

**KDDL Limited**

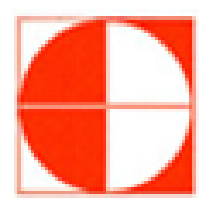
**ETHOS Limited**

**Result Update Presentation**

**December 2017**

**Q2&H1FY18**





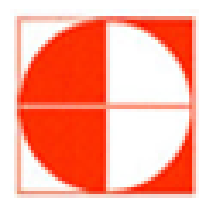
# Safe Harbor

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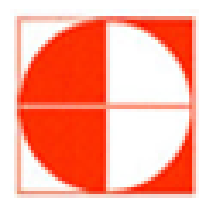
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## *Overview*



# Highlights

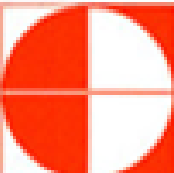
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***GST Rate Revision from  
28% to 18%  
as on 15<sup>th</sup> November,  
2017***

***Significant uptick in Sales  
post revision of GST rate***

***Q2FY18 Normalized  
EBITDA of Rs. 55lacs***

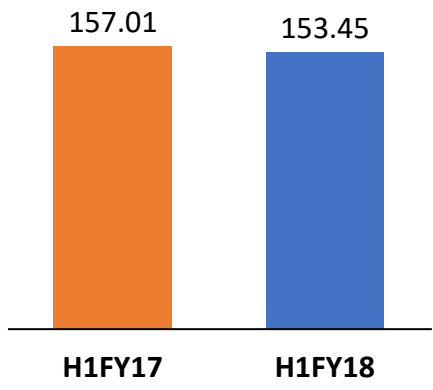
***Return of Profitability  
from Q3FY18***



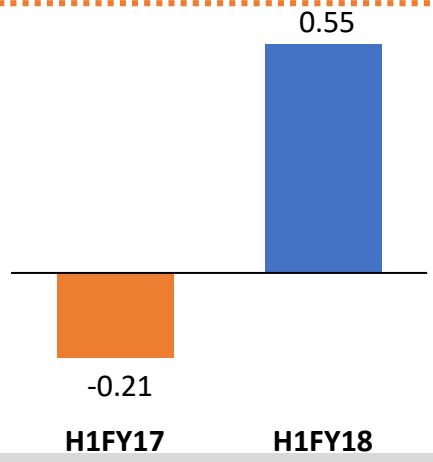
# Financial Highlights

## Ethos – H1FY18 vs H1FY17

Revenue (Rs. Cr)



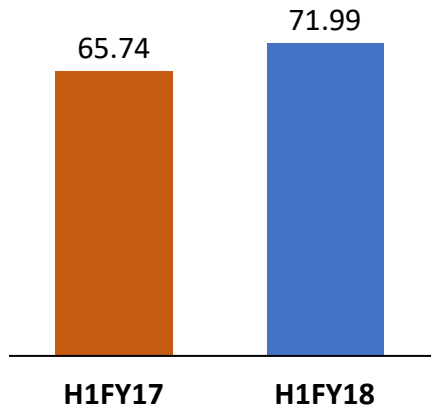
Normalized EBITDA (Rs. Cr)



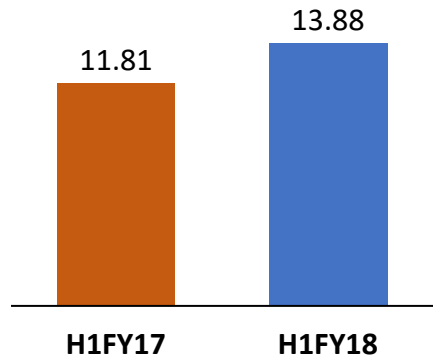
*Sharp turnaround at operational level*

## KDDL (Standalone) – H1FY18 vs H1FY17

Revenue (Rs. Cr)



EBITDA (Rs. Cr)



*Improved utilizations led to operating leverage*

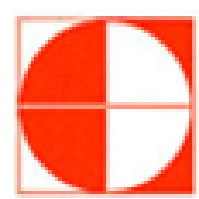


# Reconciliation to Normalised EBITDA

Particulars	H1 FY18	H1 FY17
Revenue	153.45	157.01
Cost of Goods Sold	119.53	122.09
Employee Expenses	10.75	10.28
Other Expenses	22.62	24.85
<b>Normalized EBITDA</b>	<b>0.55</b>	<b>-0.21</b>
Forex Items	1.37	-0.26
Credits written off	0.56	0.00
<b>Reported EBITDA</b>	<b>-1.38</b>	<b>0.05</b>

*Significant Turnaround with Normalized EBITDA*

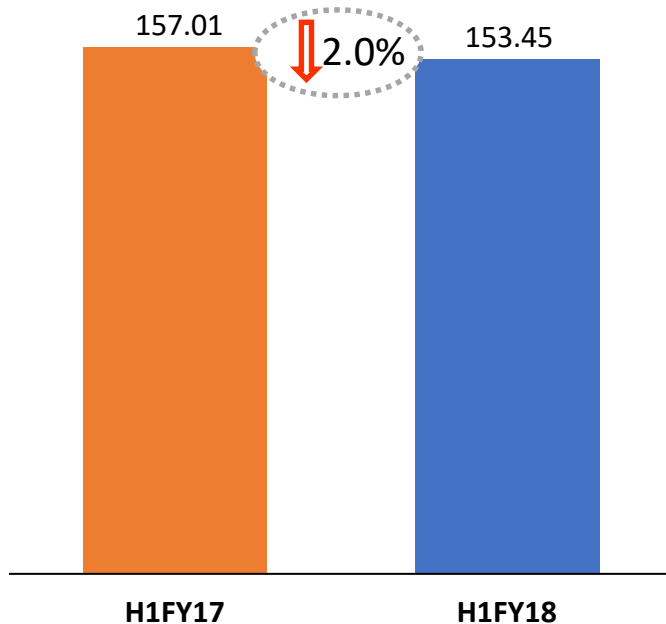
*Credits written off on account of change in taxation owing to of GST Regime*



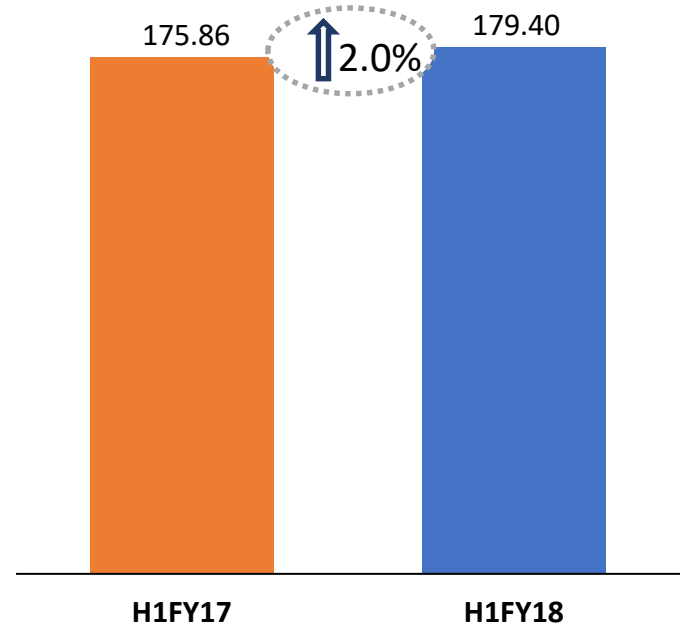
# GST Regime Impact on Ethos Performance

*Due to change in Tax Regime during Q2FY18, net revenue is not comparable thus Billings is a relevant comparison*

**Net Revenue (Rs. Cr)**

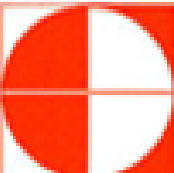


**Billings (Rs. Cr)**

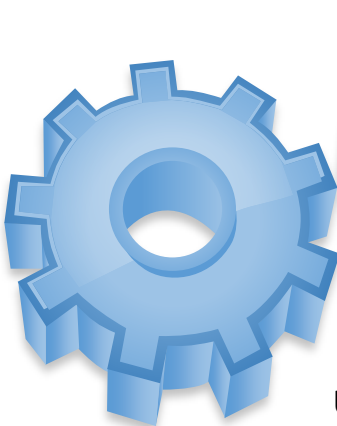
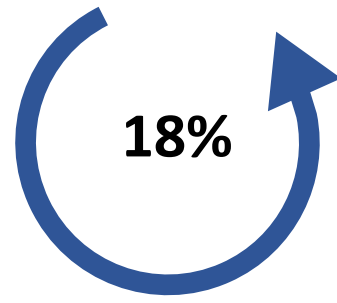
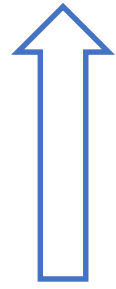
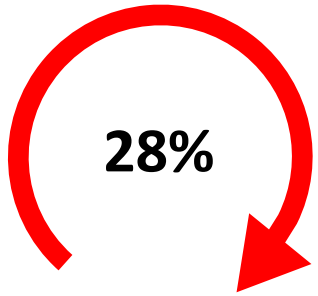


*Further, we witnessed preponement of Sales in Pre-GST period of April – June 2017 i.e. Q1FY18 resulting in a muted Q2FY18; however for H1FY18 we have delivered a YoY growth of 2% on Billings basis*

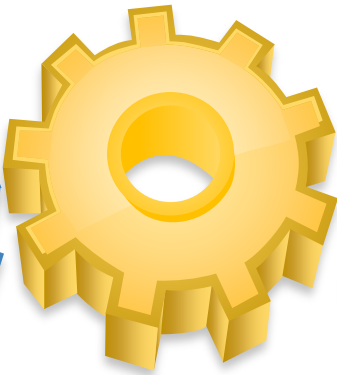




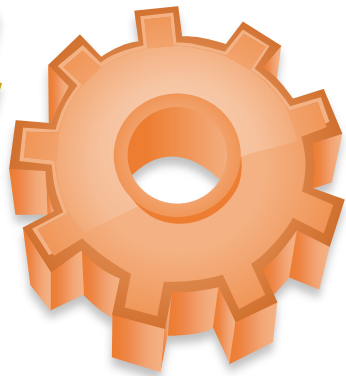
# Revision of GST Rate



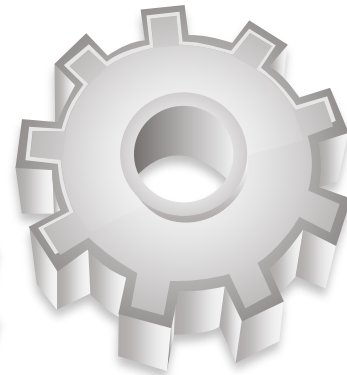
Witnessing immediate Demand pickup in Watches segment benefitting Retail and our Manufacturing operations



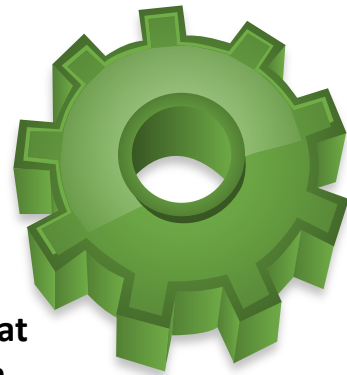
Uptick in Operational Efficiency



Expect customers to move up the value chain in Watch purchases



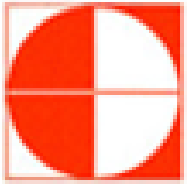
Watch Prices now at par or lower than Swiss Prices leading to higher sales in India by same customer base



Faster churn in Inventory both in Retail and Manufacturing

***Expecting Profitability to Return***





# New Store Openings

**One Awadh Center Welldone Infrastructure Pvt. Ltd, Lucknow**



**The Pavillion Mall, Pune**

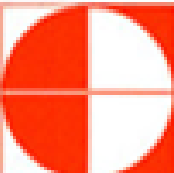


**Tissot Boutique – The Pavillion Mall, Pune**



**Rado boutique - Elante Mall, Chandigarh**





# Moving up the Value Chain



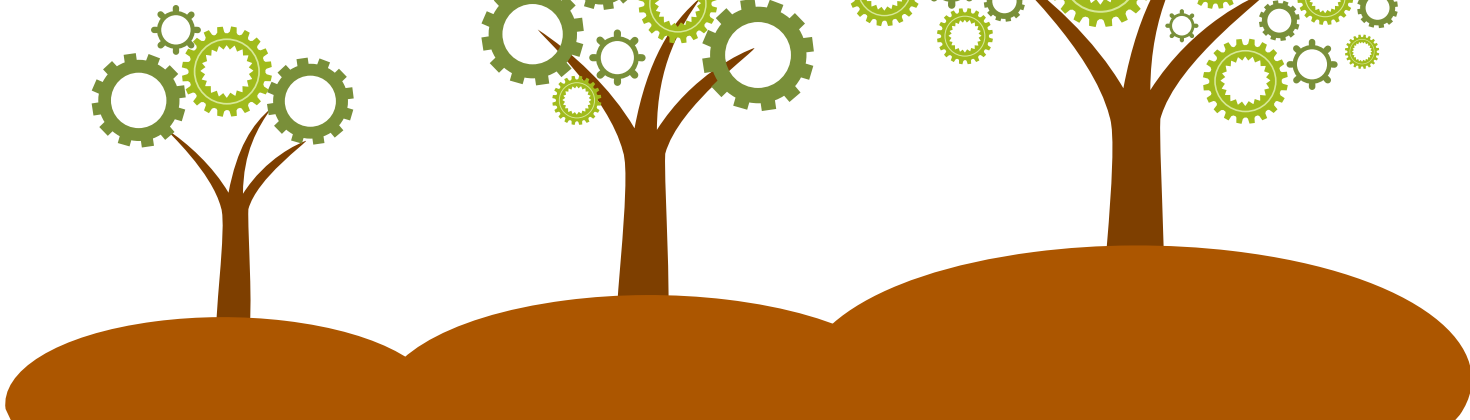
**The Largest & Preferred Retailer of Swiss Watches in India**

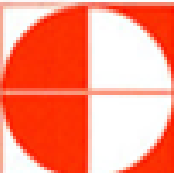
**ēthos**  
WATCH BOUTIQUES

**Forayed in Watch Retailing**

 **KDDL Limited**

**Started as a Watch Components Manufacturer**





# Ethos is India's Preferred Destination for Luxury Watches

## Knowledge

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



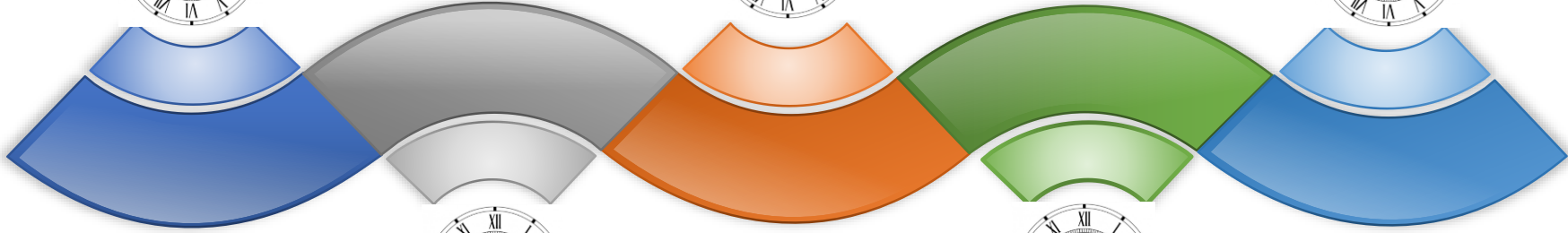
## One-stop shop

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

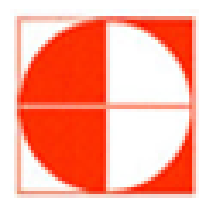
Ethos makes Swiss Watches 'Available Online' in a confluence of Online-Offline model helping us to leverage the strength of Swiss Watch Brands and our wide Distribution Reach



## Trust

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

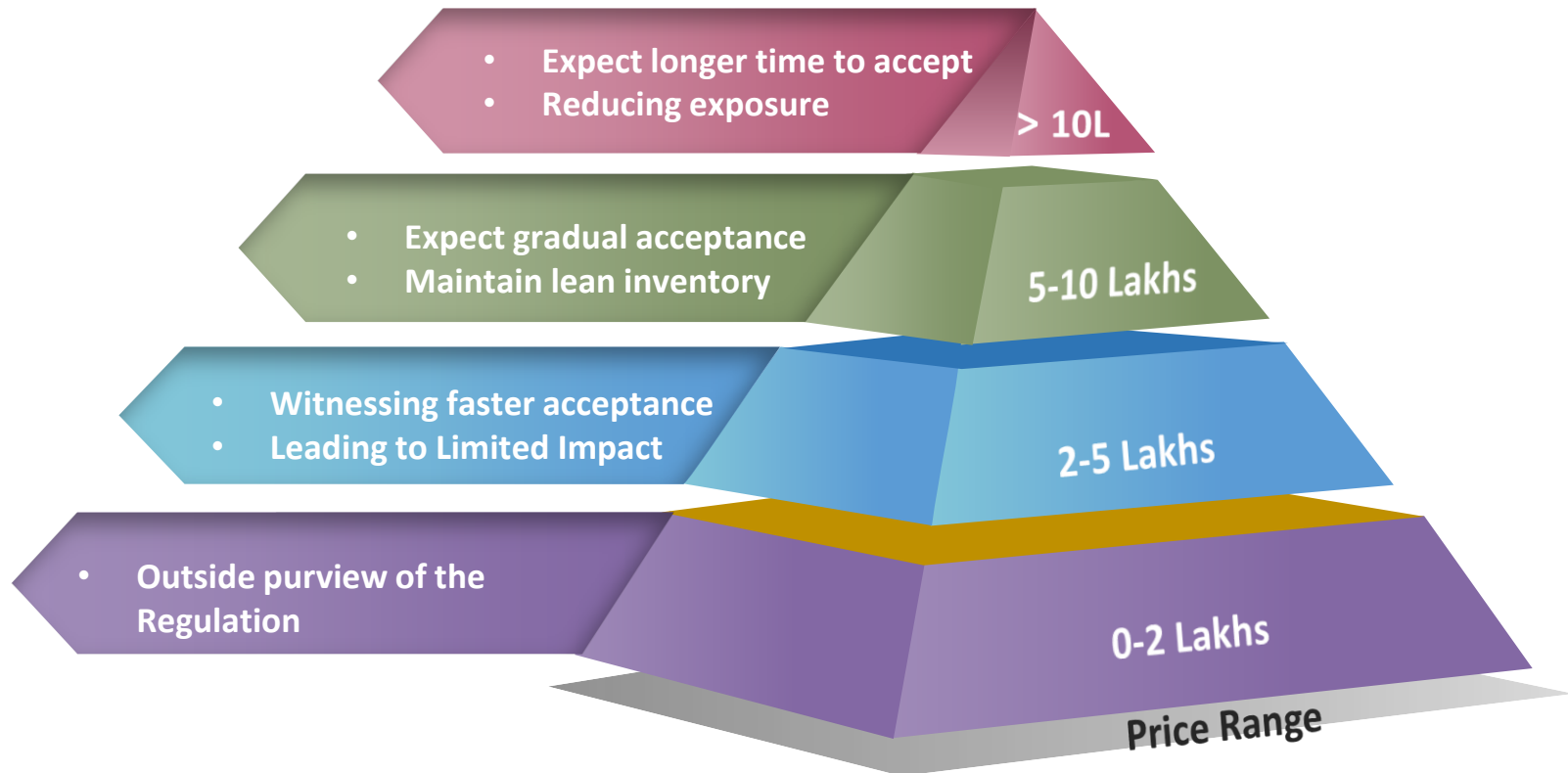


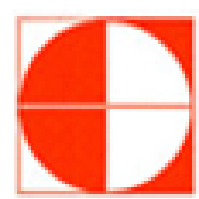


# PAN Card Regulation : Adapting to Change

With effect from 1st January, 2016, Income Tax department made it mandatory to quote Permanent Account Number (PAN) for all transactions of amount exceeding Rs. 2 lakh, irrespective of mode of payment.

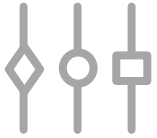
## 'Refining' Product Mix Strategy





# PAN Card Regulation : Benefits in the long run

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## **LEVEL PLAYING FIELD**

- Responsibility of compliance lies on retailer
- Leading to a curb on grey practices



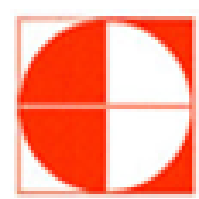
## **CUSTOMER PROFILING**

- Better profiling as customer are more open to sharing demographic information
- Creating tailor-made offering for targeting by segment
- Influencing buying behaviour of prospective customers



## **BETTER SERVICE to EXISTING CUSTOMERS**

- Proactively and consistently engage with customers
- Make Customer feel valued



# Asset Light Model...

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**Improve Return On Capital Employed**



**Operating Leverage  
Playing Out**

**Reduce Front-End Cost like Manpower and Rental expenses**

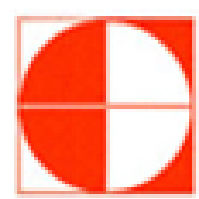
**Maximize  
Reach**

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

**Minimize Investment**

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



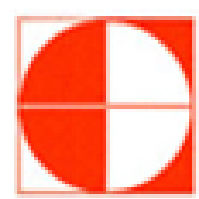


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## *Financial Overview*



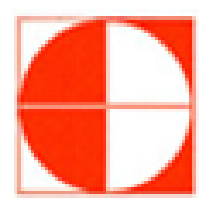




# P&L– H1FY18

Rs. Crs	Consolidated*			Standalone			Ethos		
	H1FY18	H1FY17	YoY %	H1FY18	H1FY17	YoY %	H1FY18	H1FY17	YoY %
<b>Revenue</b>	<b>221.9</b>	<b>224.3</b>	<b>-1%</b>	<b>72.0</b>	<b>65.7</b>	<b>10%</b>	<b>153.5</b>	<b>157.0</b>	<b>-2%</b>
Cost of Goods Sold	132.4	137.5		17.0	15.4		119.5	122.1	
<b>Gross Profit</b>	<b>89.6</b>	<b>86.8</b>		<b>55.0</b>	<b>50.4</b>		<b>33.9</b>	<b>34.9</b>	
Employee Expenses	32.2	31.0		20.9	20.3		10.7	10.3	
Other Expenses	45.2	43.8		20.1	18.2		24.5	24.6	
<b>EBITDA</b>	<b>12.2</b>	<b>12.0</b>	<b>2%</b>	<b>13.9</b>	<b>11.8</b>	<b>18%</b>	<b>-1.4</b>	<b>0.1</b>	
<b>Margin (%)</b>	<b>5.5%</b>	<b>5.4%</b>		<b>19.3%</b>	<b>18.0%</b>		<b>-0.9%</b>	<b>0.0%</b>	
Other Income	2.3	1.9		1.6	1.2		0.0	0.0	
Interest	6.4	7.9		2.7	3.1		3.5	4.4	
Depreciation	5.9	5.8		3.7	3.4		1.8	2.0	
PBT	2.2	0.3		9.2	6.5		-6.6	-6.3	
Tax	1.2	0.7		3.2	2.3		2.0	1.6	
<b>PAT</b>	<b>1.0</b>	<b>-0.5</b>		<b>5.9</b>	<b>4.2</b>		<b>-4.6</b>	<b>-4.7</b>	
Minority Interest	0.8	0.9		0.0	0.0				
<b>PAT After MI</b>	<b>1.9</b>	<b>0.4</b>	<b>405%</b>	<b>5.9</b>	<b>4.2</b>	<b>42%</b>	<b>-4.6</b>	<b>-4.7</b>	<b>2%</b>
<b>Cash PAT</b>	<b>7.8</b>	<b>6.1</b>	<b>26%</b>	<b>9.6</b>	<b>7.6</b>	<b>26%</b>	<b>-2.8</b>	<b>-2.7</b>	<b>-4%</b>

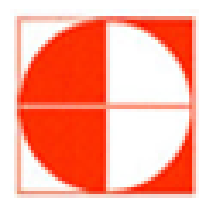
\* Consolidated Results include Standalone, Ethos Ltd and other subsidiaries as per IND-AS



# Ethos Balance Sheet

Rs. Crs	Sep-17
<b>Shareholders' funds</b>	<b>67</b>
Share capital	14
Reserves and surplus	53
<b>Non-current liabilities</b>	<b>13</b>
Long term borrowings	12
Long term provisions	1
<b>Current Liabilities</b>	<b>156</b>
Short term borrowings	50
Trade payables	90
Other current liabilities	15
Short term provisions	0
<b>Total Liabilities</b>	<b>236</b>

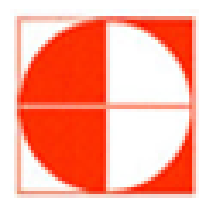
Rs. Crs	Sep-17
<b>Non-current assets</b>	<b>30</b>
Fixed assets	12
Long term loans and advances	12
Other non-current assets	6
<b>Deferred tax Asset</b>	<b>7</b>
<b>Current assets</b>	<b>199</b>
Inventories	156
Trade receivables	13
Cash and bank balances	7
Short term loans and advances	3
Other current assets	19
<b>Total Assets</b>	<b>236</b>



# Consolidated Balance Sheet

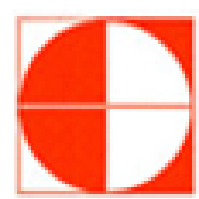
Rs. Crs	Sep-17
<b>Shareholder's Fund</b>	<b>140</b>
Share capital	11
Other Equity	100
<b>Minority Interest</b>	<b>29</b>
<b>Non-current liabilities</b>	<b>50</b>
Financial Liabilities	
Borrowings	44
Provisions	4
Other non-current liabilities	2
<b>Current liabilities</b>	<b>200</b>
Financial Liabilities	
Borrowings	64
Trade Payables	98
Other Financial Liabilities	22
Other current liabilities	14
Provisions	3
<b>Total Liabilities</b>	<b>390</b>

Rs. Crs	Sep-17
<b>Non-current assets</b>	<b>123</b>
Property, plant & equipment	77
Capital work-in-progress	13
Intangible assets	1
Financial assets	
Loans	12
Investments	1
Deferred tax assets (net)	2
Income tax assets (net)	7
Other non-current assets	9
<b>Current assets</b>	<b>267</b>
Inventories	184
Financial assets	
Trade Receivables	37
Cash & cash equivalents	7
Bank balances other than cash	8
Loans	3
Other Financial assets	0
Other current assets	28
<b>Total Assets</b>	<b>390</b>



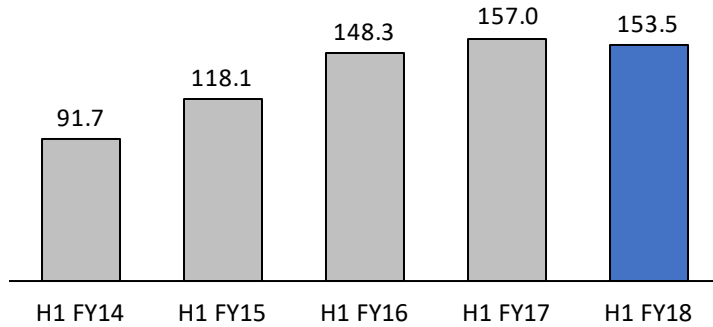
# Reconciliation of H1FY17 as per I-GAAP

Rs. Crs	H1FY17 (Consolidated)
<b>Net profit as reported in Earlier I-GAAP</b>	<b>-1.67</b>
Mark to Market gain on recognition on forward contracts	0.19
Employee stock option plan valued at fair value as per Ind AS 102	-0.12
Revenue recognised / (Deferred) as per Ind AS 18	-0.59
Tax adjustments	1.49
Classification of actuarial loss from employee benefit expense to other comprehensive income	0.13
Others	0.09
<b>Net profit as Per IND-AS</b>	<b>-0.48</b>

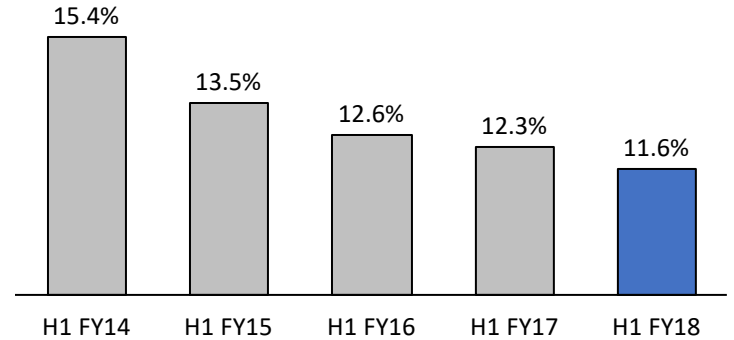


# Ethos Performance Trend – H1FY18

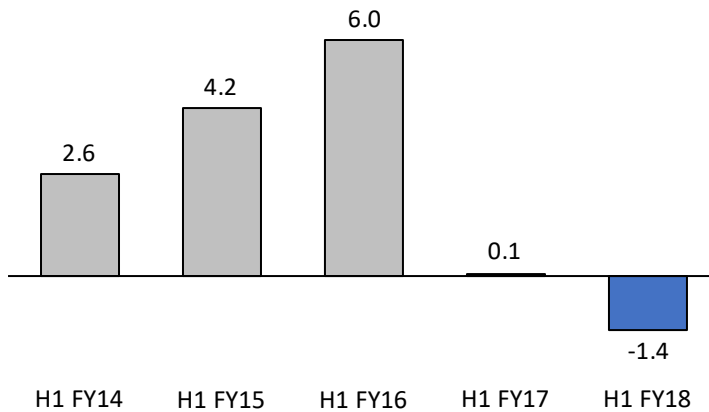
### Revenue (Rs.Crs)



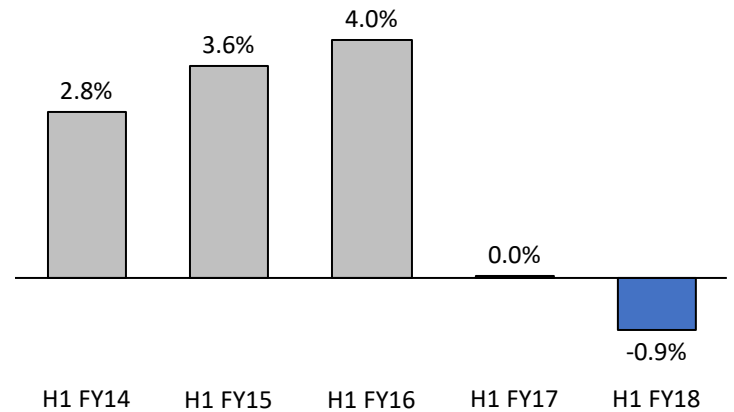
### Front-end Rent & Manpower Cost as % of Revenue

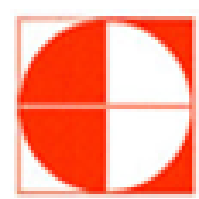


### EBITDA (Rs.Crs)



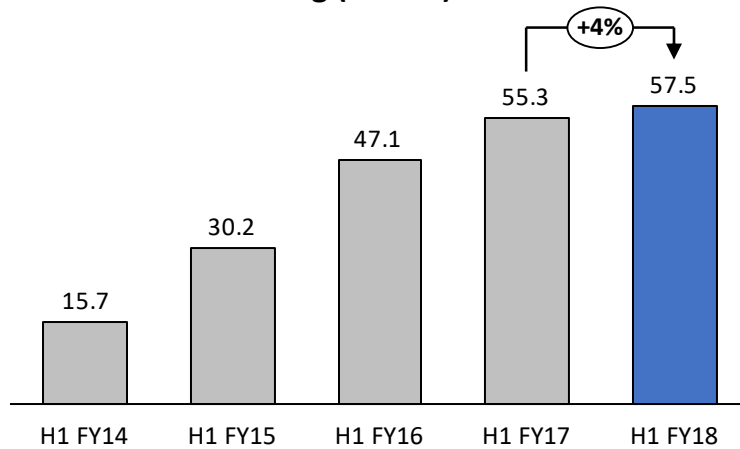
### EBITDA Margin (%)



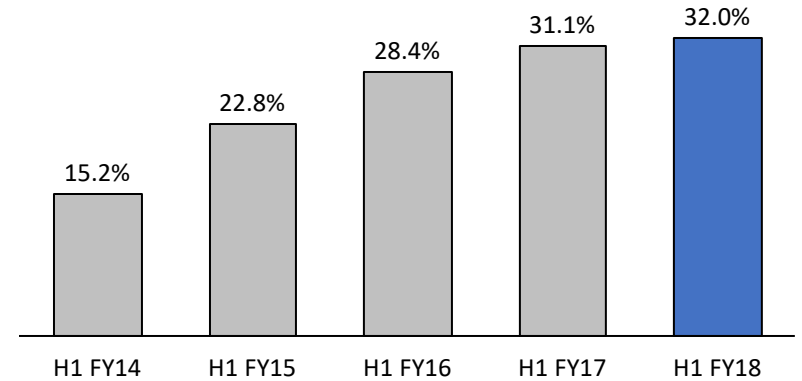


# Ethos Online Sales Trend– H1FY18

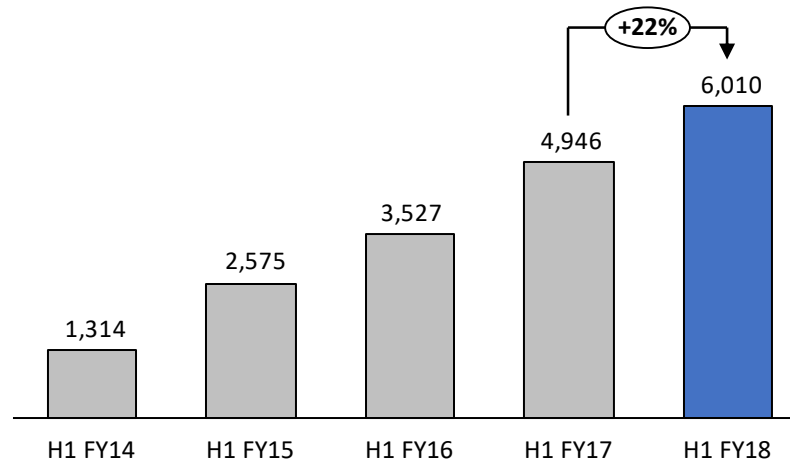
**Online Billing (Rs. Crs)**

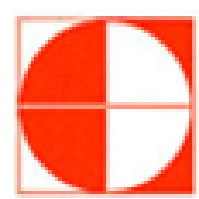


**Online – as % of Total Billing**



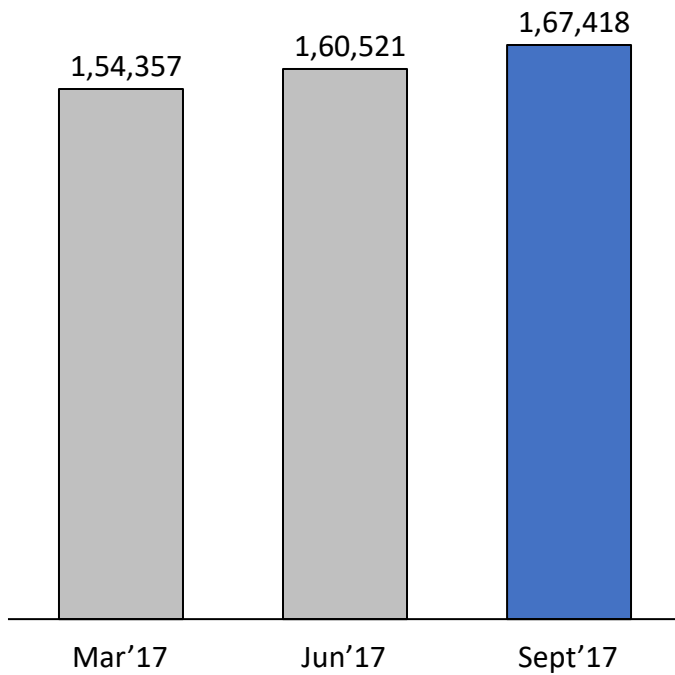
**Visitors on website ('000)**



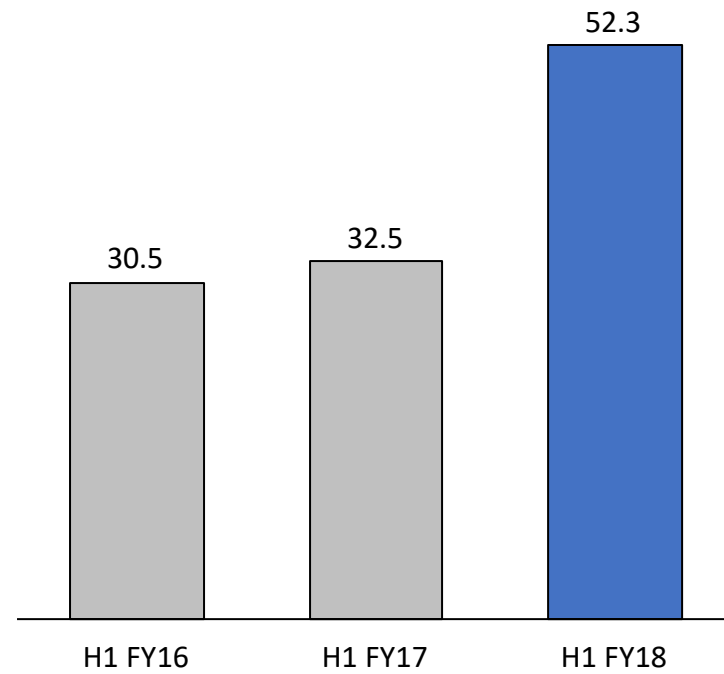


# Ethos Repeat Sales Trend – H1FY18

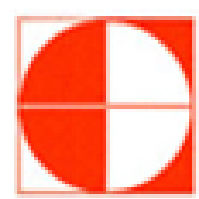
**Club ECHO – Member Base**



**Repeat Billings (Rs. Crs)**







# Pan-India Presence with Offline Store Network



India's Largest retail chain of Luxury Watches with 40 stores

Presence across Metros, Tier I, Tier II cities

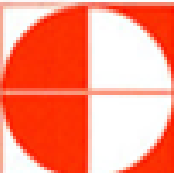
2 Duty Paid Retail Outlets at Domestic Terminals

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

Maps not to scale. All data, information, and maps are provided "as is" without warranty or any representation of accuracy, timeliness or completeness



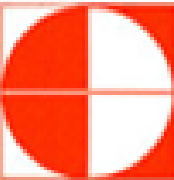


# Continued Investments in Advertising

## Print Ad on The Economic Times

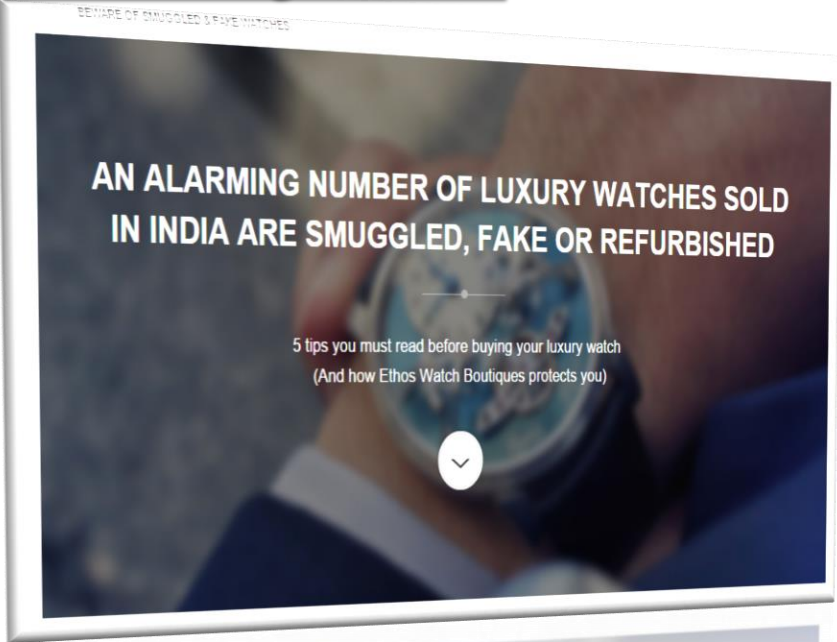
## Print Ad on Hindustan Times & Mint

## ... with ETHOS co-branding

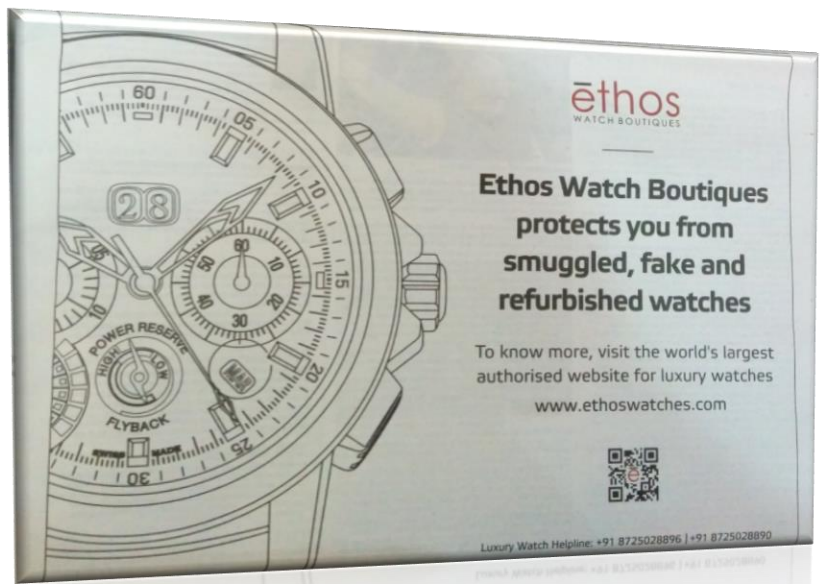


# TRUST CAMPAIGN across channels

## Online through website



## Offline through Print

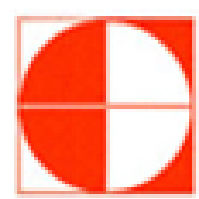


**... to Educate consumers about Watches**

**... to Create Awareness about unscrupulous activities**

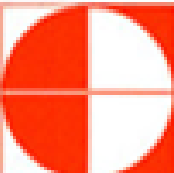
**... To Reinforce our "ETHOS"**





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## *Company Overview*



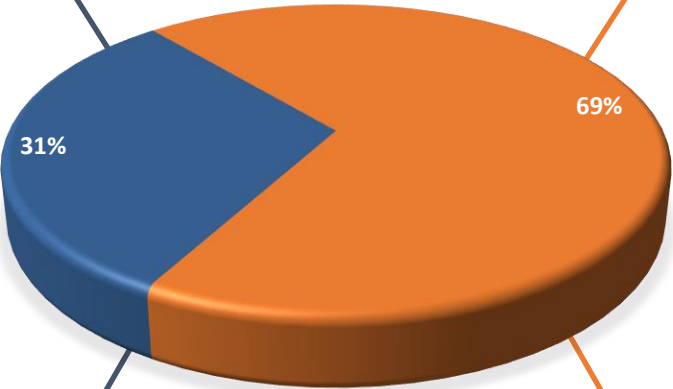
# Business Overview

*Stable Business*

*Scalable Business*

## **Stable Manufacturing Business**

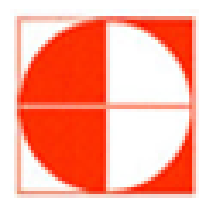
- Leading supplier of premium watch components - watch dials and watch hands
- Caters to demand from international brands in Switzerland & India
- Engaged in manufacturing of High Precision Stamping Parts & Precision & Progressive Tools
- CAGR of 6% over FY13 – FY17



## **Scalable Retail Business - ETHOS**

- India's Largest Retail Chain of Luxury Watch Studios
- Authorized retailer of over 60 luxury watch brands, ranging from Rs. 5,000 to more than Rs.20,00,000
- 40 premium watch boutiques across country
- CAGR of 17% over FY13 - FY17
- 74.25% subsidiary of KDDL Ltd on a fully diluted basis

\*Figures updated as on date



# Expanding Precision Engineering Business...

**Setting up Greenfield Facility at Bengaluru, Karnataka**

**Manufacture high quality precision stamped components, progressive tools and sub-assemblies to cater to high-growth high margin industries**

**Building New capabilities**

- Injection Molding
- CNC Machining
- Plating



**Invested Rs. 30 Crs over 2 years**

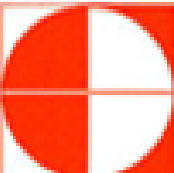
**~2 acre land allotted in EOU zone near Bengaluru Airport**

**Partial operations commenced recently**

**Financial Closure has been achieved & project is proceeding as per schedule**

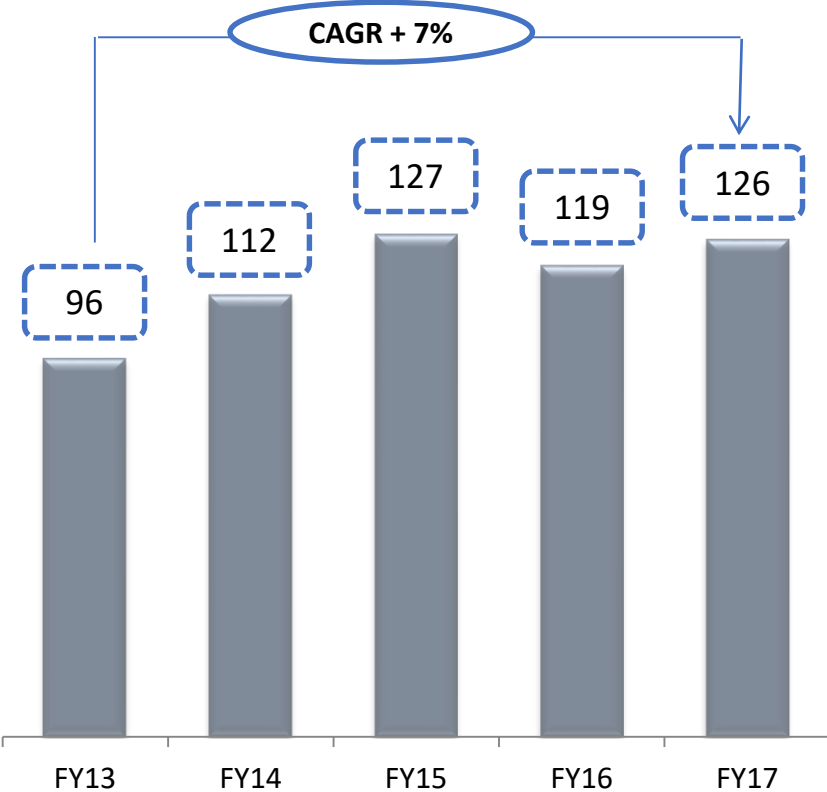
*... to emerge as “Strong Player” in Organized space*



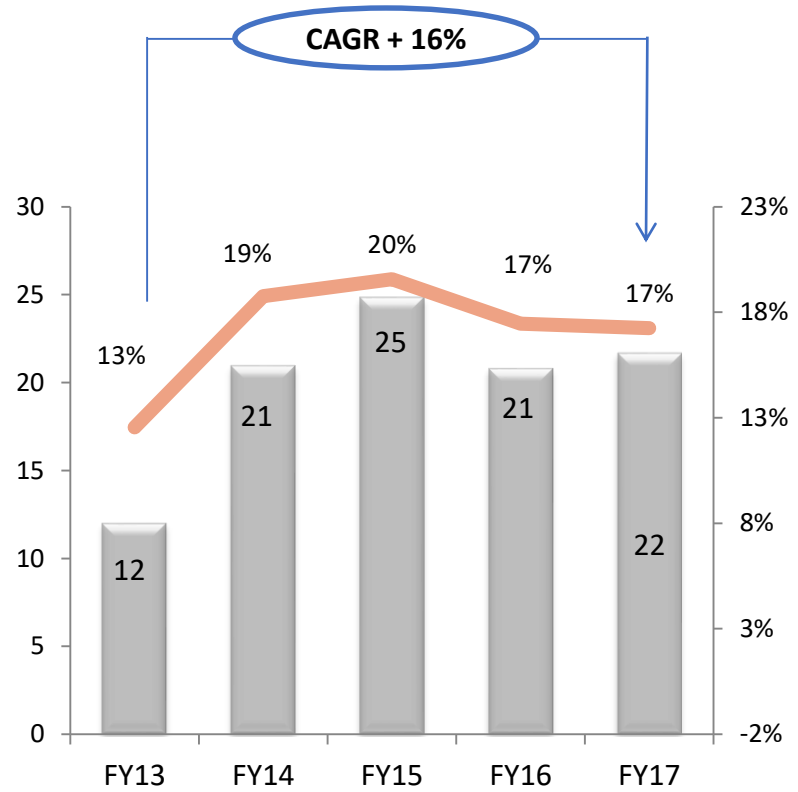


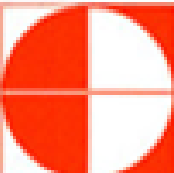
# Stable Manufacturing Performance

**Revenue (Rs.Crs)**



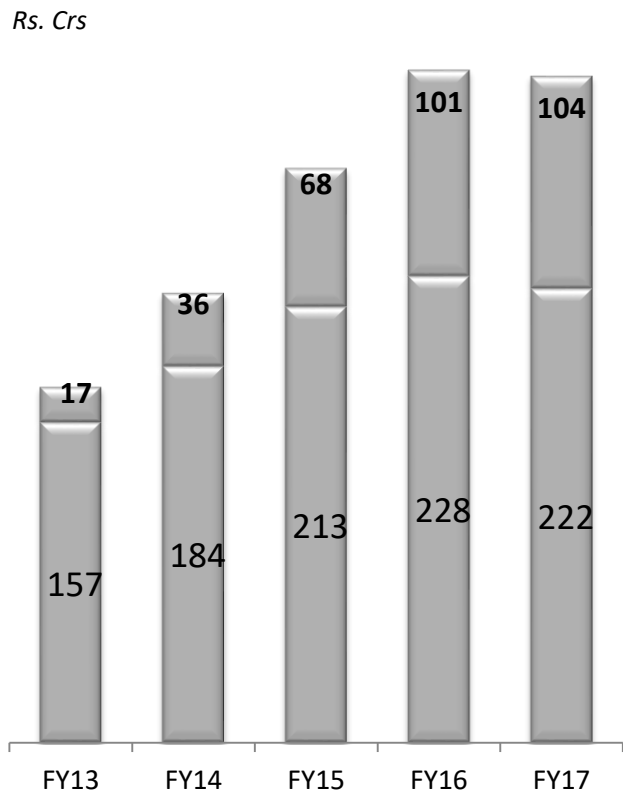
**EBITDA (Rs.Crs)**





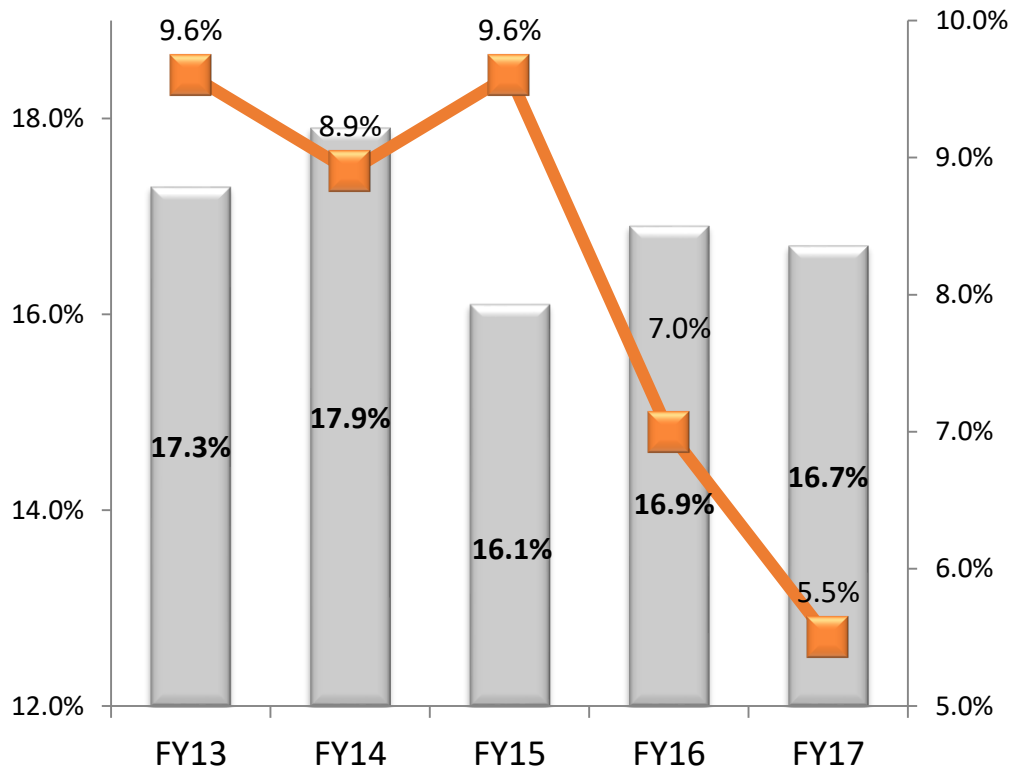
# Scaling-Up Retail Performance

Increasing Online Revenue...

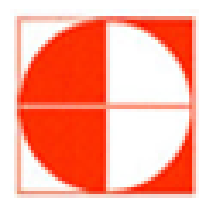


Offline Online

... Improved Absorption of Fixed Expenses



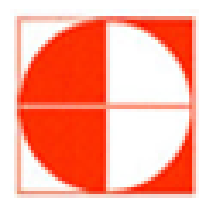
Front End expenses as % of Sales  
EBITDA Margin before Central Expenses



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## *Historical Financial Highlights*

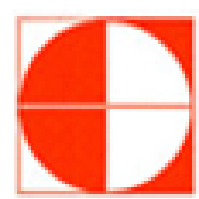




# Consolidated – Profit & Loss Statement

Rs.Crs	FY17	FY16	FY15
Revenue	455.4	449.8	411.7
Other Income	3.2	4.6	2.0
<b>Total Revenue</b>	<b>458.6</b>	<b>454.4</b>	<b>413.7</b>
Cost of Goods Sold	283.0	276.8	239.6
Employee Expenses	60.5	*57.0	58.3
Other Expenses	84.9	86.4	74.7
<b>EBITDA</b>	<b>26.9</b>	<b>29.5</b>	<b>39.0</b>
<b>EBITDA Margin</b>	<b>5.9%</b>	<b>6.6%</b>	<b>9.5%</b>
Interest	14.4	15.0	15.3
Depreciation	11.7	11.2	11.8
PBT	4.1	7.9	13.9
Tax	4.0	3.7	5.0
<b>PAT After MI</b>	<b>0.6</b>	<b>5.3</b>	<b>8.8</b>
<i>PAT after MI Margin</i>	0.1%	1.2%	2.1%
<b>Cash PAT</b>	<b>12.3</b>	<b>16.5</b>	<b>20.6</b>
<b>Cash PAT Margin</b>	<b>2.7%</b>	<b>3.7%</b>	<b>5.0%</b>

- Employee Expenses include additional bonus provision impact of Rs. 1 Cr for the year pursuant to amendment in Payment of Bonus Act, 1965 Financials are as per I-GAAP



# Contact

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## For further information, please contact:

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CIN : L33302HP1981PLC008123

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