

KDDL Limited

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Ref : KDDL/CS/2021-22/46

Date : 13th August, 2021

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: Investor Presentation

Dear Sir/ Madam,

Please find enclosed Investor Presentation for Q1 FY22.

Kindly take the same on record.

Thanking you,

Yours truly

For KDDL Limited



Brahm Prakash Kumar
Company Secretary



**KDDL Limited
&
ETHOS Limited**

ēthos
WATCH BOUTIQUES

**Investor Presentation
August 2021**

Safe Harbor



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Q1FY22 Performance Overview

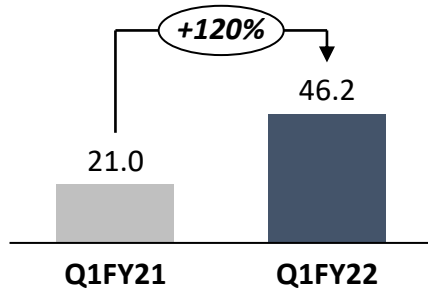


Q1FY22 Performance

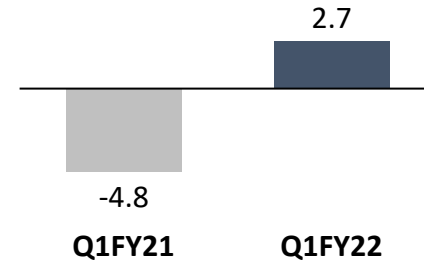


Standalone Performance (Rs. Crs.)

Revenue

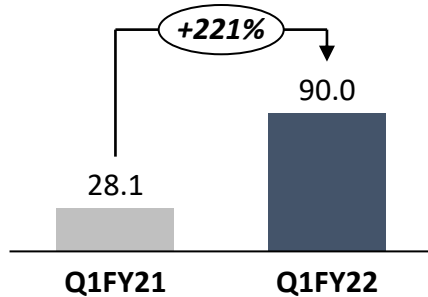


PAT

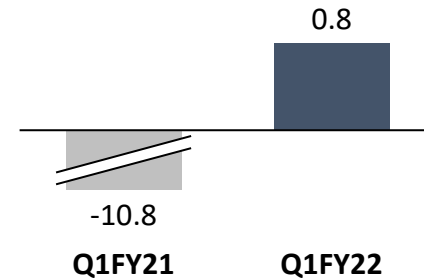


Ethos Performance (Consolidated) (Rs. Crs.)

Revenue*



PAT



Q1FY22 as well as Q1FY21 were impacted by lockdowns, however impact in Q1FY22 was much lesser in magnitude vs. Q1FY21

*Ethos Revenue is without IND AS 116 impact for better comparison

Standalone Profit & Loss



Profit & Loss (Rs. Crs.)	Q1FY22	Q1FY21	YoY%	Q4FY21	QoQ%	FY21
Revenue	46.2	21.0	120%	50.5	-8%	146.9
Cost of Goods Sold	12.0	5.8		12.1		37.7
Gross Profit	34.2	15.2	126%	38.4	-11%	109.2
Employee Expenses	15.5	10.8		14.6		49.7
Other Expenses	11.4	5.7		11.7		35.7
EBITDA	7.4	-1.3	-	12.2	-40%	23.9
Margin (%)	15.9%	-6.3%		24.2%		16.2%
Other Income	1.3	0.8		-0.2		2.5
Interest	1.9	2.4		2.2		9.3
Depreciation	2.9	3.0		2.9		12.0
PBT	3.9	-5.9	-	6.9	-43%	5.1
Tax	1.1	-1.1		2.2		1.8
PAT	2.7	-4.8	-	4.7	-42%	3.4

Consolidated Profit & Loss



Profit & Loss (Rs. Crs.)	Q1FY22	Q1FY21	YoY%	Q4FY21	QoQ%	FY21
Revenue	139.0	53.0	162%	178.2	-22%	548.8
Cost of Goods Sold	76.0	28.2		101.3		323.5
Gross Profit	63.0	24.8	154%	76.9	-18%	225.3
Employee Expenses	26.6	19.5		26.0		86.3
Other Expenses	21.5	11.6		23.7		74.0
EBITDA	14.9	-6.3	-	27.3	-45%	65.0
Margin (%)	10.7%	-11.9%		15.3%		11.8%
Other Income	5.7	5.6		2.7		18.4
Interest	5.9	7.2		6.4		26.8
Depreciation	10.4	12.3		10.9		46.0
Share of Profit / (Loss) of equity accounted investees	-0.1	-0.2		0.2		0.1
PBT	4.2	-20.3	-	12.8	-67%	10.6
Tax	1.4	-4.7		3.8		3.6
PAT	2.8	-15.6	-	9.1	-69%	7.0

Consolidated Profit & Loss (IND AS 116 impact)



Profit & Loss (Rs. Crs.)	As Reported		Without IND AS 116	
	Q1FY22	Q1FY21	Q1FY22	Q1FY21
Revenue	139.0	53.0	139.0	53.0
Cost of Goods Sold	76.0	28.2	76.0	28.2
Gross Profit	63.0	24.8	63.0	24.8
Employee Expenses	26.6	19.5	26.6	19.5
Other Expenses	21.5	11.6	31.1	19.8
Normalized EBITDA	14.9	-6.3	5.3	-14.6
Normalized Margin (%)	10.7%	-11.9%	3.8%	-27.5%
Other Income	5.7	5.6	5.7	5.6
Interest	3.3	4.2	3.3	4.2
INDAS 116 Interest	2.6	3.0	-	-
Depreciation	4.3	4.9	4.3	4.9
INDAS 116 Depreciation	6.2	7.4	-	-
Share of Profit / (Loss) of equity accounted investees	-0.1	-0.2	-0.1	-0.2
PBT	4.2	-20.3	3.4	-18.2

Ind AS 116: Impact on Financials



- The adoption of Ind AS 116 has resulted in recognizing a Right-of-Use Assets of **Rs. 85.2 Crores** and equivalent to the lease liability of **Rs. 88.8 Crores** as on 30th Jun 2021
- 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 Q1FY22 (Rs. Cr.)	For Q1FY21 (Rs. Cr.)	Financial impact
Other expenses (Rent)	Decrease in Rent expense	9.6	8.3	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	-2.6	-3.0	
Depreciation	Increase in Depreciation	-6.2	-7.4	
Profit before tax	PBT	0.8	-2.1	

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

Standalone Balance Sheet



Assets (Rs. Crs.)	Mar-21	Mar-20	Liabilities (Rs. Crs.)	Mar-21	Mar-20
Non-current assets	216.2	216.0	Equity	173.1	169.5
Property, plant and equipment	90.8	93.8	Equity share capital	11.7	11.7
Capital work-in-progress	1.1	2.2	Other equity	161.3	157.8
Right-of-use asset	10.7	12.7			
Investment Property	0.3	0.4	Non-current liabilities	53.0	58.5
Other intangible assets	0.2	0.4	Financial Liabilities		
Financial assets			(i) Borrowings	40.9	45.2
(i) Investments	107.5	100.7	(ii) Lease Liabilities	4.2	5.9
(ii) Loans	2.3	2.2	(iii) Other financial liabilities	1.6	1.2
Income Tax Asset	2.8	2.3	Provisions	0.4	1.1
Other Non Current Assets	0.5	1.3	Deferred tax liability (net)	5.9	5.1
Current assets	83.5	84.1	Current liabilities	73.7	72.1
Inventories	26.5	32.1	Financial Liabilities		
Financial assets			(i) Borrowings	16.2	19.3
(i) Trade receivables	31.6	24.6	(ii) Lease Liabilities	2.0	2.0
(ii) Cash and cash equivalents	10.6	9.5	(iii) Trade payables	14.7	13.5
(iii) Other bank balances	2.9	5.4	(iv) Other financial liabilities	31.3	31.1
(iv) Loans	1.8	1.9	Other current liabilities	5.6	3.2
(v) Other financial assets	2.3	2.1	Provisions	3.5	2.7
Other current assets	7.8	8.4	Current tax liabilities(net)	0.3	0.3
Total Assets	299.7	300.1	Total Liabilities	299.7	300.1

Consolidated Balance Sheet



Assets (Rs. Crs.)	Mar-21	Mar-20	Liabilities (Rs. Crs.)	Mar-21	Mar-20
Non-current assets	277.8	299.2	Equity	227.3	227.4
Property, plant and equipment	153.7	158.6	Equity share capital	11.7	11.7
Capital work-in-progress	4.9	2.9	Other equity	174.8	174.0
Right-of-use asset	91.7	109.6	Non Controlling Interest	40.7	41.7
Intangible assets	0.6	0.8			
Intangible assets under development	0.1	0.1	Non-current liabilities	160.7	175.1
Equity accounted investees	0.9	1.0	Financial Liabilities		
Financial assets			(i) Borrowings	77.4	80.1
(i) Investments	0.5	0.5	(ii) Lease Liabilities	72.9	85.4
(ii) Loans	11.3	10.2	(iii) Other financial liabilities	2.5	2.1
(iii) Other financial assets	-	1.3	Provisions	2.0	2.4
Income Tax Asset	4.3	3.7	Deferred tax liability (net)	5.9	5.1
Deferred tax assets (net)	8.2	7.2			
Other Non Current Assets	1.7	3.4			
			Current liabilities	229.5	254.7
Current assets	339.7	358.0	Financial Liabilities		
Inventories	225.4	252.7	(i) Borrowings	45.8	74.3
Financial assets			(ii) Lease Liabilities	20.9	20.9
(i) Trade receivables	40.8	28.5	(iii) Trade payables	87.0	87.3
(ii) Cash and cash equivalents	30.9	22.8	(iv) Other financial liabilities	53.2	52.6
(iii) Other bank balances	5.2	5.7	Other current liabilities	15.1	13.8
(iv) Loans	7.2	8.0	Provisions	6.5	5.1
(v) Other financial assets	5.0	6.6	Current tax liabilities(net)	0.9	0.7
Other current assets	25.0	33.7			
Total Assets	617.5	657.2	Total Liabilities	617.5	657.2



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 meeting International Quality norms

Precision Engineering Business



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



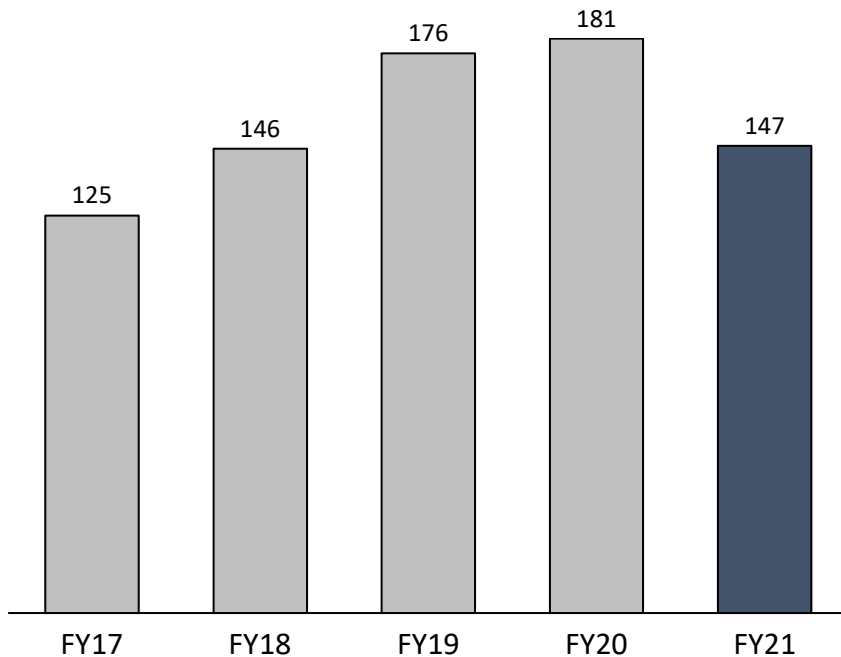
Customers

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

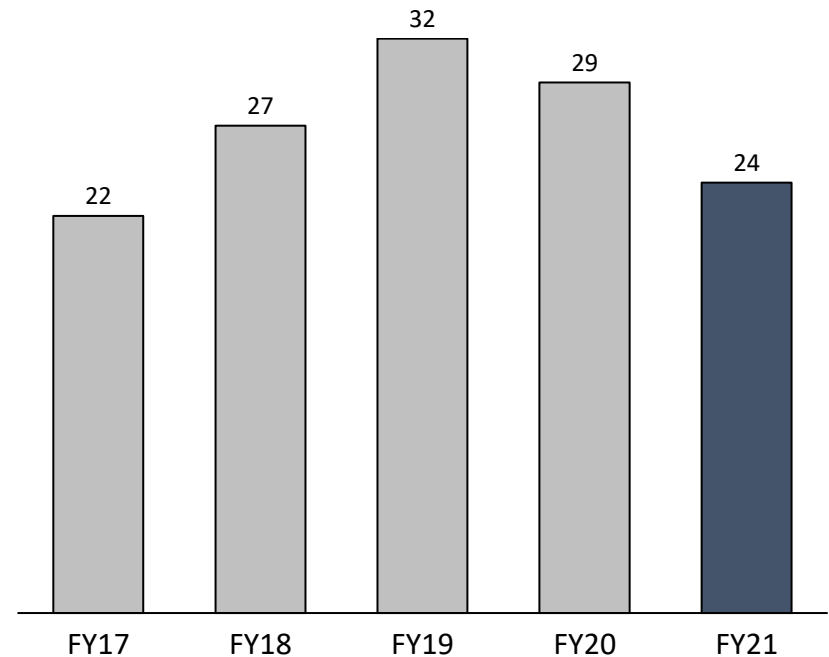
Stable Manufacturing Performance*



Revenue (Rs. Crs.)



EBITDA (Rs. Crs.)



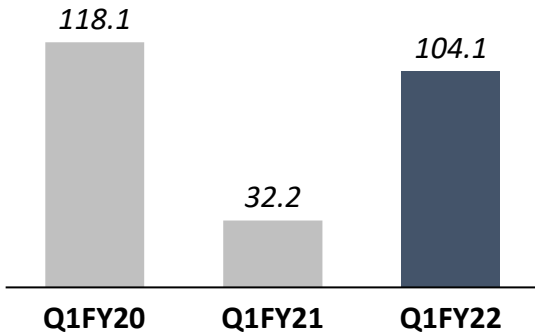
Since the lockdown was in force for a significant part of FY21, the results for FY21 were adversely affected by the COVID-19 pandemic and may not be strictly comparable with previous periods

Ethos Q1FY22 Snapshot

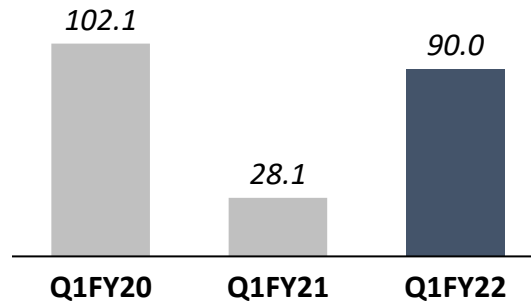


Q1FY22 Performance (Consolidated)

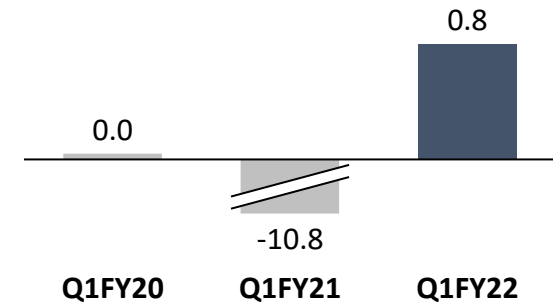
Billings (Rs. Crs.)



Revenue (Rs. Crs.)#



PAT (Rs. Crs.)



- Q1FY22 as well as Q1FY21 were impacted by lockdowns, however impact in Q1FY22 was much lesser in magnitude vs. Q1FY21
- During Q1FY22, stores were physically open only for 35% of the time on an average. In spite of that, we recorded revenue close to 90% of Q1FY20 level which was a pre-pandemic quarter
- Company witnessed significant improvement in Stock carrying months at the end of June-21 at 6.8 Months as compared to 8.7 months in June-20

Consolidated Profit & Loss

Profit & Loss (Rs. Crores)*	Q1FY22	Q1FY21	YoY %	FY21
Revenue	94.1	32.8	187%	403.0
Cost of Goods Sold	63.7	21.1		282.2
Gross Profit	30.4	11.7	159%	120.8
Margin (%)	32.3%	35.7%		30.0%
Employee Expenses	8.5	7.1		29.3
Other Expenses	10.0	5.4		35.4
Reported EBITDA	11.9	-0.8	-	56.1
Margin (%)	12.6%	-2.4%		13.9%
Interest	3.7	4.6		17.0
Depreciation	7.0	8.9		32.5
Profit before share of JV	1.2	-14.3	-	6.5
Share of profit / (loss) of JV	-0.1	-0.2		0.1
PBT	1.1	-14.4	-	6.7
Tax	0.3	-3.6		2.0
PAT	0.8	-10.8	-	4.7

Q1FY22 as well as Q1FY21 were impacted by lockdowns, however impact in Q1FY22 was much lesser in magnitude vs. Q1FY21

Consolidated Profit & Loss (IND AS 116 impact)

Profit & Loss (Rs. Crores)*	As Reported		Without INDAS 116	
	Q1FY22	Q1FY21	Q1FY22	Q1FY21
Revenue	94.1	32.8	90.0	28.1
Cost of Goods Sold	63.7	21.1	63.7	21.1
Gross Profit	30.4	11.7	26.3	7.0
Employee Expenses	8.5	7.1	8.5	7.1
Other Expenses	10.0	5.4	14.8	8.5
Normalized EBITDA	11.9	-0.8	3.0	-8.6
Normalized Margin (%)	12.6%	-2.4%	3.3%	-30.6%
Interest	1.2	1.8	1.2	1.8
INDAS 116 Interest	2.4	2.8	-	-
Depreciation	1.5	2.1	1.5	2.1
INDAS 116 Depreciation	5.6	6.8	-	-
Share of Profit / (loss) of JV	-0.1	-0.2	-0.1	-0.1
PBT	1.1	-14.4	0.2	-12.6

Ind AS 116: Impact on Financials

- The adoption of Ind AS 116 has resulted in recognizing a Right-of-Use Assets of **Rs. 75.2 Crores** and lease liability of **Rs. 83.7 Crores**, as on 30th June, 2021
- 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 (Rs. Crs.)</i>		For Q1FY22	For Q1FY21	Financial impact
Other expenses (Rent)	Decrease in Rent expense	4.8	3.0	This affects other expenses, other income, depreciation and finance cost in the Profit & loss statement & consequently impacts, Revenue, EBITDA and PBT of the company
Finance costs	Increase in Finance cost	2.4	2.8	
Depreciation	Increase in Depreciation	5.6	6.8	
Other Income	Increase in Other income	4.1	4.8	
Share of Profit / loss of JV	Increase in Loss of JV	0.0	0.0	
Profit before tax	PBT	0.9	-1.8	

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

Consolidated Balance Sheet

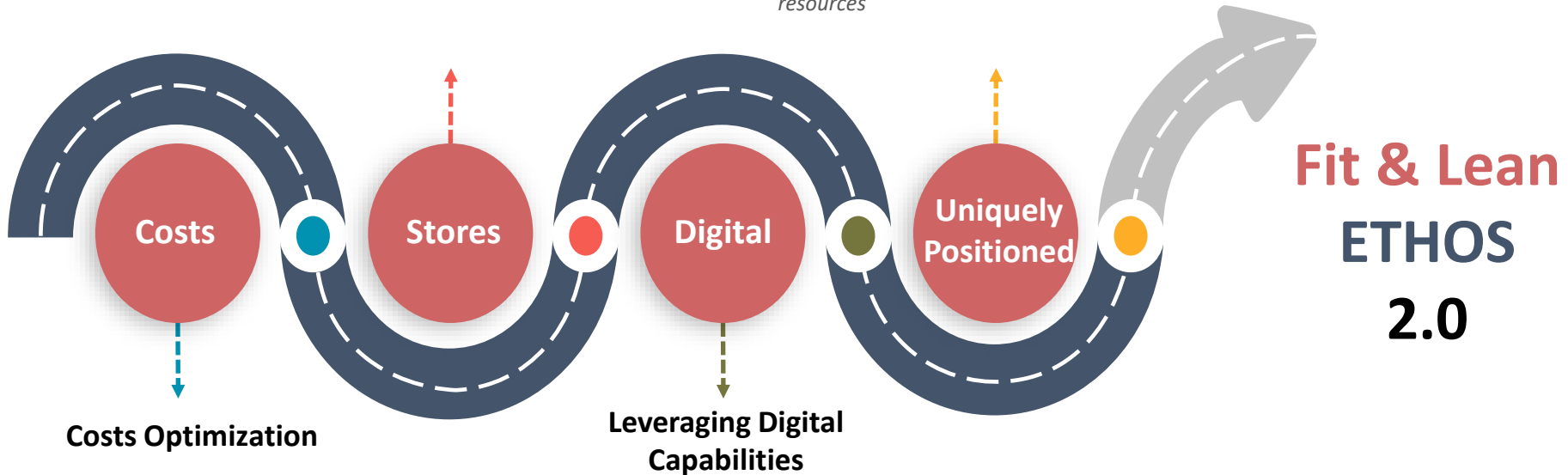
Assets (Rs. Crores)*	Mar-21	Mar-20	Equity & Liabilities (Rs. Crores)*	Mar-21	Mar-20
Non-current assets	128.8	142.7	Shareholder's Fund	156.9	152.2
Fixed Assets	35.1	32.2	Share Capital	18.2	18.2
Right of Use	81.2	96.9	Other Equity	138.7	134.0
Financial Assets	9.0	9.3			
Other Non Current Assets	2.6	3.6	Non-current liabilities	88.6	97.8
Investment in Joint Venture	0.8	0.7	Borrowings	17.1	15.8
			Lease Liabilities	69.1	79.8
Deferred Tax asset	8.2	7.3	Others Financial Liabilities	0.9	0.9
			Other Liabilities	1.6	1.3
Current assets	256.5	274.7	Current liabilities	148.0	174.7
Inventories	197.8	218.6	Current Borrowings	26.8	53.6
Trade Receivables	12.2	9.4	Lease Liabilities	19.1	19.1
Cash and Bank Balances	20.5	10.0	Trade Payables	72.0	72.4
Other Financial Assets	10.1	12.7	Other Financial Liabilities	17.8	16.2
Other Current Assets	16.0	24.0	Current provisions	2.5	2.4
			Other Current liabilities	9.8	11.0
Total Assets	393.5	424.7	Total Equity & Liabilities	393.5	424.7

Stores Optimization

In depth assessment of each store's performance across India. Closure of lower productivity stores and launch of flagship stores which can enjoy strong footfalls

Uniquely Positioned to Grow

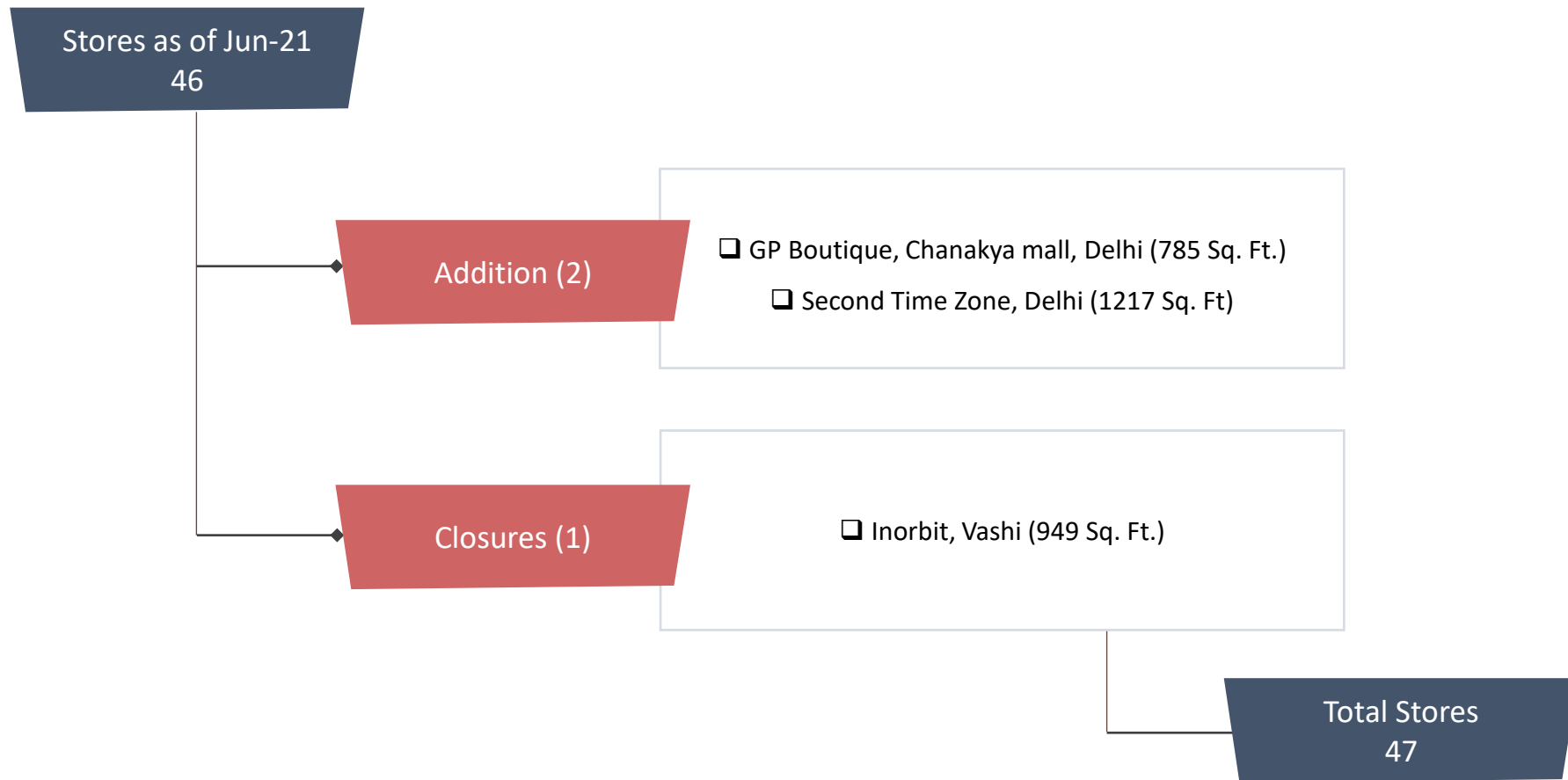
Post pandemic, Swiss brands may focus more on developed markets and less on developing like India. Ethos is uniquely positioned to partner with them and grow these Swiss brands without them having to deploy their own resources



Undertook cost optimization initiatives while ensuring that spend on 'good costs' is not compromised

We have the most advanced digital communication and e-commerce capabilities in the country for any luxury product. With the change in customer behaviour, we will be best positioned to leverage these capabilities and increase market share substantially

Largest Pan India retailer of Luxury Watches



We continue to rationalise the store network
Open stores in newer locations with higher expected footfalls and stores with
lower profitability to be closed down

Repair & 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

Second Time Zone

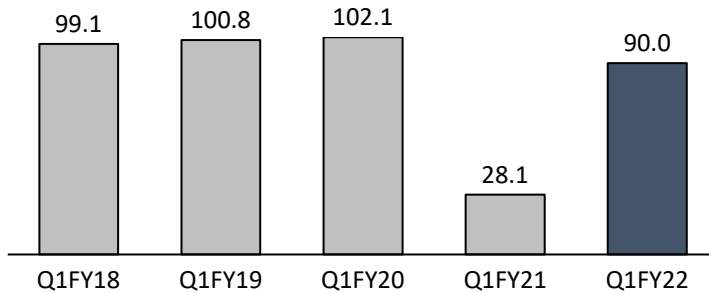
Powered by Ethos Watch Boutiques



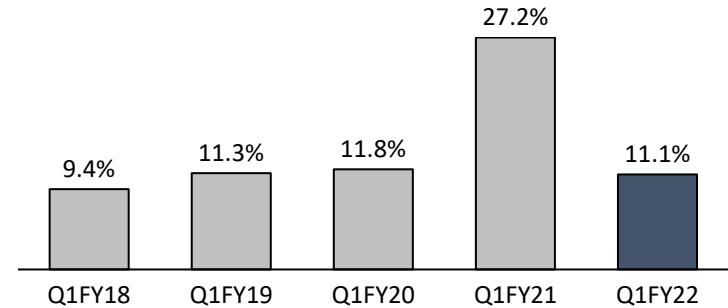
Operational Highlights

Ethos - Performance Trend

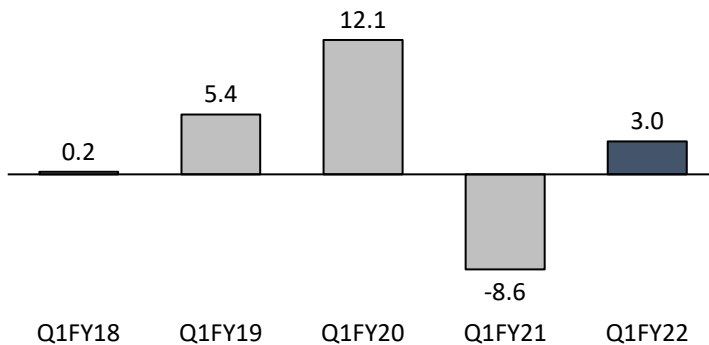
Revenue (Rs. Crs.)*



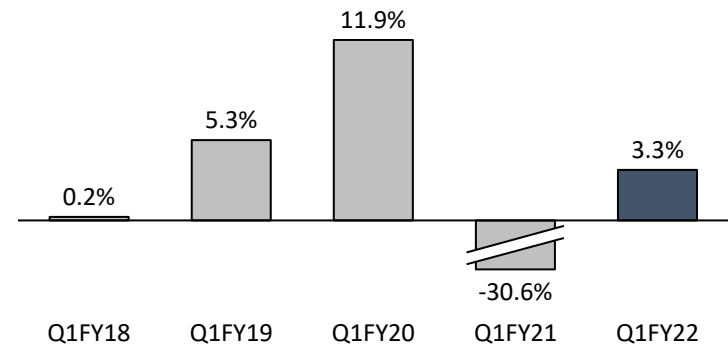
Front-end Rent & Manpower Cost as % of Revenue



EBITDA (Rs. Crs.)*



EBITDA Margins*

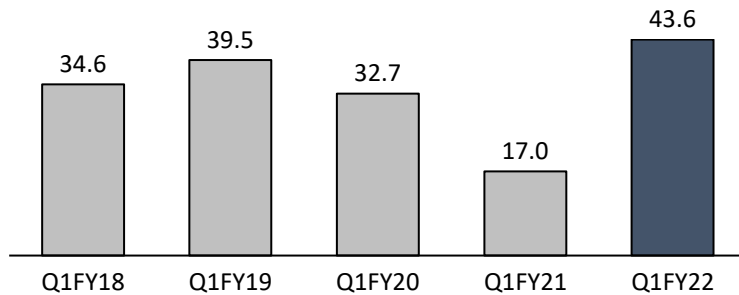


Since the lockdown was in force for a significant part of Q1FY21 & Q1FY22, the results of these periods were adversely affected by the COVID-19 pandemic and may not be strictly comparable with those of other periods

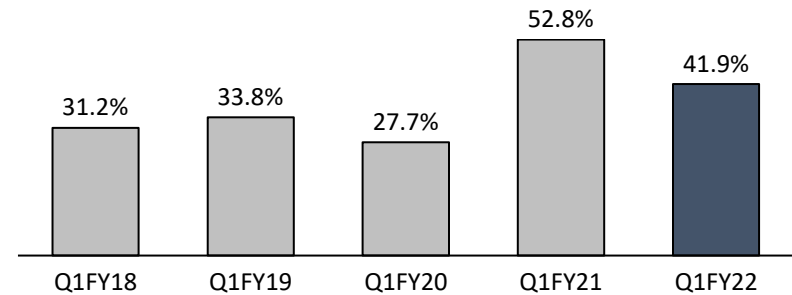
*Q1FY21 & Q1FY22 Revenue, EBITDA & Margins are without IND AS 116 impact for like-to-like comparison

Ethos - Online Sales Trend

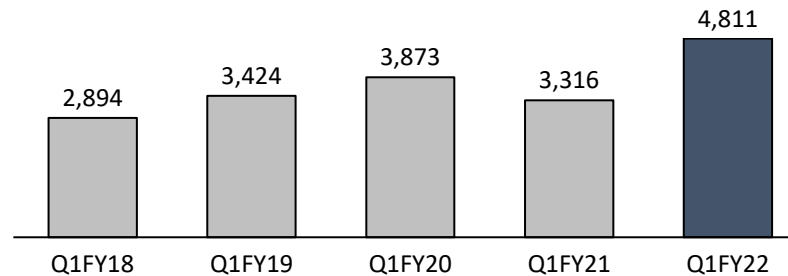
Online Billings (Rs. Crs.)



Online Billing as % of Total Billing



Visitors ('000)



Ethos witnessed strong online sales contribution since FY21 onwards as customers continued to buy luxury watches online amid the pandemic

*Ethos is India's Largest
Luxury Watch Retailer*



Pan-India Presence with Offline Store Network



India's Largest retail chain of Luxury Watches with 47 stores

Presence across Metros, Tier I, Tier II cities

1 Duty Free Retail Outlet at International Terminal

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



Exclusive Brands

- Higher share of Business from Exclusive Brands



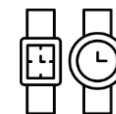
Stores

- Open Flagship stores which can enjoy higher footfalls leading to more profitability
- Focus on improving profitability of existing stores



Digital Strategy

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



Right Mix

- 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

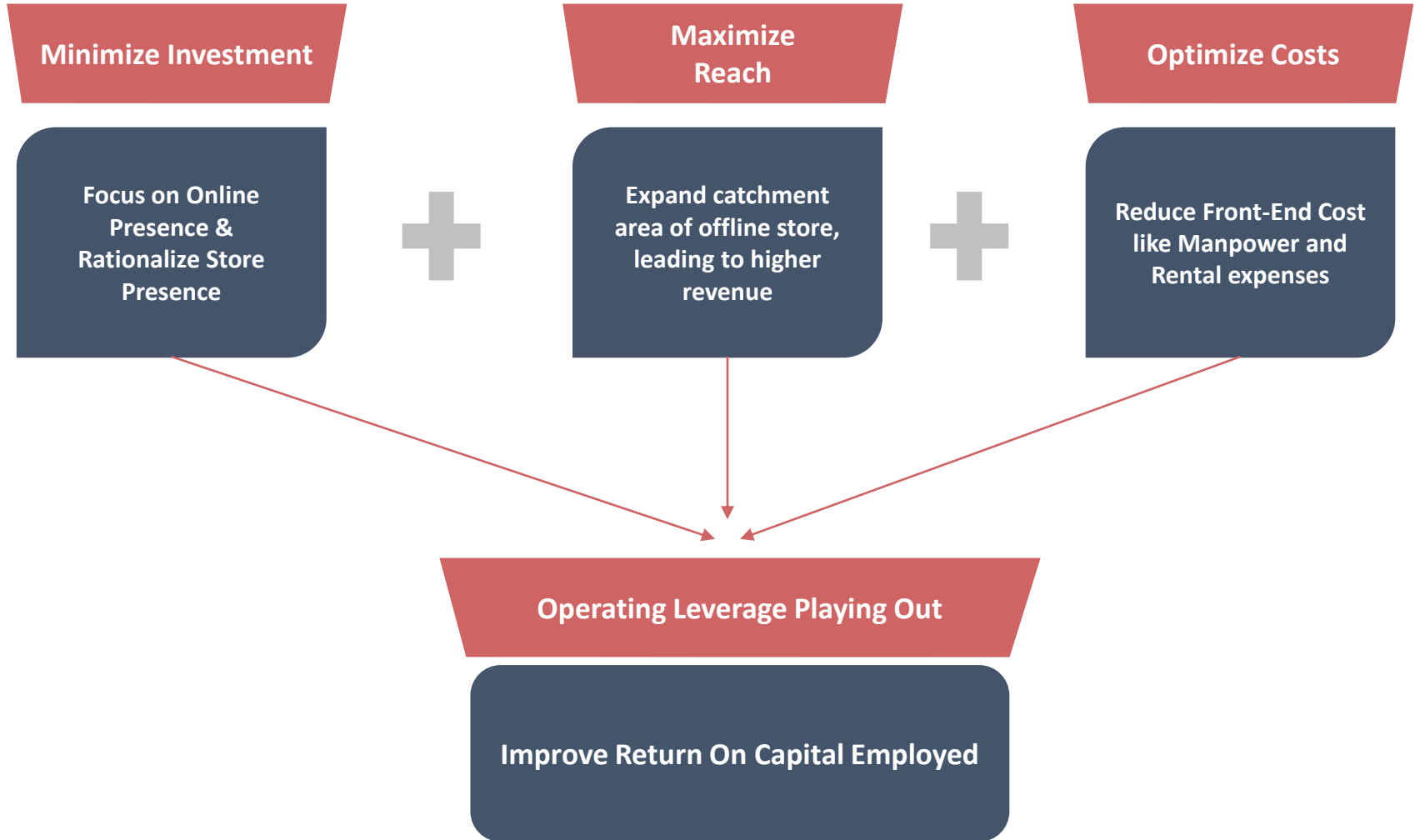


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