

CarTrade Tech | BUY



Best quarter ever – engine warming up

CarTrade reported its best quarter ever with revenue reaching INR 1,453mn and adjusted EBITDA margin reaching 23.2%. While New Auto segment growth (c.15%) missed our expectations marginally, Remarketing segment surprised positively with 14% QoQ growth. CarTrade's existing business delivered strong margin expansion with adjusted EBITDAM of 23.9% (358/397bps QoQ/YoY), primarily driven by New Auto segment. OLX Classifieds, as highlighted in our [previous note](#), saw a dip in margin (270bps) due to investments made to drive the next growth boost. Management did reiterate that the business has normalised cost structure in 3QFY24 and would see robust margin expansion going forward. On consolidated level, company reported adjusted PAT of INR 225mn in 4Q. With three deeply moated and highly profitable business segments, we find incredibly favourable risk-reward at CMP. Reiterate 'BUY' with Mar'25 TP of INR 1,020 (~26% upside), as we believe the company to be perfectly positioned to benefit from rising digitalisation in Indian auto.

- Standalone business delivers robust margin expansion despite modest revenue growth:** At INR 491mn in 4Q, Standalone business delivered +14.8% YoY / -0.6% QoQ growth. As a testimony to the fixed cost structure enabling strong operating leverage, the segment saw EBITDAM expanding by 700 / 400 bps on YoY / QoQ basis. Though growth has been lower this quarter due to higher base, management remains confident of the segment growing ~2x of Indian auto industry growth with profitability rising even faster. We expect the segment to deliver INR 5bn+ revenue at c.40% EBITDA margin in FY29.
- Repossessions likely to have bottomed out:** Remarketing revenue in 4Q stood at INR 527mn (-0.7% YoY/ +14.4% QoQ), 9% beat on JMFe. Though, repossessions have been flattish in 4Q, healthy rise of retail business mix delivered improvement. Management feels that repossessions would be close to bottoming but they were not able to convincingly suggest a near-term rebound. With used car prices normalising and formalisation of credit in 2W and used cars, we expect repossessions business to reach INR 3.5bn+ in FY29, however, growth would continue to be lumpy.
- OLX Classifieds to grow with rapid margin expansion:** OLX revenue for 4Q stood at INR 434mn, a flattish sequential growth. Going ahead, the focus will be on increasing paid listings and ARPU to drive revenue growth. Currently share of automotive classifieds is ~45-50%, which is expected to increase in the near-term with increased focussed over the next 2 quarters. We expect India's used items (including used auto) market to grow strongly with consumers rising over the taboo of owning a used item. OLX, being the undisputed market leader, is expected to deliver 18-22% revenue growth along with sustained market expansion to reach INR 4.3bn at 40%+ EBITDAM in FY29.
- Retain 'BUY', Mar'25 TP increased to INR 1,020:** With slower than expected growth in New Auto, we cut our revenue estimates marginally (<1%) over FY25-28E. However, increased focus on profitability would ensure that margins remain broadly unchanged. We value CarTrade using a SoTP based valuation to arrive at Mar'25 TP of INR 1,020 (~26% upside) with 20x/15x/22x FY26E EBITDA multiple for New Auto / Remarketing /

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,020
Upside/(Downside)	26.0%
Previous Price Target	1,000
Change	2.0%

Key Data – CARTRADE IN

Current Market Price	INR811
Market cap (bn)	INR38.0/US\$0.5
Free Float	100%
Shares in issue (mn)	46.9
Diluted share (mn)	50.9
3-mon avg daily val (mn)	INR175.8/US\$2.1
52-week range	900/406
Sensex/Nifty	73,896/22,443
INR/US\$	83.5

Price Performance

%	1M	6M	12M
Absolute	13.0	15.2	86.0
Relative*	13.5	1.2	53.7

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	3,637	4,899	6,737	8,143	9,808
Sales Growth (%)	16.3	34.7	37.5	20.9	20.4
EBITDA	330	793	1,418	2,107	2,956
EBITDA Margin (%)	9.1	16.2	21.0	25.9	30.1
Adjusted Net Profit	340	143	1,202	1,644	2,246
Diluted EPS (INR)	6.7	2.8	23.6	32.3	44.1
Diluted EPS Growth (%)	0.0	-58.1	740.3	36.8	36.6
ROIC (%)	0.2	2.5	5.2	7.7	10.7
ROE (%)	1.7	0.7	5.6	7.1	8.9
P/E (x)	120.8	288.3	34.3	25.1	18.4
P/B (x)	1.9	1.8	1.7	1.6	1.4
EV/EBITDA (x)	89.7	42.8	23.4	15.0	10.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 06/May/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

OLX Classifieds business. On a consolidated basis, our TP implies ~28x FY26E PE multiple, considerably low for a company growing topline at 20%+ with steady-state EBITDAM of 30-40%.

Maintain BUY; TP raised to INR 1,020

Exhibit 1. Valuation Maths

	Revenue	EBITDA	Valuation
Website Services (Classifieds) - FY26	2.8	1.0	
Target EV/EBITDA multiple		20.0x	19.3
Commission Income (B2B) - FY26	2.6	0.7	
Target EV/EBITDA multiple		15.0x	5.8
Sale of Used Cars (Franchise B2C) - FY26	0.2	-0.1	
Target EV/Sales multiple	1.0x		0.2
OLX Classifieds – FY26	2.6	0.8	
Target PE Multiple		22.0x	18.6
Implied Enterprise value (INR bn) on TP date			43.9
Net Debt (INR bn) on TP Date			-8.1
Market value (INR bn) on TP date			52.0
Diluted equity shares (mn)			50.9
1-year forward target price			1,020

Source: Company, JM Financial

Exhibit 2. Marginal revenue decreases with profitability margins expected to track better

	OLD					NEW					Change				
	FY25E	FY26E	FY27E	FY28E	FY29E	FY25E	FY26E	FY27E	FY28E	FY29E	FY25E	FY26E	FY27E	FY28E	FY29E
Consolidated revenue (INR mn)	6,754	8,198	9,906	11,815	13,967	6,737	8,143	9,808	11,688	13,837	-0.2%	-0.7%	-1.0%	-1.1%	-0.9%
Revenue growth rate (YoY)	38.3%	21.4%	20.8%	19.3%	18.2%	37.5%	20.9%	20.4%	19.2%	18.4%	-78bp	-52bp	-38bp	-10bp	16bp
EBITDA (INR mn)	1,447	2,141	2,991	3,952	5,020	1,418	2,107	2,956	3,925	5,027	-2.0%	-1.6%	-1.2%	-0.7%	0.1%
EBITDA Margin	21.4%	26.1%	30.2%	33.5%	35.9%	21.0%	25.9%	30.1%	33.6%	36.3%	-37bp	-25bp	-6bp	13bp	39bp
EBIT (INR mn)	1,086	1,751	2,558	3,472	4,450	998	1,679	2,482	3,398	4,500	-8.1%	-4.1%	-3.0%	-2.1%	-0.6%
EPS - Basic	26.57	35.05	46.95	62.22	78.64	24.68	34.55	47.08	63.44	82.36	-7.1%	-1.4%	0.3%	2.0%	4.2%

Source: Company, JM Financial.

Key Risks

- **Key upside risks** to our price target are: (1) sooner than expected reversal in remarketing business with sharp rise in retail channel; (2) higher than expected margin improvement with the newer verticals generating value; (3) any accretive acquisition not currently priced in; and (4) OLX classifieds delivering higher than expected growth or margins.
- **Key downside risks** are: (1) market share loss in new auto advertising to newer formats; (2) any after-effects of product and tech expense integration causing margin losses; (3) sustained pressure in repossessions; and (4) any mistakes in capital allocation (stock got beaten when rumours of GoMechanic acquisition were floated).

Key Metrics

Exhibit 3. Key Financials

	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	Comments
Consolidated Net Revenue (INR mn)	959	3637	861	1,200	1,386	1,453	4,889	<ul style="list-style-type: none"> Consolidated net revenue YoY (including inorganic growth from OLX) grew 51.5% YoY to INR 1,453mn. Excluding OLX revenue of INR 434mn, existing business revenue grew by 6.3%/6.7% YoY/QoQ. Employee expenses decreased as a % of revenue by 400bps YoY to 41.5%. Company's adjusted EBITDA margin improved by 166bps sequentially to 23.2%. Company reported PAT of INR 225mn, with gain of INR 16mn from discontinued operations.
Change (YoY)	2.9%	16.3%	4.0%	36.6%	42.6%	51.5%	34.7%	
Remarketing Revenue	531	2,075	432	518	461	527	1,938	
Standalone Revenue	428	1,563	428	453	494	491	1,867	
OLX Revenue	-	-	-	229	431	434	1,215	
Employee expenses (Ex Esop)	440	1,774	469	557	630	603	2,281	
Employee expenses (Ex Esop) % of Sales	45.9%	48.8%	54.5%	46.4%	45.5%	41.5%	46.6%	
Other Expenses	327	1,254	290	387	457	512	1,646	
Other Expenses % of Sales	34.1%	34.5%	33.7%	32.2%	33.0%	35.2%	33.6%	
EBITDA	118	330	55	212	254	273	793	
EBITDA margin (%)	12.3%	9.1%	6.4%	17.6%	18.3%	18.8%	16.2%	
Adjusted EBITDA	191	609	101	256	299	338	973	
Adjusted EBITDA margin (%)	19.9%	16.8%	11.7%	21.3%	21.6%	23.2%	19.9%	
Depreciation and Amortisation	76	287	84	91	96	104	374	
EBIT	42	43	-29	121	158	170	419	
EBIT Margin	4.4%	1.2%	-3.4%	10.1%	11.4%	11.7%	8.6%	
Finance cost	20	77	22	22	23	26	92	
Other Income	207	640	208	159	133	153	654	
Profit before tax	229	606	158	258	268	297	980	
Tax Expense	54	201	23	25	48	63	159	
Profit after tax	175	404	135	232	220	234	821	
Net Margin	18.2%	11.1%	15.7%	19.4%	15.8%	16.1%	16.8%	
Loss from discontinued operations	0	0	0	-182	-455	16	-622	
Share of Minority Interest	25	64	5	20	7	24	57	
Net Income for common stocks	150	340	130	30	-242	225	143	

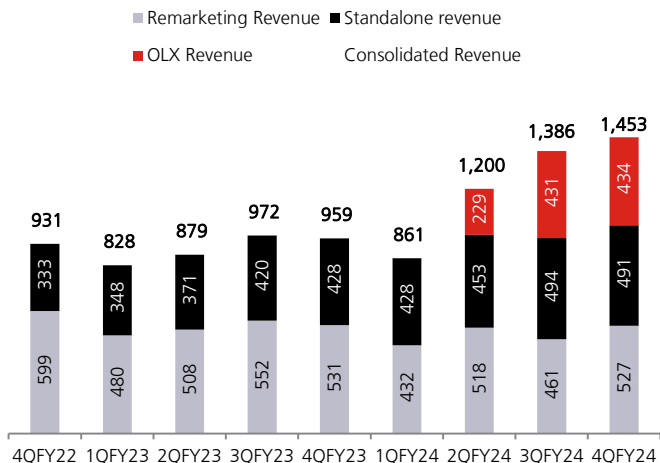
Source: Company

Exhibit 4. Key Operational Metrics

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Average monthly unique visitors (IN MN)	34.2	34.2	38.9	38.3	40.2
% of organic unique visitors	86%	85%	91%	92%	93%
No. of vehicles listed for auction (in 000's)	287	250	297	355	331
No. of vehicles sold by auction (in 000's)	64	49	56	51	60
Conversion rate	22.4%	19.6%	18.9%	14.3%	18.2%
Take rate per vehicle sold (in 000's)	8.3	8.8	9.2	9.0	8.7

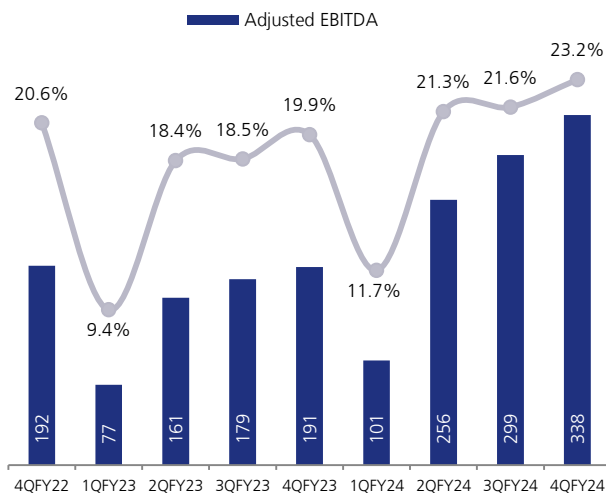
Source: Company

Exhibit 5. Consol. Net Revenue grew 51.5% YoY on account of consolidation of Sobek Auto (OLX India business)



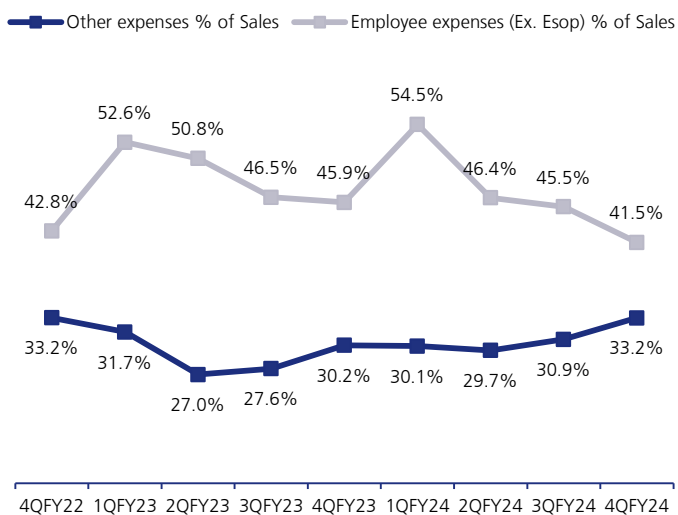
Source: Company, JM Financial

Exhibit 6. Adj. EBITDA margin continues sequential improvement due to fixed-cost nature



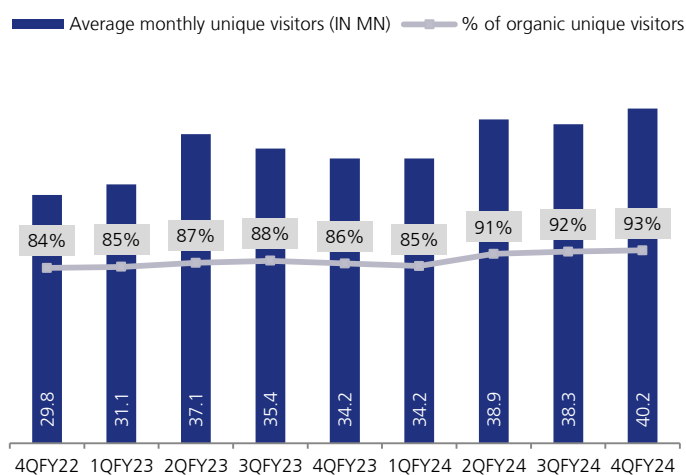
Source: Company, JM Financial

Exhibit 7. Expenses as % of Sales



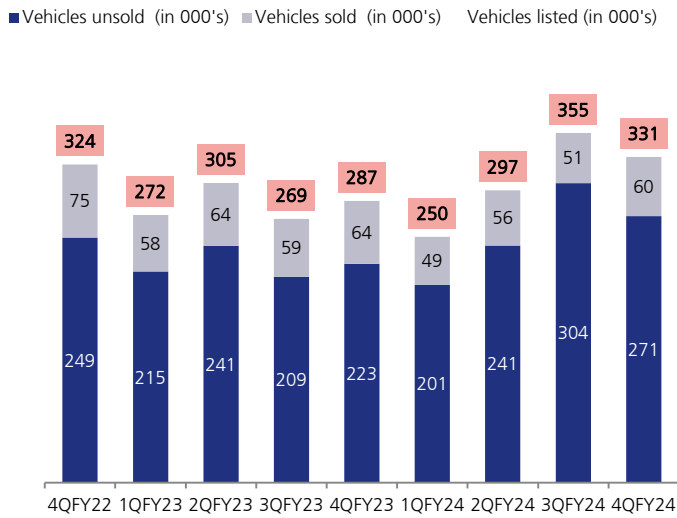
Source: Company, JM Financial

Exhibit 8. Monthly unique visitors rise driven by organic traffic



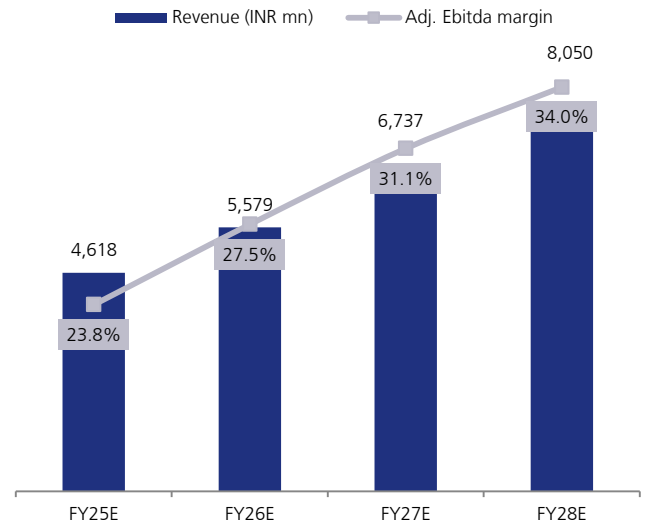
Source: Company, JM Financial

Exhibit 9. Auction conversion rate improved despite listings dip



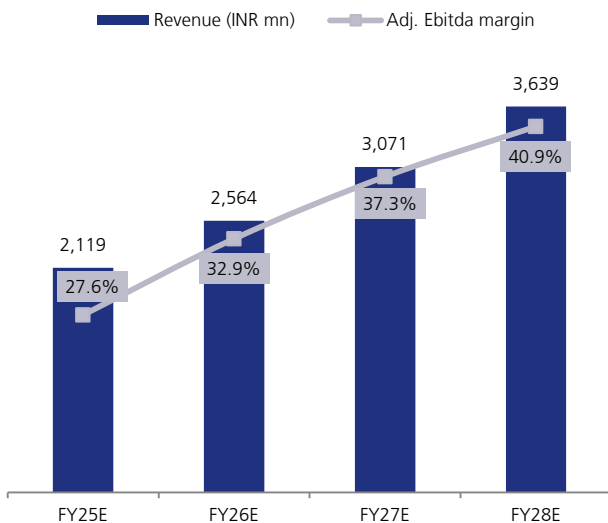
Source: Company, JM Financial

Exhibit 10. Existing business – Revenue and Adj. Ebitda estimates



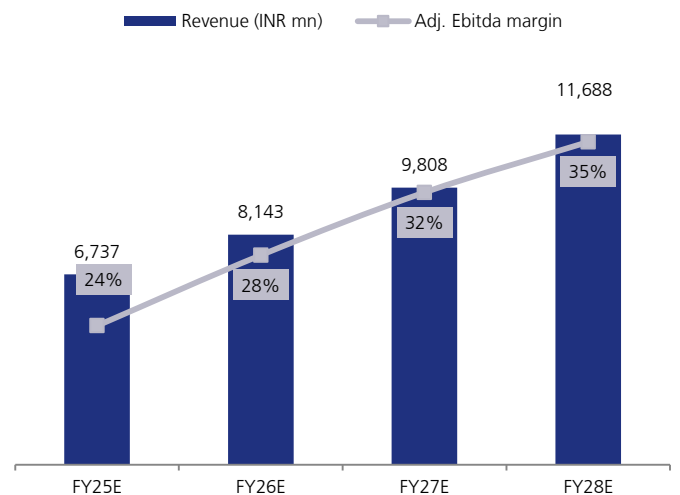
Source: JM Financial

Exhibit 11. OLX business - Revenue and Adj. Ebitda estimates



Source: JM Financial

Exhibit 12. Consolidated business - Revenue and Adj. Ebitda estimates



Source: JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	3,637	4,899	6,737	8,143	9,808	
Sales Growth	16.3%	34.7%	37.5%	20.9%	20.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	3,637	4,899	6,737	8,143	9,808	
Cost of Goods Sold/Op. Exp	65	0	0	0	0	
Personnel Cost	2,053	2,461	3,080	3,503	3,977	
Other Expenses	1,190	1,646	2,239	2,534	2,875	
EBITDA	330	793	1,418	2,107	2,956	
EBITDA Margin	9.1%	16.2%	21.0%	25.9%	30.1%	
EBITDA Growth	0.0%	140.4%	78.8%	48.6%	40.3%	
Depn. & Amort.	287	374	370	383	427	
EBIT	43	419	1,048	1,724	2,529	
Other Income	640	654	586	691	823	
Finance Cost	77	92	64	77	90	
PBT before Excep. & Forex	606	980	1,571	2,337	3,262	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	606	980	1,571	2,337	3,262	
Taxes	201	159	257	540	812	
Extraordinary Inc./Loss(-)	0	-622	0	0	0	
Assoc. Profit/Min. Int.(-)	64	57	111	153	204	
Reported Net Profit	340	143	1,202	1,644	2,246	
Adjusted Net Profit	340	143	1,202	1,644	2,246	
Net Margin	9.3%	2.9%	17.8%	20.2%	22.9%	
Diluted Share Cap. (mn)	50.7	50.9	50.9	50.9	50.9	
Diluted EPS (INR)	6.7	2.8	23.6	32.3	44.1	
Diluted EPS Growth	0.0%	-58.1%	740.3%	36.8%	36.6%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	20,434	20,700	22,086	23,923	26,372	
Share Capital	468	469	469	469	469	
Reserves & Surplus	20,434	20,700	22,086	23,923	26,372	
Preference Share Capital	0	0	0	0	0	
Minority Interest	790	869	980	1,133	1,338	
Total Loans	864	1,125	1,496	1,788	2,129	
Def. Tax Liab. / Assets (-)	-581	-559	-559	-559	-559	
Total - Equity & Liab.	21,508	22,134	24,003	26,285	29,279	
Net Fixed Assets	10,422	14,891	15,008	15,065	15,313	
Gross Fixed Assets	1,654	1,976	2,220	2,406	2,791	
Intangible Assets	9,103	13,301	13,235	13,172	13,109	
Less: Depn. & Amort.	335	385	447	513	587	
Capital WIP	0	0	0	0	0	
Investments	9,854	5,100	5,100	5,100	5,100	
Current Assets	2,576	4,548	7,001	9,760	13,150	
Inventories	0	0	0	0	0	
Sundry Debtors	516	733	947	1,039	1,300	
Cash & Bank Balances	279	995	2,310	4,359	6,743	
Loans & Advances	33	0	0	0	0	
Other Current Assets	1,749	2,821	3,744	4,362	5,107	
Current Liab. & Prov.	1,344	2,404	3,106	3,640	4,284	
Current Liabilities	216	348	390	450	506	
Provisions & Others	1,128	2,057	2,717	3,190	3,778	
Net Current Assets	1,232	2,144	3,895	6,120	8,866	
Total - Assets	21,508	22,134	24,003	26,285	29,279	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	606	359	1,571	2,337	3,262	
Depn. & Amort.	287	390	370	383	427	
Net Interest Exp. / Inc. (-)	-36	-69	-522	-613	-733	
Inc (-) / Dec in WCap.	-147	-99	-435	-177	-361	
Others	-206	-282	184	193	203	
Taxes Paid	-23	-140	-257	-540	-812	
Operating Cash Flow	482	159	909	1,583	1,986	
Capex	-71	-28	-487	-440	-675	
Free Cash Flow	411	131	422	1,143	1,311	
Inc (-) / Dec in Investments	-136	4,042	0	0	0	
Others	42	-5,116	522	613	733	
Investing Cash Flow	-166	-1,101	35	173	58	
Inc / Dec (-) in Capital	37	2	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-211	-331	371	292	341	
Others	-217	0	0	0	0	
Financing Cash Flow	-391	-329	371	292	341	
Inc / Dec (-) in Cash	-75	-1,272	1,316	2,048	2,385	
Opening Cash Balance	353	2,267	995	2,310	4,359	
Closing Cash Balance	279	995	2,310	4,359	6,743	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		9.3%	2.9%	17.8%	20.2%	22.9%
Asset Turnover (x)		0.2	0.2	0.3	0.3	0.3
Leverage Factor (x)		1.1	1.1	1.1	1.1	1.1
RoE		1.7%	0.7%	5.6%	7.1%	8.9%

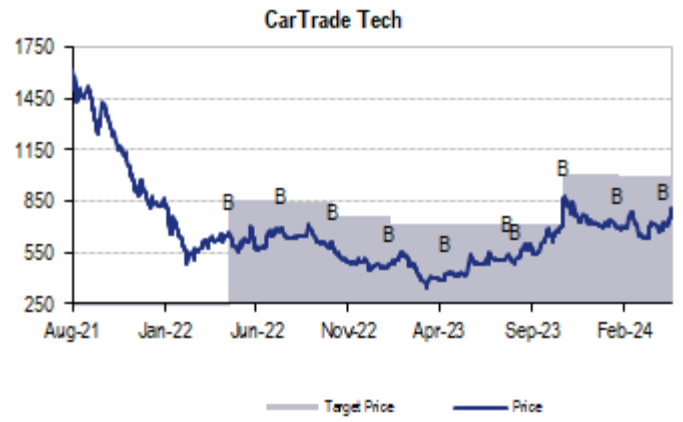
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		437.6	441.4	471.0	510.2	562.4
ROIC		0.2%	2.5%	5.2%	7.7%	10.7%
ROE		1.7%	0.7%	5.6%	7.1%	8.9%
Net Debt/Equity (x)		-0.5	-0.2	-0.3	-0.3	-0.4
P/E (x)		120.8	288.3	34.3	25.1	18.4
P/B (x)		1.9	1.8	1.7	1.6	1.4
EV/EBITDA (x)		89.7	42.8	23.4	15.0	10.0
EV/Sales (x)		8.1	6.9	4.9	3.9	3.0
Debtor days		52	55	51	47	48
Inventory days		0	0	0	0	0
Creditor days		24	31	27	27	27

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
5-May-22	Buy	860	
30-Jul-22	Buy	840	-2.3
23-Oct-22	Buy	760	-9.5
25-Jan-23	Buy	710	-6.6
28-Apr-23	Buy	710	0.0
10-Aug-23	Buy	710	0.0
21-Aug-23	Buy	710	0.0
10-Nov-23	Buy	1,010	42.3
8-Feb-24	Buy	1,000	-1.0
24-Apr-24	Buy	1,000	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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