

Date: November 17, 2023

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

To,
Listing Department,
National Stock Exchange of India Limited
Exchange plaza, Plot No. C/1, G Block
Bandra Kurla Complex, Bandra East,
Mumbai – 400051
Scrip Symbol: CARTRADE

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

Sub: Transcript of the CarTrade Tech Limited Q2FY24 Earnings Conference Call held on November 09, 2023

Dear Sir/ Madam,

With reference to our letter dated November 02, 2023 intimating about the Analyst / Investor Call with Analysts/Investors, please find enclosed the transcript of CarTrade Tech Limited Q2FY24 Earnings Conference Call held on November 09, 2023.

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

This is for your information & record.

Thanking You.

for CarTrade Tech Limited

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

Enclose: a/a

CarTrade Tech Limited

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“CarTrade Tech Limited Q2 FY-24 Earnings Conference Call”

November 09, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on November 09, 2023, will prevail



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

Moderator: Ladies and gentlemen, good day and welcome to CarTrade Tech Limited Q2, and H1 FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as of date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. If you wish to speak or need any 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. Vinay Sanghi – Chairman and Managing Director for CarTrade Tech Limited. Thank you, and over to you, sir.

Vinay Sanghi: Thank you, I want to welcome all of you to this earnings call for CarTrade Tech.

It’s been an extremely exciting quarter for us, where, as we earlier announced acquired OLX business in India. And obviously we are very excited about the future potential of that business. Some of the things we talked through today, and then compare some of the numbers, they may not be all comparable, just because there’s been 50 days of OLX’s operations in our financial statements. But we’ll try and clarify, through multiple reports and try to clarify all of this to you. So, once again thank you for joining.

I want to go straight on the presentation we have shared to page number #5, and just want to highlight we’ve seen a 44% growth in revenue in the quarter, and a profit after tax has gone to 132%. We continue to be the number one portal in India. We also now, one of the leading classifieds businesses in India. 70 million MAUs per month, monthly active users across all OLX, CarWale, and other platforms of ours more than 100 million downloads. So, really all our platforms are strong brands, and the great part about all these 70 million MAUs, 90% is organic, which means we pay very little marketing cost to bring these users on board a lot of it is just brand and relevant search. We have 350 physical locations now after the OLX acquisition. So automalls, abSure, and OLX stores make up the 350 physical locations. 1.2 million vehicles, at a run rate of 1.2 million vehicles we have auctioned through last quarter. Revenue jumped up of course to Rs. 148 crores in the quarter and this is net revenue, this is not GMV or turnover, it is just net revenue. EBITDA is about Rs. 32 crores for the last quarter, PAT is about Rs. 13 crores and we continue to be strong, at a strong cash balance almost Rs. 700 crores and of course debt free.

If you go to the next slide, which is Slide #7, which talks about consolidated results till September 23rd, this is including OLX. So, the growth for the first six months is 32%, and

quarter-on-quarter 44% of course there's some OLX numbers in there. EBITDA for the six monthly is 30%. Quarter's is slightly muted at 4% but it's more like numbers in there as well. PBT is up 78% for six months and 13% for the quarter and again that's a factor of some OLX related cost there and PAT is up 132% versus 198% for the six months so that's Slide #7. If we go to the next slide, which is really without OLX and looking at the three month and six month performance, revenue has been tough at about 9% to 10% in the six months or three months and that's been on the back of Shriram Automall the remarketing business having a flattish period as we have been talking about in the earlier call as well. So, the net revenue has grown 14% for six months, 9% quarter-on-quarter. Adjusted EBITDA is up 31%, six months and about 6% quarter-on-quarter and in that there has been some cost related to our diligence of OLX as well attached for the quarter, and therefore the EBITDA is slightly lower. PBT is up 26% and 88% and of course PAT is up 164% and 218%. So, all in all, CarWale, or the consumer group has seen some level of growth, Shriram Automall has been slightly muted growth, has been flattish and the OLX numbers that added in the quarter are showing a largish growth for the business.

If you go to the next slide, which is a standalone result for the quarter and for six months, which includes mostly the consumer business for CarWale business, six month growth about 25%, the net revenue from operations for three months is 22%. EBITDA is up 55% for six months, 9% for the quarter again you've got some one-time cost built in or related to diligence on the acquisition. The adjusted EBITDA we take on other income has gone up 26% and 51%, for the six month period, if you look at PAT is up 36% and 146% for six months. If you look at PAT of 36% on a standalone basis, a big factor here the growth would be even higher is because last year, there was a six crore dividend, internal dividend from Shriram Automall to CarTrade Tech, and that's why the comparison is showing 36% it would be much higher if we normalize it for the dividend it comes to almost 1,000% growth in PAT. So, that's the standard alone results.

The next slide is the remarketing or the consolidated results of Shriram Automall. And that's where you see 2% growth in the quarter, minus 3% for six months. EBITDA is also a 3% growth for the quarter and +6% for six months. Overall, flattish, PAT and PBT slightly down but flattish PAT is down 3% for the quarter. This is really the concern for us still, where we feel now we see the quarter, revenue and quarter EBITDA seems to have bottomed out, from the last three, four quarters. Even here, when we talk about the repossession business coming down. In fact, the repossession business has now come down to a share of 48% from 57% last year so, 48% is the business that we repossess which was 57% last year. So from 57% of our total volume, the repossessed is only 48% and our retail business has gone to 38% from 31%. So as a retail supplier to Shriram Automall goes up the repossession business is coming down.

If you go to slide on OLX and I want to spend some time here. As we discussed in the call earlier, when we required Sobek Auto which owned OLX is classifieds business and OLX is C2B transaction business, we bought two businesses within the same company, the classifieds business in the last quarter has shown a revenue of Rs. 23 crores but this revenue is only for 50 days and a profit, or a profit of PAT of Rs. 10.6 crores. So, it's a high margin business for us. And as I said, this is only for a 50 day period. On the other hand, the transaction business on a revenue of Rs. 12 crores, has shown a loss of Rs. 13 crores to the same period. So, the classifieds

business showed a profit of Rs. 10 crores, the transaction business showed a loss of Rs. 13 crores. As you may have read in a public announcement and statements a few weeks ago and has been talked on the call earlier, we have now in the last two weeks shut down or scaled down the transaction business. And obviously, therefore in an attempt to do two things, one is focus on the classifieds business we remain extremely optimistic about which is having, which brings in all those 34, 35 million unique users per month and has a strong, strong presence in the market for used cars to other products and goods. And therefore classifieds business is something you want to continue to invest behind and back and we have scaled down or brought down to zero the C2B transaction business in an attempt to obviously bring down the loss making part of the acquisition. This has already been initiated and we believe in this quarter it will completely be done. In order to bring it down a closer there may be an approximate cost of Rs. 25 crores onetime cost to, shutdown the business. And what would the normalized business or the normalized financial the business will really come in from the Jan to March quarter after this onetime costs have been incurred, where the classifieds business and its unit economics and the growth from there will continue to work.

So, this is something which we've indicated in the past and now in the process of completion. And therefore, this acquisition, which had two parts of it, the classifieds business and the transaction business will now only have a classifieds business, and which has an automotive side to it and a non-automotive side. And we are extremely excited about both those businesses, which you can lead to now, which is what we will continue to invest behind and grow. Obviously, as you can see these numbers, this is the profitable side of the business. And the intent was to bring down the losses from the loss-making side of the business. And as I said, by December end this action should be complete. Also, what we had indicated in the last call was that, we have a one-time tech cost of approximately 10 crores per month, we had indicated that it might take us six months to do the entire technology transfer, which is part of our purchase contract to get the entire tech transferred over a period of six months. We feel that today, that is likely to happen three months before schedule, and rather than incurring a six-month cost of 10 crores per month, which is again one-time, it'll be only for three months. And therefore, from January, our tech cost will also dramatically come down. So we feel good about the fact that the loses of the transaction business, where we incurred some onetime cost this quarter, and in the October to December quarter would come down in the Jan to March quarter, as well as the one-time tech cost which were being incurred from October to December, will probably not spill over to January, and only three months. So these are two major points of announcement on the acquisition.

As we continue to, look at the acquisition work on it. With the teams there, we seem even more excited about the acquisition from what we were when we assessed it. So we continue to invest in the classifieds business and continue to grow it. I want to add here that, within this Sobek Auto acquisition, the classifieds side as a huge use car part. As you all know, CarWale is the other used car classifieds player in the country. CarWale, of course as you also know is 84%, new and 16% used. And OLX's used car side is very, very significant to the entire used car industry. So we feel really excited about the whole OLX Classifieds business.

So this is, on the next slide you have Google Trends. And as it shows CarWale continues to be well ahead of its peers. We've also this time given Google Trends versus other competitors Quikr, and you can clearly see where OLX stands 68:1 clearly having leadership in the whole classifieds space automotive and non-automotive. So, this is what I wanted to highlight. I'm happy to go into a Q&A or a question-and-answer session to elaborate or clarify any doubts on the financials or the acquisition of OLX in India, and solve all your doubts and questions now.

Moderator: Thank you so much. We will now begin the question-and-answer session. First question is from the line of Sachin Dixit From JM Financial. Please go ahead.

Sachin Dixit: Quickly, I wanted to understand in the P&L that you've shared for OLX, where is the production and tech expense parked right now?

Vinay Sanghi: In the last quarter, we didn't have this global product tech cost till September end, it was very minimal. And therefore, there was a very minimal cost, as I said in the last call, it will come on 1st October. And we actually looking anticipated we can close the month from 1st October to 1st April. But, because of the progress we made, we believe it will only be for three months. So it is not really there in the P&L we share because it didn't exist at that time. It's not there in the last quarter. It's very minimal, it's not significant.

Sachin Dixit: So, see it in this quarter and then it should die down.

Vinay Sanghi: Yes, it will be a onetime Rs. 30 crores this quarter. So, this quarter Rs. 30 crores of tech cost and some shutting down costs is going to be, we will have two extraordinary items. But, from 1st April, the acquisition will be absent of, of course one time shutting cost as well as the tech cost will come down dramatically from there. And I wanted to add here that although we clarified this earlier that when we acquired the company for a consideration of Rs. 523 crores, some of these things were known and were almost considerations made at the time of purchases.

Sachin Dixit: You meant from 1st January they will be not that cost?

Vinay Sanghi: Yes, we originally thought it will be till 1st April but now it's probably 1st January.

Sachin Dixit: And the Rs. 25 crore onetime cost that you just mentioned. Does it include this tech cost or its on top of it?

Vinay Sanghi: No, so it's not the tech cost has nothing to do with this. The tech transfer costs and tech migration is on the classifieds business and the transaction business. This one-time shutting is just shutting the transaction business, various contracts, nominations, etcetera, etcetera.

Sachin Dixit: And any inventory losses or anything that might come up, because you might be liquidating vehicles.

Vinay Sanghi: This all is in that Rs. 25 crores, it's all in that.

Sachin Dixit: Just one more question on the piece of remarketing business, obviously you mentioned like it looks like its bottoming out. You might have seen some data for the last one and a half months as well. Where do you see that tracking? Secondly when you say retail for remarketing business, does this only have individuals or this is of anyone who is not an OEM or a bank?

Vinay Sanghi: Yes, sure. So the repossessed business, to be honest, the last quarter has been flattish over the previous year a little bit. So what's clear is that, it's bottoming out. But it's not clear it's growing, that is a difference. And, whether it takes one month or three months or six months its hard for us to predict, at this stage it's just that it seems like the asset quality of people lending in the automotive sector is just good, it just seems like that. Now is that reflection of, the industry at large is a reflection of India as a country at this point. It's hard to tell, but that is the reality. So we actually focus a lot on going to the retail side, which is the second part of your question. And that supply comes from individuals like you and me, it comes from small operators, but it's basically most people, one, one vehicle brought in at the time, not like institutional times may give us 2000, 1000 or 500 vehicles a month not like that.

Sachin Dixit: Sure. Just one final question on the OLX fees again, is there any color that you can provide on historical, I know you guys are providing for this quarter for which you have consolidated, but we don't have any context there?

Vinay Sanghi: Sorry, you mean by historical on what I can, but historical what?

Sachin Dixit: Historical of OLX business, like how did that business do in the last year, whatever period you can provide?

Vinay Sanghi: So, the numbers we have given you in the first two months, and we have also given some rough run rate projections of the business in July when we acquired the company, you know, the classifieds business roughly at that time we had given you clocked about a Rs. of 170-180 crores revenue a year with a standalone, without tech built-in profit of about Rs. 100-110 crores. And that's just been the historical way it's been. What we want to do obviously - and there was the transaction business, which had a net revenue of about Rs. 100 crores, a little more over that, and a loss of Rs. 100 crores. And then there were tech cost below this. Now, what we've tried to do is say, listen it's really hard to fix the unit economics of the transaction business. And therefore, we will need to forsake that Rs. 100 crore revenue, and the Rs. 100 crore loss goes with it. So in a way, it leaves us with the classifieds business with a profit. And to be honest, that's one of the reasons we acquired the company, because we're really excited about the classifieds business. And within that classifieds business a very large part of it is used cars, which is what we obviously use synergy for us as a business which affects all our other businesses as well. Now, what is over and above that, is there is going to be some tech and corporate overhead, which will come into the classifieds business, which was being charged to the transaction business. And a lot of this will get normalized on the January quarter, because in this quarter, we had two one-time costs, tech transfer cost which is completely to do with transfer during the tech platform due to the acquisition, and the one-time shut down cost of the transaction business. Does this answer your question?

Sachin Dixit: No, I basically wanted color on previous years. So just for this is then historically, that's what I meant.

Vinay Sanghi: So some of these are hard pressed to get because we actually have bought the classifieds business in a business transfer contract.

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

Vijit Jain: My question is first, I'm just curious was this always the plan when you were acquiring the company to, take a hard look at the used car business and shut it down and was that, I'm just wondering, was that something that came from process that you had to consider or buy both businesses together. That's my first question and then I had a couple of other questions.

Vinay Sanghi: Sure. When we bought the company, we looked at the classifieds business, which we were really excited about, and it had a used cars website, which was hugely synergistic and then they had this consumer to business, transaction business is of course loss making, but they were pretty good at it in turn customer experience and many other parameters and metrics. For us, when we bought it our first, we obviously had two, three choices. One is to buy it and fix it, the unit economics, second to scale it down and bring down the losses and third was to shut it. We did think of all these three things over the last three, four, five months. Eventually we came to the conclusion that this is going to be hard to fix. The way it's run now, not to say here we are not running a C2B business, its just that we don't want to run it the way or follow the processes which is being followed in the past. We still think that there is a huge C2B part in India, the consumers want to sell cars. And, I don't know whether you will know but OLX is probably the largest platform which car sellers used to sell the cars even today on the classifieds side, millions of people list their cars every year to sell on OLX, it's the number one platform for car sellers. What we could not fix is the C2B auction model, which is auctioning these cars out if we continue to be in the C2B business, and even C2C business in the classifieds side. As time goes on, we will look at how we can continue the C2B business in a different form. It's just that we didn't think that this model, the unit economics can be fixed at all. And actually, there's not just as it came from the team at OLX too.

Vijit Jain: Got it, understood. And Vinay my next question is it's a slightly different variation of I guess what Sachin was trying to ask, but just trying to get a sense of what the underlying growth in this classifieds business is for you. And, like you give these metrics around users, unique visitors and engagement and those kinds of things, what kind of metrics should we expect to see on the OLX side of the business and the growth trends and I also have a question that I would like to ask on the margin side, but maybe if you can answer this first.

Vinay Sanghi: Yes, perfect. So for us, when we looked at the business and OLX had the classifieds business, I don't talk about the transaction business growth because it is may not be relevant anymore, even though it had rapid growth it may not be relevant anymore, because it doesn't exist now. When you look at to classifieds business it had reasonable growth in revenues, high growth in profitably between the last three, four years. As I said, these numbers is a BTA, so we don't have

all the facts of it but it's just transferred, sold in a business transfer contract. This is one part of it. The second part I want to highlight here is we remain extremely excited about the used car classifieds side, which we believe we can keep growing over a long period of time. Though OLX being the leading player in the country, OLX has got multiple other categories like real estate, electronics, mobile, two wheelers, which also were extremely dominant act, actually if you want to sell something in India, outside OLX are very, almost no other platforms in India. So we feel there is a huge monetization opportunity. And that's got nothing to do with the past, it's just what we believe about OLX. A revenue of Rs. 180 or Rs. 190 crores of classifieds revenue. We believe there's a rapid growth capability out here itself, but this is one part of it. The second part of it is, when you look at CarWale, SAMIL, both the companies, they tend to grow over the last few years about 20%, 25% net revenue and profitability is maybe slightly higher. We believe that now, we've bought something which is almost 40% of our size automatically. So in a way, if you look at the revenue as the business, it goes up by 40% automatically on day one. Our question now comes around that there has to be some focus around the unit economics of the business and the margin structure in the business as well. So not only are we saying this OLX will help us grow revenues, which it already has and will continue to do so by growing itself as well. SAMIL will go independently as well and so will CarWale but we also believe that the combined unit economics should get better and better every day. So it's like almost growing OLX, the combined entity growing just because of the acquisition and OLX's growth and CarWale and SAMILs growth, and then getting the unit economics and margins to improve in all these businesses, and OLX's nature of business is very similar to CarWale where increase in revenue does not lead to increase in cost. The metrics to measure would be things like traffic, of course related revenue, EBITDA, profits, all the same metrics we always declare for CarWale, very similar businesses. One is just a horizontal and one is a vertical business that's it.

Vijit Jain:

Got it Vinay. And Vinay my last question is, so in the classifieds financial thread that you guys have shared, I can see the adjusted EBITDA margin is 47%. And you are reporting Rs. 11 crores of profit for the 50-day period. So, if I'm just going to be a bit approximate maybe 8, 9 crores of EBITDA on a monthly basis versus the PDT cost that you say you will incur of about 10 crores per month in the next three months.

Vinay Sanghi:

This is only three months, this is actually as I explained this way, this is only because the tech is being operated in a global OLX platform, not in our own environment, that transfers on 31st December, and therefore, it's a onetime cost actually it is supposed to be six months its down to three, which we had committed to incur as part of the purchase transaction. So, it doesn't mean we will incur that cost tomorrow. That's my only point.

Vijit Jain:

Yes, so my question Vinay was, what should we think of as more run rate once January comes, is the margins in that 20% handle, you think so Rs. 10 crores of EBITDA minus say 5 crores of PBT in your own hands and so you get like 20% hand hold margins, is that?

Vinay Sanghi:

It may take some time, I'll be honest, it may take some time for full transfer. We do anticipate that there are two things which will happen one is the PDT cost will come down dramatically, I would think probably is between 40% to 50% of what they are, number one. It's hard for the

estimate because the transfer has not fully happened. And the second thing which could happen is that, there is some corporate overload, overhead going to come here because they were all sitting in the transaction business, we want to continue investing, see if we were not going to invest in OLX classifieds at all, then what the arithmetic would be this. But we want to make sure there's a vibrant product tech team, management team, adding to the team to make sure this run rate revenue grows at a rapid rate. We don't want to keep it dormant, we believe in this business. And so there is some investment in overhead which we will do in this business. But that will be, the overhead will automatically start paying for itself very quickly. It might take two, three months, but very quickly will start paying for itself. Not that we anticipate losses at all in the next quarter. But the profit might be a little more muted than you think it is that's what I am saying. In a very short term.

Vijit Jain:

Got it. My very last question Vinay, if you can, from an overall company perspective give some color on product roadmap, product development plans in the next one year post this acquisition, not just for OLX, but also for CarWale and everything and related to that, I suppose the auto cycle seems to be recovering are you seeing signs of that in your own business?

Vinay Sanghi:

The auto cycle is recovered, I wouldn't say recovering. But to be honest, our focus I am just looking at OLX as well as CarWale. CarWale is 84% new and 16% used, OLX is 100% used in everything and out of that 100% used almost 45% to 50% is used cars. For us number one focus here, between CarWale and OLX is we have a very high share of user classifieds business. A number one objective on product development and capabilities again, is really to start growing the used classifieds business on both sides CarWale as well as OLX, and product related to that. So, on the CarWale side you always said we are trying to get close to the transactions more on moving from a place where you can just find your car and select your car to really buying a car. And that development is underway and continuously making improvements on that on every side. On OLX too, we are going to go and invest in product capability not on the used classifieds side, but OLX is very, very strong on two wheelers, electronics, and mobile phones, real estate, etcetera and start looking at those categories to have disproportionate growth in them as well. So, right now as I said we are setting up these product teams in OLX. There are about 44 people in the product team right now, just for setting it up. And, once the tech transfer is done, we should have a good product team out there, which starts building differentiated, cutting edge technology for OLX, for many, many years to come.

Moderator:

Thank you. The next question is from Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera:

I just wanted to check on this improvement in the unique visitors we have seen in the quarter, it's been quite a good improvement compared to the last quarter. So any thoughts, what is driving this and given this backdrop, do we expect that the revenue growth trend which we are seeing in the standalone business of close to 22% for quite some time now, that can have some upside here also, as well in the medium term?

Vinay Sanghi:

The growth rate seems to be this for the last few quarters, the last year was much higher. But generally, this is the growth of the new car, of CarWale car which is 84% new cars. What I said

earlier is, we feel that actually the new car business is pretty strong in the first six months of the year across the industry. And supply seems to be good in fact, there was a period a year and a half ago, where supply was lower than demand today, the supply is good and demand is as good actually. So it's a very good place to be in the new car industry for everyone including us. There are no shortage as such, but at the same time, demand is pretty good. And supply is pretty high, this trend is probably going to continue for a while, where we see and where we are focused on and my take a few months is really the used car side of CarWale and the used car side of OLX where we see a positive growth and is what we are working on. I come back and the used car industry has been very buoyant as well, we really see that CarWale numbers on the used car side, as well as OLX numbers on used car sides going up.

Siddhartha Bera: Got it. And second is on the synergy side. So, I understand on the cost side, but on the revenue side also do we feel that there will be some synergy which we can sort of derive post this acquisition or transition of OLX into our system. And what are the areas and how much can that go up to?

Vinay Sanghi: The main synergies of used car business, because that's where the overlap exists. And again as I come back, we basically see whether we can add CarWale and OLX and give a much stronger product out to all the dealers in India, who use classifieds products. And that's where we see the number one synergy between the two companies. But we see a significant upside in the next year, two years in this business.

Moderator: Thank you. The next question is from the line of Payal Shah from Billion Securities. Please go ahead.

Payal Shah: I have two questions. One being on the remarketing business. So FY23, was the year of de-growth for the auctions business on the back of multiple factors like the Mahindra incident, higher ASP for used cars, etcetera. So, I just wanted to understand that, H1, FY23 has been relatively flat so how does the remainder of FY24 and 25 look like for this segment of the business?

Vinay Sanghi: Yes, this six months have been tough. And it's a lot has been due to the fall in the repossessed business. There's also been growth on the other side of the business, the waterfall here, has been made up by the retail business in other businesses. We are hoping that things turn around, probably in this quarter, or the next quarter because the repossessed numbers seem to have bottomed out. And, as I said in the previous calls, that even though the repossessed business is down, we made a lot of efforts elsewhere. And when the repossessed business does come back whether it takes three months or six months, we will be a much stronger company. And we keep saying that, so, I don't want to give any growth guidance, but we do believe that the next three to six months Shriram Automall will be in a much better place than it is today.

Payal Shah: Okay. Sir my next question would be like CarWale has approximately 35+ million monthly unique visitors which is similar to the average visitors on OLX, so what is the number of visitors

we aim to get once the two platforms come under one umbrella since there will definitely be an overlap between these visitors too?

Vinay Sanghi: So there's no intent to bring them under one umbrella, OLX.in and OLX app will continue to function as they, CarWale and its products will continue to function as they are. Many people come to CarWale as I said 84% people come to CarWale for new cars, 100% people come to OLX for used products. So the users or the consumers or people who come, come for different reasons. Like someone like me and you might go to CarWale to buy a new car and someone like you and me will go to OLX to buy a used car or sell a old car or even buy a refrigerator or sell a refrigerator. So it's just the different platforms and used by different people for different purposes. But, as I said the engagement metrics are different, the methodology of acquiring is different, 70% people coming on OLX come through an app which they download on the phone and they use a multiple of thing, they use it from selling a car to a two wheeler to buying a sofa to different, different reasons today someone moving houses and wants to sell three items in the house, whether it's a computer or a sofa or refrigerator that will go onto OLX. So, OLX is a very different place in the heart of consumers and CarWale is a different place, if you want to buy a Rs.10 lakh new car you are going to go to CarWale for that. So both are going to function depending and both have to grow independently.

Moderator: Thank you. The next question is from the line of Pankaj Bobade who is an Individual Investor. Please go ahead.

Pankaj Bobade: Just wanted to understand we are closing down the C2B business which had gross revenues of Rs. 194 odd crores and net revenues of Rs. 12 odd crores. And we have paid around Rs. 523, crores for the whole business. So, did we not overvalue the business at the time of purchasing it?

Vinay Sanghi: No, we don't feel that because in a estimation of valuation. We have factored many of these things into account of the transaction business and the asset business. So we actually feel that, when we valued it we arrived at fair value keeping some of these considerations in mind.

Pankaj Bobade: Okay now when we are closing it down...

Moderator: The next question is from the line of Yug Mehta from AP Capital. Please go ahead.

Yug Mehta: I have a couple of questions. My first question would be on abSure signature outlets. In the last call we mentioned the number of outlets being 120+, what is the number of outlets now and how do you see this ramping up?

Vinay Sanghi: I think this is a similar number, I did stress that we also have now over 100 OLX similar kind of outlets. So we've actually doubled our stores already. In the next month or two months, we're working on a strategy around, the 110-120, which are the CarWale, and 110-120 with OLX and figuring out whether what we should do with the combined 230-240 stores. So, one other thing which OLX has done is given us a lot of reach and distribution as well, through these stores.

- Yug Mehta:** Okay. Owing to the acquisition of OLX, a significant portion of our cash has been deployed, thus other income will significantly be lower. So by when do we expect the returns from this transaction to cover that shortfall?
- Vinay Sanghi:** No, that's a very good question and all said and done, we have lost a certain amount of other income, which is obviously because we've deployed a large amount of cash to the transaction, we do believe that it will take some time but definitely in the short to medium term, the OLX will more than compensate for the losses we have on interest income, but we do feel conscious about that.
- Yug Mehta:** Also, what are the company's plans for the remaining Rs. 600+ crores on the books, any other acquisitions in store?
- Vinay Sanghi:** At this point honestly, we are just looking at the consolidation of OLX, the tech transfer, the growth of the classifieds business, the integration with our current businesses and growing our current businesses. If something did come up in the future, we'll look at it, but at this point, the whole focus is on getting this right.
- Moderator:** The next question is from the line of Sachin Dixit from JM Financials. Please go ahead.
- Sachin Dixit:** A couple of follow up questions. So the first one being, when the plan at least the communicated plan was that we will have OLX transactions as well as classifieds then also you were saying the product and tech cost will fall by 40% to 60%. Now that transactions have gone I was expecting maybe a sharper drop in that expense. But even now you are saying 40% to 50% decline only?
- Vinay Sanghi:** Sachin what you are saying is correct and is possible, it's hard to assess at this point but it is possible.
- Sachin Dixit:** Alright. And secondly on the 110 odd OLX stores, I believe those are part of OLX autos again the transactions side?
- Vinay Sanghi:** No, there is no further transaction, that is part of the classifieds business.
- Sachin Dixit:** Okay, so that's part of classifieds?
- Vinay Sanghi:** That's right.
- Sachin Dixit:** Okay, sure. On the OLX classifieds space now, honestly there is a lot of competition in the non-auto portion of OLX, mobiles and all maybe but I believe last time it was mentioned 15% of the revenue actually comes from real estate. Looking at the number of real estate portals that exist in India, how much sustainable or how much moated is the other revenue on OLX other than autos?
- Vinay Sanghi:** Of course, auto there's very high level of market share and relevance to the used car dealer today, you talk to used car dealers, they will tell you a large part of their sale is OLX dependent. The

other categories, in fact the main categories I'll talk through, one is mobile phones and electronics. I don't think there's any other verticalized or horizontal player, which is able to cater to the millions of people who come onto this platform to sell their mobile phone or electronic device, whether you're a consumer or a dealer, so very large amounts of traffic comes from cellular mobile phones, electronics. The third category they have got is, two wheelers. Again very, very high percentage of users sell their used two wheelers on OLX and again consumer and dealers as well. And people want to buy these products whether the electronics, mobile phones or two wheelers, need to come to OLX to get this, sort of supply source available. So, yes, whether it's used cars, mobiles, electronics and two wheelers, this is a more or less the situation. When you come to something like real estate, which is another reasonably strong category for them. There are two types of real estate, advertisers, one is the user like you and me, who've got a flat to sell or a property to sell, or which is like a resale, which is almost not like a new development. OLX is only on the resale side today, which is existing homes being sold, a lot of the other real estate sites are on new developments, which is new developers advertising, it's almost like CarWale is on the new car side, the new other websites or the new development site. OLX is 100% on the homes side, which is my house and your house, single home side. And on that site there were reasonable market share and strength, that's where their strength is. So, it's segmentation is different, but as I start explaining all these categories and talk you through what OLX's strength is.

Sachin Dixit: And my understanding was even for secondary sale and rental also we have decent number of portals. But anyways, moving on, on the monetization piece for OLX classifieds, my guess is most of it is coming from either used car dealer or a shop owner, or people like those, how much would the breakdown according to you will be between individuals like you and me versus someone who's running a business out of it?

Vinay Sanghi: Clearly on the car side, the breakdown is evident for us because we have to compute it. When it comes to mobile phones and fragmented supply, it's hard to tell who's the user and who is the dealer it's very hard, because you can run the platform and pay and list. But, as I said in the car side a significant part, I would say 75%, 80% is from dealers. On the other category it is very hard for us to comment at this time, how much is user and dealers, but on either side, we have seen from the platform, the traction is fantastic. And there's a lot of options improve monetization and performance for the users, from the users and for the users it's a massive, massive opportunity across category not just cars. We've given some numbers out earlier in our press but they get 35 millions listing a year.

Sachin Dixit: Yes, I have those numbers from the monetization part.

Vinay Sanghi: You look at the number, right, and you say my god 35 million. That's a very large number.

Moderator: Thank you so much. The next question is from the line of Sanjay Sood, who is an Individual Investor. Please go ahead.

Sanjay Sood: I just wanted to understand what is the ROI period for this acquisition?

- Vinay Sanghi:** What is the ROI, sorry what is ROI?
- Sanjay Sood:** Return on investment?
- Vinay Sanghi:** Immediately at this point, it's hard to quantify ROI investment. But when you look at the ROI investment over a long period of time we believe, obviously we have our own hurdle rates in the company of what return it should give, the parent and then of course the shareholders. But we believe there is significant value creation, for CarTrade Tech and of course CarTrade Tech shareholders. OLX is, if you look at the multiples of the valuation in terms of revenue terms, or even any other terms, it's a reasonably cost acquisition. And we do believe that the amount of synergy it adds and on its own feet, and known strength it has got a tremendous value to us over the next three to five years.
- Sanjay Sood:** Okay. And one request from my side, if you can provide used cars sale data on monthly basis, like what basically major OEMs are providing this data, since you have grown big now and becoming bigger, hopefully. So it will be making some sense for all of us to understand, we are moving in which direction?
- Vinay Sanghi:** I understand since we are classifieds platform, we currently provide an auction platform, we sales data on the used vehicles side, but here on these classifieds side, we'll try and provide some of the proxy so that you get a good idea of the used car business and, and its metrics if that's okay.
- Sanjay Sood:** Okay. And then, last just wanted to understand you have closed down this C2B business, what exactly it used to do, because I have not understood your point?
- Vinay Sanghi:** Sure. What it did was, if you list your OLX and millions of people a year, list their car on OLX a small percentage of them wanted to auction the vehicle to dealers. So, what they had done was built a electronic exchange, where what they would do is first they would come to your house and inspect the vehicle. And then they would auction your vehicle to a large number of dealers in India who would bid for it and then they would pick up that vehicle from you and give it to that dealer and make that margin in between that was the model. We just found that the whole cost of operating it. First of all, very few percentages of OLX customers wanted it but more than that, we found the cost of inspecting it from you, collecting it, delivering to a dealer, and the margin made in between the unit economics was very broken. That's what we found.
- Sanjay Sood:** Okay. So, it is not like Shriram Automall business?
- Vinay Sanghi:** It is actually the auction business Shriram Automall is similar. But Shriram Automall has actually got very high scale in what it does and it's got its own location. So it doesn't go to your house to inspect but people bring in vehicles to their physical locations for auction. So slightly different. The business is similar, but the execution of Shriram Automall is far more efficient.
- Moderator:** Thank you. The next question is from line of Vijit Jain from Citi. Please go ahead, sir.

- Vijit Jain:** I have two questions. So, one just looks at the standalone revenues in P&L this quarter. So your adjusted EBITDA, excluding other income is about six crores and if I remember, there's one crore of provision for the due diligence stuff done here. So should we think of the adjusted EBITDA excluding other income sustainable number here as 7.3 crore roughly. That's again a pretty decent jump, Y-o-Y, Q-o-Q and I can see your costs, if I look at it that lens have been fairly controlled. So just your thoughts on whether that's the...
- Vinay Sanghi:** Is it 1.5 or was it higher, I just want to check, I think it was 1.5 crore I am not 100% sure, let me check.
- Aneesha Bhandary:** For half year it's 1.5 Vinay.
- Vinay Sanghi:** Yes, that will probably be correct Vijit.
- Vijit Jain:** Okay, so the due diligence cost was in 1Q and so it's not a part of Q2 expenses is that what you saying?
- Vinay Sanghi:** It's in both.
- Vijit Jain:** Okay, got it and the second question I had was, just wanted to understand what do those 100 OLX outlets do for the classifieds business, are they similar to the abSure in terms of model and how it works?
- Vinay Sanghi:** Yes, it is quite similar, the way abSure works, abSure is a little more refined, well abSure was created so that you could buy a vehicle online on CarWale, and the backend services of, the products and services or exchange, warranty and the money back and all that could be on the abSure store. It was created to enable whole digital environment to your purchase. What OLX did was, it had a very premium dealer whom they certified to be an OLX auto dealer and even though it didn't offer them the money back, they offer the warranty, but even don't have the money back, and the online experience, they made it into a curated marketplace within OLX the classifieds business and kept growing it out. So these are almost differentiating, where they almost adopted these dealers. Again, it's an asset like model, dealer owned, dealer operated, dealer's working capital, dealer's fixed assets, etcetera, etcetera. So very similar, it's just that our vision was slightly different, where we wanted our stores to be really looking at the next phase of our growth, in a few years from now where, if you and I want to buy a car online, then these are the stores, which should be able to get this entire experience completed in a particular way. They did this with a view of giving a high-quality car to the user, that was the intent.
- Vijit Jain:** Got it understood. And the second question just on the OLX part so, I would imagine and when I look at the app charts for example, I can see that OLX usually is among the top 10, top 15 apps on both Android and iOS. So is it safe to assume that most of the traffic for OLX comes from the app?
- Vinay Sanghi:** More than 70, yes and it reverse for CarWale actually.

- Vijit Jain:** So, 70% for OLX is apps while 30% is apps for?
- Vinay Sanghi:** Yes, CarWale would be like about 25%, 30%, may be something like that. It's partly because OLX is used for multiple purposes. CarWale is like a high engagement one-time, like buying a car is like one-time. So, it's a little different, the usage is different.
- Vijit Jain:** Yes. And so related to that obviously, in addition to getting a much bigger scale in the used car business, you are also getting a much bigger play in mobile app space with this. My question is, is there anything from the ad tech products that OLX has built that you think you could use in CarWale. Any thoughts on those kinds of things?
- Vinay Sanghi:** Lots of cross learnings, it's very, very early days, but lots of cross learning on, programmatic ad selling to AI to, there is so much learning in between the two teams but as I said, it's only, it's day 90 today, exactly day 89 today actually, so it's just very early days, and a lot of time went in tech transfer, and then the shutting of the C2B, and all of that so. Now's there is time for us in the next year probably 30 to 60 days to put in these processes in place then people will continuously learn from each other on many of these issues.
- Vijit Jain:** Got it, I asked also that because I'm just wondering you mentioned that those product development cost will go down by 40% to 50% possibly more, in general for India internet, when people, when companies build all these different kinds of products, add solutions and what not, etcetera it's usually pretty expensive to build those. So from a continuing to support the product and building new products, how confident are you that you would be able to?
- Vinay Sanghi:** We are very confident on the cost reduction.
- Vijit Jain:** Both tech cost as well as product development?
- Vinay Sanghi:** Yes, definitely on the tech cost, because as the product development, because currently these costs are being incurred by them globally, and they are being charged to us because it's in their environment. It's not completely co-related to what cost may incur in India for this. So, the first part is the entire team is now part of our team, which is part of the Sobek Auto or OLX India team which is our not their team handling it number one. Number two, all the third parties, infrastructure, etcetera, etcetera created by them is what this platform used - its slowly, slowly moving to our environment of our infrastructure, et cetera, et cetera. So it's completely different in my mind, in fact it's hard to quantify fully, but definitely significantly going to be lower than what it was.
- Moderator:** Thank you The next question is from the line of Pankaj Bobade, who is an Individual Investor. Please go ahead sir.
- Pankaj Bobade:** Just wanted to understand, when we are closing down the CTX transaction business of Sobek Auto. So, what are we going to do with it, I understand that the losses which were draining out of them that will be closed down, plugged down rather, but then it would have some fixed assets, would we be able to salvage some?

- Vinay Sanghi:** There was no fixed assets in this, minimal fixed assets because a lot of the places they kept the vehicle were leased properties and the business was an asset light business so it is then auctioning cars on behalf of sellers to dealers, the only real asset would be the tech platform itself which of course we have with us and we'll see what other use we can make in the future and of course another asset would be the data and some of the IP related to it which also we would see what we will do in the future but, the intent is to so, I clarified that earlier on the call, the intent is to shut the current way they operate the C2B business, as I said a large number of people list their car for sale on OLX which continues, so it's not like we are exiting the C2B business as such, we exiting the C2B transaction business. So still someone like you can list your car on OLX and sell it to a consumer or to a dealer which is happening. Millions of people are doing that every year. A small percentage wanted us to auction it in a transaction model which is what OLX did, which is what is shutting down it's not the C2B shutting down, it is the C2B transaction business shutting down.
- Pankaj Bobre:** Right, I understand that what I meant to say that we have paid the seller at that time was valuing the whole business and the valuation was done on the overall revenues. So Rs. 523 crores which we valued for the business and a big chunk of revenues was coming from this business. So if we are writing off that.
- Vinay Sanghi:** No, we won't because when we did the valuation for it. We had factored some of these scaling down, etcetera, etcetera.
- Moderator:** Thank you, gentlemen and ladies, due to time constraint, that was the last question for the day. As there are no further questions, I would like to hand the conference over to the management for closing comments. Over to you sir or ma'am.
- Vinay Sanghi:** Thank you. And thank you for all of you for being here today. I just want to tell you how excited we are about the last quarter and the acquisition of OLX once again. Happy Diwali to all of you and enjoy your weekend and the festivities ahead. Thank you, everybody. Thank you.
- Moderator:** Thank you. On behalf of CarTrade Tech Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.