

India

ADD (no change)

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:	Rs2,567		
Target price:	Rs2,960 ▲		
Previous target:	Rs1,973		
Up/downside:	15.3%		
InCred Research / Consensus:	0.3%		
Reuters:	ETHOSLTD IN		
Bloomberg:	ETHOSLTD IN		
Market cap:	US\$866m		
	Rs62,851m		
Average daily turnover:	US\$2.2m		
	Rs161.2m		
Current shares o/s:	24.5m		
Free float:	44.3%		
*Source: Bloomberg			

Key changes in this note

- Raise the target price to Rs2,960 from Rs1,973 earlier.
- Lower FY25F/26F EPS by 11%/13%.

Price performance	1M	3M	12M
Absolute (%)	13.7	(6.3)	87.6
Relative (%)	7.7	(9.4)	53.2

Major shareholders

	% held
Promoters	55.7
ICICI Prudential Fund	6.2
Invesco	3.8

Ethos Limited

Maintains its strong growth momentum

- Ethos maintained its strong growth momentum at 21.7%/26.7% yoy in 4Q/FY24, respectively, led by strong demand from the luxury segment.
- Gross margin/EBITDA margins are expected to improve led by price hikes (7-8%) and lower import duties led by the India-Switzerland FTA agreement.
- We remain upbeat on Ethos' growth prospects led by healthy demand for luxury products. Retain ADD with a higher target price of Rs2,960.

Maintains strong growth momentum

Revenue of Ethos grew 21.7%/26.7% yoy to Rs2.5/Rs9.9bn in 4QFY24/FY24, respectively. Management commentary exuberated confidence to maintain the trajectory going ahead. The average selling price (per watch) was up 19% yoy at Rs1,89,844 in FY24 (vs. Rs1,59,476 in FY23) led by strong demand in the luxury segment. Visitors from online channels were down to 21,405 in FY24 (vs. 23,643 in FY23) largely led by the exit of sub-Rs100k price points. Online billings grew by 26.3% yoy to Rs3.58bn, despite the drop in visitors, indicating healthy demand from the luxury segment. Ethos is in advanced talks with several brands to add them to its portfolio and is likely to maintain its growth trajectory.

Network expansion to continue at a healthy pace

Ethos plans to add 20 new stores in FY25F and targets reaching a network of 150 stores over the next five-to-six years. It plans to open a second service centre in Bengaluru (in 2QFY25F) and further step up its play in the lifestyle segment (Rimowa, Messika, etc). Management believes the India-Switzerland FTA agreement will bring in more luxury brands as well as improve margins (led by a duty reduction). Management targets a 10x growth over the next decade and is expected to maintain its leadership position in the growing luxury segment in India. Improving sales mix of luxury and high luxury watches (up 200bp yoy at 68% in FY24) should further aid margin improvement going ahead.

Margin expansion aided by improved operational efficiency

Gross margin contracted by 19bp yoy to 29.2% in 4QFY24 led by forex headwinds, which are expected to be offset by price hikes going ahead (c.7-8% taken in 1QFY25F). Despite a drop in gross margin and a 29% yoy growth in employee expenses, the EBITDA margin expanded by 197bp yoy to 9.2% in 4QFY24 led by better operating efficiency. EBITDA grew 41.2% yoy to Rs360m while PAT grew 58.3% yoy to Rs210m. Margins are expected to benefit from the tailwinds of lower import duties as well as price hikes.

Retain ADD rating with a higher target price of Rs2,960

We expect some moderation in growth in 1HFY25F due to the recent general elections, but growth is expected to pick up from 2HFY25F, to which we have rationalized our sales growth estimates by 8.6%/8.7% for FY25F/26F, respectively. We retain our ADD rating on Ethos, raising its target price to Rs2,960 (from Rs1,973) based on a higher P/E multiple of 51x Mar 2026F EPS. Downside risks: Slowdown in demand for luxury goods.

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Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	5,773	7,885	9,990	12,660	15,990
Operating EBITDA (Rsm)	669	1,144	1,517	2,006	2,610
Net Profit (Rsm)	234	603	833	1,074	1,420
Core EPS (Rs)	12.7	25.8	34.0	43.9	58.0
Core EPS Growth	385.1%	103.3%	31.7%	28.9%	32.3%
FD Core P/E (x)	202.05	99.41	75.46	58.54	44.26
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)	71.04	50.47	39.19	29.65	22.57
P/FCFE (x)	24,590.58	(15.54)	(62.22)	80.93	50.51
Net Gearing	8.4%	(34.9%)	(38.5%)	(33.8%)	(34.8%)
P/BV (x)	20.43	9.49	7.11	6.34	5.55
ROE	12.1%	14.0%	11.0%	11.5%	13.4%
% Change In Core EPS Estimates				(11.07%)	(12.94%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

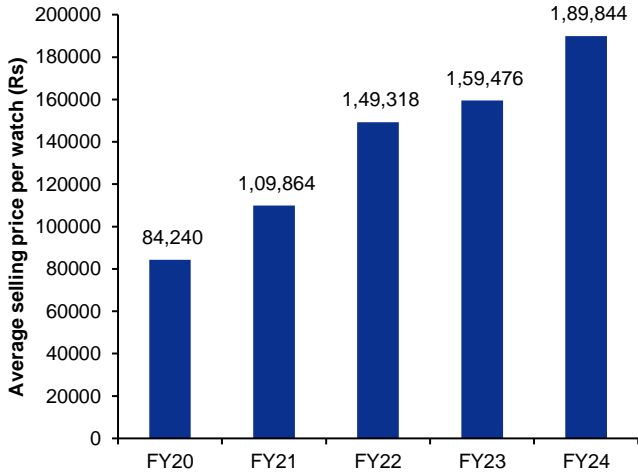
Maintains its strong growth momentum

Figure 1: Quarterly summary – consolidated

Y/E Mar (Rs m)	4QFY23	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23	FY24	Gr (%)
Revenue	2,076	2,812	2,525	21.7	-10.2	7,885	9,990	26.7
Expenditure	1,821	2,367	2,165	18.9	-8.5	6,741	8,473	25.7
Cost of goods sold	1,466	1,975	1,789	22.0	-9.4	5,444	6,984	28.3
as % of sales	70.6	70.2	70.8	0.3	0.9	69.0	69.9	
Employee cost	150	163	194	29.0	18.6	527	704	33.6
as % of sales	7.2	5.8	7.7	6.0	32.1	6.7	7.0	
Other expenditure	204	229	183	-10.5	-20.2	771	786	1.9
as % of sales	9.8	8.1	7.2	-26.4	-11.1	9.8	7.9	
EBITDA	255	445	360	41.2	-19.2	1,144	1,517	32.6
Depreciation	95	125	127	34.3	1.6	346	487	40.6
EBIT	160	320	233	45.2	-27.4	798	1,030	29.2
Other income	50	62	84	68.2	35.0	146	236	62.2
Interest	35	40	40			142	160	
PBT	175	342	276	57.5	-19.2	802	1,106	38.0
Total tax	45	88	67	50.1	-24.2	204	280	37.5
Net profit (before extraordinary items)	131	254	209	60.0	-17.5	598	826	38.2
Extraordinary items	2	1	1	NA	NA	5	7	NA
Reported net profit	133	255	210	58.3	-17.6	603	833	38.1
Adjusted EPS	5.7	10.4	8.6	51.0	-17.6	25.8	34.0	31.8
Margins (%)				(bp)	(bp)			(bp)
Gross margin	29.4	29.8	29.2	-19	-62	31.0	30.1	-87
EBITDA	12.3	15.8	14.2	197	-159	14.5	15.2	68
EBIT	7.7	11.4	9.2	149	-217	10.1	10.3	20
EBT	8.5	12.2	10.9	249	-122	10.2	11.1	91
Net profit	6.3	9.0	8.3	199	-73	7.6	8.3	69
Effective tax rate	25.5	25.8	24.3	-120	-158	25.4	25.3	-9

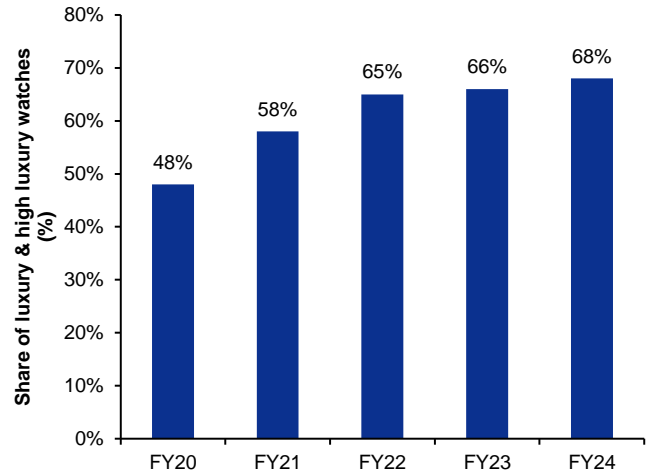
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Average selling price per watch grew 19% yoy in FY24 due to strong demand from the luxury segment



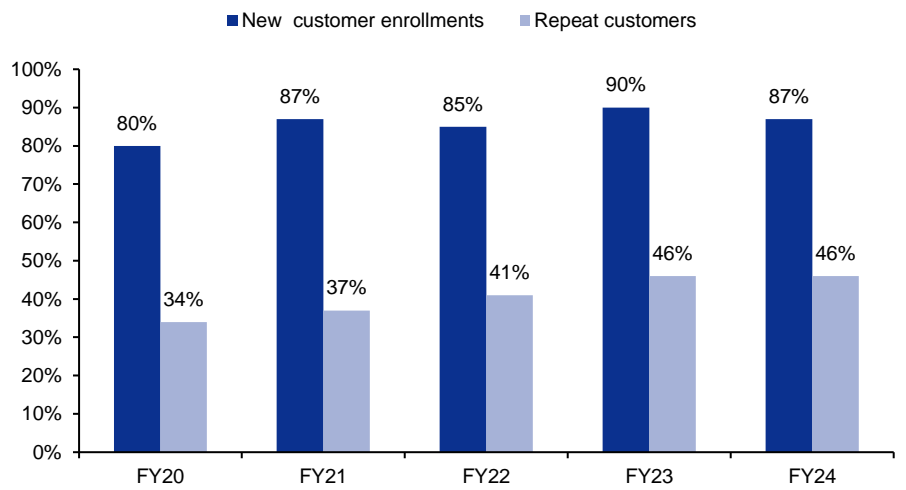
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Share of luxury and high luxury segment expanded by 200bp yoy to 68% of sales in FY24



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Share of repeat customers remained healthy at 46% in FY24



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Entered Mohali in FY24 – network expansion to continue in a strong manner



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Launched Swiss brand Cuervo Y Sobrinos in FY24



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Launched Eberhard brand in FY24



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Launched CIGA Design in FY24



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Launched CVSTOS in FY24



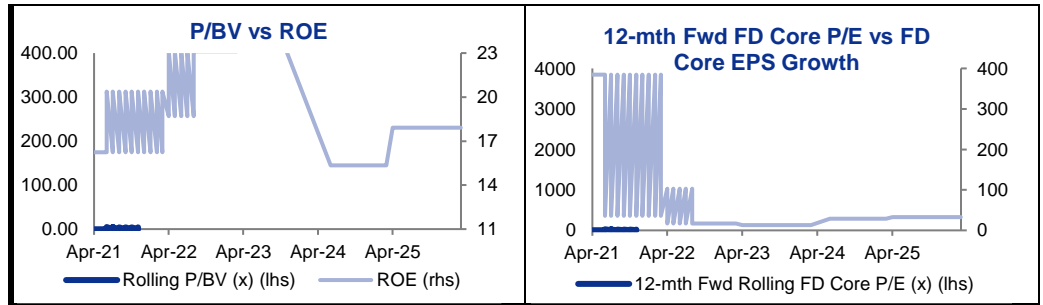
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Our revised earnings estimates

Particulars	New estimates		Old estimates		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Revenue	12,660	15,990	13,850	17,517	-8.6	-8.7
EBITDA	2,006	2,610	2,212	2,856	-9.3	-8.6
Adjusted consol. PAT	1,074	1,420	1,551	1,556	-30.8	-8.7
EPS	43.9	58.0	49.3	66.6	-11.0	-12.9
EBITDA margin (%)	15.8	16.3	16.0	16.3	-12 bp	2 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	5,773	7,885	9,990	12,660	15,990
Gross Profit	1,661	2,442	3,006	3,954	4,993
Operating EBITDA	669	1,144	1,517	2,006	2,610
Depreciation And Amortisation	(315)	(346)	(487)	(581)	(679)
Operating EBIT	354	798	1,030	1,425	1,931
Financial Income/(Expense)	(146)	(66)	(85)	(42)	(83)
Pretax Income/(Loss) from Assoc.		5	7	7	7
Non-Operating Income/(Expense)	107	70	161	50	50
Profit Before Tax (pre-EI)	316	807	1,113	1,440	1,904
Exceptional Items					
Pre-tax Profit	316	807	1,113	1,440	1,904
Taxation	(81)	(204)	(280)	(366)	(484)
Exceptional Income - post-tax					
Profit After Tax	234	603	833	1,074	1,420
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	234	603	833	1,074	1,420
Recurring Net Profit	234	603	833	1,074	1,420
Fully Diluted Recurring Net Profit	234	603	833	1,074	1,420

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	669	1,144	1,517	2,006	2,610
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(432)	(970)	(936)	(834)	(932)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(114)	(15)	28	15	(26)
Net Interest (Paid)/Received	141	21	(23)	42	83
Tax Paid	(97)	(203)	(279)	(366)	(484)
Cashflow From Operations	167	(22)	308	863	1,250
Capex	(237)	(566)	(394)	(257)	(188)
Disposals Of FAs/subsidiaries	2	11	79		
Acq. Of Subsidiaries/investments	(9)	(2,082)	(1,031)		
Other Investing Cashflow	6	75	119	171	182
Cash Flow From Investing	(238)	(2,562)	(1,228)	(87)	(6)
Debt Raised/(repaid)	73	(868)	(67)		
Proceeds From Issue Of Shares	476	3,750	1,750		
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(62)	(41)	(24)	(17)	(18)
Cash Flow From Financing	487	2,841	1,659	(17)	(18)
Total Cash Generated	416	257	739	760	1,227
Free Cashflow To Equity	2	(3,452)	(987)	777	1,244
Free Cashflow To Firm	(232)	(2,725)	(1,080)	564	979

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	399	2,286	3,468	3,356	3,944
Total Debtors	52	62	156	197	249
Inventories	2,499	3,399	4,396	5,327	6,418
Total Other Current Assets	415	638	649	823	1,039
Total Current Assets	3,365	6,385	8,669	9,703	11,651
Fixed Assets	380	935	927	1,115	1,105
Total Investments	16	21	240	240	240
Intangible Assets					
Total Other Non-Current Assets	1,285	1,455	1,753	2,023	2,067
Total Non-current Assets	1,681	2,412	2,921	3,378	3,412
Short-term Debt	318	9	46		
Current Portion of Long-Term Debt					
Total Creditors	835	966	960	1,216	1,536
Other Current Liabilities	260	285	428	543	686
Total Current Liabilities	1,413	1,260	1,435	1,759	2,222
Total Long-term Debt	276	71	21		
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,040	1,151	1,412	1,794	1,938
Total Non-current Liabilities	1,316	1,222	1,432	1,794	1,938
Total Provisions					
Total Liabilities	2,729	2,482	2,867	3,553	4,160
Shareholders Equity	2,317	6,315	8,840	9,913	11,333
Minority Interests					
Total Equity	2,317	6,315	8,840	9,913	11,333

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	49.3%	36.6%	26.7%	26.7%	26.3%
Operating EBITDA Growth	68.5%	71.0%	32.6%	32.2%	30.1%
Operating EBITDA Margin	11.6%	14.5%	15.2%	15.8%	16.3%
Net Cash Per Share (Rs)	(10.58)	94.50	138.93	137.07	161.12
BVPS (Rs)	125.68	270.45	361.09	404.95	462.96
Gross Interest Cover	2.13	5.63	6.43	6.71	7.27
Effective Tax Rate	25.8%	25.3%	25.2%	25.4%	25.4%
Net Dividend Payout Ratio					
Accounts Receivables Days	5.49	2.63	3.97	5.09	5.10
Inventory Days	198.72	197.72	203.71	203.81	194.91
Accounts Payables Days	69.04	60.38	50.32	45.61	45.67
ROIC (%)	13.1%	22.6%	19.7%	21.9%	25.0%
ROCE (%)	15.2%	18.8%	14.5%	17.0%	19.9%
Return On Average Assets	10.3%	12.6%	11.8%	12.0%	14.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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