



CarTrade Tech
Q3 FY2022 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the CarTrade Tech Q3 FY2022 Earnings Conference Call hosted by Axis Capital Limited. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishit Jalan from Axis Capital Limited. Thank you and over to you Sir!

Nishit Jalan: Thank you Stanford. Welcome to CarTrade Tech’s 3Q FY2022 result conference call. From the management, we have Mr. Vinay Sanghi, Chairman, Managing Director and Chief Executive Officer; Ms. Aneesha Menon, Chief Financial Officer and director and we have Vikram Alva Chief Strategy Officer. I will hand over the call to Vinay to take you through the presentation and his opening remarks post which we will start Q&A. Over to you Vinay!

Vinay Sanghi: Thank you Nishit and welcome everybody to the call. Sorry we got a little delayed. We had some IT tech login hitch I am sorry for that but thank you for being patient and being here in the call. Just wanted to run through maybe 10, 15 minutes along with Aneesha I will give you highlight of how the quarter has gone and then going deep into all the questions you might have and the clarifications you might need.

The first part is really the auto industry in the last quarter and the last nine months, as you can see in the first three months of the year in May especially we had a little bit of COVID impact and the industry bounced back for a the couple of months and in the last three to four months we would have what we would call a semiconductor impact, which is some shortage of supply, etc., etc., and as you all would know even I think as you see some of the results announced by the manufacturers today, the car market has been down by about 15% last quarter compared to last year, the two wheeler market also the sales has been down generally in India which is more demand driven than supply, but generally a car supply issue for new cars and there has been a little bit of sluggish in the two wheeler side and last quarter the auto industry actually, the car industry, two wheeler industry has degrown. It has been a tough nine months I would say for the car industry. We are pretty glad that during this nine months phase we could stay strong as far as the company is concerned and continue on our path towards growth and margins.

So even though the industry is degrown over the last three months, we had a nine-month growth 33% growth in revenue, adjusted EBITDA has grown at 30%. Adjusted EBITDA margin is up to 32% last quarter, we continue to be the number one two-wheeler automobile and car and two-wheeler portal in India, only profitable player as you all know. Vehicle

agnostic, cars, two wheelers, commercial vehicles, average monthly unique visitors in Q3 goes to 31 million, which is still 31 million unique customers come into our platform every month, this is the average for the last quarter which has grown over the previous year same quarter and we will show you some of that later in the subsequent slides. Organic traffic, which is free traffic, which shows the robustness of the company and also shows the brand affinity and part of the reason why we have adjusted EBITDA margin of 32%; is 86%, which is very, very significant when you put against 31 million customers 86% coming organically. Number of vehicles auctioned is all time high 1.3 million for the run rate, for the quarter is over about 300,000, the numbers will come later, at a rate of 1.3 million a year so that has grown at highest ever number as well. Our revenues reach 102 Crores for the quarter, which is an all time high as well for the company. Adjusted EBITDA is close to 32.3 Crores for the quarter, which is a run rate of almost 130 Crores for the year, and as I said Adjusted EBITDA margin has gone to 32% for this quarter. In spite of the auto industry being sluggish what we found is that revenue growth in the nine months has been 32%. Adjusted EBITDA has grown by 30% and adjusted EBITDA margins are 32%. One of the things we have talked about in previous call is trying to achieve the 30 30 30 numbers right which is really growing the revenue and adjusted EBITDA by over 30% and also achieving an adjusted EBITDA margin over 30% right is something we proud ourselves in is growing profitably and as you can see here clearly that over the nine month period the company has not only grown but grown in a profitable manner backed on brand affinity, backed on traffic growth, back on number of vehicles being auctioned, so highest ever revenue and 30, 30 30 in terms of margins growth, adjusted EBITDA as well as revenue growth.

Aneesha Menon:

As mentioned by Vinay in the previous slide the company has achieved a 33% revenue growth and a 30% adjusted EBITDA growth year-on-year. Our revenue for nine months was 253 Crores with 65 Crores adjusted EBITDA. For the quarter ended December we achieved highest ever quarterly revenue at 102 Crores with an adjusted EBITDA of 32 Crores which has resulted in the adjusted EBITDA margin of about 32%. As you can see here there is an exceptional nonrecurring and a noncash adjustment of 140 Crores in the nine months period for ESOPs that were granted in April 2021. Of these ESOPs that were granted there were 15 lakh shares which was vested in one year. Typically all our ESOPs are vested over four-year period which is why this is an exceptional item. This was vested in one year which has resulted in a onetime noncash adjustment to the P&L close to 140 Crores as on December. As on FY2022 for the financial year FY2022 we expect this charge to be about 180 Crores. Having said that based on the number of ESOPs that we have granted as on date we estimate our FY2023 charge to be close to 25 Crores. Also if you see here in the numbers for nine months where you see 100 Crores loss, if you carve out these 140 Crores of noncash adjustment, you will be able to understand what the profits really are without noncash adjustment out here.

In slide five we have shared the standalone results of CarTrade Tech which predominantly hosts the consumer group business. That is revenues from our website CarWale, CarTrade, and BikeWale which are media and lead driven. As you can see here the revenues have grown by 47% and the adjusted EBITDA has grown up 56% year-on-year. The revenues for nine months were about 110 Crores with 25 Crores adjusted EBITDA and if you look at the Q3 numbers the adjusted EBITDA margin is at 26%.

In slide six you can see the consolidated results of the remarketing business which includes our commission or the transaction business as we call it, which is predominantly our auction and the other related businesses. As you can see here revenues have grown by about 24%. Our adjusted EBITDA has grown by 17% year-on-year. The revenue for nine months was 145 Crores and the profit for that period was about 40 Crores. For the quarter ended December as you can see what is circled over here the adjusted EBITDA margin is about 35%.

This talks about our revenue and adjusted EBITDA growth over a period of time, year on year basis like we mentioned before the revenues have grown by 33%, our adjusted EBITDA has grown by 30%. Q3 versus Q2 again the revenues have grown by about 16% and adjusted EBITDA grew by about 32%. Q3 versus Q3 as Vinay mentioned in the previous slide I think the industry itself faced tough times where there was a negative 15% growth; however, we witnessed a 19% growth in revenues in Q3 versus Q3.

Slide eight talks about the average monthly unique visitors across our platform. In Q3 we have 31 million customers and we continue to enjoy 86% of this traffic coming to us organically.

These are the Google trend report. The Google trend reiterates our dominance as a brand. With extremely high recall value we continue to maintain our number one position in both cars and bike. The reason our brand is in the number one position is because we are synonymous to trust, quality and reliability and we continue to invest in products and technology to deliver a great consumer experience.

Slide nine shows the auction listing for the quarter and it represents the growth. If you look at the Q3 numbers we had the ever-highest listing and this has resulted in 53% growth as against the Q3 of last year. Over to you Vinay if you could take us through the highlights for this quarter!

Vinay Sanghi:

I just wanted to give you a little bit of our strategy going forward and a little bit about the highlights for the last quarter. So I think this slide is something we have shown in multiple meets in our results time and during various other calls. This is really how we think about our company and our business going forward. As you all know we are a platform with our

strengths being the 31 million customers a month which come, the 1.3 million vehicles we auction but our strength in the platform was also the technology and software we have created which connects and links all stakeholders, so dealers sell vehicle in our platform, dealers buy vehicles in our platform, consumers like you and me 30 million of them sell vehicles or buy vehicles on our platform, manufacturers sell vehicle in our platform, banks give loans in our platform, sell vehicles in our platform so we really create an ecosystem with our strength being the customers we have and the technology and software we have which connects all the stakeholders. If we look at the strength of all the consumers we have right and if you look at the business we have, on the left hand is the consumer group which looks at all the 30 million customers coming there for two wheelers, cars, used cars, etc. Really the remarketing group is our business which helps consumers sell vehicles and big businesses sell vehicles to dealers and fleet owners, which we have shown in our remarketing results. The consumer growth and the remarketing group are really our two core businesses today, which contribute most of our revenues today and as you know our revenues are growing at 32% for the first nine months and also there is 32% adjusted EBITDA margin on these revenues right. As these revenues increase as you have seen over the last few years, our adjusted EBITDA margins grow, our adjusted EBITDA continues to grow and these really are profitable businesses. Over the next three to four years we continue to anticipate them to have a similar growth rate over the next few years, but this is the core businesses, new cars, used cars, and helping consumer sell vehicles today. There are businesses of the future which we are also creating currently. Franchising or our B2C used car business is one of them. Franchising or our B2C used car business has consumers like you and me, choose the car online and have it delivered to you, it is giving a seamless branded used car retailing experience to the customer today when he wants to buy used car. Then the auto finance side, we built a fintech product on CarWale today, which is at its infancy where we approve loans for customers like you and me, you can come online put in your data, we link you in multiple banks today with whom you have deeply integrated so that you can get a loan approved in a few seconds or few minutes versus days in the real world and then the software side all the dealer management solutions and all the things we have provided to manufacturers and dealers and then of course we also want to look at other aspects of ecosystem Electric vehicles, ownership sharing, connected vehicles, all the new emerging trend. so really look at us as the platform where the core business today is what you are seeing, the consumer group, the re marketing group, what we want to look at the future as well apart from running the consumer group and the remarketing group is really growing our franchising, financing, software services, even things like insurance, car repairs, car servicing and we are going to do this through activities within the company by incubation or acquisition or investment, but really this is the strategy of the company over long period of time with core strength as I said using all our customers, 30 million customers, dealers, and manufacturers, banks using that strength we have got to get into the new areas or adjacencies. It is needless to say any revenue we add in any of the new

businesses or existing businesses adds directly to our profitability and EBITDA as you can see in our financial results. Very few companies have a 30% growth rate and a 30% adjusted EBTIDA margin, we are one of those which is an exception by itself right. It is very, very rare to find in India a group company or an internet company first of all having a 30% margin and then growing at over 30%, so we have both those boxes ticked; we want to use that strength and look at growing in the future.

There is something we announced a few months ago. As you all know we are sitting with lot of cash in the balance sheet. We are one of the few companies which did not do a primary in the IPO because we are sitting with cash in the balance sheet and we are also generating cash that you can see in adjusted EBITDA numbers today which was 65 Crores in the first nine months. We are generating cash and we have cash in the bank. We have earmarked, our Board has allowed us to earmark about 750 Crores to make investments and acquisitions in the ecosystem, in businesses like car servicing, car repair, car financing, electric vehicles, all these new emerging trends and new ideas so that all these 30 million customers can avail of those products and services and we can add to revenue and profitability as we go on, so there is something created in the last quarter which I want to update all of you with.

At the core of the company we are a product digital company and this slide we showed you in the last quarter as well. We are heavily focused on digitizing the automotive ecosystem so just to give you an example when you come and buy a car today on CarWale, a new car or used car you can search your car, find your car, select your car, take the differences between two cars, look at expert reviews, look at what users think about it, where we are moving more and more towards now on a new car or used car is helping you go through the journey of actual purchase, actually buying the car itself so you can book it online, you can get a loan instantly disbursed in a minute to you and we are working with banks on it. You can buy an insurance policy online, you can sell your old car online, you can integrate the entire offer into buying a car, book the car online and have it delivered to you. So really digitizing this entire automobile journey right from choosing a car, selecting a car or discovering a car to getting the car delivered to you in a complete seamless online manner is something we are working heavily on, our product teams, technology teams are working and offering the products and services now on CarWale itself to our customers, but we are also working with manufacturers on this.

This whole digitization of the automobile system is working heavily with car manufacturers. You may be pleased to hear that we have a tie up with one of the leading manufacturers in India MG where the auto finance product we have is now available on MG's website, MG's dealers, etc. So really our marketplace for financing becomes available and we build all these technologies for MG Motors as an OEM. MG dealership as

well in India use our dealer management solutions to run their business the used car dealerships, but what we are really doing here is digitizing the ability of a car customer or a two wheeler customer to come online on CarWale, BikeWale and buy a car seamlessly and have it delivered to them and have a complete digitized journey in buying the vehicle, but also we are taking these products and tools and technologies on manufacturer websites, manufacturer dealerships so that not only on CarWale and BikeWale this experience is seamless but our finance market place and other tools are available across the entire ecosystem in India, so digitizing the auto ecosystem in India is really the vision of the company and the goal in India and we are making huge progress to our 30 million customers as well as manufacturers, dealers and banks.

In this attempt we talked about this last time as well is we want to provide a complete online used car buying experience for all our customers. We have already started putting out what we call CarWale certified or CarWale abSure outlets. The product here really entails you and me coming online, choosing a used car, getting a warranty, getting a money back guarantee from CarWale, booking it online, getting a loan online and having the car delivered it to you. We want to provide that entire what we call one click, one click used car shopping experience, it is really not available anywhere in the world, so we are really the first ones going out there, getting this done where you can on one click buy a used car and have it delivered to you and that is the attempt of CarWale abSure.

In an attempt to this we did tell you last quarter, we have expanded this further in this quarter, we have gone to 22 outlets. As you may seen in the press release we want to take 200 in the next couple of years so this is a big area of focus for us so you can seamlessly come in and buy a used car. As we do some of these things especially on this CarWale abSure side, adding transaction revenues, so when you book a CarWale abSure certified car online, charge a transaction fee to all the cars being sold there from all our franchise, so this adds to a new pool for us. We are excited about this whole CarWale abSure we believe it is going to be a major growth area or growth driver for revenues and profitability in the next two to three years for the company. So apart from our used car media revenue and new car media revenue and lead revenue this becomes another source of transaction revenue for us with very little cost because as I said there is no marketing cost against this, all these customers already come to our platform.

There is another part from our remarketing group where we are working closely to get more supply to our auctions, we auction 1.3 million vehicles. In the last quarter we also had a tie up with Ashok Leyland where all the trade in vehicles coming to Ashok Leyland, when people want to buy new commercial vehicles, the trade in of the old vehicles which has come in there for trade in and exchange to Ashok Leyland dealerships and the company, will come to Shriram Automall for auction or sale and this is a very significant tie up for us

in the commercial vehicle industry and we feel very positive about this particular tie up which should add to volumes on a commercial vehicle side in our auction business. So we have got tie up with Ashok Leyland and then also Bharat Benz, so two commercial vehicle manufacturers. I think I want to add here that we actively not only get this one click purchase or sale of cars or commercial vehicles or vehicles on all our platforms but also working with car manufacturers and dealers continuously to enable this to all sets of customers. This is what we had. I think what we can do now is we can take your questions and doubts so that we will be able to clarify all the questions that you may have.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. We take our first question from the line of Vimal from Union Asset Management. Please go ahead.

Vimal: Thank you for the opportunity. Just a basic question. Basically if I were to look at your remarketing business we are currently doing 54 odd Crores per quarter, but now if I were to look at the remaining portion of the business it is about 34 odd Crores and if I were to look at the progress that we have made over the last year we see a 12% odd growth in that particular number, just wanted to get your sense on basically this business will be our classified business right if I am not wrong, the B2B, B2C business right, the 34 Crores business which is remainder from basically I am just doing a simple calculation from the refinancing minus consolidated number?

Vinay Sanghi: The standalone is our classified business which is 47% growth so what was your question?

Vimal: For the nine months I agree we are at 47% growth just checking on a quarterly Y-O-Y basis the growth is at 12% odd I am talking about revenue from operations without other income, just wanted to get your sense as to what are the OEMs thinking on spending on digital advertising or business classified at this point in time, are the spends actually moving more towards digital, what kind of movement you are seeing over there and do we have to really put in a lot of effort to defend our market share because this is a group holistic kind of a market at this point in time, so if we can get a sense on that and the second question is on the same margin for standalone business, now while I talk about margins these are margins excluding other income, so they are currently at about 10% if you can just give your outlook on the margins as to how exactly do you plan to improve them going forward?

Vinay Sanghi: One is that the income as I said over nine months with 43% growth, last year one of the things and you see in most of the companies' results are being announced, one of the challenges of last year with this comparison is you had a very strong COVID impact in the first six months of the year last year and lot of manufacturers and the trade generally had a lot of pent up demand which was executed in October-December last year. I think this year

we have not had that it has been more a balanced year by itself, so sometimes when you compare this quarter this year versus last year it is not fair because last year you really had a pent up demand of COVID, so if the manufacturer did not spend on advertising for the first six months it increases the budget for the next three months because it had the ability to do so. This year the spends are more or less constant so one way to view numbers is really to look at the nine month to nine month period because you normalize for a normal period rather than a three month last year which was exceptional for everybody just because for six months nothing happened because the six months number were really bad right because of last year's COVID so that is the first part. But I think just to answer your question broadly I think we are seeing manufacturers spends on digital go up and in spite of the industry degrowing as you can see we have grown so that is the first part of it so obviously spends for digital are going up by itself number one. Number two we feel very bullish for the next three to four years, it is still 13% to 14% of manufacturers money and dealers money spent on digital advertising as you know in most global markets it is close to 40%, so we feel very comfortable that the 14 will go to 20, and 30 and 40, so we see growth on the classified media side completely. We are not resting here also as you know we are working on our full transaction model which is through Shriram Automall and remarketing where we makes out the bulk of the revenue of the company, but we are also working on that one click purchase of new cars, used cars, earning transaction revenue through the media side so really here we are betting on the media side to grow, but we are also betting on transaction revenue coming in from abSure and digitization of the entire auto industry by itself, through financing, through insurance, other value added services over the long term. Adjusted EBITDA margins here continue to grow, we look at this 26% really it is still over nine months periods also it is marginally grown, we think this will continue to grow and as revenue grows really there is cost escalation here it is not likely to be in the same proportion. I feel that very close here we will get 30% margins as well. Other income has also gone up here a little bit because of cash in the company. Even if you take it out this part of the business seems to be profitable. Some of our remarketing although it is a standalone and the presentation is standalone and consolidated, so all our corporate overheads stay in the standalone and not in the remarketing business. So sometimes some of our corporate overhead also needs to be allocated to the remarketing business, which will make it more even so you cannot just take out the other income from here I think the way to view it is really collectively across both business and some of the costs of corporate are sitting here rather than the remarketing business and that is the way to think about it, but on the whole I would say we feel very positive about the manufacturer advertising, we feel confident of bringing transaction revenue here. We feel confident of this 47% growth rate and we feel good about the adjusted EBITDA margins actually to be honest, 47% growth to have 26% adjusted EBITDA margin is not normally common in India.

- Vimal:** So I do take your point on the classification of overheads. There are just two questions that I had two clarifications one is the data point actually if you could just give me the pure EBITDA margins for the classified business for this quarter and the nine-month period?
- Vinay Sanghi:** adjusted EBITDA is 26% in the standalone.
- Vimal:** Excluding other income.
- Vinay Sanghi:** If you take out the mathematics as I said if you take it out that would be it but then the corporate overheads so it would have to be divided across I think the right way to look at it is across both businesses and then look at the adjusted EBITDA margin of 32% for the quarter, but we feel pretty bullish that both are going to continue to keep growing.
- Vimal:** Just one clarification any particular reason why we are including the other income while calculating the EBITDA because unless and until there is no material operating income over there and most of it is sort of financial income, any particular reason why we are sort of including that in calculating our EBITDA?
- Aneesha Menon:** Since we do not have any debt in the company we do not have any finance cost, so when we had discussed this with the auditors and how we are going to disclose it and how we have been having traditionally disclosing our EBITDA we have always included the other income because there is no debt in the company so there is no corresponding finance cost which is there. The funds are typically the funds which are generated in the business or acquired for expansion, so that was the logic and we have always included the interest in EBITDA calculation.
- Vimal:** Just one last question from my end. The ESOP cost of 20 Crores in FY2023 would not the vesting be over by then and do we expect that?
- Vinay Sanghi:** Just the first part which we have said in the presentation we are going to clarify. The total ESOP cost which is 140 Crores in nine months which should be 180 odd Crores for 12-month period, by March the 140 will become 180. The next year is likely to be about 20 so you will have about 160 Crores write off will not exist next year.
- Vimal:** The 20 Crores which is going to be there in 2023 that is recurring right?
- Vinay Sanghi:** That will be recurring for a longer period. For the next 3 years, is that right Aneesha
- Aneesha Menon:** Yes it typically tapers down the way the accounting is. The first year is the large charge and since here we have one which is vested within a year, but for next year if it is around 20-25, it will taper down assuming these are the ESOPs that are granted, so whatever we are saying

is based on the ESOPs that are granted as on date and the visibility that we have today. So it is absolutely clear, your understanding. So you have 185 odd Crores for FY2022, approximately 20 -25 Crores for next year and it would be either the same or lower as the year going forward.

Vimal: Got it. Thank you so much and all the very best.

Moderator: Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: Like I was saying in the standalone business the visitor growth on year-on-year has been just about 3% and if we look at our revenue from operations this is about 12% Y-O-Y if you can give us some sense of split between the new vehicle sales and used vehicle sales, on the franchise model, the software sales that we do that will really help us understand how the different pillars are moving?

Aneesha Menon: I was just repeating the question so that our understanding is right. I think his question is on the consumer growth he is trying to compare two things one is on the UVs year-on-year versus the revenue growth year-on-year would that be right?

Shyam Sundar Sriram: The digital growth has thus been about 3%, if you look at the standalone revenues from operation that is about 12%, now we will have different subverticals between the new car sales related to OEM media the OEM media related sales, the dealer sales, used vehicle sales, software services, so if you can help us understand how these different subverticals are as a percentage of say nine-month revenue? This will help us understand how the business is progressing

Vinay Sanghi: I think the first part is that what we have seen is 30 million customers a month, the advertising revenues, or the standalone revenues as you call is 47% growth for the first 9 months.

Shyam Sundar Sriram: Vinay I am not talking about nine months I am talking about the quarter.

Vinay Sanghi: I think one thing we have seen in this quarter as I said for the previous trend this quarter to the last year same quarter is not fully comparable as I told you because the first six months of last year we had COVID impact which was very severe so lot of manufacturers spent more money in the last quarter, so as I said last year there was huge demand or a pent-up demand which we got the benefit of. This is a normal quarter as you have not had a similar COVID impact this year and therefore we looked at nine-month growth number. To be honest the industry has degrown by 15% and we have seen a growth in revenue so that is how we look at it. The new car industry, in fact in all our revenue segments has been a

similar view that there has been a growth for these three months whether it is the primary driver of revenue in classified business, in new car and used car media, software is very small element of this but we have really seen a similar growth across all these segments.

Shyam Sundar Sriram: On the nine months basis the revenue from operation is about 88.37 Crores for the standalone business how much of that is in the new vehicles sales, how much is that from used vehicle sales and the rest from software and other services can you give a split on a nine-month basis?

Vinay Sanghi: I can tell you the larger part is new car and used car media, software is very significant but we do not segmentally report it because the numbers are not audited in that manner so we do not segment report by segment at this point, but the significant driver of that is new car and used car media.

Shyam Sundar Sriram: I have a suggestion if you can provide this improved disclosure it is really helpful to understand the business much better rather than giving a monolithic number where we are not able to really see how the different subsegments are performing this is a suggestion from my end. Please take that into consideration.

Vinay Sanghi: Thank you Sundar. We will keep that in mind.

Shyam Sundar Sriram: The second question is on the **SAMIL** business, The vehicles auctioned in this quarter has grown 60% on year-on-year basis but the sales in the remarketing business has grown to 16% implying a realization per vehicle that has sharply dropped on a year-on-year basis what is the reason for this, how is the mix for vehicles seen here or how we cut car commission or the take rate in this business if you can give some perspective on that?

Vinay Sanghi: The revenue again as I said nine months is about 24% growth. There is a marginal take rate decrease. If you see there is 24% growth in revenue and adjusted EBITDA margin for the quarter Sundar is 35% there is a little bit of take rate decrease. The take rate decrease is primarily because more and more is moving to only online, we had a more of phigital business physical plus online and because of COVID it has moved a little bit to a more online method and therefore the slight decrease in take rate. We believe honestly that this is the right take rate but even at this take rate Sundar what I want to explain to you is that there is 35% adjusted EBITDA margin in the company, so we feel very comfortable with this margin of 35% on a 61 Crores revenue there is a 21 Crores adjusted EBITDA so we feel pretty comfortable for the quarter and of course for nine months is 144 and 40. We feel pretty comfortable with the margins and take rate. We believe that this is the current take rate considering we are moving more and more to a digital world in this business.

Shyam Sundar Sriram: If we are moving more and more to a digital world I presume your other expenses should have been largely under control, but what I do see is that the other expenses this quarter in the remarketing business of 20 has grown 45% year-on-year as compared to the topline growth of 16%, why are the other expenses grown despite the business moving more to the digital which would imply more overheads for the business per se?

Vinay Sanghi: It is a very good question. First is whether you compare in any number in COVID period three months a quarter or you compare nine months. If you compare nine months it is 27% as you can see in the numbers here, if you compare three months it is a little higher and that is because if you see in last year during COVID there were really no increments so the entire last year went with very low cost and most of the increment cycle for most companies in India have been in April this year and not only have we given increments this year we have somewhat given a little higher increment to make up for the loss of last year for employees so that has been one big factor. Also during the last year marketing cost, etc., extremely low just because having COVID and then the reason to advertise or the reason to spend money or the rate at which we were spending the money was very low I think that has changed this year. You know Sundar it is a very good point, all these points and I would say the way to view it is not a quarter-by-quarter comparison, it is to be nine months and nine months because it just averages numbers out number one and number two to view it on quarter 2021 individually the 35% growth rate, the expense as they are, this is likely to be the trend is what I am saying, the 35% margin, the employee benefits what they are, the other expenses. Last year quarter October to December 2021 was an abrasion just because costs were not increased because of no increments, etc., and the pent-up demand of revenue. It was a very odd quarter just because of what happened the six months prior to that.

Moderator: I will now hand over the conference over to Mr. Nishit Jalan to take up that chat questions.

Nishit Jalan: So we have some questions which have come online on the chat box side. So first question is from Sachin Dixit of JM Financial and even Garima has a kind of similar question, Garima from Kotak. The question is can you provide transaction matrix and monetization model for abSure in terms of detail they are looking at how many cars are you selling via the platform and how many partners, dealers do you have, out of the dealer universe you can target with this model?

Vinay Sanghi: We have 22 partners right now as the presentation shows. In 18 cities we have rolled out really quickly. As I said we want to get to 200 in the next year-and-a-half to two years, we have a team aggressively working on this with an independent CEO and we are very bullish about the whole abSure side. Our model of monetization there as you know is transaction of sales of vehicles from those franchise stores. We charge a take rate on the selling price. Take rate today is quite healthy and our margins on it range from depending on what

services we provide from 1.5% to almost 3% of the vehicle depending on what was provided to the dealer but we feel very confident about the business and the value proposition it provides to customer more than anything else. Our confidence comes on the fact that consumers look to buy cars you know can select a car online and seamless experience in used car in getting all the money back guarantee and warranty, etc., with it, so it is a transaction model we are charging dealers a take rate fee on the vehicles.

Nishit Jalan: Vinay we have second question again from Sachin Dixit have you shortlisted any particular auto tech verticals for investments, is there anything in pipeline?

Vinay Sanghi: So we keep looking at transaction obviously at an appropriate time when we find something which fits synergies for all our 30 million customers and the product services we offer in those companies, we will be happy to announce it. We are actively looking in all the services I told you like value added services to car servicing to new age technologies but we have to find the perfect fit. We had a good track record with acquisition in the past if you have seen, we have done three and all the ones we did turned out to be really successful for the company, so we are little more choosy, little more selective, but we like to find the right one so that we can make successes out of them.

Nishit Jalan: And I have two more questions from Garima from Kotak. One what is the quantum of loans processed by our financing platform that is the first question, second question is how is Google trend user data different from the ones provided by a different website like Similarweb, Comscore?

Vinay Sanghi: The loans we provide in our platform, so what we do is all the millions of customers who come to buy new cars, used cars or two wheelers in our platform get connected to nine banks, they give them approval in our platforms so the approval comes back to the customer based on his credit worthiness and credit worthiness is established by his income statement or his credit score and banks have an algorithm which they use to approve these customers. I cannot give you exact number but in tens of thousands, we are one of the larger approver of loans for these banks on our platform for new cars, used cars, and bikes. As I said this platform is very early it is going to grow into leaps and bounds in the next few years in terms of approvals and loans disbursed to customers and it really provides value to the one click buying experience to our car customer which is what we are all attempting at, getting a car online, buying it online, getting a loan online, we are working deeply with these banks, to even disburse the loan online and that is taking its own time. The second question is how was Google trend different from Similarweb and the others. The way we understand is Google trend is a brand affinity score which basically means how many people put in CarWale into a browser versus another brand, let us say ABC brand so it is a brand affinity

score which shows search popularity basically. Similarweb and Comscore and others seem to be total traffic kind of score, so one is total traffic and one is brand traffic score.

Nishit Jalan: And one more question, last question from the chat and this is from two, three participants that we have got. It is slightly over the medium term it is how do you see your revenue growth over the next three years and can you comment on your EBITDA margins on terms of sustainability and improvement going ahead that would be very helpful?

Vinay Sanghi: For this quarter we had a 32% adjusted EBITDA margin and over the nine months we had over 30% revenue growth rate. Ideally good companies across the world, tech companies like us or platform companies like us would like to achieve 30% growth rate over the next few years, so we feel pretty confident that between 25% to 30% growth rate over the next few years is what we would like to do per year and we are working hard towards that organically to keep chipping away in an industry as you know which is degrown. We still continue to grow and trying to target this 25%, 30% growth rate over the next few years and hopefully if the car market grows and things work out we should be able to get there. If we do that our adjusted EBITDA margins which in last quarter was 32% is only going to grow right. I think the nature of our revenues and the nature of our business is such that is the high margin businesses, right so if we are able to get to our revenue growth numbers this is what we internally keep striving for and you have seen this 32% growth rate over the nine-month period if we can get to this consistently. As we said 30 30 30 companies right the companies that grow 25% to 30% and their margins are about 30%, the ones which are healthy right so we like to keep this 25% to 30% growth rate if we can and over long periods of time and the margins will be 32% will take care of itself or go up even further.

Moderator: Ladies and gentlemen we take the last question from the line of Surya Narayanan from DSP Investment Managers. Please go ahead.

Surya N: So two questions the first question like you mentioned in this quarter when we are looking at the standalone numbers your revenues excluding other income has grown at 12% odd and you mentioned that this was in the context of auto sales and auto industry which is down about 15% so if this differential result of you gaining market share or have industry players, OEMs continue to maintain their ad intensity despite the sales loss how would you just attribute this gap between your growth versus auto industry growth?

Vinay Sanghi: It is a good question. I think the first clarification again I want to make Surya is that quarter by quarter is not very comparable just because last year we had COVID pent up demand and this year we do not have.

Surya N: Sure but just in terms of if you can comment about what you are seeing within your business in terms of ad intensity by OEMs?

Vinay Sanghi: I think we have gained market shares because we have seen car sales grown so I think we probably gained market share is what we feel.

Surya N: My second question pertaining to your other income so that is up fairly strongly quarter-on-quarter any comments on that?

Aneesha Menon: Surya question is from last year this quarter versus this year this quarter?

Surya N: No I am talking about quarter-on-quarter the other income trend.

Aneesha Menon: Correct which is from last year to this year because from December to December there is not much change.

Surya N: I am talking about the number which is 135 right this quarter versus last quarter was 105.

Aneesha Menon: Yes you are right. I am going to confirm the question you are asking 13.5 versus 10.5 both of the two numbers you are comparing?

Surya N: Right.

Aneesha Menon: The standalone is kind of flat because there is no increase in account of treasury income or other income as we call it. There the jump that you see about is 2.9 to 3 Crores is on the remarketing business which has some other operational related revenues out there, so that is not treasury related Surya. These are all mutual fund kind of gains.

Surya N: Yes that is right. Thanks a lot.

Moderator: Ladies and gentlemen that was the last question. I now hand over the conference over to the management for closing comments.

Vinay: I just want to thank all of you for being patient and joining in and trying to hear our story. I just want to again reiterate with the industry in the last nine months and especially the last four months seeing a little bit of downturn, we still committed and feel confident that with 32% growth in revenue and 32% adjusted EBITDA margin and a 30% growth in profitability, it is all 30, 30, 30 syndrome. We feel pretty confident about our place in the industry both in the new car side and the used car side. We also feel we have a strong platform where we can use all our strengths of brand and technology and of course even with the cash reserve sitting with us and we look at expand new areas of business and feel pretty good about the future where we can grow not only our revenues and profit but our current organic, remarketing and consumer businesses, but also new areas of business

through acquisition and investment, so I just want to thank you for joining in and look forward to seeing you all again soon. Thank you.

Moderator:

Thank you everyone. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.