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BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

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

Scrip Code : 543532

Trading symbol : ETHOSLTD

ISIN : INE04TZ01018

Subject : Regulation 30 of the SEBI (LODR) Regulations, 2015 – Transcript of conference call

Dear Sir/Ma'am

Greetings from Ethos.

This is in furtherance to our letter dated November 10, 2023 intimating the schedule of the conference call for Thursday, November 16, 2023 at 3.00 p.m.

In this regard, we are enclosing herewith the transcript of the aforesaid conference call, held inter alia to discuss operational and financial performance of the Company for the quarter and half year ended on September 30, 2023, pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The same is also available on the website of the Company www.ethoswatches.com

We would request you to please take the same in your records and oblige.

Thanking you

Yours truly
For **Ethos Limited**



Anil Kumar
Company Secretary & Compliance Officer
Membership no. F8023

Encl.: as above

— **ETHOS LIMITED** —

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“Ethos Limited
Q2 & H1 FY2024 Earnings Conference Call”

November 16, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and National Stock Exchange of India Limited and the Company website on 16th November 2023 will prevail



**MANAGEMENT: MR. YASHOVARDHAN SABOO – CHAIRMAN &
MANAGING DIRECTOR – ETHOS LIMITED
MR. PRANAV SABOO –CHIEF EXECUTIVE OFFICER -
ETHOS LIMITED
MR. RITESH AGRAWAL – CHIEF FINANCIAL OFFICER –
ETHOS LIMITED
SGA – INVESTOR RELATION ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Ethos Limited's Q2 & H1 FY2024 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Saboo – Chief Executive Officer. Thank you and over to you Sir!

Pranav Saboo: Good afternoon, everyone. Thank you for joining us on the Ethos Limited's Q2 & H1 FY2024 Earnings Conference Call. I hope everyone had a chance to view our financial results and investor presentation, which were recently posted on the company's website and stock exchanges. I am accompanied by our Chairman & Managing Director, Mr. Yashovardhan Saboo, our CFO Mr. Ritesh Agarwal, and SGA our Investor Relations Advisors, on this call today. Let me give you an overview of our H1 FY2024 performance.

For Q2 FY2024 revenue from operations is up 32.4% to Rs. 235.2 Crores from Rs. 177 Crores in Q2 FY2023. EBITDA for the quarter grew by 39.8% Y-o-Y to Rs. 41.5 Crores in Q2 FY2024. EBITDA margin for Q2 FY2024 stood at 17.3% against 16.4% in H1 FY2023. PAT for Q2 FY2024 was Rs. 18.6 Crores as compared to Rs. 13.6 Crores in Q2 FY2023 which grew by 37.1% on Y-o-Y basis. We got an advantage of a late shradh in this quarter. Last year's shradh was in Q2 whereas this year, it is in Q3. For H1 FY2024 revenue from operations is up 32.4% to Rs. 465.2 Crores from Rs. 351.3 Crores in H1 FY2023. EBITDA for the quarter grew by 35.9% Y-o-Y to Rs.80.1 Crores in H1 FY2024. EBITDA margin for H1 FY2024 stood at 16.9% against 16.5% in H1 FY2023. PAT for H1 FY2024 was Rs.36.7 Crores compared to Rs 26.4 Crores in H1 FY2023 which grew by 39.4% on a Y-o-Y basis. PAT margin for H1 FY2024 stood at 7.7% against 7.4% in H1 FY2023. On September 30, 2023, inventory days stood at 159 days at sales. Gross debt is Rs. 6.9 Crores as of September 30, 2023. Cash and bank balance stood at 178.8 Crores as of September 30, 2023. The share of exclusive brands for H1 is 31%. Revenue from certified pre-owned watches grew 34% Y-o-Y to Rs. 32 Crores in H1 FY2024.

Before we go to for the Q&A part of our discussion, allow me to highlight a few points, the luxury consumer segment in India is upbeat. International luxury brands see affluent Indian consumers as an increasingly important segment of their business. Experts estimate that the luxury market in India will expand fivefold over the next decade as the number of affluent consumers in the country continue to multiply with higher aspirations and disposable

income. The increase in purchasing power is not restricted to metros but also extends to Tier-2 and Tier-3 cities. This represents an unprecedented opportunity for retailers of premium and luxury products like us. Luxury watches are functional and serve as a status symbol and a store of wealth. Luxury watch manufacturers are recognized for their rich heritage and reputation for high quality, technical excellence, and aesthetic appeal. High-end luxury watches are characterized by the highest levels of accuracy, performance, quality, and attention to detail. With this conviction, we continue to pursue our strategy, which has proven successful building a formidable portfolio of brands supported by the highest quality omni channel structure of best-in-class boutiques and active digital platforms and communication. During this quarter, we have also added four brands to our exclusive brand portfolio. First and foremost, we are proud to announce our exclusive retail partnership with Ulysee Nardin, one of the best-known Swiss watch brands in the high luxury segment. One of its most famous creations The Freak - a unique time piece that tells time without a dial or hand won the award for the most iconic watch in the recently held Grand Prix de L'Horlogerie de Genève in Switzerland. Ulysee Nardin is also well known in India where it has been present for nearly two decades and has now decided to work exclusively with Ethos to strengthen its presence in the rapidly growing Indian market, but this is not all we have also signed retail partnerships with three other Swiss Brands namely Nivada Grenchen, Gerald Charles and Chronoswiss. More information about these amazing brands is available on our websites. We are also extremely excited to share that on October 31, 2023, we opened our first RIMOWA boutique in India at the prestigious Jio World Plaza in Mumbai's BKC. RIMOWA is part of the LVMH brand portfolio. This store is approximately 500 square feet and the first signs of sales have been extremely encouraging. This marks our presence in the luxury space outside of watches.

Allow me to give you a few more updates regarding the quarter now. Recently we successfully completed our QIP. The QIP of Rs.175 Crores was backed by leading institutional investors reaffirming our belief in the Indian luxury market story and our company. This capital enhancement gives us the needed firepower to accelerate and capture the many opportunities in the luxury watch and related product businesses that we see imminent for India in the coming future. I do not want to end this part without mentioning of Favre Leuba, the Swiss watch brand that our group has invested in. Work on the relaunch of this iconic and amazing brand is well underway and I can assure you that this will be a Swiss watch brand that will achieve Himalayan heights in the years to come. I would like to end by saying that the greatest source of our inspiration and confidence is the Indian economy, the dynamism, and the optimism of the confident young global Indian. India is on track to break records, and we will play our part in bringing the Indian economy to new heights. With this, I open the floor for questions and answers. I invite and request our Chairman, Mr. Yasho Saboo, to join this exciting conversation. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devanshu Bansal from Emkay Global. Please go ahead Sir.

Devanshu Bansal: Sir, many congratulations on the QIP raise, exclusive partnership with Ulysee Nardin and festive greeting. Sir first question is on the sharp increase in ASP sequentially, so wanted to check if these levels are sustainable or if there is some one-off in this and a light question to this is that, on the other hand volume growth is a little subdued in this quarter, is it due to shift of season between Q2 and Q3 and this trend should reverse in Q3 as we sort of progress? The second one is on the working capital front this time around, in H1 there is an increase of about Rs. 75 odd Crores and we also have incurred a capex of about Rs. 18 odd Crores in H1 which is slightly higher than the guided run rate for six new stores that we have opened so just a better understanding on the capital investment in H1 will be helpful? The last question from my end is we have raised this additional Rs. 175 odd Crores of money in the QIP and most of the investments as we know in our business are in the working capital front so wanted to check between the trade-off between funding growth through equity versus taking a working capital debt and if there is any change in the growth outlook with this amount of capital that we have raised so these are the three questions?

Yashovardhan Saboo: Yes, the ASP has risen sharply. I do not think one or two exceptional items influence this I think it is pretty much normal. You have seen that in the past, this is an impact of the fact that we are continuing to get out of lower price points and into brands at a higher price point, so there is a continuing effect. I expected to stabilize the increases to not be as sharp in future and as far as volume growth is concerned volume growth will be there; however, we are still getting out from the lower price point segments so in each price segment there is volume growth but overall, we are not seeing it. I think you will start seeing the volume growth trends in the quarters to come. Your second question was regarding working capital. It is difficult to sort of see this over only six stores because it depends on what the stores are, what is the size of the stores and so on. This is a very well controlled thing. Please also understand that the increase in stock is not only based on new stores it is also based on new brands that we are signing, so a lot of the new brands the stock investment is front-ended and the sales follow obviously after there is some lag between the time we invest in the brand and by the time the sale picks up so as we are adding new brands this is a front ended thing but overall I think we are well within the norms that we have given. Your last question is about the QIP Rs 175 Crores I believe the opportunities that we see imminent that Pranav also referred to are very striking, they are very real, we can see them, one of them we have just announced Ulysee Nardin, I am sure anybody who is enthusiast about watches in this segment fully understand the import and significance of this tie-up given Ulysee Nardin. It was a highly visible brand in India, and they have been here for 20 years. Now they have decided to come exclusively with Ethos. This is an opportunity that we have been discussing and pursuing. Now we have the pleasure of announcing it and similarly

there are other important opportunities, and we want to be ready for that. As and when these come, we will capitalize on them, which will ensure that the company's growth continues to be high and not sort of plateau up. We believe the opportunity in India will remain very strong over the next 5 to 10 years and therefore, our growth should also remain commensurate with that.

Devanshu Bansal: Great, sir. And lastly, just a followup on this: Do you have any thoughts on preference for equity versus debt?

Yashovardhan Saboo: We are not ruling out that but of course we have always been very prudent about the kind of debt levels we keep. We have not ruled that out, and if it is required, we will also take a bit of debt.

Devanshu Bansal: On Ulysee Nardin, any guidance or outlook you can provide on the current scale of business in India since they have been operating for 20 years?

Yashovardhan Saboo: We have not been part of Ulysee Nardin for the last few years, so it is difficult to comment on that, but of course, we have exciting plans, and you will see them unfolding.

Devanshu Bansal: Great Sir. That is it from my end. Many congratulations.

Moderator: Thank you very much. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Saboo Sir it is a fantastic result. Sir when the last IPO you came out in May 2022 you made allocation to use Rs 339 Crores out of which still Rs 90 Crores are pending to utilize again you came out with the QIP to raise Rs 150 Crores recently, you might be aware that raise of equity is always costlier than debt why you took this decision?

Yashovardhan Saboo: I think have answer to Devanshu but do you have any other questions, Ravi?

Ravi Naredi: Our average selling price raised from Rs. 84,000 to Rs. 1,87,000 in three-and-a-half years so any figure in your mind after three years what will be average selling price?

Yashovardhan Saboo: I will answer the first one. I think the decision on whether we will fund with equity or debt is one of the classic questions in any kind of business enterprise. As I mentioned to Devanshu, we are not averse to taking that; if necessary, we will take that. You are right there are some funds left over from the IPO. I want to just emphasize something that I emphasized in the last call as well: that at the time of the IPO, we had foreseen an expansion from about 50 stores. We had expected an expansion to about 70 to 75 stores of which 13 were included in the IPO document. In the last one-and-a-half years what we have

experienced is that the undercurrent of growth in the Indian market is far more robust than was evident 18 or 24 months ago and that a lot of this growth is coming, and the purchasing power is coming from Tier-2 and Tier-3 cities. We have also discovered that to fully capitalize on this increase in purchasing power, physical presence in some of these new geographies is very important therefore there has been a modification in our strategy where we believe it is important to establish a greater spread of physical stores into Tier-2, Tier-3 cities and also in some suburban areas of the large metros where we are not present. Consequently, our strategy changed not only to go up to 75 stores but actually, over the next four years to go up to 145 to 150 stores so there is a very large and accelerated rollout of stores and consequently also related to that signing up of new exclusive brands and for this we needed the extra funding. We believe the opportunity in the Indian market has expanded and will remain high. We are in the best position today to exploit this opportunity, capitalize on this opportunity. We believe this is one of the spirits of entrepreneurship that India is now famous for that when we see an opportunity we go for it and capitalize on. If he comes back, I will answer this question, which was not answered, so I would like to answer that.

Moderator: The next question is from the line of Bhavya Sonawala from Samaasa Capital. Please go ahead.

Bhavya Sonawala: Firstly, Happy Diwali to the whole team, and congratulations on a great set of numbers. I had two questions. My first question are there any top retailers around the world in developed countries or any watch market where retailers own a brand as we do in terms of Favre Leuba and any other similarities in terms of average selling prices or the number of brands they own if you can throw some light on that what kind of a trajectory we might be following, my second question is just trying to understand when we sign up a brand what is their expectation in terms of showcasing their watches in all our stores of the space we give them so how does the conversation go about in that terms? These are the two questions. Thank you.

Yashovardhan Saboo: Happy Diwali to you as well, Bhavya. Thank you very much for your good wishes. Your first question was, which are the other big retailers and what are the policies they follow, in most of the large developed countries, there are a couple of big names that span these countries, the biggest of course is Bucherer which is active in Europe and USA, in Europe there also Wempe, in UK and USA there is Watches of Switzerland, in the Far East you have The Hour Glass, you have Cortina watch, in China you have Chow Tai Fook and Emperor, so there are a couple of large chains and each of them has a their own policies and strategies. You asked a question about whether they also own brands, and many of them do. As we understand,, many large retailers are also taking investment or a position as an investor in some of the upcoming new independent brands. Independent brands are brands

that are not affiliated to any of the large four or five large groups but are distinguished by a very high quality innovative independent watchmaking and many of our exclusive brand portfolio also consists of such independent brands, so yes, more and more of the globally large retailers are taking an important position and acquiring a brand portfolio of the independent brands I think as a large retailer, we have sort of anticipated the trend towards independent brands a little bit ahead of some others and you can already see the impact that this has had on us, of course it has created a very differentiated portfolio and created a big moat for us vis-à-vis other competition. Of course, we monitor other retailers to the extent we can get information. We try to learn good practices from them but we also recognise that we do not have to follow everything completely because the Indian consumer is global consumer now but also different and we understand the Indian consumer better than any other global retailer so while we want to learn from everybody, we also want to create our own strategies which are uniquely positioned for our success and for the Indian market. Your second question was also very interesting Bhavya it was regarding the expectation of brands. Different brands have different positioning and sizes of production, different budgets, and expectations so what we negotiate with them is not based on a standard template, for example, there are some brands in our exclusive portfolio which have very limited production. Therefore there is no point in having them in more than three or four stores in our network, which is what we do. While others have a more widespread appeal, have a lower price point and may be present in most of our multi-brand stores and here again, a lot depends on what is the range of their offering, what is their collection size, their product size, how many SKUs we are going to stock, what is the expectation of their sale, what is the agreement with them. There is no standardized template but of course we reach a win-win agreement with every brand so that their goals are achieved, and our goals are achieved.

Bhavya Sonawala: That makes sense. Thank you so much for your time and all the best.

Moderator: Thank you very much. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead Sir.

Ravi Naredi: I was very much in line, but you could not listen to me that time our average selling price rose.

Yashovardhan Saboo: Ravi excuse me I had your question I am ready to answer that. I am sorry that we had to drop off. Your question was that our average selling price has increased from Rs. 84,000 to Rs. 1,85,000 in a few years and what is the expectation of this in three years going forward correct, so while it is difficult to give a forecast for average selling price because a lot depends on which part of the brand portfolio will start to do well. Still, we can say that the average selling price will go up. The increase in average selling price will not be as sharp as

it has been in the last couple of years I will tell you why because one big reason for the increase has been that we have cut out the lower price segments in the last three years that is almost getting fully cut out now so the increase will be a little more gentle than it has been in the past. There will be an increase, what exactly it will be we cannot say at this moment. Difficult to sort of predict that.

Ravi Naredi: Thank you.

Moderator: Thank you. The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Hi Sir thank you for taking my question so my first question is again on the capital raise so if I look at our current balance sheet we have around Rs. 180 Crores kind of cash and even considering the kind of expansion plans we have and given the fact that we are now doing a very good margin and profitability which will generate a decent amount of cash flows as well so I am not able to understand this sort of preemptive rush to kind of raise equity capital and that too of this quantum, though in your presentation you have indicated that you are looking to invest in the Favre Leuba brand so have we materialized any amount of a quantum of money that you are looking to invest in over what time frame if you can highlight that so that is the first question, secondly our store addition this quarter has been soft, I think we added just one store which is lower than the kind of aggression we have seen and the kind of expectations that you have so is it more of a transitional issue and H2 we will see a lot more store addition if you can highlight that and lastly just a data of what was the SSG for the quarter? Thank you.

Yashovardhan Saboo: Thanks, Ankush. So, the last one is easy to tell you the SSG for the quarter was 23%. If I come back to your first question where you said what is the big rush to raise the capital, Ankush trust me we understand that raising capital is not inexpensive and we have only done it to make sure that as and as the opportunities come which are imminent I am not in a position to speak about opportunities that are still in the pipeline but the opportunities are there. We need to be in a position to capitalize on those and the Rs. 180 Crores of cap or money that we still have left over from the IPO of course that has been taken into consideration when we are looking at the next two years. It is not possible right now to share exactly how this amount would be allocated, but the largest part of it will be for working capital for the new stores and the new brands that we are signing and some of it will be used for the capex as well. Please also note that we have considered the profit we are generating as well. You mentioned that we are not generating any sizable profit I think for a business in the luxury segment.

Ankush Agrawal: I mentioned that you are generating a lot of margins and cash flows, which will also suffice that.

Yashovardhan Saboo: Yes, we have considered that as well so I hope that over the next several quarters you will see a continuing growth and investment in the new opportunities which will ensure that the growth trajectory that we are on is going to continue in line with the growth of the Indian market. Your last question was regarding only one store being added in this quarter it is true that we expected more stores to be added. The reality of the situation is that most of our stores are signed up in malls and the malls have a certain target date for opening and our schedule of the opening is tied up with those dates, but if the mall opening gets delayed then unfortunately, we do not have a choice but to wait and that pushes the schedule for the opening of our stores as well so some malls which were slated to open in this quarter not opened and we are now informed that they will be opening in December or January we are ready for that and I think that H2 will see a much higher store opening rate.

Ankush Agrawal: Lastly, I think you stated that you are looking at a 140 to 150 store target in the next four years?

Yashovardhan Saboo: Yes.

Ankush Agrawal: That was very helpful. Thank you.

Ritesh Agrawal: That 140 to 150 stores the balance it is not additional.

Yashovardhan Saboo: Sorry just to clarify that is not additional.

Moderator: Thank you. The next question is from the line of Saaksha Mantoo from Old Bridge Asset Management. Please go ahead.

Saaksha Mantoo: Hi Mr. Saboo. congratulations on a good set of numbers. Just two quick questions from my side firstly, if I look at your topline on a sequential basis while your ASP has risen sharply, it indicates that there would be some volume declines you highlighted that you have been downsizing the lower price points, just wanted to clarify the entire volume decline is it entirely due to the downscaling of these lower price points that was question one, another one for me is on the new stores that you have opened over the past year so how is really the return matrices coming through in those stores and also the demand so those were my two questions?

Yashovardhan Saboo: Thank you Saaksha. Thanks for your kind words. On the ASP, yes, it has gone up. I do not agree with your conclusion that volume has gone down; in fact for example in the last quarter, volume compared to the same period last quarter it has remained steady so volume

has not gone down and if we compare price segment wise, then the greatest decline is in the price segment below Rs.50,000 whereas above Rs.1 lakh or above Rs.2 lakh the quantities have gone up and of course ASP has consequently gone up as well. We can conclude that the slowing down or the stagnation in volume that we have seen in some quarters is essentially only because of the exiting of the lower price point and in the higher price points in each of the price segments volume has gone up. As far as the new stores are concerned we have opened now in the last 12 months if I exclude this last quarter, June to June we have opened 12 stores and out of the 12 stores all of them have now crossed their breaking even or are profitable some of them started breaking even as early as the third month of operation so the new stores are doing well. We expect the same trend to continue.

Saaksha Mantoo: Sure, Sir thank you for that. Just a followup on your stores my question was mainly on the new stores that are getting opened in non-metro markets, so some sense of demand environment from those cities?

Yashovardhan Saboo: So many of the stores that were opened, these 12 stores are in non-metro cities, and we see a strong demand. The reason why we have expanded our strategy to expand the store count, which I mentioned in the last question, is also because through our website, through our monitoring mechanism, and social media, there is a lot of interest now coming from the Tier-2 and Tier-3 cities and not only interest there is a lot of knowledge and information about fine watchmaking, high-end watch making coming from these cities and that is the reason why we have chosen to expand our network to these cities and correspondingly we see the same kind of response.

Saaksha Mantoo: Sure. Thank you so much.

Moderator: Thank you. The next question is from the line of Manish Poddar from Invesco Asset Management. Please go ahead.

Manish Poddar: So I am just trying to understand our cost of retailing, which is largely staff cost plus other operating expenses this quarter, is roughly about Rs. 36 Crores, which was the same as last quarter, and despite us adding more stores and the regular cost inflations which are there generally so I am just trying to understand is this a steady run rate to think about it when you add more stores and the second one is in the second business I believe you have also started doing bags so can you help me understand the opportunity there because I thought watches were the only playbook right now but you have also started bags?

Yashovardhan Saboo: As far as the cost base is concerned, I think it is difficult to compare one quarter with another. Of course, as stores go up, there is front ending of the costs. Sometimes the cost may happen they may start even one or two months ahead of when the store is starting so I

do not think we can compare one quarter to the other and say that this will be a steady state. As stores increase, the cost, of course, increases, and the cost at corporate or at head office level for central functions also goes up a bit but not at all in the same proportion, which is what then leads to operating leverage, so cost at store level will rise proportionately to the number of stores when we take them over a longer period. As far as the second pre-owned market is concerned, I think there are some bags that were started on an experimental basis because there is a market for bags; most of the businesses in pre-owned internationally work in product groups besides watches as well, so there is always a desire to know how it works and so on but the focus is completely and almost fully on watches and not into other product categories at the moment.

Manish Poddar: What I am trying to understand is in the cost base, there are no one-offs in this quarter you have not cut any spends or any expenses as such during this quarter, right?

Ritesh Agrawal: Manish we have added only one store during the quarter so you are comparing with last quarter to this quarter and there is a change in cost, Q2 is Rs. 41.5 Crores versus Rs. 38.6 Crores, so there is a marginal increase because of the addition of one store, if you have many other stores added then the cost will change.

Manish Poddar: I get it, and just this second bit on the seconds, so let us say if you want to experiment with new categories, let us say shoes because there is a thing on sneakers also right so would you have piloted the other categories any sense of those?

Yashovardhan Saboo: There is a huge market of seconds across the world of so many product categories now while we want to stay informed about things and we might do something to experiment, as I told you, our focus for the moment is going to be on watches.

Manish Poddar: Fair enough. Thank you.

Moderator: Thank you. The next question is from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: Hi, congratulations on your results, and I am sorry I am making you repeat something that I joined 15 minutes late; there are a couple of things I wanted to understand one was how is this the new venture which are the secondhand sales of watches and the suitcases how they have grown over the last couple of quarters and what are we expecting in going forward, second question I wanted to understand was to get a sense from you that from an India perspective what do you think the time of watches is the growth and our market share and how that is moving?

Yashovardhan Saboo: So Parikshit, if you read our report that we have uploaded RIMOWA opened on October 31, 2023 so it has been about two weeks, so I am not able to give you much data for previous quarters, but sales in the first two weeks have been far greater than what we had expected, and we are very excited about RIMOWA. About the second movement again the fact that our second movement lounge at Saket Delhi was out of operation for a long period because the mall itself went into renovation. Despite that, the second movement business has grown very well and compared to last year's same period by 34% so I think we are well-off on that as well. Your second question was regarding TAM, the market size and what is our market share because the market share depends on different segments within the watch market there is a report of Technopak Advisors, which is in the public domain it is part of our QIP document as well, we are happy to send that to you that deals with the market size of India in what we believe is quite a good calculation and after that it is easy to calculate the market share. In the luxury segment, we believe our market share is a little in excess of about 21% as per our calculation.

Parikshit Kabra: The number that I seem to recall triangulating from them in the luxury segment, the place that Ethos plays at was about Rs. 1,500 to Rs. 2,000 Crores is that approximately what you are also thinking?

Yashovardhan Saboo: I am not able to remember the numbers of every segment, but I think it would be best to refer to that report. It is an updated report and it is probably good to get to that.

Parikshit Kabra: Alright and let me come back. Thank you.

Moderator: Thank you. The next question is from the line of Pravinkumar, an individual investor. Please go ahead.

Pravinkumar: Hello, sir. Thank you for this opportunity. I have a couple of questions. Sir, you attributed a lower number of store growth in Q2 to a delay in mall opening I would like to know in this kind of delay will the mall owners compensate you, the other question is your RIMOWA store was opened on October 1, 2023 so I would like to know the prospect of that and then what would be the revenue growth you are expecting from that line of business? Thank you.

Yashovardhan Saboo: Unfortunately, if the malls do not open on time, there is no provision for us to get compensated; mall owners are businesses, and it is a little one-sided the way it works but to be fair also to the malls I think they sometimes have delays whether it is in construction, whether it is in getting approvals and so on but to answer we are not compensated if the malls are delayed by a few months. If the mall delay is much longer than that, then of course, we have the option of cancelling our arrangement and getting our money back but usually if it is a good mall it is better to still hang in there and wait for the opening because

we have seen that a good mall those are typically the malls we go to, they have a very good high success rate. Your question regarding RIMOWA, we have opened the store right now. The first responses are absolutely amazing. Of course, RIMOWA as a brand is doing excellently globally, it is expected to be a \$1 billion brand soon and we are in discussion with them to open other stores in India as well, provided we can find the appropriate location, which we are working on. To be able to say what is the kind of growth of this business, we have to be able to first project how many stores of RIMOWA we are going to open in the next three to five years and that depends a bit on RIMOWA, their position was let us open the first store, see the response and then we will plan. Now that the store is opened, we hope that we will be able to discuss and chart out a growth path for RIMOWA over the next three to five years.

Pravinkumar: You said there was a miss on a store opening in Q2 because of a delay in mall opening, so just if things had gone as per your expectation, what was the number there?

Yashovardhan Saboo: I would not have that number right away. The general idea was to open about six stores every quarter.

Pravinkumar: I got it. Thank you so much. I will go back in queue.

Moderator: Thank you. The next question is from the line of Jasmine Surana from VT Capital. Please go ahead.

Jasmine Surana: Hi many, many greetings for the festive season gone by. I have a question on your comment about the Tier-2 and beyond cities where you are entering but you also commented that you are exiting a price range. Hence, I kind of wanted to understand the price segments that have become attractive to the Tier-2 and beyond cities that was my first question, and the second one was recently, there was a report by Business Insider which said that industry of the pre-owned watches is declining on a regular basis so we are seeing that there is a fall in the price of the luxury watches as well so what is your view on that, as for India operations do you see the trend coming into India or do you see that India has still not reached the place where the prices of the luxury watches could be seen coming down?

Yashovardhan Saboo: Thank you, Jasmine. Your first question in T2 and T3 cities, the demand for watches is across all price segments, and we expected it to be robust even though we have exited the price point below Rs. 50,000 we expect the demand to be pretty robust in the price point Rs 50,000 to Rs. 3 lakhs and even Rs. 3 lakhs to Rs. 5, Rs. 6 lakhs in the Tier-2 and Tier-3 cities and we are seeing that in cities like Guwahati, Ludhiana, and many other such cities. So as far as the trend of pre-owned watches and the prices of luxury watches coming down all these reports of prices coming down it is based on a few models of watches of a few

brands which became very iconic and they came in the news because the prices of secondhand watches increased by three times in the post COVID boom and having gone up three times from the price of a new watch they have now declined by let us say 50% or 30% but they are still higher than the price of the pre-owned watch so it is a very selective view which is leading to this thing. We do not see any such trend. As we said, our business has grown over the last year by 34%, and we expect steady growth to continue in the business of secondhand watches.

Jasmine Surana: Thank you so much.

Moderator: Thank you. The next question is from the line of Yash Malhotra from JM mutual funds. Please go ahead.

Yash Malhotra: Sir, simple question I see your sales have nearly doubled in the past five years. Do you expect the same run rate going forward, secondly on your margins, you have come a long way I see them peaking out currently, so what is your view on that? Is your current category mix going to help in that regard as well?

Yashovardhan Saboo: So run rate, we expect the growth to continue. It is difficult to project five years in advance every year for example this year we had projected at the beginning of the year that we will grow by about 25% plus during the year, actually in the first two quarters we have grown by more than 30% as you have seen, so we are hoping that growth is going to continue. Exactly how much it is going to be, we do not know, but I am sure it is going to be more than the market, so we are going to gain market share and we are going to increase our profitability. Your second question was regarding margins yes there has been a margin growth largely due to the strategy of change in product mix, going to large flagship stores, so to that extent, there will be some margin improvement, especially coming out of operating leverage. However, from a brand perspective, I think we are close to optimum levels of margins. Overall, I think margin improvement will happen in future as we add stores and we get operating leverage.

Yash Malhotra: I understand.

Moderator: Thank you. The next question is from the line of Preeyam from Axis Securities. Please go ahead.

Preeyam: Hi Sir. So I have two questions with regards to the jewelry space you have entered so can you please share the long-term strategy here, can we expect going ahead this strategy will be a significant part and parcel of overall change, as overall jewelry market in India has a large opportunity compared to the watch segment, second question is on the margins profile

in this segment how are the margins profile compared to the watch and are we looking to add more brands or any in-house brands in this segment?

Yashovardhan Saboo: Preeyam, we are still in very, very early days in the jewelry segment. The jewelry segment is a very exciting segment for the future. We are talking about international branded jewelry. It is still taking hold in India, but we are convinced that over the next 5 to 10 years it will be a very strongly growing market. However, right now it is still very early days. We have signed on one brand. We are still waiting for the brand's first boutique to open, so it is a little too early to sort of make any assessment on that. Again, the margins are similar or could be better than watches, but it is still early days to do that. We do not expect the jewelry business to have much impact on the overall numbers for the next two or three years but after that, I believe it will start to show up and become a second engine or additional engine of growth for the company.

Preeyam: That is it. Thanks.

Moderator: Thank you. The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Hello, sir. Thank you for taking my question. I wanted to understand what would be our investment in Favre Leuba since last quarter you said you will finalize it and let us know in this quarter and second question would be on the gross margin side if there is any FX loss or anything on that side that has impacted the gross margin?

Yashovardhan Saboo: Your first question was about the investment in Favre Leuba, we are still working on the plans for Favre Leuba. A global launch of the brand is planned for next year and of course a large part of the strategy and the product finalization is done in Switzerland. The watches are going to be produced in Switzerland and that is still work in progress. Hence, I am afraid I cannot give you too much detail other than what we already shared which was the cost at which we invested to acquire the brand. Still, of course as we go forward as the new product strategy and marketing strategy is forged which will take probably another two quarters, we will be able to project the investments that could be needed. There are of course ballpark estimates, but these are not accurate enough to share. I can share that we have very exciting global plans for the brand, and you will see this starting to unfold in the next fiscal year.

Pallavi Deshpande: Right Sir. Secondly wanted to understand any effects gain or loss in this first half?

Ritesh Agrawal: There will be Pallavi but it is difficult to quantify at this moment because the brands have started increasing the price as we mentioned in our earlier call that it is going to be so by

December we expect that all the brands will take care of all the price increase from the FX so at this moment it is difficult maybe we can take offline.

Pallavi Deshpande: Right Sir. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Shubham Singhla, who is an individual investor. Please go ahead Sir.

Shubham Singhla: Hello Sir congratulations on a good set of numbers so I have two questions one is a book keeping question what are your ROCE and ROE numbers for this half year and my second question is more on the jewelry segment, it is luxury jewelry is growing like crazy in India ZOYA from Titan has also reported some really good set of numbers, so what is stopping us from going more aggressive there is it the management bandwidth and if it is management bandwidth should be on board some more leaders and be more aggressive on the jewelry segment?

Yashovardhan Saboo: Excellent question Shubham. On an annualised basis, the ROCE for the first half year is 14.8% and the return on equity is 11.1%. The opportunity in jewelry is very significant as I already mentioned but that is true for so many opportunities in India, so we have to prioritize the opportunities we want to go after. Right now, the opportunity we see in the watch market is tremendous. We have a leading position on it. We have a pole position on it. We are the only pan India footprint and a fantastic omni channel footprint, digital channel footprint in the world of luxury watches. This business of luxury and premium watches is upbeat, so we are going to see this expanding and I think it is our strategy to focus on that and not to focus on too many things at the same time. However, we are fully aware of the potential of the jewelry business. We have taken an early position on that. We are going to learn about that business. The watches in price points may be similar to jewelry, but the business is very different. Watches is very technical in nature; jewelry is less technical, it is much more sort of aesthetics and so on. So, give us some time we need to understand the business, and we first need to prioritize to strengthen our position and grab the major opportunities that are coming our way in the watch business, but we are sure that in the jewelry segment also we will establish a strong footing in the years to come. I hope I have answered your questions.

Shubham Singhla: Yes, thank you Sir.

Moderator: Thank you. The next question is from the line of Sriram R who is an individual investor. Please go ahead Sir.

Sriram R: Thank you for the opportunity. I have two questions. I understand you are moving from a lower price point to a higher price point and your ASP is going up, which is good but what about your cash flows like FY2023 we were negative on the operating side, half year ended also we are negative, so when do we see the business growing cash so that we will not raise capital again and your capex could be taken care by the internal accruals, one more question my second question is on FY2020 how many watches did we sell above the Rs. 1 lakh category and FY2023 what was the corresponding figure?

Yashovardhan Saboo: I am not sure if we will be able to pull out the figures of 1 lakh plus FY2020 versus FY2023 that quickly. However, I can tell you that the quantity is significantly larger that I can tell you even without checking but maybe our CFO can connect with you offline and give you some estimates. As your first question which is when is the business going to throw out cash, when are we not going to need capital, I think that point is a very, very valid point and that is something which is very central to our strategy. Right now, we have been growing at about 32-33%, and we need this extra capital at that rate of growth. We also need this because we are signing up new brands and it is an opportunity that is not coming again and again. These brands are now starting to look at India, they will sign up a partner and one that signs is usually fixed for a long time to come so these are opportunities that do not come every other day and there is a finite sort of list of brands that is on our target list to sign up. That said I believe that as we are working on a couple of variables as margin goes up as our stock turn goes up with these two variables, we believe that we will soon be at a point where we will not need further capital. Our stores by the way already throw out cash because we are signing up new stores and we are signing up new brand. Still, if we were to say that we can accept a 15% or 18% growth CAGR of course we do not need more capital. Still, we believe that the opportunity today in India this is the time to grow and grab that opportunity so this in our view, we are absolutely convinced that this is the last capital raise we will need. You will see that the businesses will start throwing out cash once this round of signups of new stores and brands is done.

Sriram R: So, if you can put some number around the new business train in the presentation that will be very helpful to track also because you are investing in new business so you can put some number around that in the presentation that will be very good.

Yashovardhan Saboo: You mean in the new stores and the new brands?

Sriram R: In the new business how much, you are losing so that we know what is the legacy, how much is the cash.

Yashovardhan Saboo: Maybe I have given a wrong information. We are not losing money on legacy businesses that is not the thing. If we sign on a new brand, we have to put it in a certain number of

stores and the investment in the stock is front ended, the sales follows three, four, five, six months later right. There is a training to be done, there is marketing to be done, and there is brand awareness to be built, so that is a front ending of the investment when we sign up new brand. Similarly, when we sign up a new store, the significant part of the investment in a new store is front-ended. In the period that we are expanding new stores and our portfolio of brands, there is this need for extra capital. It is not needed for a store in a steady state a steady state store is throwing out cash.

Sriram R: I understood what you are saying. Based on these lines, I was just asking if you can put some number on what is the legacy store that is making?

Yashovardhan Saboo: We will consider that, but I cannot commit that we will be able to show and share store wise economics frankly. I will be very frank on that, but we understand your question and we will try to see how we can address it best.

Ritesh Agrawal: We will evaluate your suggestion and we will look into that.

Sriram R: Sure, Sir but I got your point as well. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Sagar from Sameeksha Capital. Please go ahead.

Sagar: Sir I wanted to know in the presentation you have said that four new exclusive stores has been added but the total stores is now 51 so have we closed three stores?

Yashovardhan Saboo: The total stores is now 61.

Sagar: Right and in the presentation four new exclusive stores were added right?

Pranav Saboo: Four new exclusive brands. We have added one store during the quarter and four new exclusive brands.

Sagar: Sure. Thank you.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to the management for the closing comments. Please go ahead Sir.

Yashovardhan Saboo: So, I want to thank everybody. I hope we have been able to answer all the questions satisfactorily. If you still need further clarifications or want to know more about the company please contact SGA team, our investor relation advisors and we will be very

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happy to share whatever information we can. Thank you again for participating and I wish you a nice day and a nice festival season ahead.

Moderator:

Thank you very much. On behalf of Ethos Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.