



India

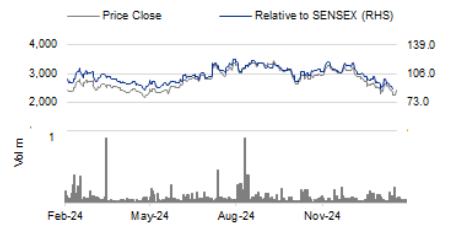
ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	Rs2,445
Target price:	Rs3,400
Previous target:	Rs3,400
Up/downside:	39.1%
InCred Research / Consensus:	-2.0%

Reuters:	
Bloomberg:	ETHOSLTD IN
Market cap:	US\$689m
	Rs59,863m
Average daily turnover:	US\$1.4m
	Rs122.2m
Current shares o/s:	24.5m
Free float:	49.2%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(6.9)	(17.0)	2.8
Relative (%)	(6.2)	(15.2)	(2.8)

Major shareholders	% held
Promoters	50.8
ICICI Prudential Fund	7.0
Invesco	5.5

Ethos Limited

Strong momentum expected to sustain

- Ethos maintained its strong growth momentum at 31.5%/24.5% yoy/qoq in 3Q/9MFY25, respectively, led by strong demand from the luxury segment.
- Gross margin/EBITDA margin are expected to remain rangebound in the near term. Store expansion is expected across formats (added 5 new stores in 3Q).
- We remain upbeat on the growth prospects of Ethos led by healthy demand for its luxury products. Maintain ADD rating with an unchanged TP of Rs3,400.

Luxury goods demand stays healthy; gradual improvement expected

The revenue of Ethos grew by 31.5%/24.5% yoy/qoq, respectively, to Rs3.7bn in 3QFY25. Same store sales growth (SSSG) improved by 400bp/280bp yoy to 23.1%/18.3% in 3Q/9MFY25, respectively. The average selling price or ASP (per watch) was up 11.2% yoy at Rs2,07,500 in 9MFY25 led by strong demand in luxury and high-end segments. The share of luxury and high luxury watches stood at 71% in 9MFY25 vs. 66%/68% in FY23/24, respectively. In terms of retail presence, the company entered three new cities in 9MFY25—Dehradun, Kochi and Mangaluru, taking its presence to 26 cities (five stores added in 3Q).

Network expansion continues; expected to add six new stores in 4Q

Ethos plans to add six new stores in 4QFY25F, in addition to some of the delayed stores in Delhi/NCR and targets reaching a network of 150 stores over the next five-to-six years. The implementation of Graded Response Action Plan (GRAP) for pollution control in Delhi/NCR was in effect for 52 days; however, its impact on the construction and renovation of new boutiques got extended to 75 days due to intermittent imposition and lifting of restrictions, despite which management remains optimistic about the addition of more stores to broaden its presence in such key markets. Ethos has signed six new exclusive brand partnerships so far this year, with more tie-ups in the pipeline. Lifestyle formats performed well. Ethos has added luggage brand 'Zero Halliburton' after the strong traction from 'Rimowa'. Revenue from exclusive brands stood at 29.7%/29.5% in 3Q/9MFY25.

Margins expected to remain rangebound in the medium term

Gross margin contracted by 65bp yoy to 29.1% in 3QFY25. EBITDA stood at Rs570m, up 28% yoy. Higher employee costs (up 48% yoy; 6.6% of sales), and other expenses (up 15.5% yoy) led to EBITDA margin contraction of 40bp yoy to 15.4%. These were driven by higher costs associated with manpower for new stores added and rent for such stores (including the seven delayed due to GRAP implementation), which are in the early stages of generating sales. Focus will remain on sustaining the growth momentum across formats.

Retain ADD rating with an unchanged target price of Rs3,400

We remain upbeat on the growth prospects of Ethos and expect it to clock 27%/26% sales/earnings CAGR, respectively, over FY24-FY27F. We retain our ADD rating on Ethos, with an unchanged target price to Rs3,400 based on a P/E multiple of 50x on FY27F EPS, and add it to our High Conviction ideas list. Downside risks: Slowdown in demand for luxury goods.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	7,885	9,990	12,498	16,311	21,586
Operating EBITDA (Rsm)	1,144	1,517	1,925	2,512	3,454
Net Profit (Rsm)	603	833	917	1,209	1,663
Core EPS (Rs)	25.8	34.0	37.4	49.4	67.9
Core EPS Growth	103.3%	31.7%	10.0%	31.9%	37.6%
FD Core P/E (x)	94.68	71.87	65.31	49.53	35.99
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)	47.97	37.21	29.36	22.26	15.86
P/FCFE (x)	(14.80)	(59.26)	104.17	65.60	73.27
Net Gearing	(34.9%)	(38.5%)	(34.4%)	(36.0%)	(40.2%)
P/BV (x)	9.04	6.77	6.14	5.46	4.74
ROE	14.0%	11.0%	9.9%	11.7%	14.1%
% Change In Core EPS Estimates			(2.28%)	(3.91%)	(0.30%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

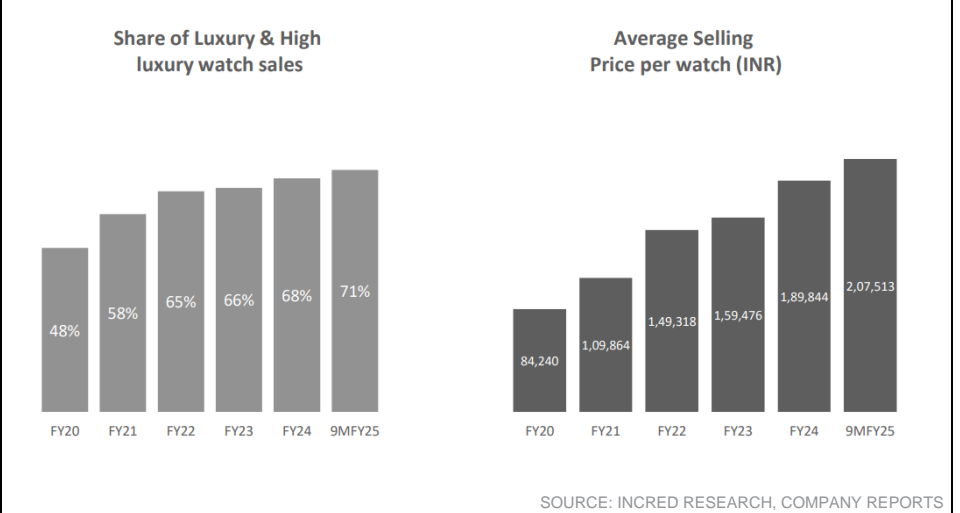
Strong momentum expected to sustain

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr (%)
Revenue	2,812	2,971	3,699	31.5	24.5	7,465	9,403	26.0
Expenditure	2,367	2,550	3,129	32.2	22.7	6,307	7,979	26.5
Cost of goods sold	1,975	2,075	2,621	32.8	26.3	5,195	6,619	27.4
as % of sales	70.2	69.8	70.9	0.9	1.5	69.6	70.4	
Employee costs	163	207	243	48.9	17.8	510	640	25.6
as % of sales	5.8	7.0	6.6	13.2	-5.4	6.8	6.8	
Other expenditure	229	268	264	15.5	-1.6	603	719	19.3
as % of sales	8.1	9.0	7.1	-12.2	-20.9	8.1	7.6	
EBITDA	445	422	570	28.0	35.3	1,157	1,425	23.1
Depreciation	125	150	167	33.7	11.7	359	461	28.2
EBIT	320	272	403	25.8	48.3	798	964	20.8
Other Income	62	61	57	-7.9	-6.2	152	183	20.4
Interest	40	45	52			120	142	
PBT	342	287	409	19.4	42.2	830	1,004	21.0
Total tax	88	74	111	25.8	50.5	213	264	23.8
Net profit (before extraordinary items)	254	213	297	17.2	39.3	617	740	20.0
Extraordinary items	1	-1	-2	NA	NA	6	-5	NA
Reported net profit	255	212	295	15.6	38.8	623	735	18.1
Adjusted EPS	10.4	8.7	12.0	15.6	38.8	25.4	30.0	18.1
Margins (%)				(bp)	(bp)			(bp)
Gross Margin	29.8	30.2	29.1	-65	-103	30.4	29.6	-80
EBITDA	15.8	14.2	15.4	-42	123	15.5	15.2	-36
EBIT	11.4	9.1	10.9	-50	175	10.7	10.3	-44
EBT	12.2	9.7	11.0	-112	138	11.1	10.7	-44
Net profit	9.0	7.2	8.0	-98	86	8.3	7.9	-39
Effective tax rate	25.8	25.7	27.2	138	150	25.7	26.3	61

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Share of luxury and high luxury watches stood at 71% in 9MFY25



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Added presence in Dehradun, Mangaluru and Kochi this year



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Zero Halliburton added as an exclusive brand after the traction in Rimowa



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Launched Dutch watch brand - Christian van der Klaauw



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Signed ab Austrian watch brand - Carl Suchy & Söhne



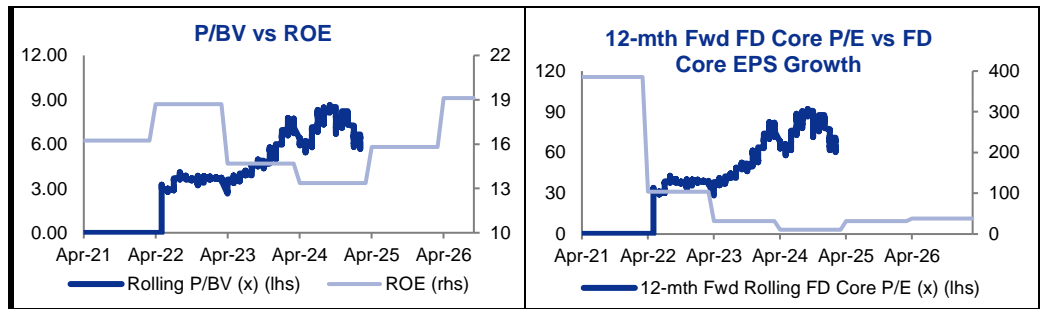
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our revised earnings estimates

Rs. m	FY25F			FY26F			FY27F		
	Previous	Revised	% Change	Previous	Revised	% Change	Previous	Revised	% Change
Revenue	12,498	12,498	-	16,311	16,311	-	20,368	20,368	-
EBITDA	2,037	1,925	(5.5)	2,789	2,512	(9.9)	3,605	3,259	(9.6)
EBITDA Margin (%)	16.3	15.4	-90bp	17.1	15.4	-170bp	17.7	16.0	-170bp
Net Profit	938	917	(2.3)	1,258	1,257	(0.1)	1,668	1,660	(0.5)
EPS (Rs.)	38.3	37.4	(2.3)	51.4	51.4	(0.1)	68.1	67.8	(0.5)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	7,885	9,990	12,498	16,311	21,586
Gross Profit	2,442	3,006	3,924	5,040	6,800
Operating EBITDA	1,144	1,517	1,925	2,512	3,454
Depreciation And Amortisation	(346)	(487)	(663)	(802)	(1,046)
Operating EBIT	798	1,030	1,262	1,710	2,407
Financial Income/(Expense)	(66)	(41)	(196)	(254)	(345)
Pretax Income/(Loss) from Assoc.	5	7	7	7	7
Non-Operating Income/(Expense)	70	117	170	175	185
Profit Before Tax (pre-EI)	807	1,113	1,242	1,638	2,254
Exceptional Items					
Pre-tax Profit	807	1,113	1,242	1,638	2,254
Taxation	(204)	(280)	(325)	(429)	(590)
Exceptional Income - post-tax					
Profit After Tax	603	833	917	1,209	1,663
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	603	833	917	1,209	1,663
Recurring Net Profit	603	833	917	1,209	1,663
Fully Diluted Recurring Net Profit	603	833	917	1,209	1,663

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	1,144	1,517	1,925	2,512	3,454
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(970)	(936)	(954)	(1,192)	(2,003)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(15)	28	(20)	(72)	(154)
Net Interest (Paid)/Received	21	(23)	196	254	345
Tax Paid	(203)	(279)	(325)	(429)	(590)
Cashflow From Operations	(22)	308	822	1,073	1,052
Capex	(566)	(394)	(350)	(306)	(326)
Disposals Of FAs/subsidiaries	11	79			
Acq. Of Subsidiaries/investments	(2,082)	(1,031)			
Other Investing Cashflow	75	119	102	146	90
Cash Flow From Investing	(2,562)	(1,228)	(247)	(160)	(235)
Debt Raised/(repaid)	(868)	(67)			
Proceeds From Issue Of Shares	3,750	1,750			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(41)	(24)	(9)	(10)	(11)
Cash Flow From Financing	2,841	1,659	(9)	(10)	(11)
Total Cash Generated	257	739	566	903	806
Free Cashflow To Equity	(3,452)	(987)	575	913	817
Free Cashflow To Firm	(2,725)	(1,080)	276	513	381

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	2,286	3,468	3,356	3,944	5,076
Total Debtors	62	156	195	254	336
Inventories	3,399	4,396	5,412	6,766	9,020
Total Other Current Assets	638	649	812	1,060	1,403
Total Current Assets	6,385	8,669	9,774	12,025	15,836
Fixed Assets	935	927	1,024	1,000	892
Total Investments	21	240	240	240	240
Intangible Assets					
Total Other Non-Current Assets	1,455	1,753	2,315	2,684	2,982
Total Non-current Assets	2,412	2,921	3,579	3,923	4,114
Short-term Debt	9	46			
Current Portion of Long-Term Debt					
Total Creditors	966	983	1,230	1,605	2,125
Other Current Liabilities	285	425	532	694	919
Total Current Liabilities	1,260	1,454	1,762	2,300	3,044
Total Long-term Debt	71	19			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,151	1,411	2,024	2,447	2,845
Total Non-current Liabilities	1,222	1,430	2,024	2,447	2,845
Total Provisions					
Total Liabilities	2,482	2,884	3,786	4,747	5,889
Shareholders Equity	6,315	8,840	9,756	10,965	12,628
Minority Interests					
Total Equity	6,315	8,840	9,756	10,965	12,628

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	36.6%	26.7%	25.1%	30.5%	32.3%
Operating EBITDA Growth	71.0%	32.6%	26.9%	30.5%	37.5%
Operating EBITDA Margin	14.5%	15.2%	15.4%	15.4%	16.0%
Net Cash Per Share (Rs)	94.50	139.02	137.07	161.12	207.37
BVPS (Rs)	270.45	361.09	398.53	447.91	515.84
Gross Interest Cover	5.63	6.43	4.22	4.28	5.53
Effective Tax Rate	25.3%	25.2%	26.2%	26.2%	26.2%
Net Dividend Payout Ratio					
Accounts Receivables Days	2.63	3.97	5.12	5.02	4.99
Inventory Days	197.72	203.71	208.78	197.20	194.85
Accounts Payables Days	60.38	50.94	47.12	45.91	46.04
ROIC (%)	22.6%	19.7%	19.5%	21.4%	25.4%
ROCE (%)	18.8%	15.0%	14.6%	17.9%	21.2%
Return On Average Assets	12.6%	11.3%	11.5%	12.9%	14.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.