

KDDL Limited

Kamla Centre, SCO 88-89, Sector 8-C, Chandigarh - 160 009, INDIA. Tel: +91 172 2548223/24, 2544378/79
Fax: +91 172 2548302, Website:www.kddl.com CIN-L33302HP1981PLC008123



Ref : KDDL/CS/2019-20/64

Date : 7th November, 2019

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra,
Mumbai - 400 051

BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001

Trading Symbol : KDDL

Scrip Code : 532054

Subject: Results Update Presentation

Dear Sir / Madam,

Please find enclosed Results Update Presentation for Q2FY20.

Kindly take the same on record.

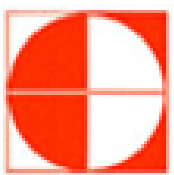
Thanking you,

Yours truly

For KDDL Limited



**Brahm Prakash Kumar
Company Secretary**

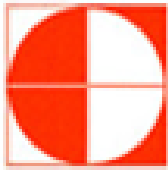


KDDL Limited
&
ETHOS Limited



Result Update Presentation
November 2019

Safe Harbor



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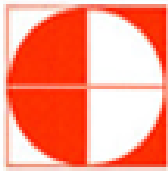
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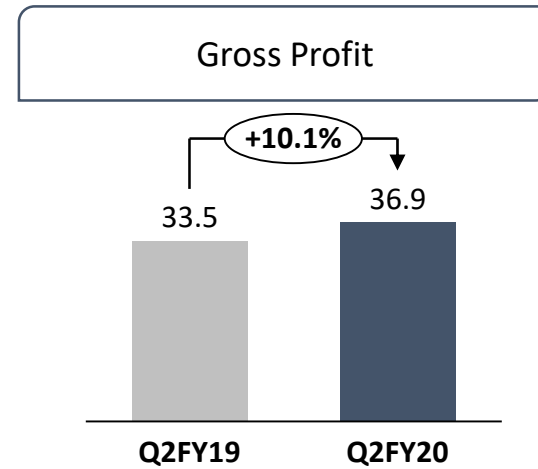
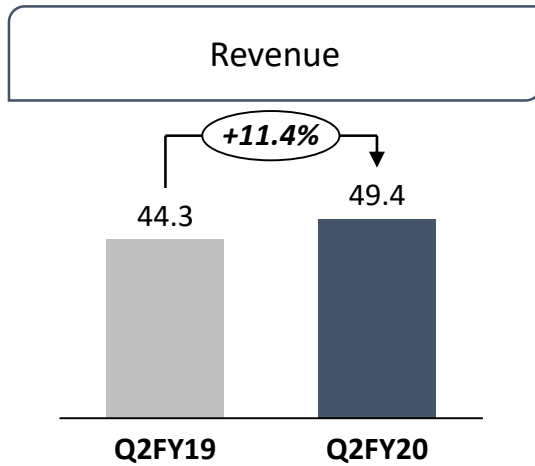


Q2FY20 Performance Overview

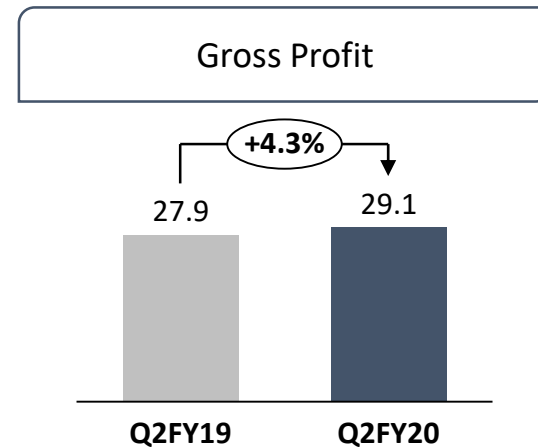
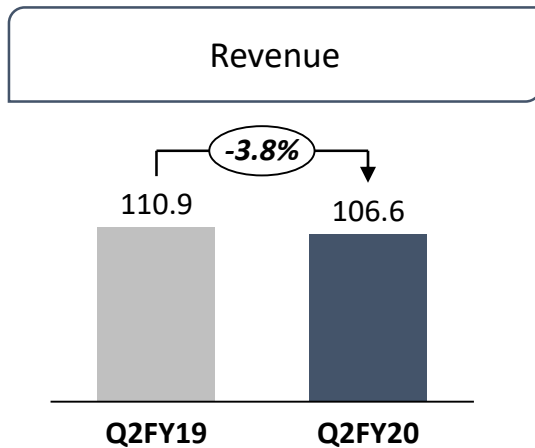
Q2FY20 Performance



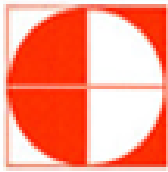
Standalone Performance (Rs. Crs)



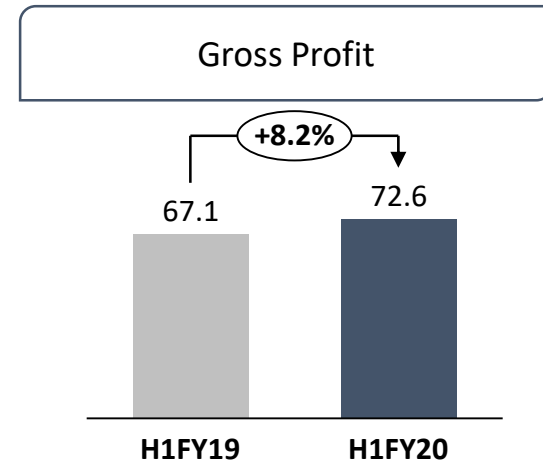
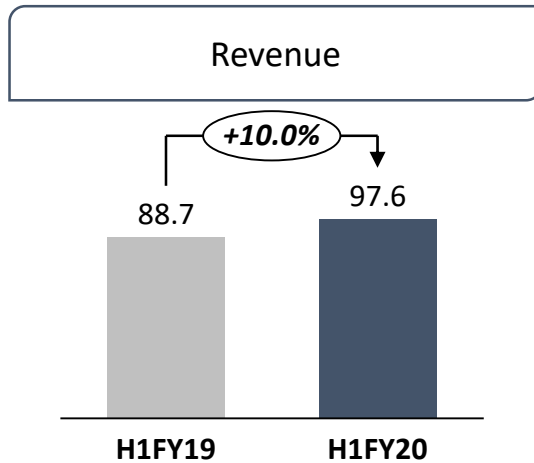
Ethos Performance (Consolidated) (Rs. Crs.)



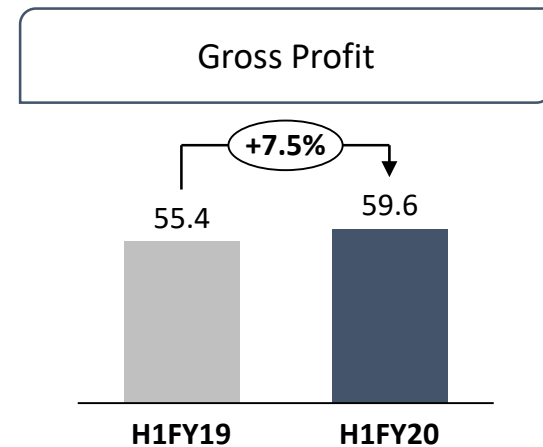
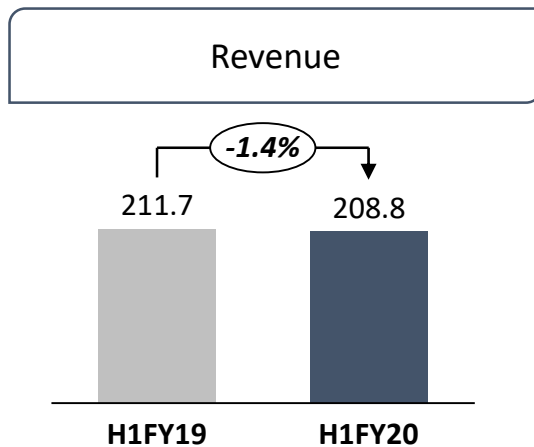
H1FY20 Performance



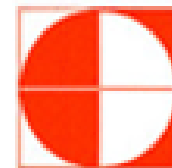
Standalone Performance (Rs. Crs)



Ethos Performance (Consolidated) (Rs. Crs.)

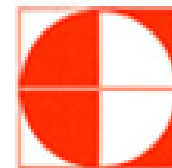


Standalone Profit & Loss



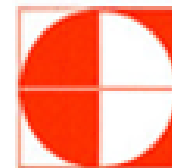
Profit & Loss (Rs. Crs.)	Q2FY20	Q2FY19	YoY%	H1FY20	H1FY19	YoY%
Revenue	49.4	44.3	11.4%	97.6	88.7	10.0%
Cost of Goods Sold	12.5	10.8		25.0	21.6	
Gross Profit	36.9	33.5	10.1%	72.6	67.1	8.2%
Employee Expenses	14.2	12.6		28.4	25.3	
Other Expenses	13.5	12.6		26.9	25.4	
EBITDA	9.2	8.3	10.1%	17.4	16.4	5.7%
Margin (%)	18.6%	18.9%		17.8%	18.5%	
Other Income	2.1	1.3		3.0	1.9	
Interest	2.4	1.4		4.3	2.6	
Depreciation	2.9	1.9		5.9	3.8	
PBT	6.1	6.3	-4.3%	10.2	11.8	-13.7%
Tax	1.9	1.8		3.1	3.5	
PAT	4.2	4.5	-6.5%	7.1	8.3	-15.1%

Consolidated Profit & Loss



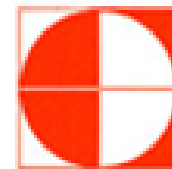
Profit & Loss (Rs. Crs.)	Q2FY20	Q2FY19	YoY%	H1FY20	H1FY19	YoY%
Revenue	158.4	156.7	1.1%	311.3	303.0	2.7%
Cost of Goods Sold	89.9	93.9		174.8	178.8	
Gross Profit	68.5	62.8	9.1%	136.5	124.2	9.9%
Employee Expenses	26.1	20.6		51.8	40.6	
Other Expenses	24.3	29.0		48.6	57.1	
EBITDA	18.1	13.3	36.5%	36.0	26.5	35.8%
Margin (%)	11.4%	8.5%		11.6%	8.8%	
Other Income	2.4	2.4		3.2	2.6	
Interest	7.2	3.6		13.5	7.2	
Depreciation	12.4	3.2		23.2	6.5	
PBT	0.9	8.9		2.4	15.6	
Tax	1.8	2.6		3.2	5.1	
PAT	-0.9	6.3		-0.8	10.5	
Minority Interest	-	0.4		1.3	-0.3	
PAT After Minority Interest	-0.9	5.8		0.5	10.8	

Adjusted Consolidated Profit & Loss



Particulars (Rs. Crs.)*	H1FY20 As Reported	Adjusted for INDAS 116	
		H1FY20	H1FY19
Revenue	311.3	311.3	303.0
Cost of Goods Sold	174.8	174.8	178.8
Gross Profit	136.5	136.5	124.2
Employee Expenses	51.8	51.8	40.6
Other Expenses	48.6	64.6	57.1
Normalized EBITDA	36.0	20.0	26.5
Normalized Margin (%)	11.6%	6.4%	8.8%
Other Income	3.2	3.2	2.6
Interest	8.2	8.2	7.2
INDAS 116 Interest	5.3	-	-
Depreciation	8.4	8.4	6.5
INDAS 116 Depreciation	14.8	-	-
PBT	2.4	6.6	15.6

Ind AS 116: Impact on Financials

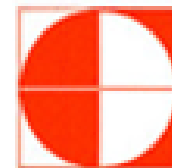


- On 1 April 2019, the Group has adopted Ind AS 116 “leases”, using the modified retrospective approach. Accordingly, the comparatives have not been retrospectively adjusted
- The adoption of Ind AS 116 has resulted in recognizing a Right-of-Use Assets of Rs. 124.7 Crores and equivalent to the lease liability of Rs. 118.0 Crores as at 30th September 2019
- Overall balance sheet will increase by the amount of asset created for Leases. This will have an impact on Profitability as under:

<i>Profit & Loss Impacts</i>		For H1FY20 (Rs. Cr.)	Financial impact
Other expenses (Rent)	Decrease in Rent expense	-16.0	This affects other expenses, depreciation and finance cost in the Profit & loss statement & consequently impacts EBITDA and PBT of the company
Finance costs	Increase in Finance cost	5.3	
Depreciation	Increase in Depreciation	14.8	
Profit before tax	Decrease in PBT	-4.1	

There would be no change in the cash flow of the company due to applicability of INDAS 116

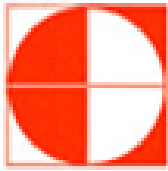
Balance Sheet



Rs. Crs	Consolidated		Standalone	
	Sep-19	Mar-19	Sep-19	Mar-19
Equity	230.6	235.0	170.5	167.1
Equity share capital	11.7	11.7	11.7	11.7
Other equity	171.1	179.1	158.8	155.4
Non Controlling Interest	47.8	44.1	-	-
Non-current liabilities	179.1	73.7	49.9	39.5
Financial Liabilities				
(i) Borrowings	75.9	67.2	36.6	34.5
(ii) Lease Liabilities	94.5	-	6.8	-
(iii) Other financial liabilities	1.8	1.1	0.9	0.7
Provisions	2.5	1.2	1.1	0.1
Deferred tax liability (net)	4.4	4.2	4.4	4.2
Current liabilities	277.6	210.1	74.3	56.1
Financial Liabilities				
(i) Borrowings	81.3	61.9	17.2	7.4
(ii) Lease Liabilities	23.5	-	2.0	-
(iii) Trade payables	107.4	85.0	17.4	15.7
(iv) Other financial liabilities	46.5	45.7	30.6	26.3
Other current liabilities	10.4	9.1	2.3	2.8
Provisions	4.5	4.0	2.6	2.6
Current tax liabilities(net)	4.1	4.3	2.1	1.3
Total Liabilities	687.3	518.9	294.7	262.8
Non-current assets	311.0	183.1	212.8	185.2
Property, plant and equipment	151.9	143.2	87.8	94.1
Capital work-in-progress	3.3	6.8	3.3	2.4
Right-of-use asset	124.7	-	13.6	-
Investment Property	-	-	0.8	-
Other intangible assets	0.7	0.8	0.6	0.7
Intangible assets under development	0.4	0.4	-	-
Equity accounted investees	0.8	0.3	-	-
Financial assets				
(i) Investments	0.5	0.5	100.7	79.7
(ii) Loans	12.4	12.4	2.6	2.2
(iii) Other financial assets	0.5	0.5	-	-
Income Tax Asset	4.1	6.3	2.0	5.0
Deferred tax assets (net)	7.4	6.3	-	-
Other Non Current Assets	4.4	5.6	1.4	1.0
Current assets	376.3	335.7	81.9	77.5
Inventories	273.7	239.9	30.0	30.7
Financial assets				
(i) Trade receivables	38.8	31.1	29.6	23.7
(ii) Cash and cash equivalents	12.0	16.0	2.4	2.5
(iii) Other bank balances	6.0	6.1	6.0	6.1
(iv) Loans	7.3	7.3	1.6	1.8
(v) Other financial assets	2.7	4.1	3.5	5.7
Other current assets	35.9	31.1	8.8	7.1
Total Assets	687.3	518.9	294.7	262.8



Manufacturing Business Overview



Watch Dials

- Commercial operations began in 1983
- Leading Global supplier of Watch Dial serving many well-known brands all over the world
- Manufacturing facilities located at Parwanoo & Derabassi, near Chandigarh in India
- Capability to manufacture dials with high & complex features

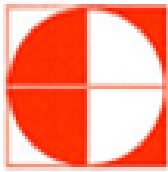
Watch Hands

- Commercial operations began in 1996
- Only supplier in India and one of 5 independent manufacturers globally; facilities located at Bengaluru
- Recently acquired Estima AG in Switzerland; to enhance presence in mid-priced segment European Brands

Value Proposition

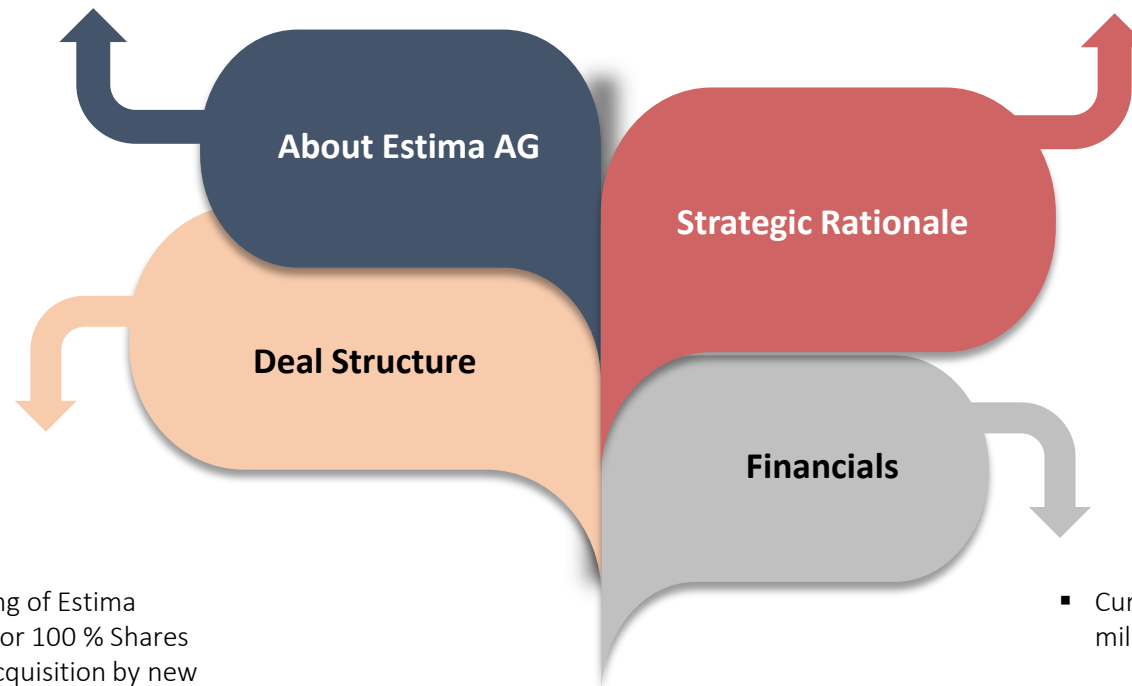
- Deep Understanding of the Global Watch Industry
- Established relationships with Swiss Watch makers as well as Indian Watch makers
- Consistent Manufacturing on basis International Quality norms

Acquired “Estima AG” in Switzerland



- Estima was established as a maker of watch hands in Switzerland in 1924
- It was a leading supplier to Swiss and other European watch brands in the mid-priced segment and enjoyed an excellent reputation
- However, over last 10 years, it was unable to keep up with market changes and lost market share leading to declining turnover and mounting losses

- Estima was a competitor of the Company in the business of watch hands manufacturing
- Has a well established name, valuable production infrastructure and will be serve as a good platform to establish a foothold in Swiss watch component manufacturing
- Will help capture additional market share of customers in European market serviced by Estima

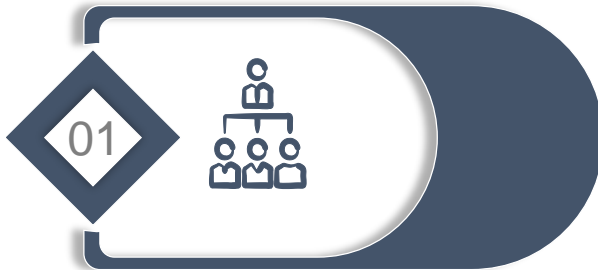
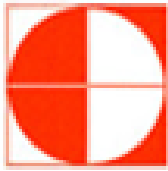


- Acquiring 100% holding of Estima
- Cash – CHF 4,00,000 for 100 % Shares
- The cut-off date for acquisition by new management was 7th January, 2019

- Current Turnover : CHF 1.8 – 2.0 million

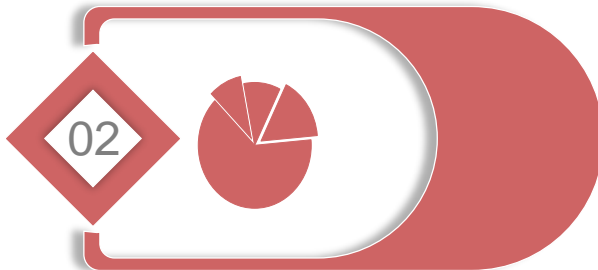


Acquisition of “Estima AG”



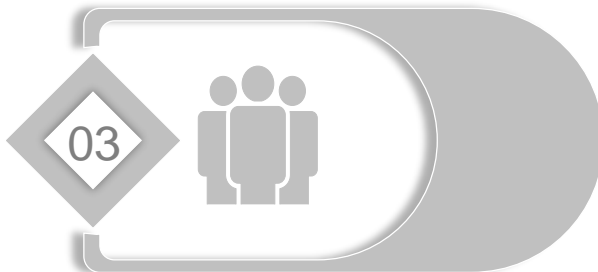
Value Proposition

Eigen offers a full package of services, ranging from design and development to full scale production, providing customers with optimized supply chain solutions



Capabilities

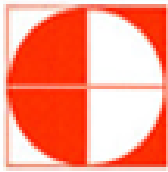
We address various segments such as Electrical, Electronics, Automobile, Telecommunications, medical equipment, Aerospace, Consumer Durables etc



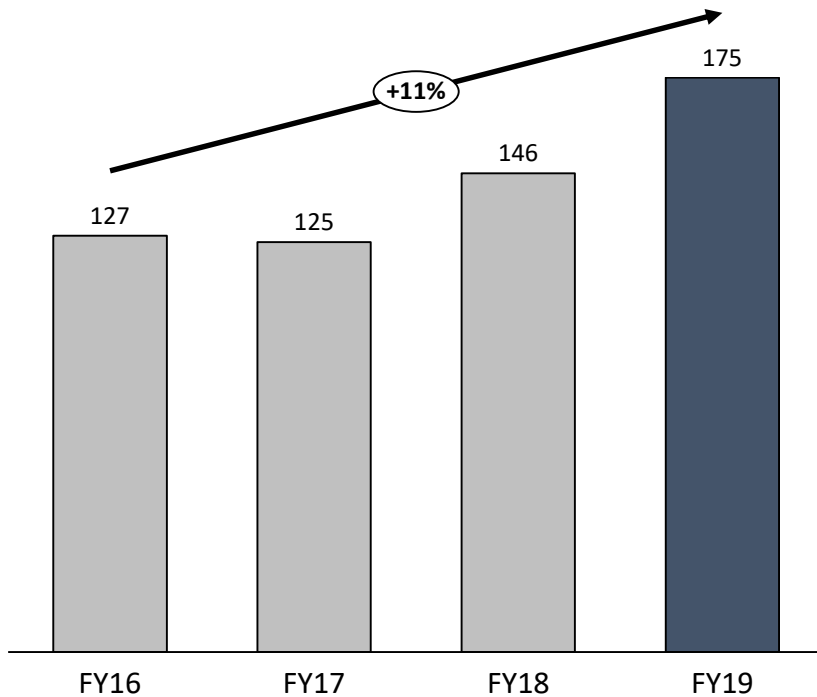
Customers

Enabling our customers to meet their design and production needs for over 12 years. We have some of the most well-known names in their industry as our esteemed customers

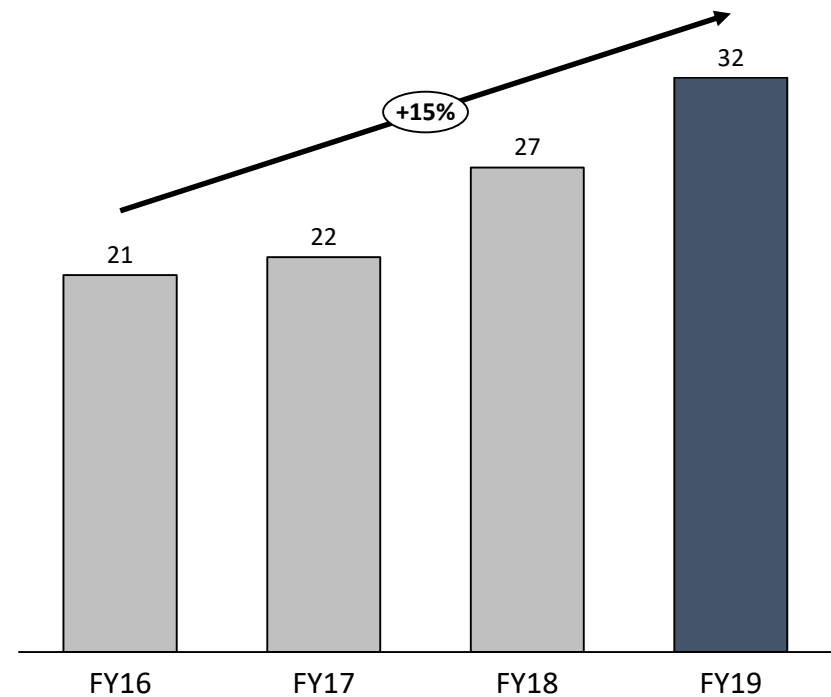
Stable Manufacturing Performance*



Revenue (Rs. Crs.)



EBITDA (Rs. Crs.)

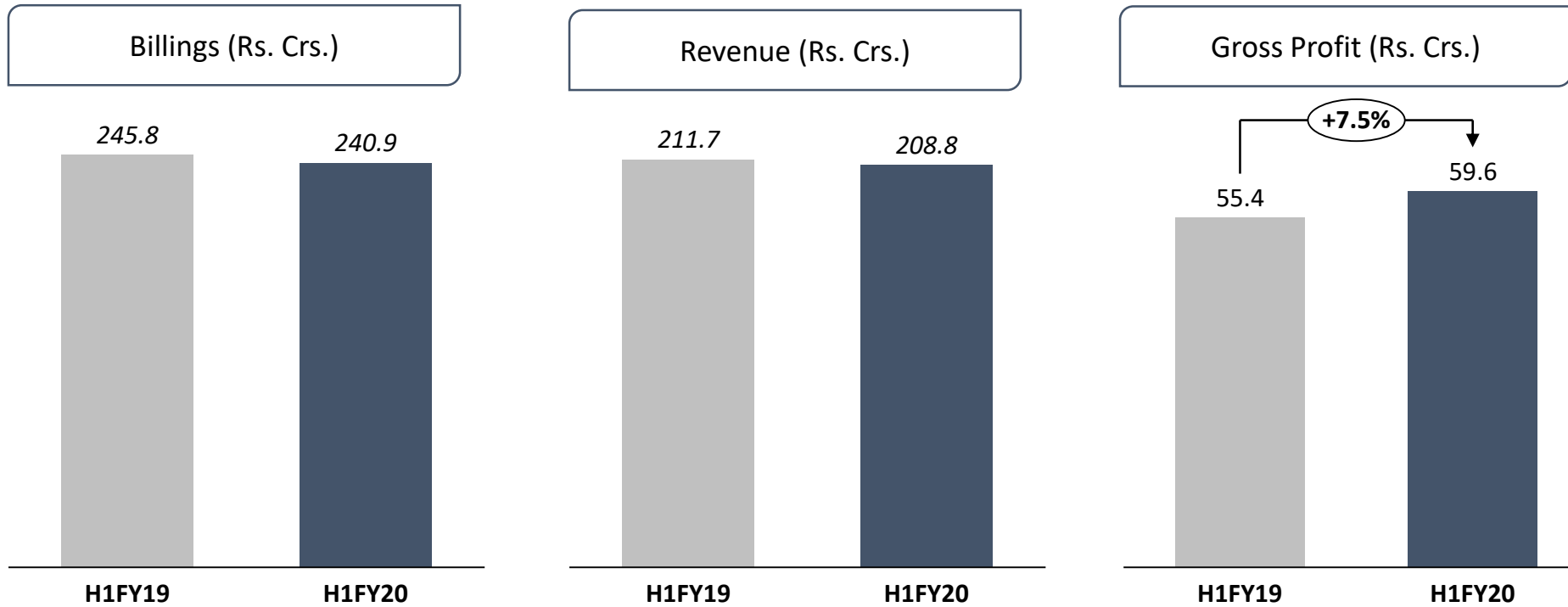




Ethos
Q2 & H1FY20
Snapshot

H1FY20 Performance

H1FY20 vs H1FY19 (Consolidated*)



*Consolidated Financials include Watch Retailing Business and Digital Marketing business
H1FY20 Financials are with applicability of IND AS 116

Consolidated Profit & Loss

Particulars (Rs. Crores)*	Q2FY20	Q2FY19	YoY %	H1FY20	H1FY19	YoY %
Revenue	106.6	110.9	-3.8%	208.8	211.7	-1.4%
Cost of Goods Sold	77.6	83.0		149.2	156.3	
Gross Profit	29.1	27.9	4.3%	59.6	55.4	7.5%
Employee Expenses	8.7	7.6		17.4	14.5	
Other Expenses	9.6	15.0		19.2	30.2	
Reported EBITDA	10.8	5.2	106.4%	23.0	10.6	115.9%
Margin (%)	10.1%	4.7%		11.0%	5.0%	
Interest	4.8	2.0		9.1	3.9	
Depreciation	8.9	1.1		16.7	2.3	
Profit before share of JV	-2.9	2.2		-2.8	4.5	
Share of profit (loss) of JV	0.0	0.0		0.0	0.0	
PBT	-2.9	2.2		-2.8	4.5	
Tax	-0.1	0.8		0.0	1.6	
PAT	-2.8	1.4		-2.8	2.9	

*Consolidated Financials include Watch Retailing Business and Digital Marketing business
Q2 & H1 FY20 Financials are with applicability of IND AS 116

Adjusted Consolidated Profit & Loss

Particulars (Rs. Crores)*	H1FY20 As Reported	Adjusted for INDAS 116 & other items	
		H1FY20	H1FY19
Revenue	208.8	208.8	211.7
Cost of Goods Sold	149.2	149.2	156.3
Gross Profit	59.6	59.6	55.4
Employee Expenses	17.4	17.4	14.5
Other Expenses	18.8	33.7	27.0
Normalized EBITDA	23.3	8.5	13.9
Normalized Margin (%)	11.2%	4.1%	6.6%
Interest	4.3	4.3	3.9
INDAS 116 Interest	4.8	-	-
Depreciation	3.0	3.0	2.3
INDAS 116 Depreciation	13.7	-	-
Forex Items	0.4	0.4	2.3
Provision for Legal case	-	-	1.0
Share of profit (loss) of JV	0.0	0.0	0.0
PBT	-2.8	0.8	4.5

*Consolidated Financials include Watch Retailing Business and Digital Marketing business
H1FY20 Financials are with applicability of IND AS 116

Ind AS 116: Impact on Financials

- On 1 April 2019, the Group has adopted Ind AS 116 “leases”, using the modified retrospective approach. Accordingly, the comparatives have not been retrospectively adjusted
- The adoption of Ind AS 116 has resulted in recognizing a Right-of-Use Assets of Rs.110.9 Crores and lease liability of Rs. 109.7 Crores, as at 30th September, 2019
- Overall balance sheet will increase by the amount of asset created for Leases. This will have an impact on Profitability as under:

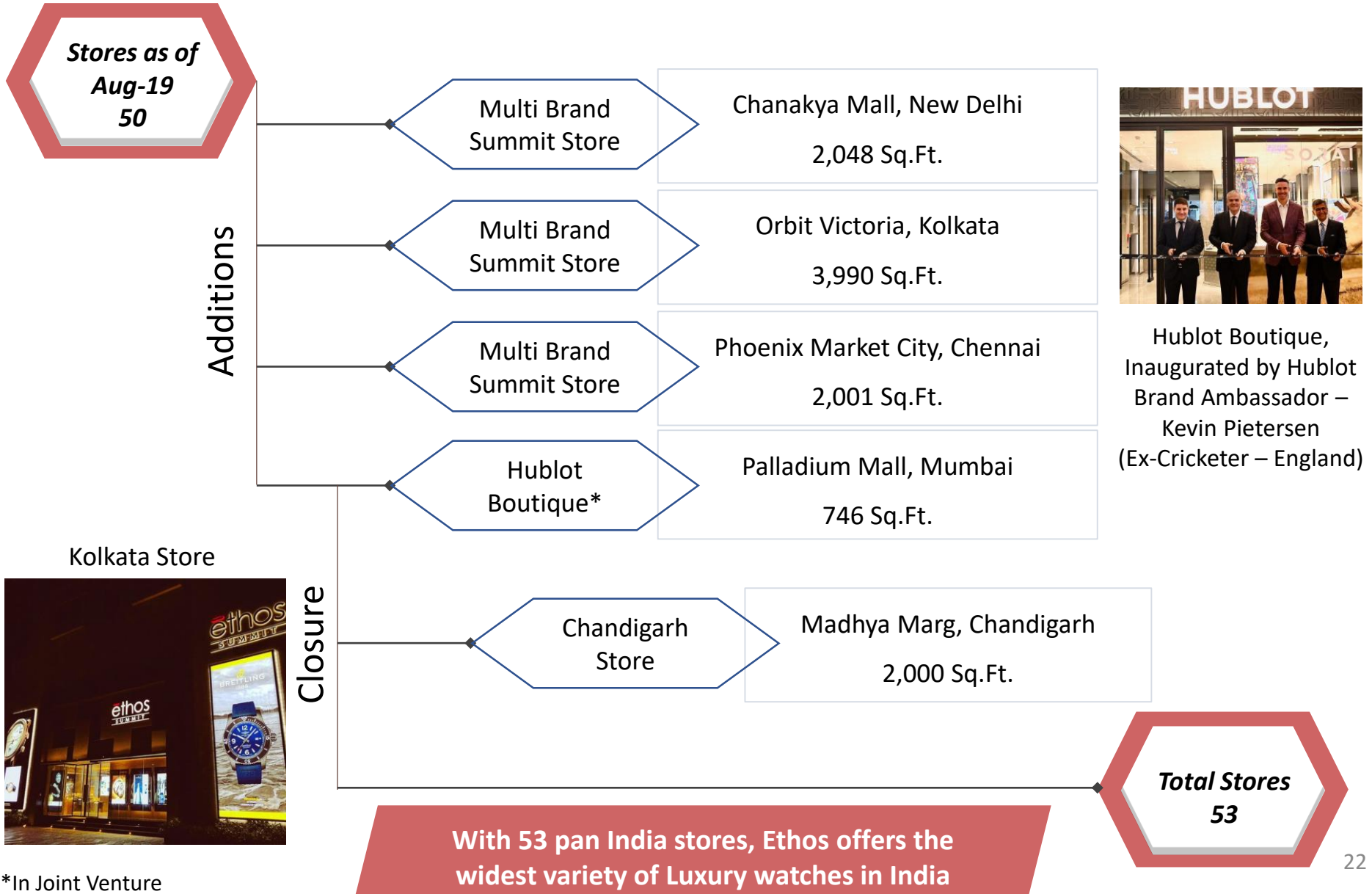
<i>Profit & Loss Impact</i>		For H1FY20 (Rs. Cr.)	Financial impact
Other expenses (Rent)	Decrease in Rent expense	-14.9	This affects other expenses, depreciation and finance cost in the Profit & loss statement & consequently impacts EBITDA and PBT of the company
Finance costs	Increase in Finance cost	4.8	
Depreciation	Increase in Depreciation	13.7	
Profit before tax	Decrease in PBT	-3.6	

There would be no change in the cash flow of the company due to applicability of INDAS 116

Consolidated Balance Sheet

Liabilities (Rs. Crores)*	Sep-19	Mar-19	Assets (Rs. Crores)*	Sep-19	Mar-19
Shareholder's Fund	152	134	Non-current assets	160	43
Share Capital	18	17	Fixed Assets	33	27
Other Equity	134	117	Right of Use	111	0
			Financial Assets	11	11
Non-current liabilities	109	18	Other Non Current Assets	5	6
Borrowings	19	16			
Lease Liabilities	88	-	Deferred Tax asset	7	6
Other Liabilities	2	2			
Current liabilities	198	150	Current assets	293	252
Borrowings	63	53	Inventories	241	206
Lease Liabilities	22	-	Trade Receivables	11	9
Trade Payables	89	69	Cash and Bank Balances	7	8
Other Financial Liabilities	14	17	Other Financial Assets	8	8
Other Current liabilities	11	10	Other Current Assets	25	22
Total Liabilities	459	301	Total Assets	459	301

Largest Pan India retailer of Luxury Watches



Fund Raise strengthens Balance Sheet



Rs. 50cr

Ethos Limited raises Rs. 29 crores equity funds in FY19 & Rs. 21 Crores YTD FY20



Rs. 480cr

Funds raised at a pre money valuation of Rs. 480 crores



73.56%

Shareholding of KDDL Ltd (directly and indirectly) in Ethos Ltd on fully diluted basis

Equity Funds will primarily be utilized towards New Store rollouts and working capital

Repair and Service

Repair and services over 60 of the World's top Luxury watch Brands

Strap and Bracelet replacement

Servicing of Movements

Bracelet link removal and adjustment

Ultrasonic Cleaning

Pre-Owned Watches

Pre-Owned Watches has the **potential to expand the volume and customer base**

Ethos has the **expertise to check the authenticity** and to ensure that each time piece is in great condition for its new owner to enjoy

The prices we quote for each pre-owned watch is based on **a thorough assessment of its current market value, and its years of use.** This makes it a fair price

Financial consultancy Kepler Cheuvreux estimates the current **global market for pre-owned watches alone to be worth upward of USD \$15 billion annually**

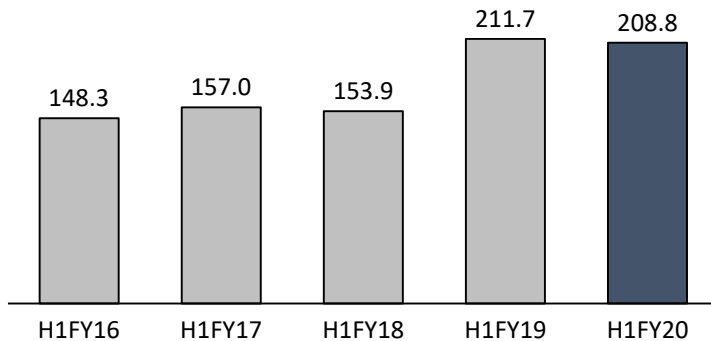
Ethos Watches is the #1 destination for Luxury Watch shoppers in India



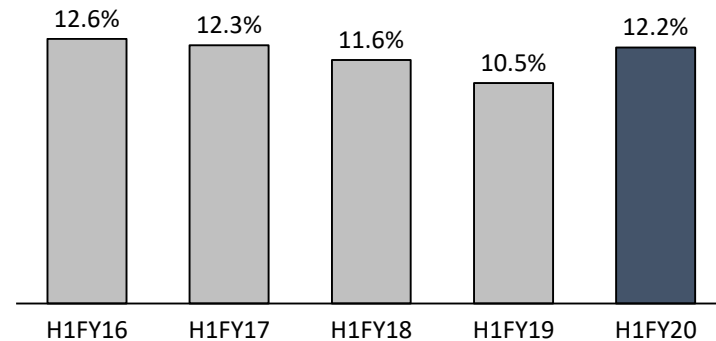
Operational Snapshot

Ethos - Performance Trend

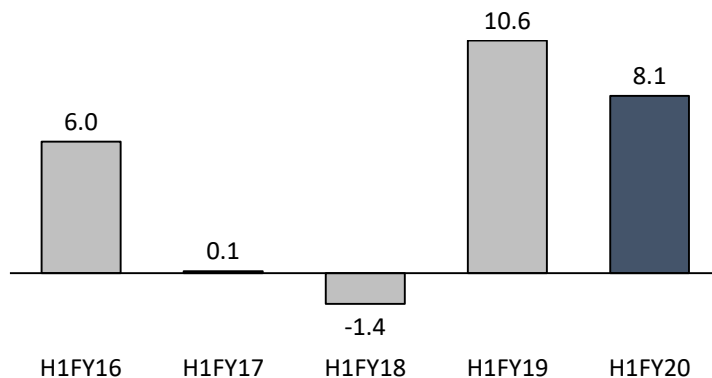
Revenue (Rs. Crs.)



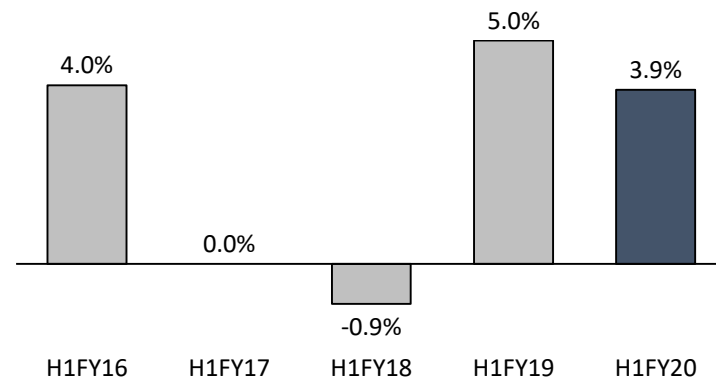
Front-end Rent & Manpower Cost as % of Revenue



EBITDA (Rs. Crs.)

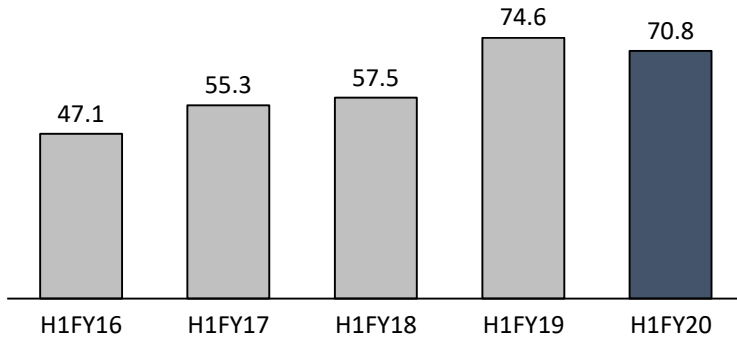


EBITDA Margins

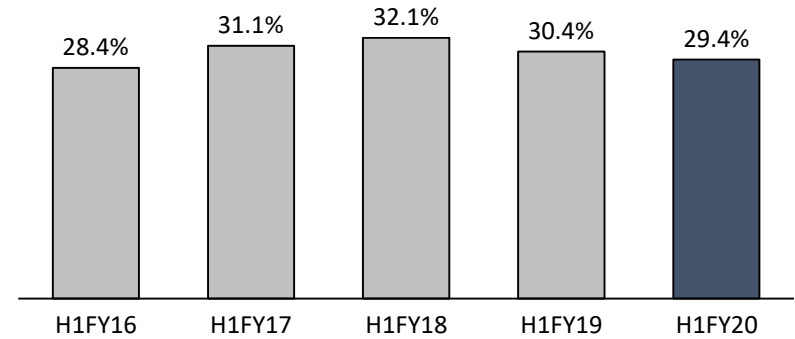


Ethos - Online Sales Trend

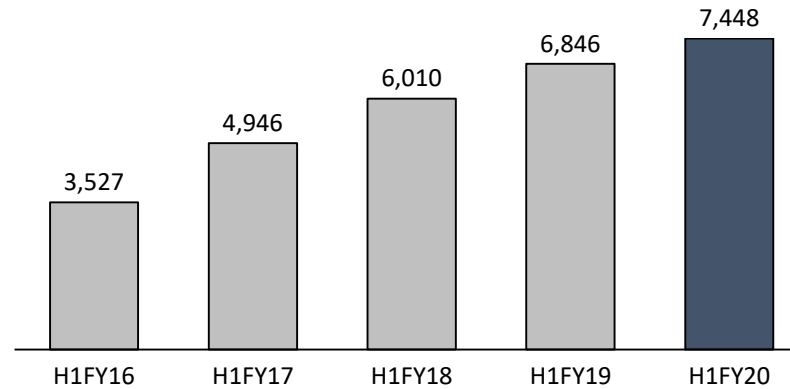
Online Billings (Rs. Crs.)



Online Billing as % of Total Billing

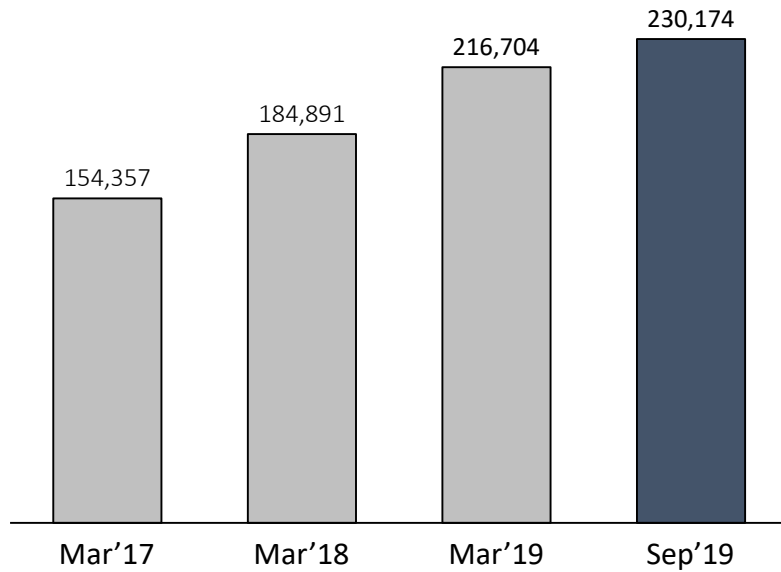


Visitors ('000)

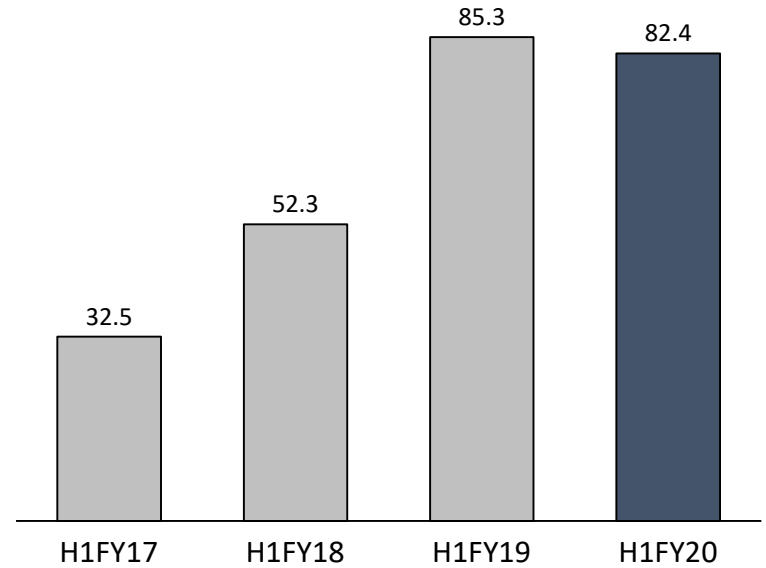


Ethos - Repeat Sales Trend

Club ECHO Member Base



Repeat Billings (Rs. Cr.)





***Ethos is India's
Largest
Luxury Watch
Retailer***

Pan-India Presence with Offline Store Network



India's Largest retail chain of
Luxury Watches with 53 stores

Presence across Metros, Tier I, Tier
II cities

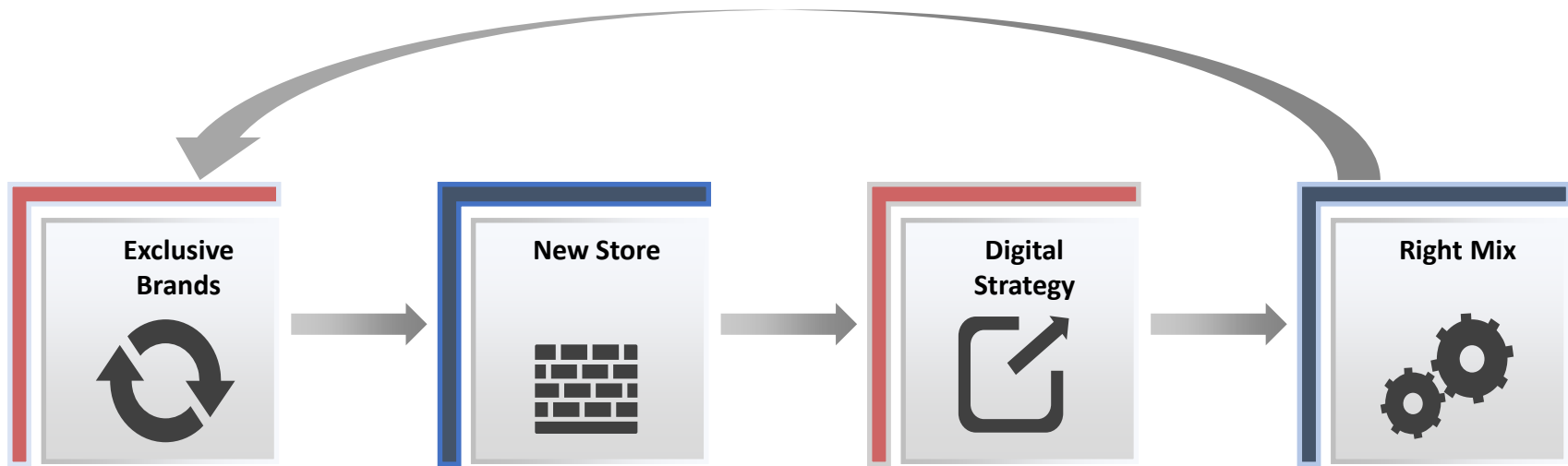
1 Duty Paid Retail Outlet at
Domestic Terminals

2 Duty Free Retail Outlets at
International Terminals

Store Selection Criteria :

Reputed /Pedigree Mall at Premium
location where other Premium brands
present and having better facility
management

Pan-India Presence with Offline Store Network



- Higher share of Business from Exclusive Brands

- Targeting to open new stores in Tier 2 cities
- Ethos stores will be a 1 stop destination for watches

- Leverage on our Digital platform to drive sales and customers
- Digital strategy to lead to cost optimization and margin growth

- Targeting to have a right mix of Brands at all price points leading to faster churn in Inventory and increasing profitability

Knowledge

Ethos has well trained Knowledgeable staff to ensure highest customer satisfaction and increasing repeat buying.



One-stop shop

Ethos' access to Swiss Watch Brands will make it a '1 Stop Shop' for Luxury Watches In India



Mind Share

Ethos to be synonymous with Luxury watches retailing in India thus gaining 'Customer Mind Share'



Online

Ethos makes Swiss Watches 'Available Online' in a confluence of Online-Offline model helping us to leverage the strength of Swiss Watch Brands and our wide Distribution Reach



Trust

Ethos DNA is all about Authenticity increasing the 'Trust factor' in a large Un-organized market.



With an Asset Light Model...

Improve Return On Capital Employed

**Operating Leverage
Playing Out**

Reduce Front-End Cost like Manpower and Rental expenses

**Maximize
Reach**

**Expand catchment area of offline store, leading to
higher revenue**

Minimize Investment

**Focus on Online Presence &
Rationalize Store Presence**

and Continued Investments in Advertising...

Print Ads in leading newspapers...

Discover over 60 luxury brands at Ethos Watch Boutiques,
India's largest chain of luxury watch boutiques with over 48 stores
across 16+ cities in India.

For more information or to shop online visit www.ethoswatches.com



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LONGINES

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BREITLING
1884

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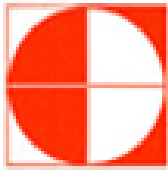
RADO
SWITZERLAND

TAG Heuer

LONGINES

Daniel Wellington

BVLGARI



For further information, please contact:

Company :



Ethos Ltd.

CIN : U52300HP2007PLC030800

Mr. C. Raja Sekhar

rajasekhar@ethoswatches.com

www.ethoswatches.com

Investor Relations Advisors :



CIN : U74140MH2010PTC204285

Mr. Shogun Jain/ Mr. Shrenik Shah

+91 7738377756 / +91 9664764465

shogun.jain@sgapl.net / Shrenik.shah@sgapl.net

www.sgapl.net