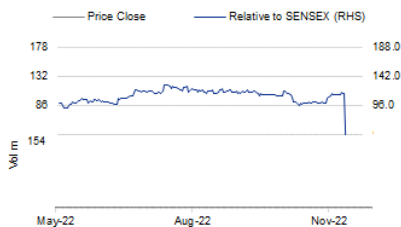


India
ADD (Initiating coverage)

Consensus ratings*:	Buy 1	Hold 0	Sell 0
Current price:	Rs1,015		
Target price:	Rs1,213		
Previous target:	NA		
Up/downside:	19.5%		
EIP Research / Consensus:	-13.4%		
Reuters:			
Bloomberg:	ETHOSLTD IN		
Market cap:	US\$326m		
	Rs23,696m		
Average daily turnover:	US\$1.1m		
	Rs77.9m		
Current shares o/s:	23.3m		
Free float:	48.7%		
*Source: Bloomberg			



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.0	3.8	0.0
Relative (%)	13.8	(4.2)	0.0

Major shareholders	% held
Promoters	65.2
ICICI Prudential funds	4.9
Jupiter India Fund	2.2

Analyst(s)

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Ethos Limited

A pure play on luxury retail business in India

- Indian premium and luxury watch industry's revenue is growing at a CAGR of 12.5%. Certified pre-owned (CPO) luxury will meaningfully boost this growth.
- Ethos leads the high-end luxury market with a 20%+ share. FY23F-25F revenue CAGR of 30%+ is backed by very high SSSG, new stores and CPO.
- Market leadership, exploding CPO sales, EPS CAGR of 27% (FY23F-25F) and ROIC of ~20% make a compelling story. Initiate coverage with ADD rating.

Premium and luxury watch market is growing at 12.5% CAGR

The premium and luxury watch market stood at Rs66bn in FY20 and is growing at a CAGR of 12.5% to touch Rs119bn by FY25F. Organized players account for over 90% of the total market. The premium watch segment comprises watches priced between Rs25,000 and Rs100,000 while the remaining watch segment comprises high luxury (Rs1m and above), luxury (Rs2,50,000 to 1m) and bridge to luxury (Rs100,000 to 2,50,000). The high luxury market is growing at the fastest pace, at a CAGR of 14%, and is expected to be 2x in size (Rs10bn+ over FY20-25F), as per the Red Herring Prospectus or RHP of Ethos.

Ethos leads high-end luxury watch retailing market in India

Ethos is a 51% subsidiary of KDDL (Not Rated) that operated 48 stores across metro and tier-1/2 cities in India as at end-Sep 2022. It deals in over 50 luxury brands and has leveraged KDDL's long-standing relationships with Swiss brands built over the past three decades. Ethos has emerged as a true omnichannel national retailer with a strong digital presence for luxury watches. It leads the market with a 13% market share in the premium watch segment and a 20% share in the luxury segment. Nearly 23m people visited the website of Ethos in FY22. Its loyalty programme – Club Echo – has over 295,100 verified active members, whose repeat purchases were over 45% of total sales in 1HFY23. Ethos launched its pre-owned luxury retail business (www.secondmovement.com) in 2019 which is being developed as the most trusted platform in India for certified pre-owned (CPO) luxury products and is also backed by a formidable warranty programme.

New stores, same-store sales and CPO to drive growth going ahead

Ethos plans to substantially step up its new store addition and we expect 75+ operational retail stores by Mar 2025F. It would be a mix of summit, boutique and mono-brand formats spread across metros and T-1/T-2 cities in India. Management indicated sustainable same-store-sales growth (SSSG) of 8-10% over the medium term. Higher realization per watch due to focus on the high-luxury segment will continue to drive SSSG. We expect strong revenue growth for the CPO segment (Rs1.8bn, 3x FY22 sales) or ~15% of total sales in FY25F. Overall, we expect a revenue CAGR of 30% with EBITDA margin of 15-15.5% over FY23F-25F. We expect revenue/EBITDA/PAT of Rs12.7bn/Rs1.9bn/Rs944m, respectively, in FY25F. We estimate RoE/RoCE of 12%/15%, respectively, in FY25F.

A pure play on luxury retail in India; initiate coverage with ADD rating

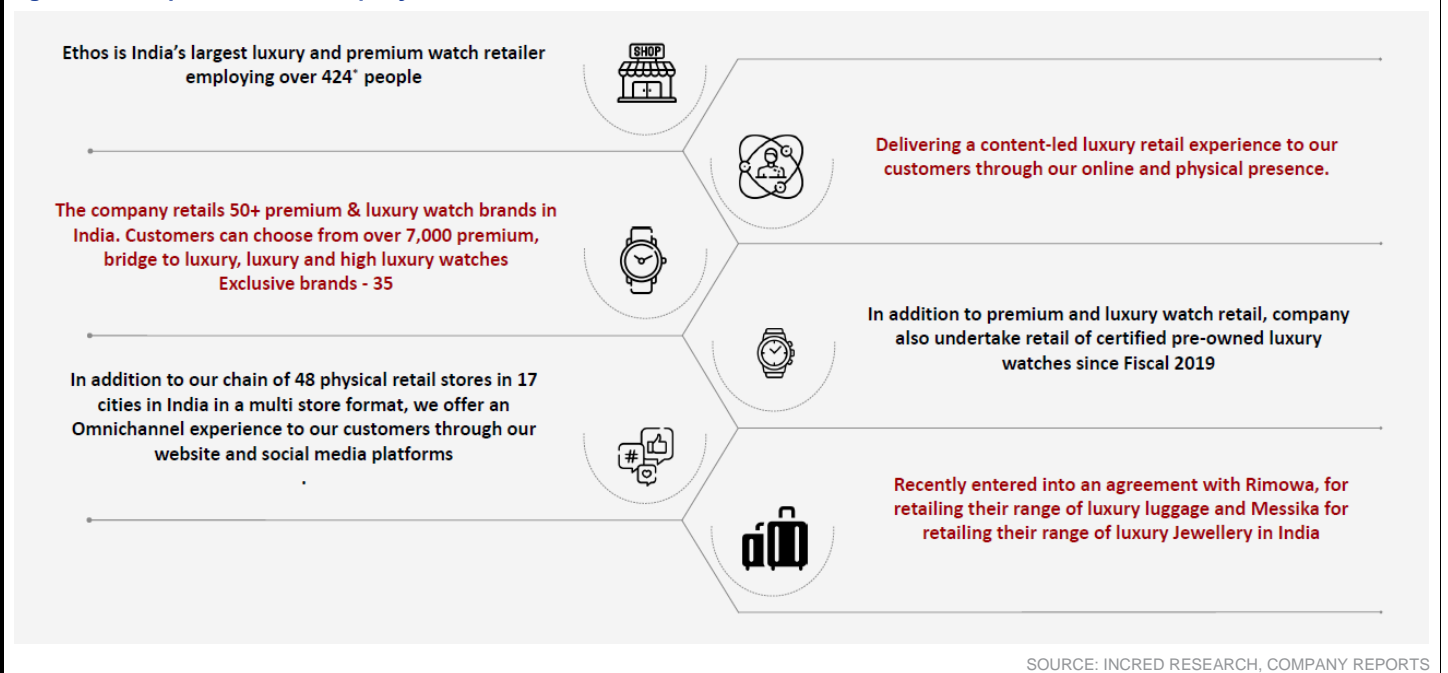
Market leadership in new watch luxury retail, exploding pre-owned luxury watch sales, EPS CAGR of 27% (FY23F-25F) and ROIC of ~20% are key factors for our positive view. We initiate coverage on Ethos with an ADD rating and a target price of Rs1,213 based on a P/E of 30x FY25F EPS. Downside risks: Higher import duties, and a slow pick-up in CPO business and capital allocation.

Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	3,866	5,773	7,563	9,827	12,681
Operating EBITDA (Rsm)	397	669	1,143	1,472	1,899
Net Profit (Rsm)	48	234	585	749	944
Core EPS (Rs)	2.6	12.7	25.1	32.1	40.4
Core EPS Growth	(275.2%)	385.1%	97.3%	27.9%	26.1%
FD Core P/E (x)	387.43	79.87	40.47	31.65	25.10
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	47.47	28.26	18.31	14.26	11.10
P/FCFE (x)	60.52	9,720.24	(23.71)	66.91	44.86
Net Gearing	14.9%	8.4%	(41.4%)	(36.5%)	(31.4%)
P/BV (x)	11.86	8.07	3.56	3.20	2.84
ROE	3.1%	12.1%	13.1%	10.7%	12.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

Ethos is a pure play on luxury retail business in India

Ethos is India's largest premium and luxury watch retailer delivering a content-led experience to its customers through an omnichannel presence. It is a subsidiary of KDDL (dials and watch hands-making company for international luxury watch brands) and operated 48 stores which generated Rs5.8bn of revenue as of FY22. Ethos represents 50 premium and luxury watch brands in India with over 5,000+ products. The company has partnered with prominent brands like Rolex, Breitling, Seiko, Omega, Tag Heuer, Frederique Constant, Oris, Victorinox, Baume & Mercier, etc. The company's website, www.ethoswatches.com is India's largest website for premium and luxury watches in terms of number of brands and watches offered for sale. In addition, Ethos also undertakes sale of pre-owned luxury watches under its 'Certified Pre-Owned' (CPO) luxury lounge located in New Delhi and web portal – www.secondmovement.com.

Figure 1: Brief profile of the company's business



Business summary in charts >

Figure 2: Ethos - revenue trend

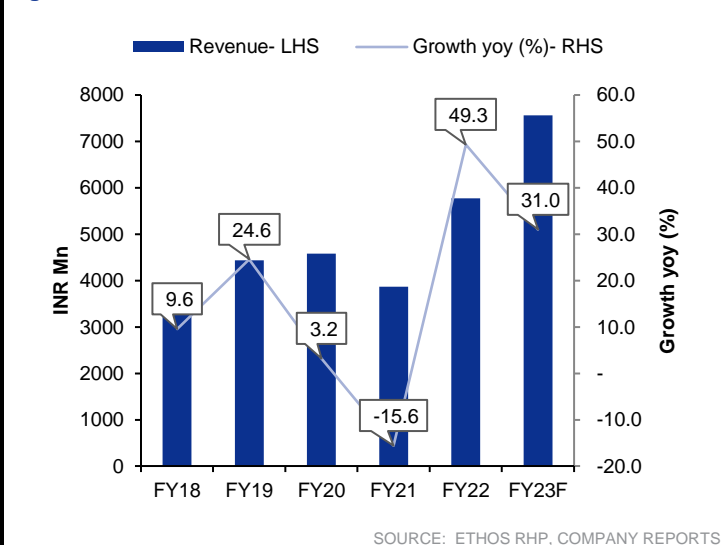


Figure 3: Sales channel mix

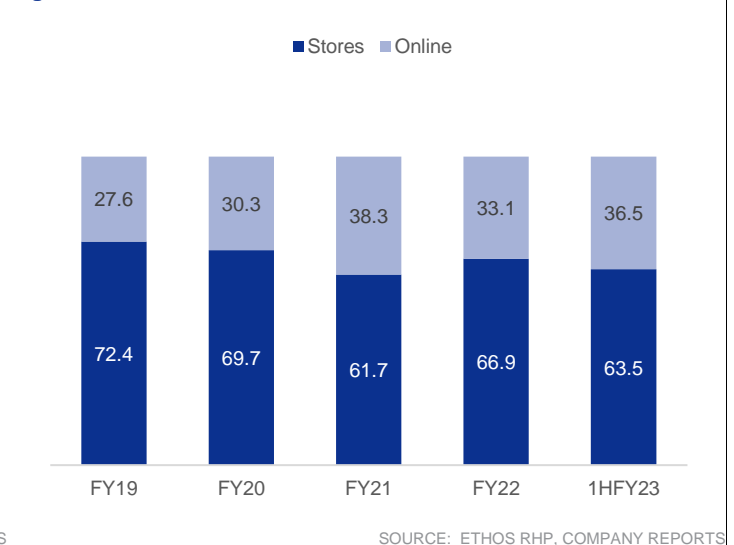
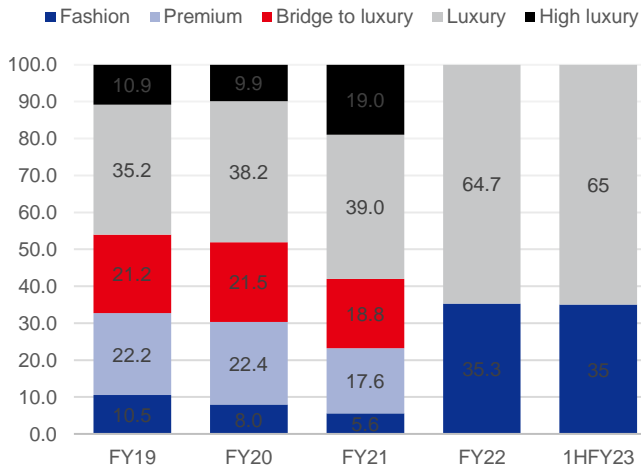
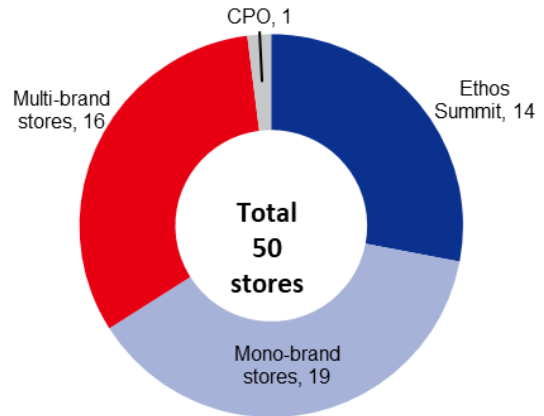


Figure 4: Luxury and high luxury segments gaining revenue share



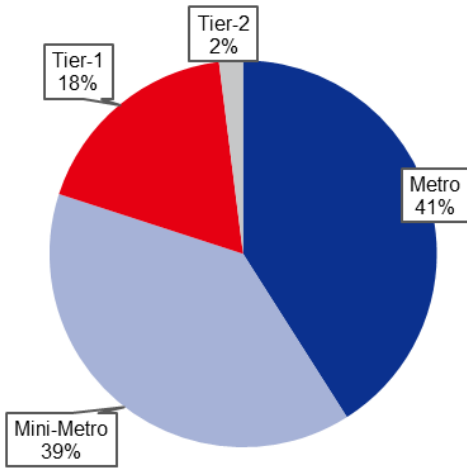
SOURCE: ETHOS RHP, COMPANY REPORTS

Figure 5: Store count by type of retail outlet (Mar 2022)



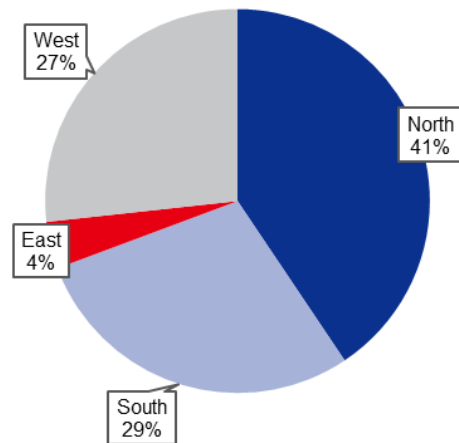
SOURCE: ETHOS RHP, COMPANY REPORTS

Figure 6: Store split by city type



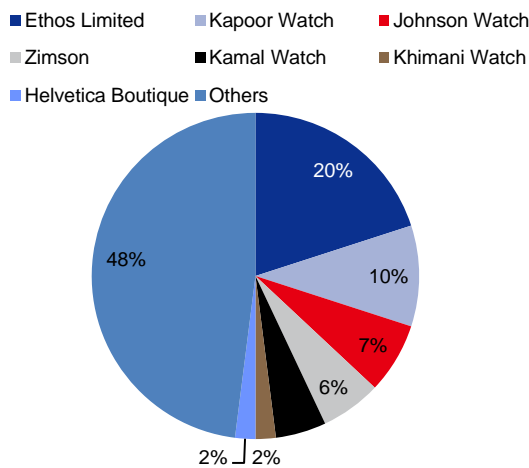
SOURCE: ETHOS RHP, COMPANY REPORTS

Figure 7: Store split by region



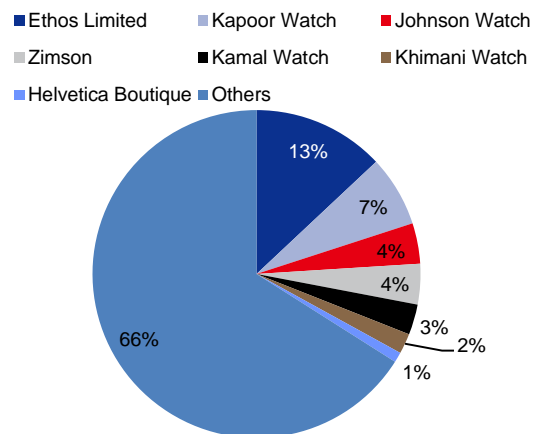
SOURCE: ETHOS RHP, COMPANY REPORTS

Figure 8: Market share in luxury watch market in India (FY20)



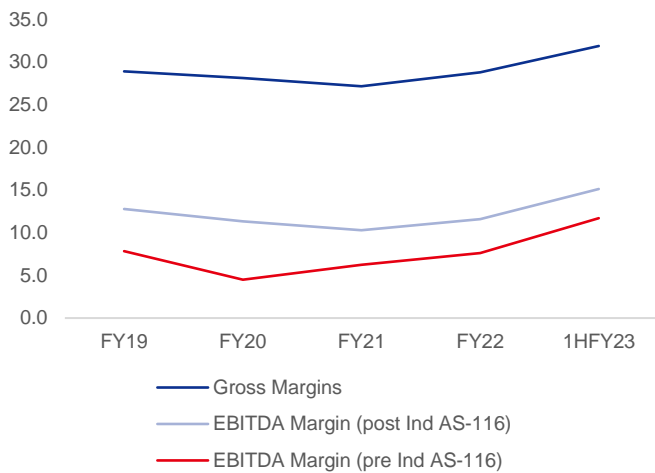
SOURCE: INCRED RESEARCH, TECHNPAK, ETHOS RHP

Figure 9: Market share in premium + luxury watch market (FY20)



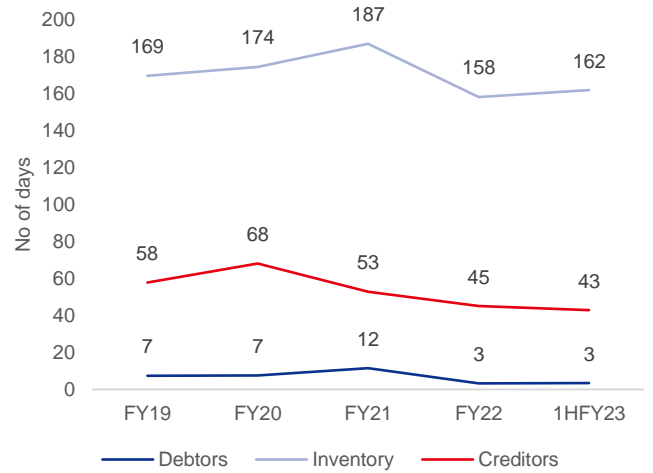
SOURCE: INCRED RESEARCH, TECHNPAK, ETHOS RHP

Figure 10: Ethos - margin profile



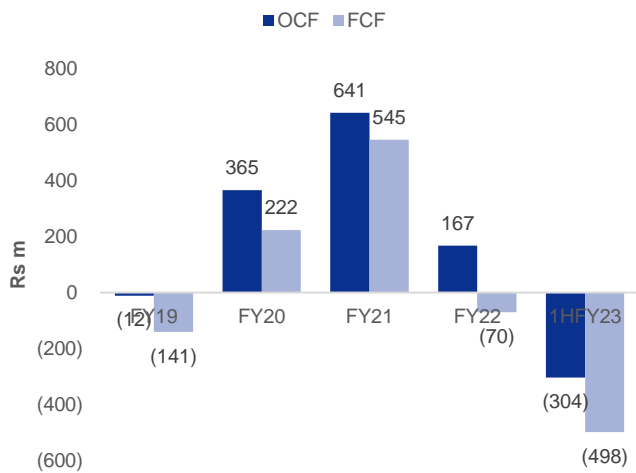
SOURCE: ETHOS RHP, COMPANY REPORTS

Figure 11: Ethos - working capital profile



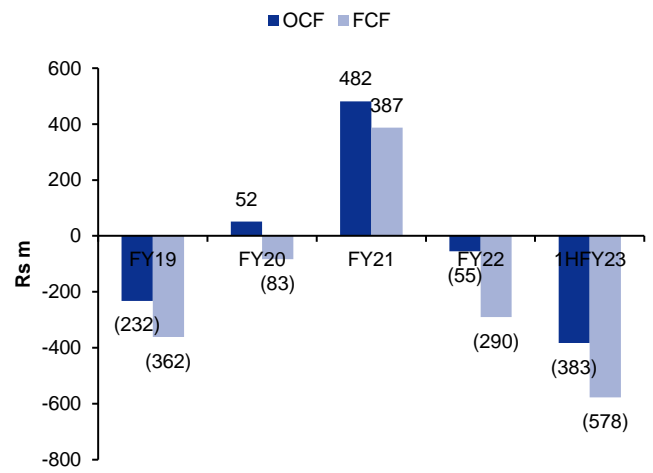
SOURCE: ETHOS RHP, COMPANY REPORTS

Figure 12: Ethos - cash flow summary (post-Ind AS116)



SOURCE: ETHOS RHP, COMPANY REPORTS

Figure 13: Ethos - cash flow summary (pre-Ind AS116)



SOURCE: ETHOS RHP, COMPANY REPORTS

Investment Thesis

Revenue drivers

Store network expansion and focus on SSSG ➤

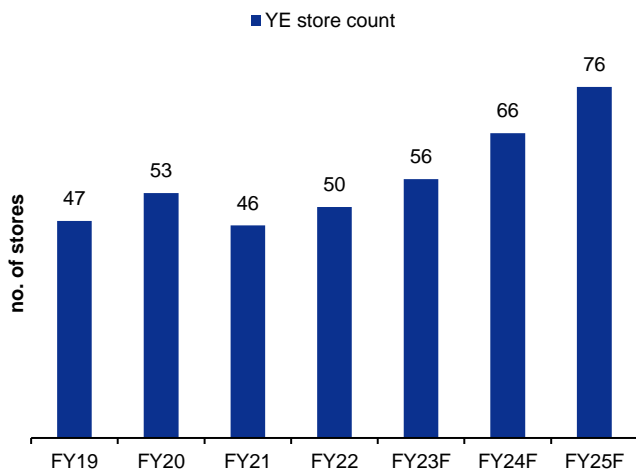
Wider presence across India through new store penetration along with a focus on creating leads through digital channels will enable Ethos, in our view, to add to its existing market share in the luxury watch segment.

Ethos plans to add 30-40 new stores over the existing network of 48 stores by Mar 2025F. We estimate a net addition of 26 stores over this period, nearly 50% addition to the existing network. The company plans to open a mix of summit, boutique and mono-brand format stores spread across metros and T-1/T-2 cities in India.

Ethos has been focusing on exiting low-priced watches (<Rs25,000/watch) and increasing the share of luxury and high-luxury watch sales (>Rs2,50,000/watch). The average selling price (ASP) has increased to over Rs1,50,000 per watch in 1HFY23 vs. Rs75,000 in FY19. We expect ASP to rise further on the back of the addition of high-luxury exclusive brands by Ethos over the next three years. We expect ASP to surpass Rs2,00,000 per watch in FY25F.

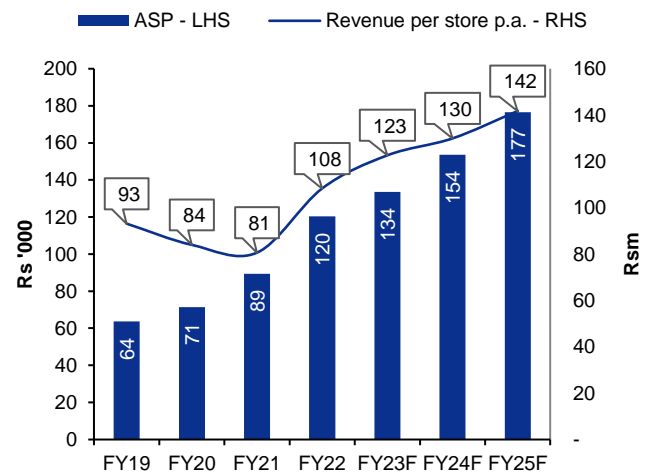
Same-store sales growth or SSSG is expected to be very strong driven by ASP increase of a 15% CAGR and watch sales volume CAGR of 9% over FY23F-25F.

Figure 14: Store network



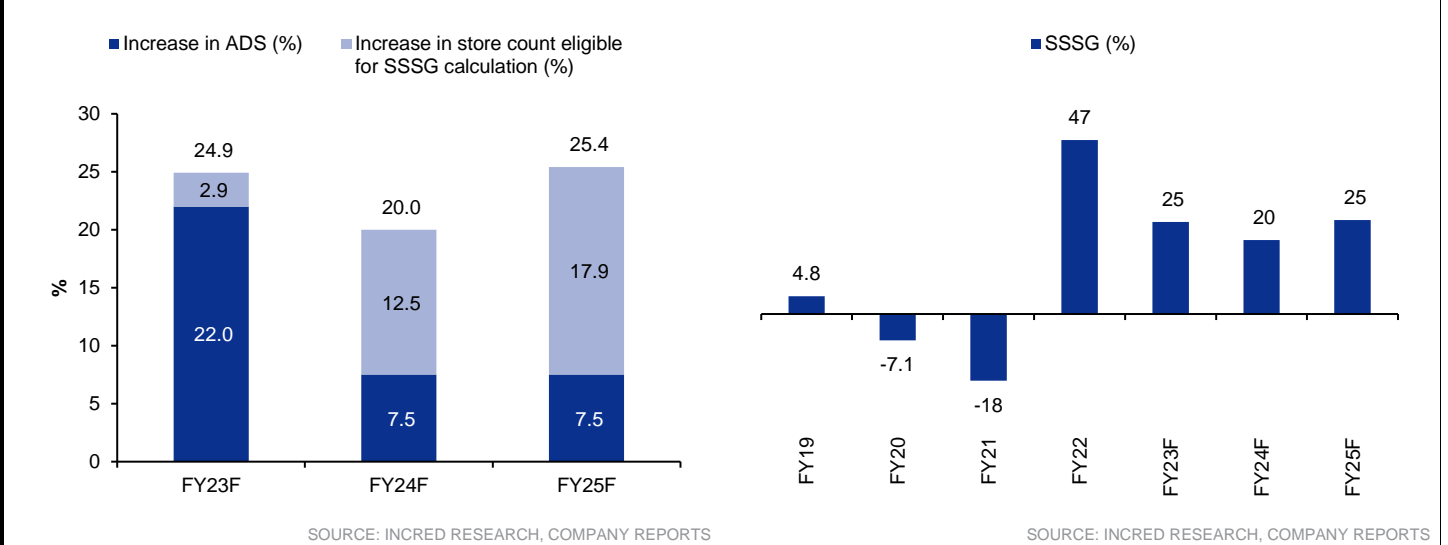
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Average selling price (ASP) trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Increase in ADS and maturing store network will drive SSSG growth **Figure 17: SSSG trend (%)**



National presence and widest variety make Ethos the go-to luxury watch retailer ➤

Ethos is the only premium and luxury watch retailer with a pan-India presence. A few regional players are present in select regions like Kapoor Watch Co. and Johnson Watch in North India & Zimson, Kamal Watch in South India, and Art of Time in West India. Secondly, Ethos has the highest number of premium & luxury brands available on its website (50), followed by Zimson (28) and Johnson Watch Co. (26). Thirdly, Ethos also offers the highest number of stock-keeping units or SKUs across all three luxury segments – bridge to luxury, luxury and high luxury.

We highlight that these factors have kickstarted a virtuous cycle for Ethos. Luxury watch customers prefer Ethos due to its wide variety and omnichannel presence. This is also visible from its 20% market share in the luxury watch market. Luxury brands see Ethos as a preferred retailer due to its wide reach across India, enabling it to secure more brands for exclusive distribution across India. Ethos recently brought Jacob & Co, Norquain, Speake Marin, Trilobe and Tutima to India under an exclusive tie-up. Ethos’ brand tie-ups for exclusive distribution have increased from 15 in Mar 2016 to 37 as at end-Mar 2022 and 38 in Dec 2022.

Figure 18: Region-wise store mapping of key luxury watch retailers (as of March 2022)

Retailer	North	South	East	West	Central	Total Stores
Ethos	41%	29%	4%	27%	0%	50
Zimson	0%	100%	0%	0%	0%	30
Johnson Watch Co.	100%	0%	0%	0%	0%	10
Kapoor Watch Co.	100%	0%	0%	0%	0%	11
Art of Time	0%	0%	0%	100%	0%	2

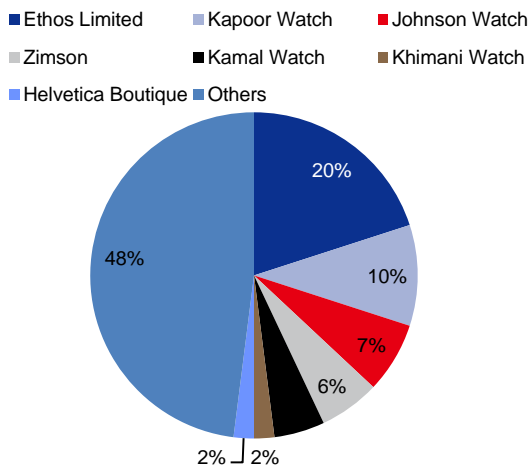
SOURCE: INCRED RESEARCH, TECHNPAK (RHP)

Figure 19: Product range (number of SKUs) & price range of key luxury watch retailers

Retailer	No of SKUs			Price Range (Rs)
	Bridge to Luxury	Luxury	High Luxury	
Ethos	1,214	1,434	657	Up to 3,41,18,000
Zimson	575	1,099	0	Up to 7,82,100
Johnson Watch Co.	403	582	537	Up to 5,53,00,000
Kapoor Watch Co.	465	572	284	Up to 84,50,000

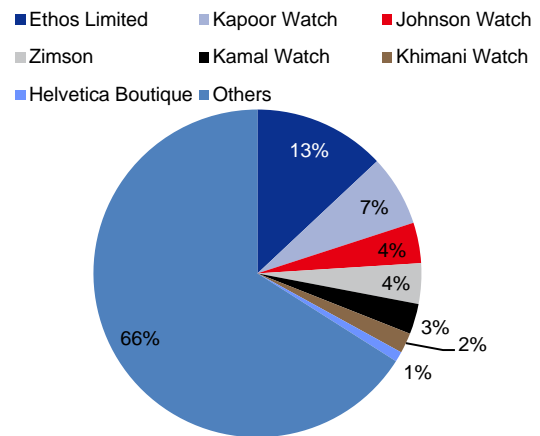
NOTE: ABOVE DATA EXCLUDES ROLEX SKUS FOR ALL RETAILERS DUE TO PRICE QUOTE UNAVAILABILITY
SOURCE: INCRED RESEARCH, TECHNPAK (RHP)

Figure 20: Market share in luxury watch market



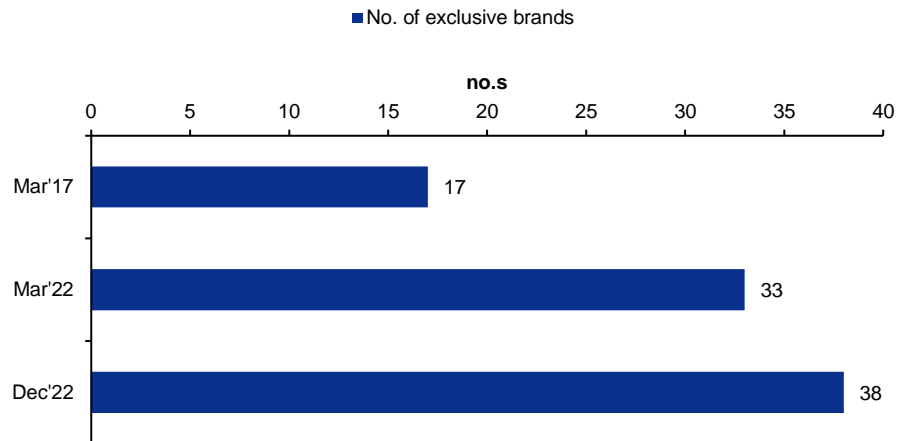
SOURCE: INCRED RESEARCH, TECHNPAK, ETHOS RHP

Figure 21: Market share in premium + luxury watch market



SOURCE: INCRED RESEARCH, TECHNPAK, ETHOS RHP

Figure 22: Number of brands with exclusive distribution rights



SOURCE: INCRED RESEARCH, TECHNPAK (RHP)

Adding new revenue streams ➤

Ethos has a thorough understanding of luxury customer, the related environment in India and a ready database of high net worth individuals or HNIs in India. Its retail platforms are well maintained and appeal to customers interested in purchasing luxury products. Ethos is now in the phase of leveraging its understanding of the luxury market, customers and products, and reputation for authentic, high-end luxury products to foray into other luxury products in the short-to medium-term. Through its CPO platform, Ethos has ventured into the sale of pre-owned luxury watches.

Ethos has also recently entered into an agreement with **RIMOWA**, (LVMH group) for retailing the latter's range of luxury luggage and with **MESSIKA** for retailing its luxury jewellery range in India. The company aims to increase product offerings in its current brand portfolio of luxury watches and add newer long-term focused brands in other product categories.

Figure 23: New brand tie-ups

Brands	Description
RIMOWA	Rimowa is the global leader in premium luggage and essential tools for a lifetime of travel.
MESSIKA	Messika Maison is recognised for its diamond expertise and unique craftsmanship expressed through modern jewellery designs and exceptional high jewellery creations.
JACOB & CO	Jacob & Co. is known for its limited edition time-pieces created in partnership with Bugatti, Paramount Pictures for the Godfather special edition, Universal Pictures for its Scarface special edition, among others.
NORQAIN	Norqain makes 100% mechanical watches that are completely built in-house with unparalleled attention to detail and supreme craftsmanship.
SPEAKE MARIN	Speake-Marin started out as a brand that crafted bespoke and unique timepieces for individual collectors only, and the brand has evolved itself into a watch-maker that focuses solely on Belle Horlogerie or 'beautiful watch-making'.
TRILOBE	A Swiss brand that indicates time through a three-ringed display sans the hands.
TUTIMA	A German brand which has been at the forefront of innovations with its utilitarian timepieces.

SOURCE: ETHOS RHP

Figure 24: Exclusive brand tie-ups across watches, jewellery and luggage



Rimowa



Messika



Jacob & Co



Speake Marin



Trilobe



Norqain



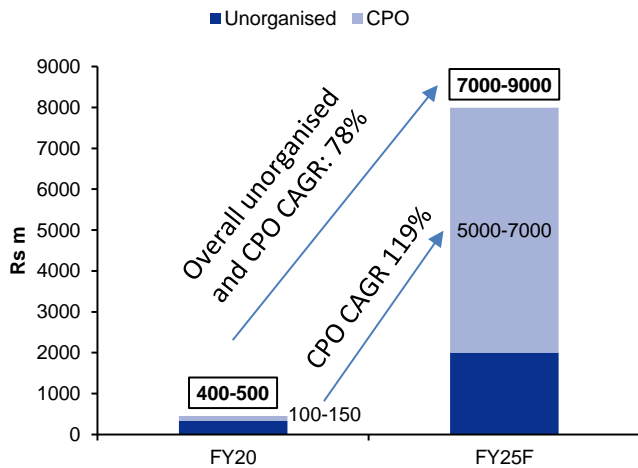
Tutima

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Certified Pre-Owned watch business (CPO)

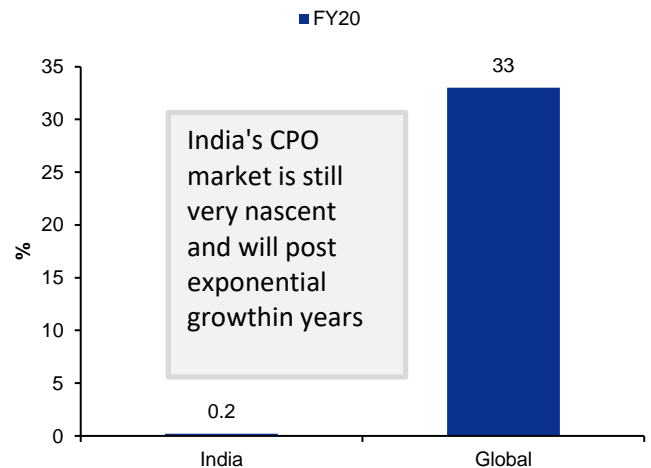
The overall luxury pre-owned market was valued at approximately Rs400-500m in FY20, which was largely dominated by the unorganized sector, accounting for almost 80% of the market. The organized sector offering certification on pre-owned luxury watches (i.e., CPO luxury watch) market is at a nascent stage in India and was valued at approximately Rs100-150m in FY20 (i.e., 0.2% of the overall premium & luxury watch market). In comparison, the global CPO luxury watch market comprised approximately 33% of the overall premium and luxury watch market in FY20. The CPO share in India is currently miniscule and is dominated by CPO business of Ethos. This market presents an opportunity to grow significantly from the current base, in line with the global trend. We expect the CPO business of Ethos to grow by ~6x to Rs1.9bn and contribute ~15% to overall revenue over FY22-25F. This will be well supported by the addition of one new store CPO lounge in Mumbai in FY24F.

Figure 25: India's pre-owned luxury market (approx. size)



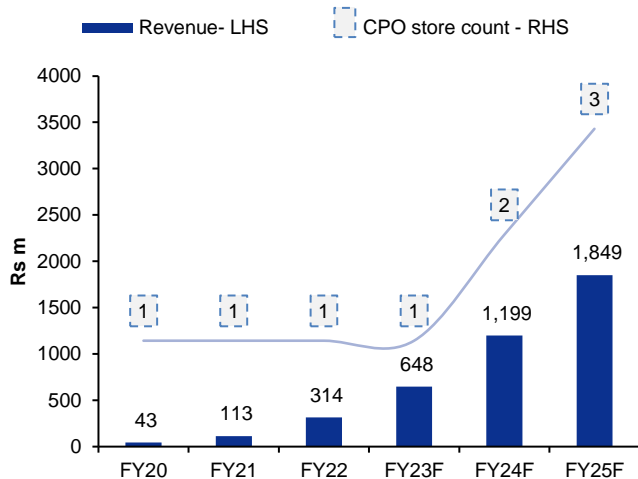
SOURCE: ETHOS RHP

Figure 26: Organized CPO market as a % of total premium and luxury watch market (FY20)



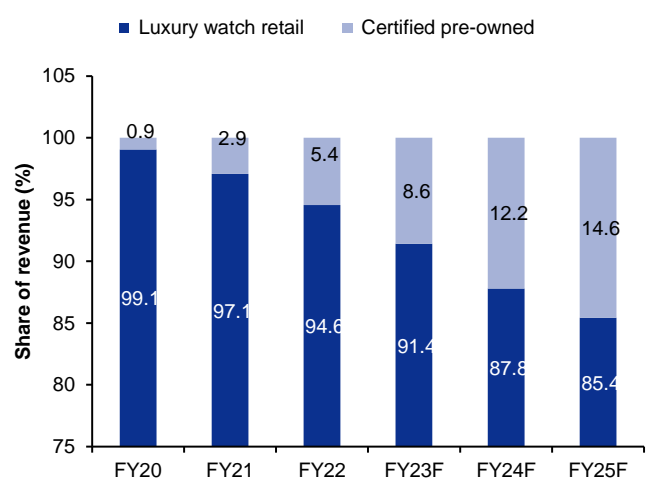
SOURCE: ETHOS RHP

Figure 27: CPO revenue growth trend and store count



SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, ETHOS RHP

Figure 28: We expect CPO revenue share at ~15% by FY25F



SOURCE: ETHOS RHP

Evolving of the Certified Pre-Owned luxury culture also supports the growth of overall luxury watch market globally and in India like:

- Providing an entry point for the aspirational consumer segment to experience the joy of owning luxury products.
- Developing the market for collectibles as it helps to unlock the collectible market, thereby increasing both the vibrancy of the market and the addressable market opportunity.
- Creates an incentive for the consumers to replace their older watch collections with latest editions, thereby boosting replacement demand.

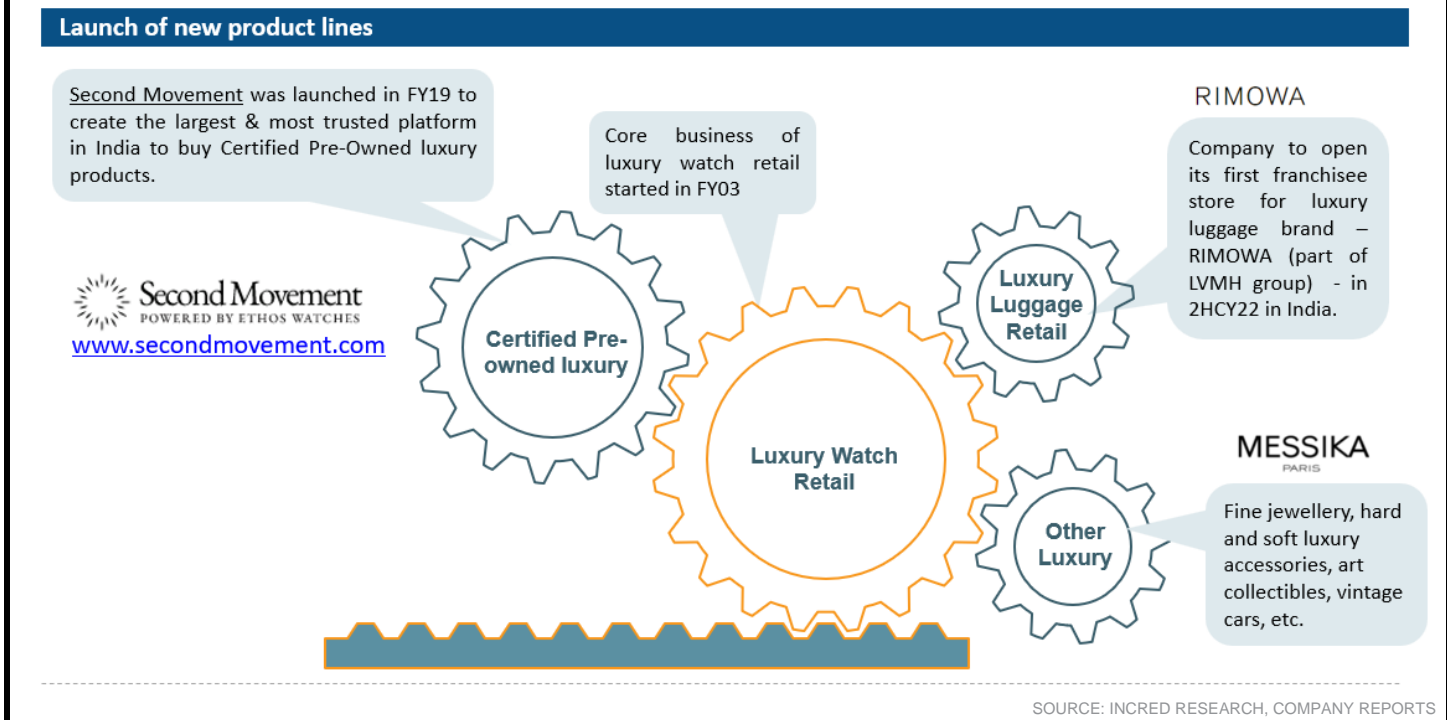
Category extension | creating a house of luxury retail beyond watches

Luggage: German luxury luggage brand **RIMOWA**, which is under the brand portfolio of LVMH (since 2017), has signed up a franchise contract with Ethos for opening its first store at Mumbai in Maharashtra.

Jewellery: International luxury branded jewellery has the potential to emerge as a key adjacent growth category for watch retailers, along with other hard luxury categories. Rise in demand for diamond and platinum jewellery will drive this market, along with other factors like rising discretionary spending and demand for luxury products. Ethos has recently tied up with **MESSIKA** for exclusively retailing the latter's jewellery range in India. Management stated that the company will be

starting jewellery sales as a pilot project at a few existing watch stores, and will establish brand-dedicated boutiques once the brand's pull has been ascertained.

Figure 29: Ethos has commenced its journey of expanding into luxury retail beyond watches

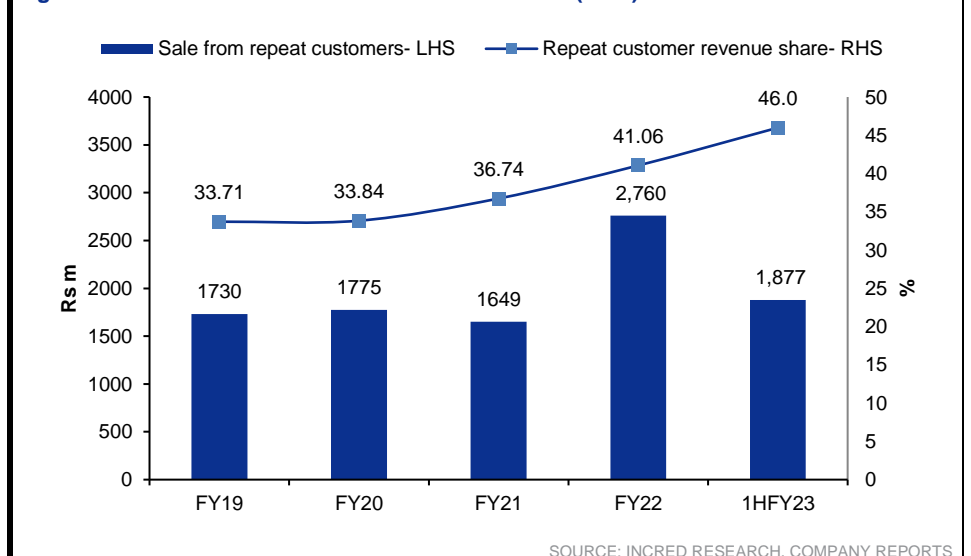


Driving repeat purchases by customers >

‘Club Echo’ is a customer relationship management initiative cum loyalty programme providing customers with a rewarding experience in luxury retail category. Club Echo operates as a dynamic incentive scheme which provides benefits to repeat customers based on their cumulative purchases over time. The database generated via Club Echo gives Ethos access to important information on customers and their buying trends, which further enables the company to design appropriate reward and communication strategies. As of end-Sep 2022, Ethos had over 2,95,100 registered members in Club Echo.

Ethos has a thorough understanding of luxury customers, the related environment, and has a ready database of HNIs which, in our opinion, will serve well during company’s journey to scale other luxury product categories (jewellery, luggage, etc). In 1HFY23, 46% of the total sales of Ethos came from repeat customers enrolled in its Club Echo loyalty programme.

Figure 30: Contribution of Club ECHO to total sales (Rsm)



Margin drivers

Increase in exclusive brand revenue share ➤

Exclusive brand partnerships enable Ethos to have better negotiating power with brands and offer lower discount to customers due to no competition from other retailers in India. This, in turn, leads to better profit for the company as exclusive brands have approximately double the gross margin percentage vs. non-exclusive brands. Out of the 50+ watch brands distributed by Ethos as at end-Sep 2022, 35 were exclusively distributed and sold by only Ethos in India. Management is investing in relationships to increase the bouquet of exclusive watch brands at its retail counters. Ethos added four new brand relationships (Jacob & Co, Norquain, Speake Marin and Trilobe) to its list of exclusive brand tie-ups so far in FY23, taking the count of exclusive brand tie-ups to 37 as of end-Nov 2022. We expect the revenue share from exclusive brands to increase from 26% in FY22 to 32% in FY25F, implying a 35% CAGR over FY22-25F.

Figure 31: Exclusive brands make ~2x gross margin, compared to non-exclusive brands

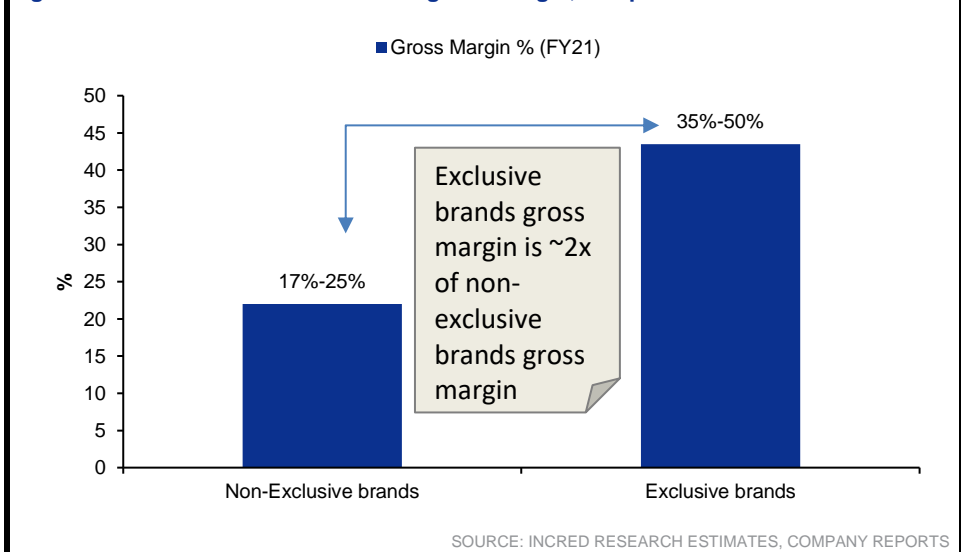


Figure 32: Exclusive brand revenue and share in company revenue

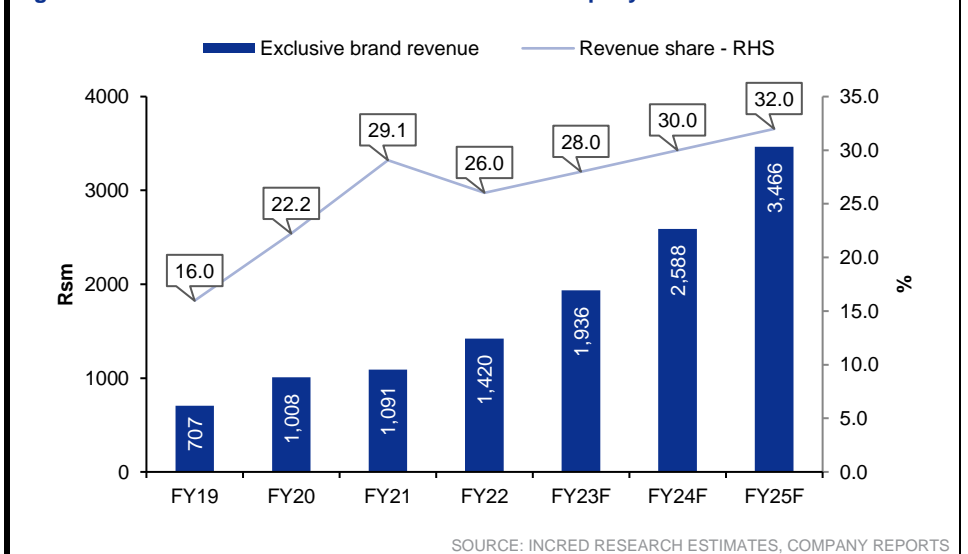


Figure 33: Brands available exclusively at Ethos outlets (as of Sep 2022)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Improving unit economics ➤

Management stated that it has pivoted to the strategy of opening larger stores (flagship) incrementally as they tend to sustain SSSG for a longer tenure, enabling the company to deliver better unit economics. While the average store size of its existing 48 stores is ~900 square feet, most new stores will be larger in size and we expect the average size of new stores to be at ~1,200sqft. Our estimate suggests that each large store in its fifth year of operation has the potential to earn 18-18.5% operating margin at the store-level pre-Ind AS116 EBITDA and 25%+ ROCE. This is significantly higher than the company-level operating margin and return on capital in FY22.

Figure 34: Unit economics for luxury watch retail store

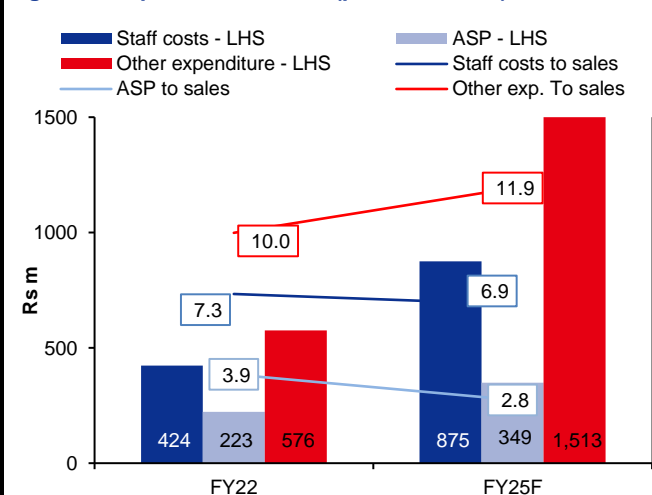
New store opening ramp-up trend		Year 1	Year 2	Year 3	Year 4	Year 5
Rsm unless specified otherwise Pre-Ind AS						
Store area (sqft)	1,200					
Capex per sqft (Rs)	12,500					
Investment breakdown (Rsm)						
Fixed asset capex	15	15	15	15	15	15
Inventory	59	59	53	55	58	64
Debtors	2	2	2	2	2	3
Creditors	18	18	16	17	19	21
Net working capital	44	43	39	40	42	46
Capital employed (Rsm)	59	58	54	55	57	61
Rsm						
Billing		94	126	138	152	167
Net sales (net of GST)		79	105	116	127	140
Purchase of stock-in-trade		53	70	77	84	93
Gross profit		26	35	39	43	47
Gross margin (%)		32.5	33.3	33.5	33.5	33.5
Store lease rent (Rs550/sqft/month)		7	7	8	8	8
Other operating costs		10	11	11	12	13
Store EBITDA		8	17	20	23	26
Store EBITDA margin (%)		10.4	15.9	17.1	17.8	18.5
Depreciation (7-year life)		2	2	2	2	2
EBIT		6	15	18	20	24
ROCE (%) - net of tax						
		7.7	20.3	23.9	27.1	29.1
Inventory (# of days of sale)						
		274	183	175	167	167
Asset turns (x) - Net sales / fixed assets						
		5.3	7.0	7.7	8.5	9.3
Asset turns (x) - Net sales / capital employed						
		1.4	2.0	2.1	2.2	2.3
Purchase of stock-in-trade (%)						
		67.5	66.8	66.5	66.5	66.5
Store lease rent to sales (%)						
		9.1	7.1	6.6	6.2	5.8
Other operating cost to sales (%)						
		13.0	10.2	9.8	9.5	9.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS

We expect a 29% EBITDA CAGR over FY23F-25F

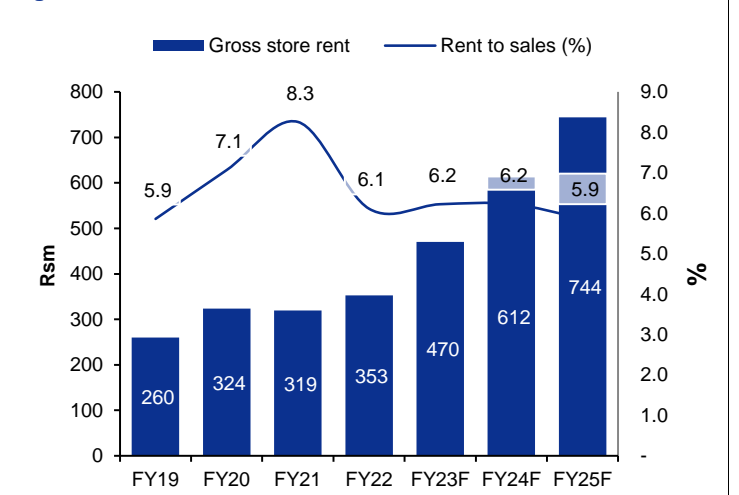
We expect a 300bp gross margin expansion over FY22-25F to be complemented by operating leverage and build in a ~350bp EBITDA margin expansion over the same period. Operating leverage benefits will be led by falling rent to sales, advertising to sales and staff cost to sales ratios. We expect a 29% EBITDA CAGR over FY23F-25F and build in a pre-Ind AS116 EBITDA margin of 10.2% in FY25F vs. 7.6% in FY22.

Figure 35: Opex as % to sales (pre-Ind AS 116)



SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 36: Store rental trends



NOTE: GROSS STORE RENT MEANS RENT BEFORE ANY COVID-19 RELATED CONCESSION

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 37: EBITDA margin trend (pre-Ind AS116)

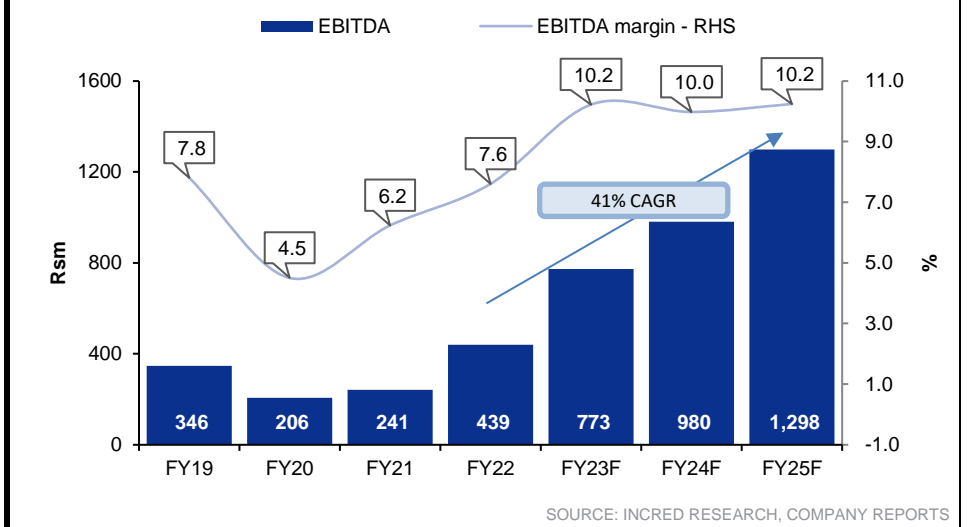
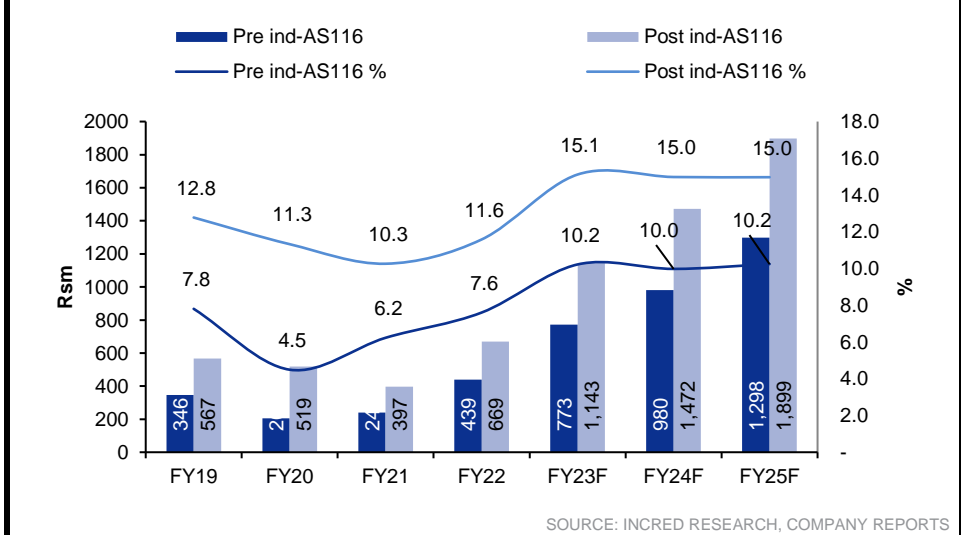


Figure 38: Pre- and Post-Ind AS 116 EBITDA margin trend

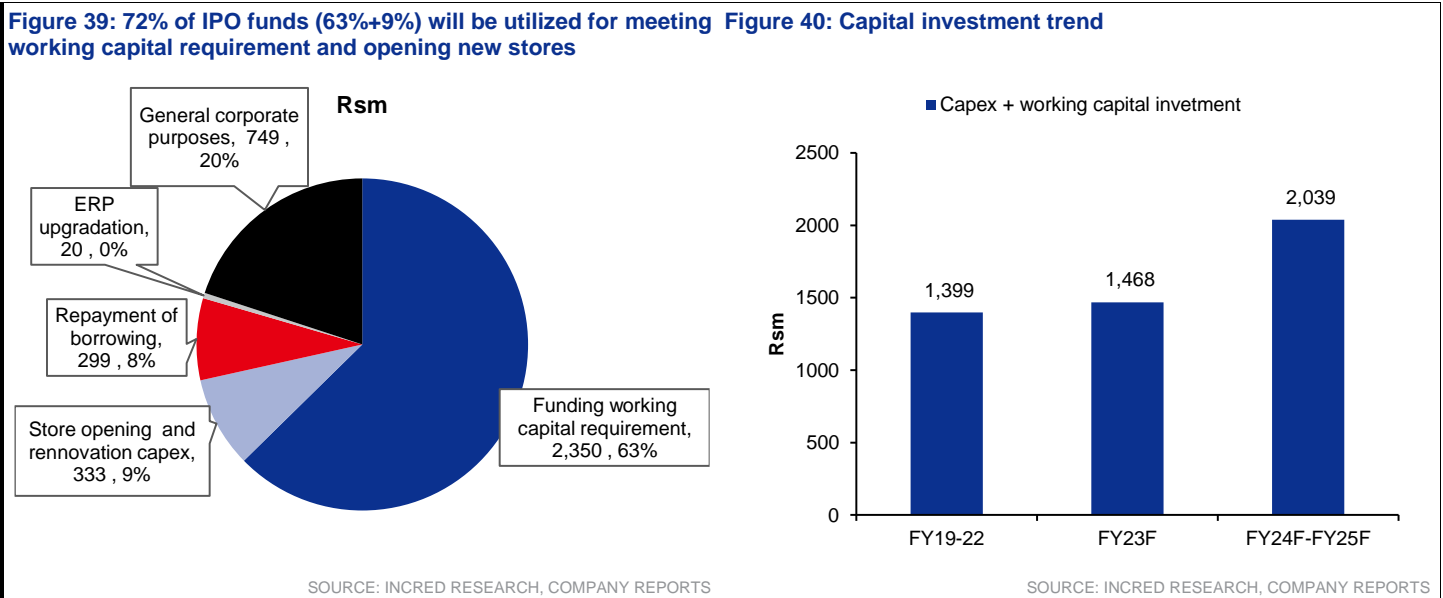


ROCE improvement and improving operating cash flow ➤

- The initial public offer or IPO proceeds will help Ethos scale faster. Ethos had a net cash balance of Rs2.6bn as at end-Sep 2022. We model a net addition of 28 new retail stores over Sep 2022 – Mar 2025F. The estimated capex and working capital investment is approximately Rs1.7bn over this period.
- Increase in the share of asset-light CPO business will ensure ROCE improvement for Ethos at a consolidated level. CPO business inherently operates at a much lower 60-90-day inventory cycle with similar EBITDA margin as compared to new watch business.

IPO proceeds to help Ethos scale faster ➤

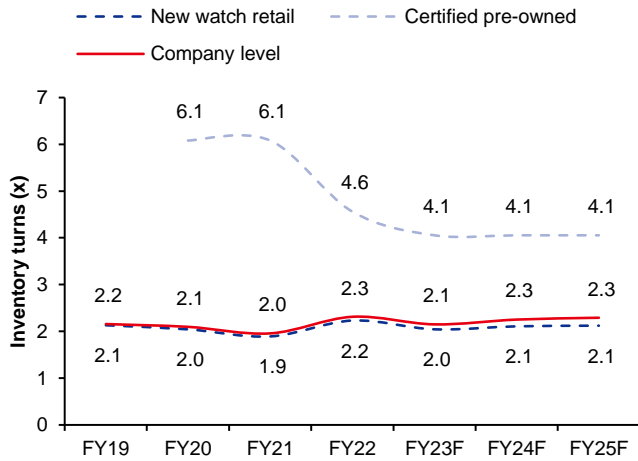
As per the IPO prospectus filed by Ethos, the company plans to open 13 stores for which the agreements have been signed and finalized as on prospectus date. Owing to relatively large-sized stores coming up, the inventory investment is expected to be higher in the first year of operations of new stores. Of the primary equity capital of Rs3.75bn raised by Ethos through its IPO in May 2022, it plans to utilize 63% for funding incremental working capital requirement. Most of the increase in working capital is expected over FY23F-25F led by the company’s aggressive plan to add new stores during this period.



CPO business is inventory-light compared to new watch retail business ➤

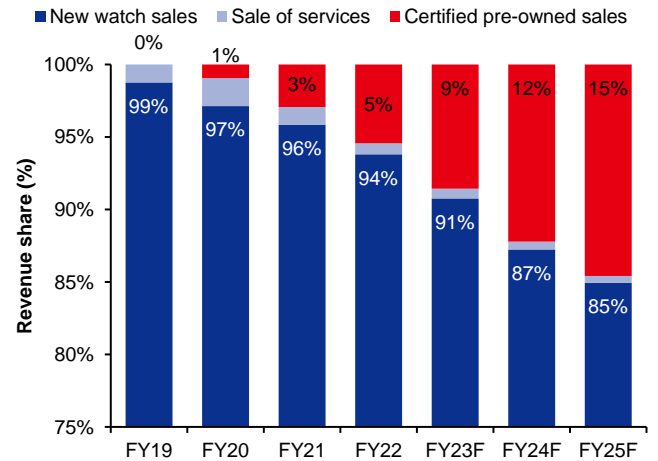
The expertise of Ethos in luxury watch retailing and customer servicing capabilities enables it to operate the pre-owned luxury watch retailing business more efficiently. CPO retail currently contributes 5% to the topline (FY22) and we expect it to more than triple to 15% by FY25F. This will be well supported by the company’s acceptability as a trustworthy luxury watch retailer and expansion into new geographies. CPO stores are expected to increase from one currently to three over the next two-to-three years. Its website secondmovement.com further enables the company to have a wide reach. Ethos holds ~80-90 days of inventory for the CPO business that enables it to have higher inventory turnover compared to the new watch business. This, along with the increase in the share of CPO business to 15%, will improve consolidated inventory turnover and ROCE of the company.

Figure 41: Certified pre-owned business to improve company-level inventory turnover



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 42: We expect certified pre-owned watch retail business to contribute 15% to FY25F consolidated sales

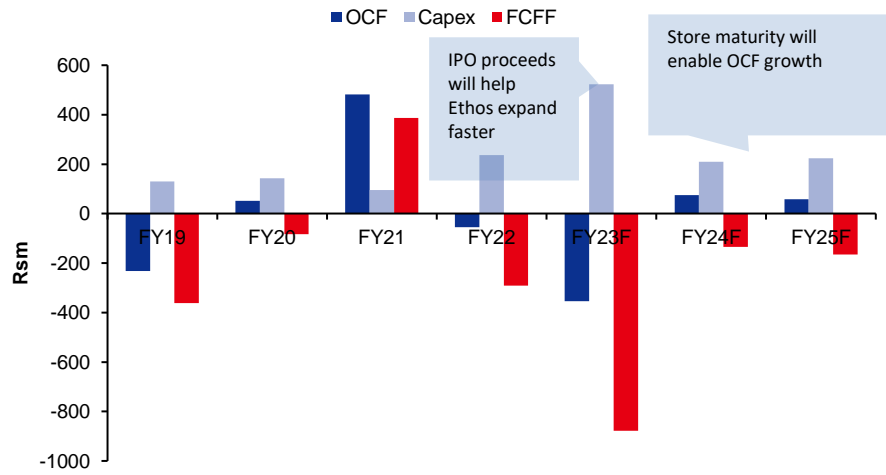


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Business maturity and rising CPO share will aid ROCE and OCF ➤

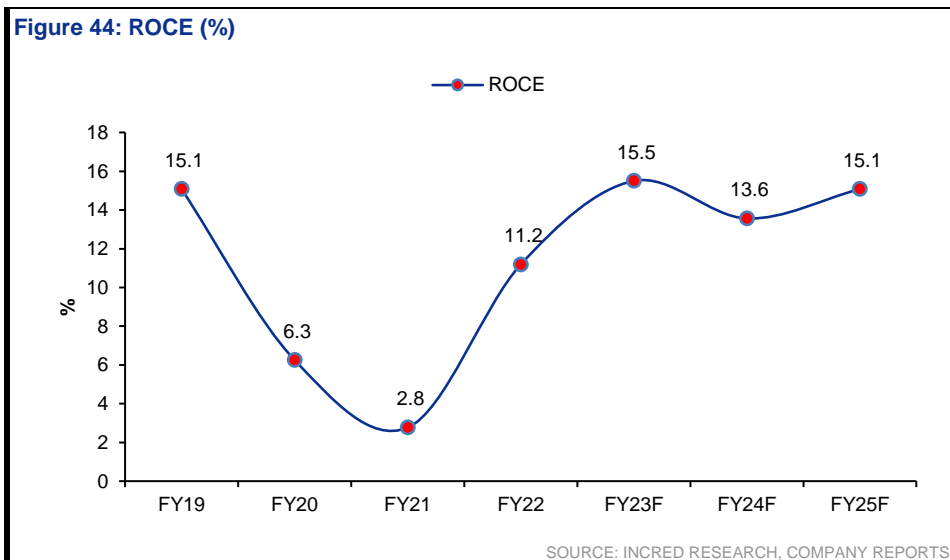
Availability of growth capital through IPO proceeds will enable Ethos to expand its network faster. This, along with the increase in CPO business, will improve company-level ROCE and enable the company to generate healthy operating cash flow over the next three years. Healthy cash flow will enable funding further expansions through internal accruals and we do not forecast any capital raising whatsoever for Ethos to execute its expansion plan over FY22-25F.

Figure 43: OCF, capex and FCFF trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 44: ROCE (%)



Valuation and risk

The gestation period taken to build a reasonable brand and success story in the retail industry in India is very long. Ethos has been in the business since 2003 and now has over two decades of brand presence retailing luxury watches throughout the Indian sub-continent.

Indian retail stocks trade at a mean P/E and EV/E of 43x and 23x FY25F EPS and EBITDA, respectively, based on Bloomberg consensus estimates. Within this, category leaders like Titan, Trent, and Dmart – who have been in existence over a long period are backed by experienced promoters are market leaders, continue to gain market share, display capital allocation discipline and eventually higher-than-industry growth translating into strong cash flow and return on capital.

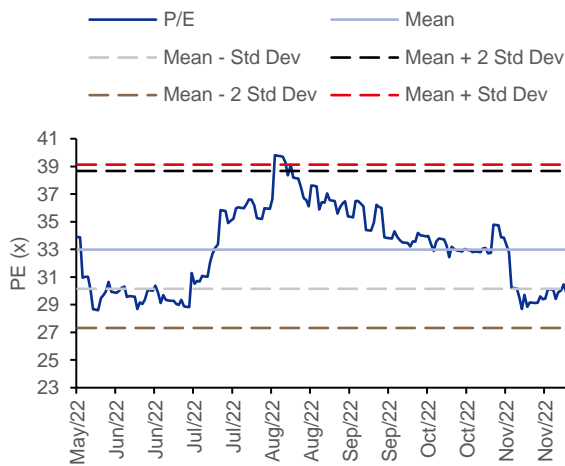
Macro-economic factors like a young population, rising per capital income, urbanization, rising working women population, etc. will, in our view, support the luxury retail industry's growth over the next decade.

Coupled with this, we believe the following company-specific factors make Ethos a compelling story for long-term investment:

- Experienced and disciplined promoters and senior management that have displayed full commitment to business, been opportunistic to step up growth plans in a timely manner and have been disciplined in capital allocation, thereby restricting debt capital for growth.
- Ever-expanding addressable market with Certified Pre-owned or CPO evolving as a large industry to consume luxury products in India. Ethos is the only retailer with an established process of operating CPO business in India. International branded luxury jewellery holds a lot of promise and that too will expand the addressable market further.
- Market-leading position in the luxury retail segment, with Ethos having the highest market share of ~20% in the high-luxury watch segment.
- Consolidation of luxury watch retailers with pan-India retailers like Ethos consistently gaining market share. Global brands prefer to deal with a smaller number of retailers across each geography.
- Ethos is the only choice for investment exposure in the Indian luxury space within listed equities. The investible universe is extremely limited and not more than five stocks offer this opportunity.
- Profitable stores with operating cash flow enough to support future capex. IPO proceeds to fund incremental working capital investment.
- Improving return on capital with superior unit economics. Relatively larger stores have the potential for store OPM of 18-18.5% and ROCE of 25%+ within five years of operations.

We value Ethos at a P/E of 30x FY25F EPS (PEG of ~1x) and initiate coverage on the stock with an ADD rating and a target price of Rs1,213. We expect an EPS CAGR of 27% over FY23F-25F and expect the P/E multiple to expand as Ethos gains in size and improves ROCE (15% in FY25F) of the business.

Figure 45: P/E standard deviation (since inception)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 46: P/E band (one-year forward EPS)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 47: Peer valuation – Indian

Company Name	Bblg ticker	Market cap US\$m	P/E (x)		EV/E (x)		CAGR (FY23-25F)		FY24F	
			FY24F	FY25F	FY24F	FY25F	Revenue	EPS	RoE (%)	RoCE (%)
Ethos	ETHOSLTD IN	286	31.6	25.1	14.3	11.1	29.5	27.0	10.7	13.6
Titan Co Ltd	TTAN IN	27,604	58.4	47.8	40.5	34.5	16.7	20.5	29.3	28.0
Kalyan Jewellers India Ltd	KALYANKJ IN	1,467	22.7	17.6	10.3	8.5	19.4	31.1	14.0	13.6
Aditya Birla Fashion and Retail Ltd	ABFRL IN	3,603	53.5	36.5	13.3	11.3	16.8	41.9	13.7	NM
Trent Ltd	TRENT IN	6,191	89.3	65.3	35.3	33.7	21.6	31.4	19.2	0.9
Arvind Fashions Ltd	ARVINDFA IN	534	20.6	16.0	8.9	7.6	13.1	37.6	19.4	NM
V-Mart Retail Ltd	VMART IN	674	55.3	43.1	14.0	11.4	21.4	40.4	10.0	NM
Shoppers Stop Ltd	SHOP IN	943	49.1	36.7	13.4	11.9	12.9	48.1	62.8	NM
Bata India Ltd	BATA IN	2,600	42.1	36.4	22.5	20.2	13.0	24.3	24.3	4.4
Page Industries Ltd	PAG IN	6,071	57.4	45.7	36.8	31.8	15.9	18.2	56.6	55.5
Relaxo Footweares Ltd	RLXF IN	2,781	70.9	55.4	40.2	33.9	17.6	51.8	17.0	14.0
VIP Industries Ltd	VIP IN	1,254	41.6	31.3	23.7	19.7	14.6	26.0	29.9	13.3
Avenue Supermarts Ltd	DMART IN	32,656	83.1	65.2	52.4	42.6	23.7	26.8	18.2	13.1
Mean			52.0	40.2	25.0	21.4	18.2	32.7	25.0	17.4
Median			53.5	36.7	22.5	19.7	16.8	31.1	19.2	13.6

SOURCES: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

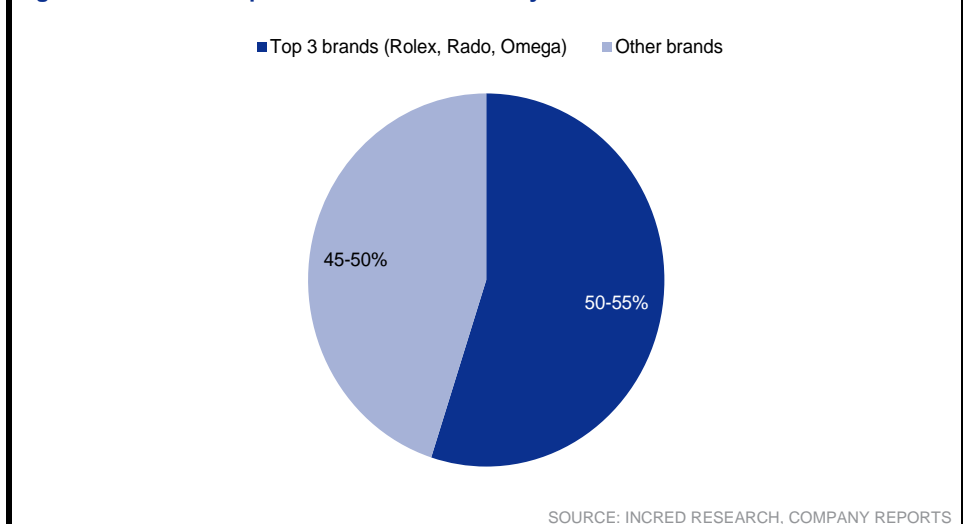
Figure 48: Peer valuation – International

Company Name	Bblg ticker	Market cap US\$m	P/E (x)		EV/E (x)		CAGR (FY23-25F)		FY24F	
			FY24F	FY25F	FY24F	FY25F	Revenue	EPS	RoE (%)	RoCE (%)
Ethos	ETHOSLTD IN	286	31.6	25.1	14.3	11.1	29.5	27.0	10.7	13.6
LVMH Moët Hennessy Louis Vuitton SE	MC FP	387,713	21.1	21.1	12.2	11.5	6.1	6.2	24.1	37.0
Hermes International	RMS FP	175,689	41.0	36.1	22.9	20.9	8.7	8.7	25.5	30.9
Kering SA	KER FP	69,184	13.8	11.9	7.9	7.4	6.8	9.2	24.1	35.7
Cie Financiere Richemont SA	CFR SW	75,899	18.8	16.5	10.7	9.9	6.1	11.7	18.6	14.4
Chow Tai Fook Jewellery Group Ltd	1929 HK	19,604	17.4	15.9	12.8	10.9	13.5	18.6	21.6	20.7
Ralph Lauren Corp	RL US	7,334	12.4	10.3	6.6	6.1	4.9	15.1	26.3	13.6
HUGO BOSS AG	BOSS GY	3,952	13.4	11.4	5.7	4.8	6.1	19.0	20.1	16.6
Salvatore Ferragamo SpA	SFER IM	3,167	36.4	24.3	9.5	9.0	7.8	52.1	10.1	14.3
EssilorLuxottica SA	EL FP	87,055	24.3	20.5	12.2	12.1	5.5	9.8	8.9	20.2
PRADA SpA	1913 HK	125,446	22.3	18.7	8.9	8.9	7.0	16.6	17.1	10.1
Swatch Group AG/The	UHR SW	14,274	13.8	13.1	6.0	5.7	4.3	7.2	7.3	7.3
Burberry Group PLC	BRBY LN	10,025	17.4	15.4	8.6	8.1	5.8	6.8	28.4	19.8
Capri Holdings Ltd	CPRI US	7,687	8.1	7.2	6.9	6.5	5.4	7.9	33.4	NM
Watches of Switzerland Group PLC	WOSG LN	2,631	14.8	12.0	9.5	8.4	12.5	12.3	24.8	19.2
Hour Glass Ltd/The	HG SP	1,014	8.7	8.2	5.4	5.1	5.5	4.3	17.0	32.4
Farfetch Ltd	FTCH US	1,666	NM	NM	14.0	7.9	18.6	-15.8	-107.4	NM
MYT Netherlands Parent BV	MYTE US	920	16.9	11.0	7.1	5.8	18.9	37.7	8.5	NM
Mean			19.5	16.4	10.1	8.9	9.6	14.1	12.2	20.6
Median			17.4	15.4	9.2	8.2	6.5	10.8	19.3	19.5

SOURCES: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Downside risks ➤

- **Revenue concentration in top 5 stores:** Top 5 stores that largely sell high-end brands of Rolex, Richemont or Swatch groups account for a large chunk of consolidated sales. Any operational disruption in these stores can significantly impact on the company's revenue.
- **Absence of supply agreements:** The operations of Ethos depend on its ability to maintain good relationships with suppliers and source products in a timely manner. As is the case in the luxury watch industry, Ethos does not have a supply agreement with most suppliers and any deterioration in its relationship with suppliers may impact business operations. The top 5 suppliers accounted for 70% of the total watches purchased by Ethos in FY21.
- **Heightened competition from regional players can impact margins:** Most suppliers of Ethos work on a non-exclusive basis (non-exclusive watch retail contributed 74% to FY22 revenue). In the absence of exclusivity with suppliers, the company may be subject to competition from other entities. As a result of rising competition and the absence of exclusive arrangements with suppliers, the company's product pricing competitiveness could be adversely impacted.
- **Brands could prefer opening owned EBOs if FDI rules permit:** Due to foreign direct investment or FDI restrictions, international brands are allowed to open exclusive brand outlets or EBOs only through a joint venture with an Indian partner or through a network of franchisees. While this helps the international brands expand into a new market, it also exposes these brands to face the challenge of maintaining their worldwide quality standards in these partner/franchisee stores. If and when FDI regulations are relaxed, a large number of international brands can open company-owned EBOs. This risk is even more so with top 3 imported watch brands (Rolex, Rado and Omega) which form ~50-55% of luxury watch imports in India. Such an action by brands could impact the revenue of Ethos significantly.

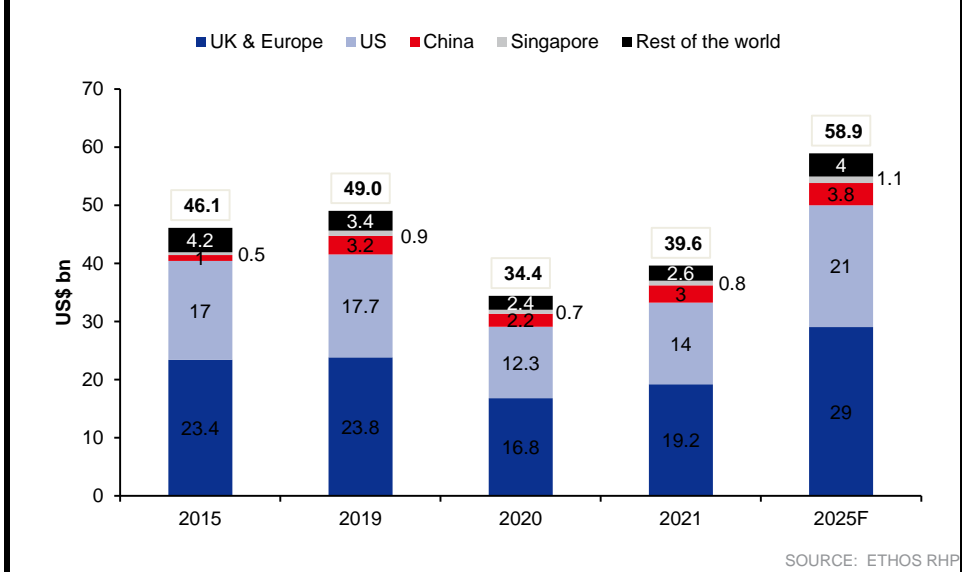
Figure 49: Share of top 3 brands in India's luxury watch retail

Industry overview

Global luxury watch market ➤

The global premium & luxury watch market was valued at US\$49b in CY19 and is expected to touch ~US\$59bn by CY25F. This will be mostly led by high growth in developing economies like China, India, etc. (as compared to developed economies like USA, Europe, etc.) as the rise in disposable income and the number of HNIs is culminating into an increase in the demand for luxury goods, including watches. The Asia-Pacific region has witnessed a surge in demand for luxury goods, which is expected to grow in the next five years as well.

Figure 50: Global premium & luxury watch retail – key economies (US\$bn)



India’s luxury goods market is in a structural uptrend ➤

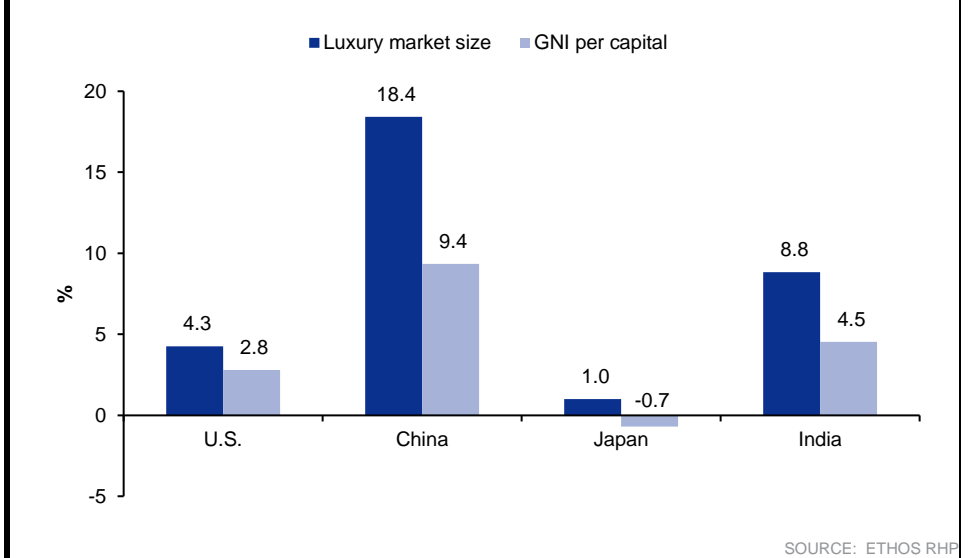
India’s fashion industry faced a shift in the late 1990s and early 2000s when international luxury brands started retailing their products in multi-brand outlets. In 2005, brands like Versace Collections and Corneliani signed their first full franchise agreements. Other luxury brands such as LVMH, Christian Dior, Fendi, Canali, Hugo Boss, Ferragamo, Armani, etc. followed suit when India’s first luxury mall - Emporio opened in Delhi. As the luxury fashion scene expanded, luxury malls such as UB City and Palladium also opened their doors for luxury brands in major cities like Bengaluru and Mumbai, respectively.

Figure 51: Comparison of GNI per capita and luxury market for key economies

Country	Luxury Market Size in 2010 (USD bn)	GNI Per Capita in 2010 (USD)	Luxury Market Size in 2015 (USD bn)	GNI Per Capita in 2015 (USD)	Luxury Market Size in 2020 (USD bn)	GNI Per Capita in 2020 (USD)
U.S.	46	48,990	90.4	56,740	69.8	64,530
China	9.2	4,340	20.5	7,940	49.9	10,610
Japan	18	43,430	23.1	38,850	19.9	40,540
India	2.7	1,220	4.4	1,600	6.3	1,900

SOURCE: ETHOS RHP

Figure 52: Luxury market and GNI per capita CAGR for key economies over 2010-20



Luxury goods market in India is valued at Rs452bn as at FY21-end. Premium and luxury fashion & lifestyle segment has the highest share with a 33% contribution in FY20, mainly because of its higher volume. The Covid-19 pandemic had a major impact on the luxury goods market, with the market contracting by ~23% from FY20 to FY21. The overall luxury market in India is expected to be on the recovery path. It is likely that the luxury market would be valued at Rs694bn by FY25F. (~11% CAGR over FY21-25F), as per the RHP of Ethos.

Figure 53: Swiss watch imports in India

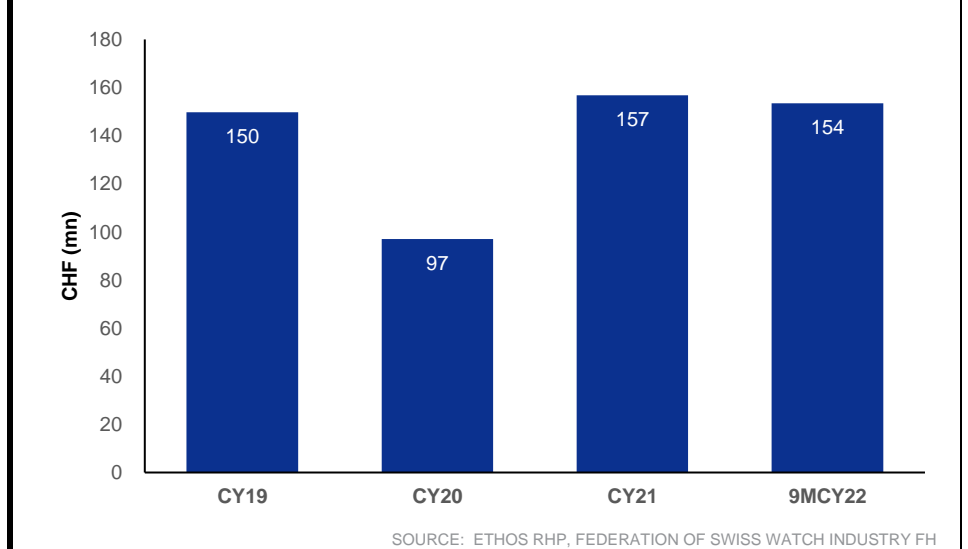


Figure 54: Luxury market in India (Rs bn)

Sector	FY20	FY21	FY25F	CAGR FY21-25F
Luxury Jewellery and Accessories	83	62	95	11%
Premium and Luxury Cars	179	161	251	12%
Luxury Fashion & Lifestyle*	192	145	218	11%
Others	130	84	130	12%
Total	584	452	694	11%

SOURCE: ETHOS RHP
* LUXURY FASHION AND LIFESTYLE INCLUDES WATCHES, BEAUTY, EYEWEAR, APPARELS AND FOOTWEAR

Premium and luxury watch market ➤

The Indian watch market is estimated at Rs135bn and can be further sub-classified as (a) Rs5,000 mass and mid segments accounting for ~30% of the market, (b) Rs5,000 – Rs25,000 fashion segment accounting for ~21% of the market, and (c) Rs25,000 and above premium, bridge to luxury and luxury segment - collectively estimated to account for ~49% of the market. Mass and

mid segments account for a large value and volume share in the market, and their growth is slow at 5-7%. On the other hand, fashion and premium segments are growing at a CAGR of ~12% and the premium and luxury segments are growing faster than the other segments at a CAGR of 13-14%.

Figure 55: Import duty on luxury products

Segment/Category	Rate of Duty
Watches	40.8%
Jewellery	18.5%
Beauty	29.8%
Luggage & Bags	40.8%
Writing Instruments	23.2%
Footwear	29.8%
Apparel	15.5%

SOURCE: ETHOS RHP;
NOTE: TOTAL DUTY INCLUDES BASIC CUSTOMS DUTY, INTEGRATED GOODS & SERVICES TAX, COMPENSATION CESS, SPECIFIC DUTY, PREFERENTIAL DUTY)


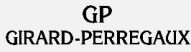


















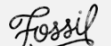




The premium and luxury watch segment is further segmented into (a) high luxury Rs1m and above, (b) luxury Rs2,50,000-Rs1m, (c) bridge to luxury Rs100,000-2,50,000, and (d) premium watches Rs25,000-100,000. The luxury watch market comprises high luxury, luxury and bridge to luxury segments.

Figure 56: Luxury watch market in India (Rs bn)

Watch Market Price Segmentation (Rs)	Share (%)	Size (Rs b) FY20	CAGR (%)	Size (Rs b) FY25
High Luxury	Above 1M	4	14.0	10.4
Luxury Watches	2.5L - 1M	6	13.0	14.9
Bridge to Luxury	1L - 2.5L	14	12.5	34.1
Premium	25k - 1L	25	12.0	59.5
Fashion	5k - 25k	21	12.0	50.0
Mass & Mid Watches	Below 5k	30	6.0	54.2
Total		135	10.6	223.0

SOURCE: ETHOS RHP

Figure 57: Key brands in various luxury watch segments

Category	Price Range (INR)	Key Brands
High Luxury	>10,00,000	   
Luxury	2,50,000-10,00,000	    
Bridge to Luxury	1,00,000 -2,50,000	    
Premium	25,000 -1,00,000	    
Fashion	5,000 -25,000	  
Mass	<5,000	  

SOURCE: ETHOS RHP

Luxury watches retail channel network in India ▶

Watch retailing constitutes various channels through which consumers purchase, broadly defined as organized (65%) and unorganized channels (35%).

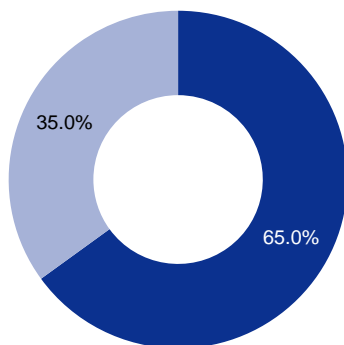
Organized channel is further segregated as exclusive brand outlets (EBOs), multi-brand outlets & large format stores (MBOs & LFS), vertical specialist MBOs and online marketplaces & online vertical specialists:

- **MBOs:** Multi-brand outlets are one of the most prevalent retail formats in the Indian watch market. An MBO houses multiple brands, Indian as well as international, under one roof. Shoppers Stop, Lifestyle stores are examples of few LFSs which house various watch brands.
- **Vertical Specialist MBOs:** Vertical Specialist MBOs are multi-brand formats focused on the vertical/ category and sell multiple brands across price ranges depending on the USP of the vertical specialist MBO. The growth and expansion of vertical specialists such as Ethos, Kapoor Watch Company, Johnson Watch Company, Helios, etc. has further boosted the category.
- **EBOs:** Exclusive brand outlets or EBOs are retail stores that house the extensive product range or all sub-brands of a single brand. A few examples of EBOs in the Indian watch industry are Rolex, Rado, Omega, Longines, Seiko, etc. These stores are usually situated on high streets or in malls.
- **Online Market Places & Online Vertical Specialists:** Online marketplaces like Amazon, Flipkart, Myntra, Tata Cliq, etc. have become one of the key retail channels for watches, offering primarily mass-mid, fashion and premium range. Bridge to luxury and luxury watches sold online are primarily through online vertical specialists like Ethos, Kapoor Watch, etc. and a few luxury marketplaces like Ajio Luxe & Tata Cliq Luxury.

The overall market for premium & luxury watches is dominated by organized players (92%), and within the organized by vertical specialist MBOs like Ethos, Kapoor Watch, Johnson Watch, Zimson, etc. The unorganized market consists of standalone unorganized players.

Figure 58: Share of organized & unorganized channels in Indian watch market (FY20)

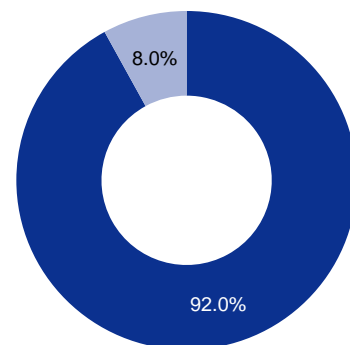
■ Organised Market ■ Unorganised Market



SOURCE: INCRED RESEARCH, ETHOS RHP

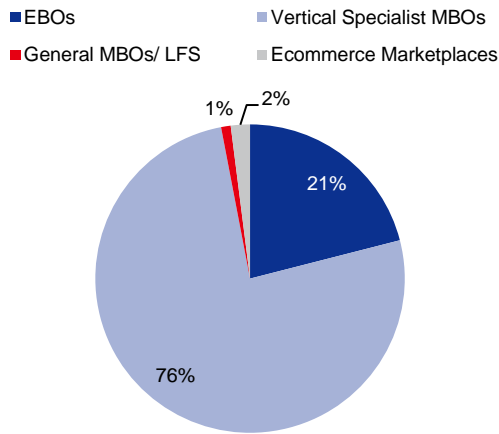
Figure 59: Share of organized & unorganized channels in Indian premium & luxury watch market (FY20)

■ Organised Market ■ Unorganised Market



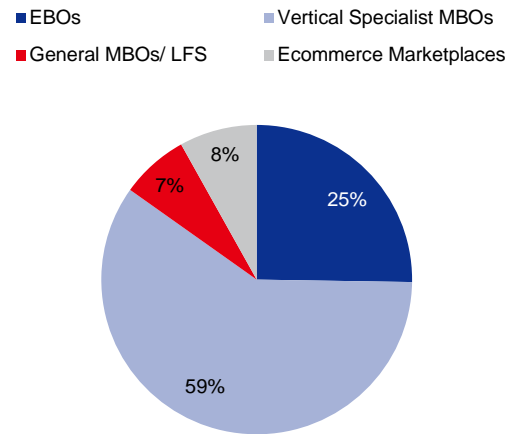
SOURCE: INCRED RESEARCH, ETHOS RHP

Figure 60: Retail structure in luxury watch market



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 61: Retail structure in premium & luxury watch market



SOURCE: INCRED RESEARCH, COMPANY REPORTS

India’s luxury watch competitive landscape

Globally and in India, vertical specialist MBO (multi-brand outlet)-led retailing is the dominant route to market for luxury and premium watches, given that the MBO route provides cost-effective and wider market access for luxury brands. Therefore, this (vertical specialist MBO) is the principal route for luxury brands.

India’s overall market for premium and luxury watches is dominated by organized players, and within organized by vertical specialist MBOs like Ethos, Kapoor Watch, Johnson Watch, Zimson, etc. The unorganized market consists of standalone unorganized players.

Ethos is India’s largest premium and luxury watch retailer ➤

Within the vertical specialist MBO route to market in India, luxury and premium watch retail sales are dominated by national player Ethos and regional/local MBO players like Kapoor Watch, and Johnson Watch. Ethos has a 13% share of total retail sales in the premium and luxury segment, and a share of 20% in the exclusively luxury segment. In the latter segment, where Ethos occupies a 20% share, regional and local players like Kapoor Watch occupy a 10% share, Johnson Watch occupies a 7% share and Zimson occupies a 6% share. This makes Ethos the largest retailer in premium and luxury watch sales in India.

Figure 62: Revenue of key vertical specialist MBOs (FY20)

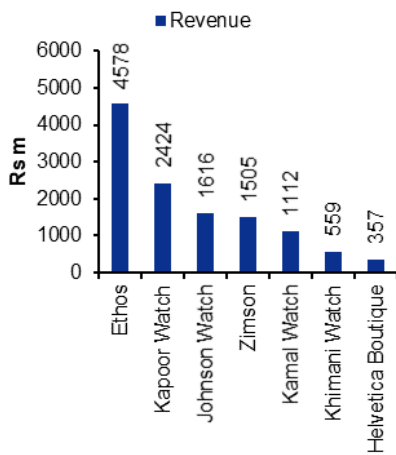


Figure 63: Revenue share in luxury watch market

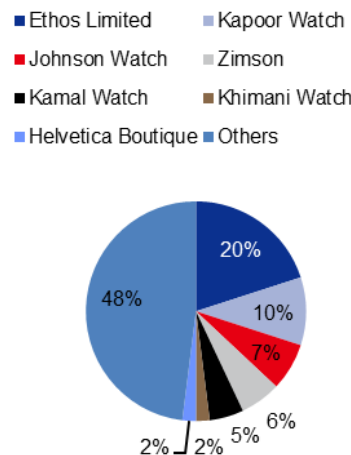
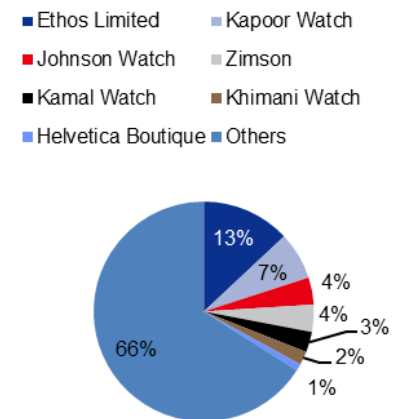


Figure 64: Revenue share in premium and luxury watch market



SOURCE: ETHOS RHP

Figure 65: Ethos, unlike most MBOs, is present across potential markets

Vertical Specialist	Metro	Mini-Metro	Tier-1	Tier-2	Tier-3	Total Stores
Ethos	41%	39%	18%	2%	0%	48
Zimson	0%	73%	23%	3%	0%	30
Johnson Watch Co.	100%	0%	0%	0%	0%	10
Kapoor Watch Co.	100%	0%	0%	0%	0%	11
Helios	26%	31%	20%	22%	1%	112
Art of Time	100%	0%	0%	0%	0%	2

SOURCE: ETHOS RHP

Figure 66: Wide range of SKUs enables Ethos to be the preferred shopping destination

Vertical Specialist	No of SKUs (approximate nos)		
	Bridge to Luxury	Luxury	High Luxury
Ethos	1,200	1,500	650
Zimson	550	1,100	-
Johnson Watch Co.	400	600	550
Kapoor Watch Co.	450	550	300
Helios	150	20	-

SOURCE: ETHOS RHP

Retailing approach of key vertical specialists ➤

- Kapoor Watch Co.:** It is a family-owned regional luxury watch vertical specialist with high focus on metro and tier-1 cites in North India including Delhi, Gurgaon & Noida. It has active online retail enablement whereby customers can contact the sales agent for sales queries, purchase, and after-sales service, while online purchase is voice-enabled through a customer service team.
- Johnson Watch Co.:** It is a regional luxury watch vertical specialist with increased focus on metro and tier-1 cites, primarily focusing on North India with stores in Delhi & Gurgaon. Johnson Watch Co. retails over 16 premium and luxury watch brands in India. It has a website with a personalized customer experience, customer support, promotion, product guidance, etc. Online purchase is voice-enabled through a customer service team.
- Zimson:** It is a South India-centric regional luxury watch vertical specialist with a focus on mini-metro cites. It has an active website for product and price discovery whereby customers can request a quote for purchase. The company also offers memberships, and reward points on purchase through interaction with its social media handles.
- Helios:** It is a pan-India vertical specialist by Titan Company, mainly operating in the fashion and premium segment, with a limited bridge to luxury range. It has a network of 112 stores spread across 47 cities. It actively retails through its website which offers sales, product guidance, live chat support, option to pre-bookstore visits, etc. Helios also provides omnichannel experience by providing customers the choice to 'order online and collect from store,' 'reserve online and try on in-store,' or 'get it shipped from nearest store.' Video shopping, online appointment booking, and endless aisle options are also available.

Figure 67: Comparison of vertical specialists on digital presence and loyalty programme

Retailers	Global/ Indian Retailer	Loyalty Programme	Number of Instagram Followers	Number of Likes on Facebook Page	Number of Twitter Followers	Website Ranking in India*
Hodinkee	Global	No	1,94,000	1,91,086	70,400	-
Ethos	Indian	Yes	1,64,000	1,57,655	4,935	8 th
Bucherer	Global	No	1,22,000	74,939	9,622	-
The Hourglass	Global	No	57,300	64,469	-	-
Watches of Switzerland	Global	Yes	53,200	1,95,555	5,620	-
Kapoor Watch Co	Indian	No	44,200	1,04,355	641	75 th
Helios	Indian	No	33,600	1,40,724	-	27 th
Johnson Watch Co	Indian	No	22,800	1,96,306	-	-
Zimson	Indian	No	9,400	21,802	337	-
Kamal Watch Co	Indian	No	8,000	35,610	-	-

SOURCE: ETHOS RHP

Certified pre-owned luxury watch market in India ▶

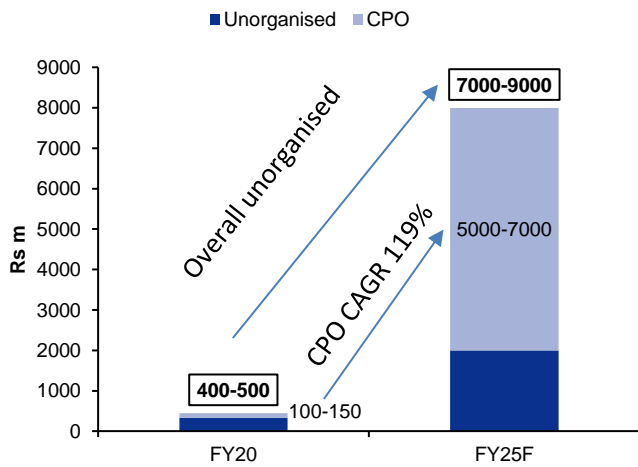
The overall luxury pre-owned market was valued at approximately Rs400-500m in FY20, largely dominated by the unorganized sector, accounting for almost 80% of the market. The organized sector offering certification on pre-owned luxury watches (i.e., CPO luxury watch) market is at a nascent stage in India and was valued at approximately Rs100-150m (i.e., 0.2% of the overall premium & luxury watch market). In comparison, the global CPO luxury market accounted for approximately 33% of the overall premium and luxury watch market in FY20. CPO share in India is currently miniscule and is dominated by the CPO business of Ethos. This market presents an opportunity to grow significantly from the current base, in line with the global trend.

Figure 68: Luxury CPO players in various categories

Brands	Category	Investor Funding
Poshmark	Fashion, Accessories and Apparels	Total funding of US\$153m in seven funding rounds including investors such as Menlo Ventures, Temasek Holdings, etc.
Cars24	Automobiles	Total funding of US\$1.3bn in 11 funding rounds from key investors such as the Alibaba Group Tencent, Softbank Vison Fund, Exor Seeds, etc.
Watchbox	Watches	Raised US\$165m in Nov 2021 from investors such as The Radcliff companies, Spurge House partnership, CMA Capital Partners, etc.
Chrono24	Watches	Chrono24 has raised a total ~US\$205m in six funding rounds from investors such as General Atlantic, Sprints Capitals & Insight Partners.
Watchfinder.co	Watches	Raised US\$10m in one funding round from its lead investor Piton Capital.

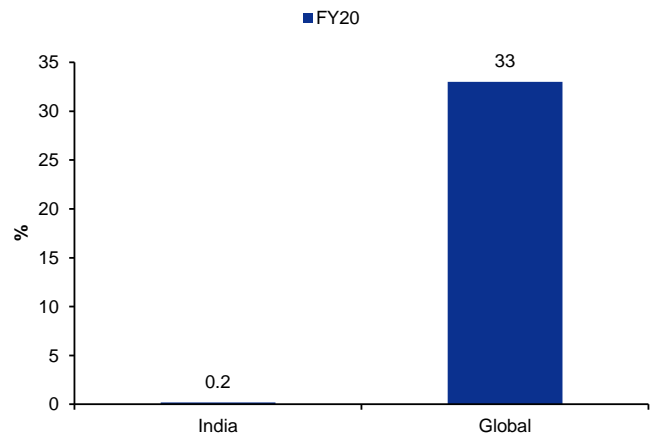
SOURCE: ETHOS RHP

Figure 69: India's pre-owned luxury market (approx. size)



SOURCE: ETHOS RHP

Figure 70: Organized CPO market as a % of total premium and luxury watch market (FY20)



SOURCE: ETHOS RHP

About the company

Brief profile of board of directors ►

Figure 71: Board of directors

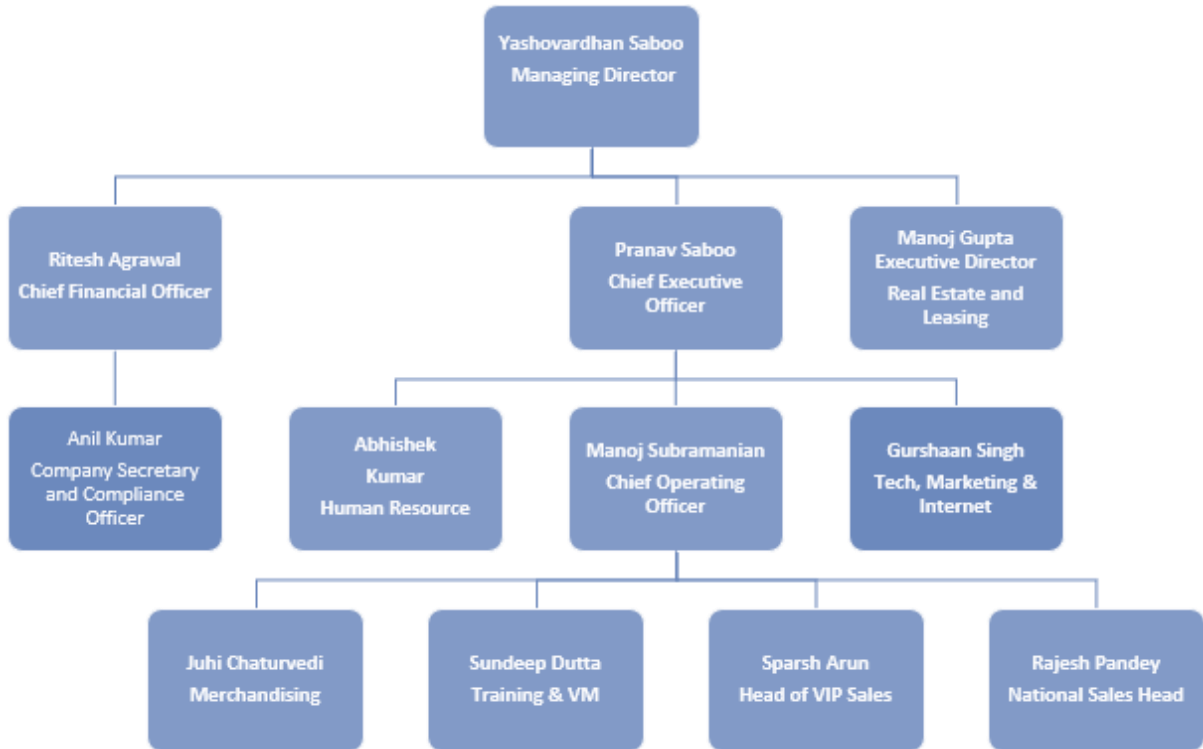
Name	Designation	Brief Profile
Yashovardhan Saboo	Managing Director	Yashovardhan Saboo, aged sixty-three years, is the managing director of Ethos since 5 Nov 2007. He holds a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He is the promoter of the company and has vast experience of working in manufacturing and retail industry. He is also the promoter of KDDL Limited. He has been conferred with 'Udyog Ratna' award from PHDCCI in 2005.
Mr. Anil Khanna	Independent Director	Anil Khanna, aged 62 years, is an independent director of Ethos since 5 Nov 2007. He holds a Bachelor of Arts (economics, mathematics) degree and is also a qualified chartered accountant from The Institute of Chartered Accountants of India. He holds a diploma in information systems audit and is a certified forensic accountant and fraud detector from ICAI.
Mr. Nagarajan Subramanian	Independent Director	Nagarajan Subramanian, aged 65 years, is an independent director of Ethos since 29 Jun 2011. He holds a Bachelor of Technology (Mechanical Engineering) degree from College of Engineering, Chennai, and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. Prior to joining the company, he was associated with Titan Industries Ltd., and Walt Disney India Pvt. Ltd. Currently, he is running 'en theos consulting', which is a boutique consultancy firm focusing on lifestyle retailing advisory.
Mr. Sundeep Kumar	Independent Director	Sundeep Kumar, aged 63 years, is an independent director of Ethos since 6 Oct 2016. He holds a bachelor's degree in economics from Delhi University and has done his Master of Business Administration degree from the Indian Institute of Management, Ahmedabad. He has rich experience in the field of communication and general management. He has been heading corporate affairs and communication of Dalmia Bharat. He has also worked with Novartis Healthcare.
Mrs. Neelima Tripathi	Independent Director	Neelima Tripathi, aged 58 years, is an independent director of Ethos since 9 Aug 2016. She is a practicing advocate by profession and is registered with the Bar Council of Delhi. She is also a qualified chartered accountant from The Institute of Chartered Accountants of India. She has over 20 years of experience in handling civil litigations, arbitrations, appearances at tribunals, courts, commissions etc.
Mr. Dilpreet Singh	Independent Director	Dilpreet Singh, aged 63 years, is an independent director of the company since 9 Apr 2018. He holds a bachelor's degree in law from Delhi University and a master's degree in personnel management and industrial relations from University Business School, Chandigarh. He is currently an employability consultant at Amazon Web Services India (AISPL). He has served in various capacities within IBM, including vice president and human resource head at IBM India, human resource leader in the Middle East and Africa, and director of human resource and resourcing at IBM Daksh.
Mr. Mohaimin Altaf	Independent Director	Mohaimin Altaf, aged 36 years, is an independent director of Ethos since 9 Apr 2018. He has completed his Bachelor of Arts in economics and Master of Business Administration from the Wharton School, University of Pennsylvania. Prior to joining the company, he worked as a strategy and M & A analyst with Morgan Stanley, New York.
Mr. Manoj Gupta	Executive Director	Manoj Gupta, aged 52 years, is executive director of Ethos since 12 Feb 2020. He holds a Bachelor of Arts degree from University of Punjab and has done advance diploma in tool and die-making from Central Scientific Instruments Organization, Indo-Swiss Training Centre. Prior to joining the organization, he has worked with Titan Industries Limited. He was also associated with KDDL Limited. Thereafter, he was transferred to this company as vice president operations – Summit.
Mr. Patrik Paul Hoffmann	Non- Independent Director	Patrik Paul Hoffman, aged 56 years, is a non-independent director of Ethos since 11 Jun 2021. He has done his education from Business School of the Association of Commerce, Switzerland (Accountant with Federal Diploma, CPA, Certified Public Accountant). He has also completed marketing management, international management, sales management, marketing research and marketing decision making from Andrews University, USA. He has over 30 years' experience in the watch industry and has been at leadership positions with global watch brands and retailers.
Mr. Chitranjan Agarwal	Additional Director (Non-Independent Non-Executive)	Chitranjan Agarwal, aged 55 years, is an additional director of Ethos since 28 Mar 2022. He holds a bachelor's degree in Commerce and LLB and is also a chartered accountant from ICAI. He has more than 30 years of experience in the field of accountancy, finance and audit.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key managerial personnel ►

- **Pranav Shankar Saboo**, aged 34 years, is the chief executive officer of Ethos. He is an undergraduate and has been associated with Ethos as a director since 31 Jan 2015. He was thereafter elevated as CEO of Ethos with effect from 1 Apr 2018. He is also the founder and is on the board of Dream Digital Technology Limited, a multi-faceted digital marketing company.
- **Ritesh Kumar Agrawal**, aged 40 years, is the chief financial officer of Ethos. He has 17 years of experience in finance. He is an associate member of The Institute of Chartered Accountants of India. He holds a bachelor's degree in commerce from Sambalpur University. He has previously been associated with Spencer's Retail Limited, Baxter Pharmaceuticals Private Limited, Intertek India Private Limited, and PricewaterhouseCoopers Private Limited. He joined Ethos on 17 Aug 2021.
- **Anil Kumar**, aged 35 years, is company secretary and compliance officer of the company since 29 Jun 2011. He holds a Bachelor of Commerce degree from Nagpur University. He is a Fellow Member of The Institute of Company Secretaries of India and has over 12 years of experience in legal and secretarial compliance. He has also served as treasurer and chairman of the Chandigarh chapter of Northern India Regional Council of the Institute of Company Secretaries of India during 2019 and 2020, respectively.

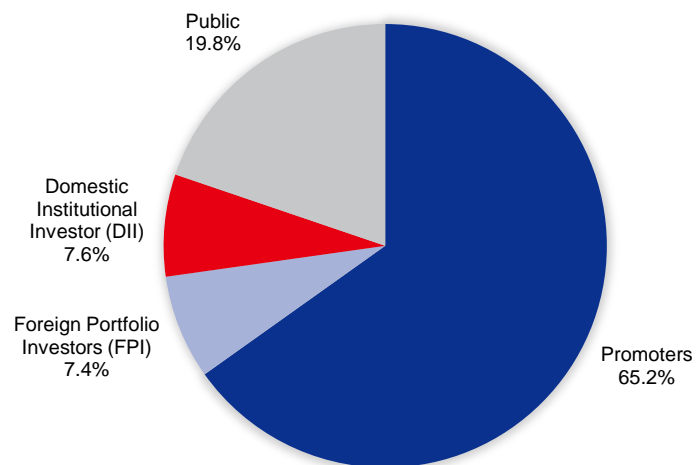
Figure 72: Organization structure



SOURCE: INCRED RESEARCH, COMPANY REPORTS

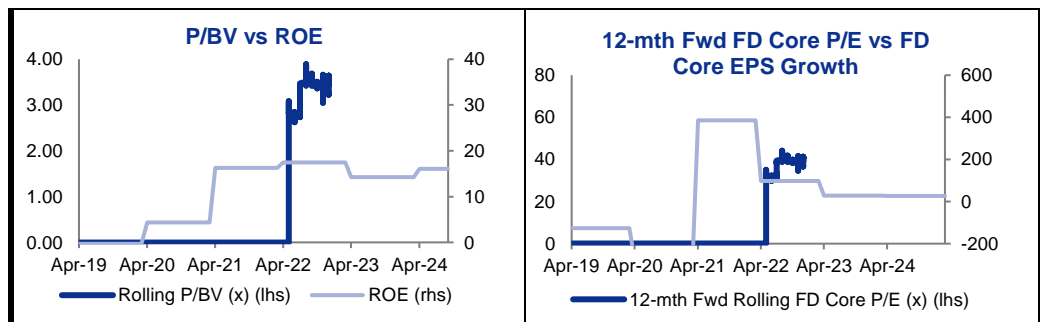
Shareholding pattern ➤

Figure 73: Shareholding pattern of Ethos (as on 30 Sep 2022)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	3,866	5,773	7,563	9,827	12,681
Gross Profit	1,049	1,661	2,387	3,103	4,035
Operating EBITDA	397	669	1,143	1,472	1,899
Depreciation And Amortisation	(325)	(315)	(335)	(423)	(550)
Operating EBIT	72	354	809	1,049	1,349
Financial Income/(Expense)	(159)	(146)	(41)	(63)	(102)
Pretax Income/(Loss) from Assoc.	1		5	5	5
Non-Operating Income/(Expense)	153	107	10	10	10
Profit Before Tax (pre-EI)	68	316	783	1,001	1,262
Exceptional Items					
Pre-tax Profit	68	316	783	1,001	1,262
Taxation	(20)	(81)	(197)	(252)	(318)
Exceptional Income - post-tax					
Profit After Tax	48	234	585	749	944
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	48	234	585	749	944
Recurring Net Profit	48	234	585	749	944
Fully Diluted Recurring Net Profit	48	234	585	749	944

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	397	669	1,143	1,472	1,899
Cash Flow from Invt. & Assoc.					
Change In Working Capital	266	(432)	(945)	(668)	(937)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(154)	(114)	(26)	(48)	(87)
Net Interest (Paid)/Received	158	141	41	63	102
Tax Paid	(27)	(97)	(197)	(252)	(318)
Cashflow From Operations	641	167	16	567	658
Capex	(96)	(237)	(523)	(210)	(223)
Disposals Of FAs/subsidiaries	2	2			
Acq. Of Subsidiaries/Investments	(7)	(9)			
Other Investing Cashflow	2	6	107	97	93
Cash Flow From Investing	(100)	(238)	(416)	(113)	(130)
Debt Raised/(repaid)	(237)	73	(494)	(100)	
Proceeds From Issue Of Shares		476	3,750		
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(59)	(62)	(28)	(14)	(10)
Cash Flow From Financing	(296)	487	3,227	(114)	(10)
Total Cash Generated	244	416	2,827	341	518
Free Cashflow To Equity	303	2	(894)	354	528
Free Cashflow To Firm	371	(232)	(548)	294	333

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	205	399	2,856	2,705	2,623
Total Debtors	122	52	83	108	139
Inventories	1,978	2,499	3,522	4,367	5,539
Total Other Current Assets	261	415	522	678	875
Total Current Assets	2,565	3,365	6,982	7,857	9,176
Fixed Assets	313	380	806	932	1,031
Total Investments	8	16	16	16	16
Intangible Assets					
Total Other Non-Current Assets	1,049	1,285	1,585	1,980	2,302
Total Non-current Assets	1,370	1,681	2,407	2,928	3,349
Short-term Debt	268	318	54		
Current Portion of Long-Term Debt					
Total Creditors	720	835	932	1,212	1,563
Other Current Liabilities	300	260	414	538	695
Total Current Liabilities	1,288	1,413	1,400	1,750	2,258
Total Long-term Debt	171	276	46		
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	907	1,040	1,290	1,634	1,921
Total Non-current Liabilities	1,077	1,316	1,337	1,634	1,921
Total Provisions					
Total Liabilities	2,366	2,729	2,737	3,384	4,180
Shareholders Equity	1,569	2,317	6,652	7,401	8,345
Minority Interests					
Total Equity	1,569	2,317	6,652	7,401	8,345

Key Ratios					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(15.6%)	49.3%	31.0%	29.9%	29.0%
Operating EBITDA Growth	(23.5%)	68.5%	70.9%	28.8%	29.0%
Operating EBITDA Margin	10.3%	11.6%	15.1%	15.0%	15.0%
Net Cash Per Share (Rs)	(12.74)	(10.58)	118.02	115.83	112.32
BVPS (Rs)	85.55	125.68	284.90	316.97	357.40
Gross Interest Cover	0.42	2.13	5.46	6.54	6.92
Effective Tax Rate	29.0%	25.8%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio					
Accounts Receivables Days	10.18	5.49	3.25	3.54	3.55
Inventory Days	269.77	198.72	212.30	214.12	209.10
Accounts Payables Days	93.58	69.04	62.34	58.19	58.58
ROIC (%)	2.3%	13.1%	22.9%	20.3%	21.4%
ROCE (%)	3.9%	15.2%	19.0%	16.2%	18.3%
Return On Average Assets	5.5%	10.3%	11.4%	10.5%	11.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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