

India

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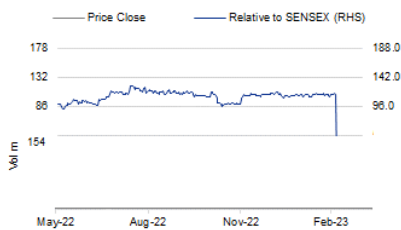
Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	Rs1,002
Target price:	Rs1,213
Previous target:	Rs1,213
Up/downside:	21.1%
InCred Research / Consensus:	-13.4%
Reuters:	
Bloomberg:	ETHOSLTD IN
Market cap:	US\$285m
	Rs23,404m
Average daily turnover:	US\$0.3m
	Rs22.3m
Current shares o/s:	23.3m
Free float:	48.7%

*Source: Bloomberg

Key financial forecast

	Mar-23F	Mar-24F	Mar-25F
Net Profit (Rsm)	585	749	944
Core EPS (Rs)	25.07	32.07	40.43
Core EPS Growth	97.3%	27.9%	26.1%
FD Core P/E	35.77	31.26	24.79
Recurring ROE	13.1%	10.7%	12.0%
P/BV (x)	3.52	3.16	2.80
DPS (Rs)			
Dividend Yield			



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	2.2	(2.9)	0.0
Relative (%)	0.9	(2.5)	0.0

Major shareholders	% held
Promoters	64.7
ICICI Prudential Fund	6.4
Jupiter India Fund	2.2

Analyst(s)

Rahul AGARWAL
T (91) 22 4161 1553
E rahul.agarwal@incredcapital.com
Harshit SARAWAGI
T (91) 22 4161 0000
E harshit.sarawagi@incredcapital.com

Ethos Limited

4QFY23 provisional business update

- As per the provisional 4QFY23 business update, gross revenue (billing) of Ethos stood at Rs2.4bn, +31% yoy, and in line with our estimate.
- New store openings have now picked up pace with four new stores added in 4QFY23. Ethos added two new cities, Bhopal and Siliguri, to its network.
- Ethos operated 54 stores across 20 cities in India as of Mar 2023-end, retailing over 60 premium luxury watch brands.

Premium luxury product demand sustains healthy growth

- Gross revenue (billing) stood at Rs2.4bn, +31% yoy, in 4QFY23, in line with our estimate.
- Gross revenue (billing) stood at Rs9.2bn, +37% yoy, in FY23.
- Robust demand for premium luxury watches and focused marketing initiatives led to the highest-ever revenue growth in any fiscal in the past 20 years.
- Both offline and online channels posted strong revenue growth.

New store openings picked up pace in 4QFY23

- Ethos opened four new stores in 4QFY23. In FY23, Ethos added a total six new stores, taking its total store count to 54 at the end of Mar 2023.
- Ethos entered two new cities, Bhopal and Siliguri, in 4QFY23. In FY23, the company entered three new cities - Indore, Bhopal and Siliguri. Ethos now has its presence across 20 cities in India.
- Ethos is committed to gradually open 40 new stores in the next two-to-three years, spread across Tier-1 and Tier-2 cities along with metro cities. The new stores would be a mix of summit, boutique and mono-brand formats.

Largest chain of luxury watch boutiques with best assortment

- Ethos by far is the largest retail chain of luxury watches in India, retailing over 60 watch brands through its 54 store-strong pan-India network.
- Of the 60 watch brands, Ethos is the exclusive retailer for 40 watch brands in India.
- Ethos has a portfolio of brands, the best product assortment, best-in-class customer services and globally competitive product prices which aid sustained revenue growth and margins.

Retain ADD rating on the stock

- Ethos is a pure play on the luxury retail market and has the first-mover advantage to benefit from the evolving certified pre-owned luxury retail market in India.
- We expect its average selling price or ASP to rise on the back of the addition of high-luxury exclusive brands over the next three years. We estimate ASP to be at Rs200k+ by FY25F.
- We expect a revenue CAGR of 30% and EBITDA margin of 15-15.5% over FY23F-25F. EPS to grow at a CAGR of 27% (FY23F-25F) and RoE/RoCE at 12%/15%, respectively, in FY25F.
- We retain our ADD rating on the stock with a target price of Rs1,213, based on 30x FY25F EPS.

Profit & Loss

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

Balance Sheet

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

Cash Flow

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

Key Ratios

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

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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