, it's almost 40%. So is that going on 13%, 14% in India to 20%, 25% digital. And then within digital, even if our share remains the same, we automatically start growing rapidly. Right
- So, I think it's these drivers. The secular trend over the last few years and predicted in the next few years is that overall spend of advertising online on automotive will grow and digital spend will also grow. I think these are the two drivers to us.
- Moderator:** Thank you. We have our next question from the line of Amit Shah from Ace Securities. Please go ahead.
- Amit Shah:** Hi, sir. Sir, congratulations on a good set of numbers. Sir, I have couple of questions. Sir, just wanted to understand more on the increase in unique visitors? How did this change come in place? And how do you see this going forward?
- Vinay Sanghi:** The first part is, this quarter is one of the car market has grown. As you can see, the passenger car market itself has grown. It's grown the number of customers on our platform. And the second part is, over the previous quarter, one of the things you got to keep in mind is that, April, July to September is a much better quarter, normally, than an April to June quarter in terms of the car sales and customer engagement and traffic. So, I would say these are the two drivers. Car market growing is normally a reflection of our traffic. We've seen the competitive brand indexes which we showed you in the Google Trend slide, our ratio in the competition has been actually got stronger. So, that's also moved positively. But I think the main factor is that the car market in the first six months actually on robust growth.
- Amit Shah:** Understood, sir. And sir, a follow up on that. What kind of impact this would have on our revenue in short-term as well as long term?
- Vinay Sanghi:** As I discussed in the earlier question, it's not necessarily that the traffic increase has any, it has some correlation with the revenue growth, but our revenue growth, a lot of the revenue growth impact comes from manufacturers of cars, or dealers spending more money, right, because they are our real paying customers. And that comes from how much money they spend on digital advertising. As our traffic continues to grow, they obviously give us a little more money or allocate more money out because the impact we're making to their users is greater. So, there is some relation, but a lot of the contribution or the direct impact comes from manufacturer, dealers increasing their spends on digital.

- Moderator:** Thank you. We have our next question from the line of Sachin Dixit from JM Financial. Please go ahead.
- Sachin Dixit:** Hi, I just put in one more question with regards to what's happening on the tax expense side? We are getting deferred expense credit last year in Q3, Q4, now we are getting expense. Can you explain how should we think of it going forward?
- Vinay Sanghi:** Sure. Aneesha, you want to explain this one? I think with the Ind AS accounting standard but I think Aneesha will explain it.
- Aneesha Menon:** Yes, sure. I will do that. So, Sachin, in March 2021 is when we had booked a DTA, the DTA is based on the profit or losses of the company. What we do every year and every quarter is that we need to revisit on how and when we would be able to consume those brought forward losses, whether they would get consumed or they get expired. It is an unwinding of the DTA that is created in the past. From Q1 to Q2, there is two changes. One is, the other income, the funds that have realized more income than in Q1 has resulted in higher income, which has resulted in some unwinding of DTL happening in Q2 vs Q1. Also, we had an ESOP charge of further two crores this quarter, which has further increased the DTL charge corresponding to that in Q2 versus Q1.
- So, just to simplify it, there is a DTA which got charged or created in March 2021, which is based on the brought forward losses and non-absorbed depreciation. Over the years as and when we consumed all those losses, we need to unwind the DTA which is called the DTL, the deferred tax liability. This is what will happen in the future also. But from Q1 versus Q2, there are two changes. One is the increase in the other income, which is the mutual fund investment value going up. And the second one is, on the ESOP entry that has come in Q2 vs Q1.
- Sachin Dixit:** Got it. And on the other expense going up, like is there a driver of such a sharp growth in that or it's just your investments just provide better results?
- Aneesha Menon:** I'm sorry, other expenses or other incomes?
- Sachin Dixit:** Sorry, other income.
- Aneesha Menon:** The return on the other income has been better. We've not changed anything from Q1 to Q2. It is the same funds where it is been invested.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Vinay Sanghi for closing comments. Over to you, sir.
- Vinay Sanghi:** Thank you. And we also want to thank each of you for joining in. It's been a very active quarter for us. I think we've shown in some area of business strong performances. Margins have got better compared to the previous quarter. Overall revenue growth has been much stronger compared to the previous quarter as well. And one part of our business, as we discussed this year, Shriram Automall has shown a lower growth rate, but we're pretty optimistic about the future of our business as a whole. As we continue to invest in product and technology for our consumers. And I just want to thank all of you for joining and taking the time out, and Happy Diwali to all of you and enjoy the festival period ahead. Thank you, everybody. Thank you.
- Moderator:** Thank you, sir. On behalf of CarTrade Tech Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.