

# ETHOS LIMITED

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Dated: June 4, 2022

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

**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**

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

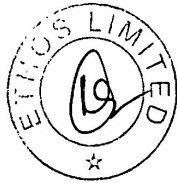
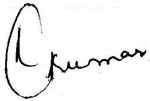
Dear Sir/Ma'am

Further to our letter dated May 30, 2022 intimating the schedule of the conference call for Monday, 30<sup>th</sup> day of May, 2022 at 5.30 p.m., please find enclosed the transcript of the aforesaid conference call, held inter alia to discuss financial results for the fourth quarter and financial year ended March 31, 2022, pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015. The same is also available on the website of the Company [www.ethoswatches.com](http://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 and**  
**Compliance Officer**

Encl.: as above

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**Registered Office:**

Plot 3, Sector III, Parwanoo-173 220 INDIA

“Ethos Limited  
Q4 FY 22 Earnings Conference Call”

**May 30, 2022**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 3st May 2022 will prevail.

**MANAGEMENT:**      **MR. YASHOVARDHAN SABOO - MANAGING DIRECTOR,  
ETHOS LIMITED**  
**MR. PRANAV SABOO, CEO, ETHOS LIMITED**  
**MR. RITESH AGRAWAL CFO, ETHOS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Ethos Limited Q4 FY 22 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 risk 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. Yashovardhan Saboo, Managing Director, Ethos, for his opening remarks. Over to you, sir.

**Y Saboo:** Thank you very much. Good evening, and a warm welcome to everyone for the maiden post listing earnings conference call for Ethos Limited. I'm sure you have seen the listing that started at 10 O'clock today on both the stock exchanges, BSE and NSE. It's a momentous occasion for our company, we've traveled a long way. And I want to thank all our investors and analysts for their confidence support and engagement with Ethos.

For, this call I'm joined by Mr. Pranav Saboo, CEO and Mr. Ritesh Agrawal CFO. And we also have SGA our investor relations advisors on the call. As I said, this is a landmark moment for all of us, including the shareholders of KDDL Limited, the parent company of Ethos, we believe the IPO of Ethos was the most logical way of unlocking value and give justice to the business we have put all hearts to over these past many years.

Let us move to the business of Ethos. The business of Ethos it's history, what it does and how it makes money. These have been elaborately detailed in RHP relating to the IPO. The watch market in India and globally has been succinctly captured in the independent report by Technopak, which is also included in the RHP. So, with your permission, I will not repeat those facts.

Further the investor presentation has also been uploaded on our website and on the stock exchanges some hours ago, and I'm sure you've had the opportunity of having gone through that too. I will therefore proceed to share with you with much pleasure details of the financial performance of what has been a record year FY 22.

I remind everyone that this was the year in which the deadly Delta wave of COVID was sweeping across India in the first quarter that is April to June, 2021, which deeply impacted every business, especially retail businesses with malls remaining closed for practically 80% of that period. Notwithstanding the impacted Q1, we have recorded the highest ever yearly revenue EBITDA and PAT in FY 22. Let me give you the figures. Ind AS 116 has a significant impact on our EBITDA and PBT. I am sharing the key highlights of the financials without Ind AS 116 impact to give a simpler view of the accounts.

Billings increased by 30% Y-o-Y to INR185 crore growth in Q4 of FY 22. This despite a lockdown of up to two weeks in many cities due to the third wave of COVID in January and February. For the year as a whole billings increased by 50% Y-o-Y to INR 672 crore in FY 22. Of these billings for exclusive brands for watches contributed INR52 crore in quarter four that is 28% of the total billings for the quarter while for the year as a whole it contributed INR178 crore in the billing that is 27% of the total billings of the year.

Consolidated revenue from operations increased by 29% Y-o-Y to INR 159 crore in quarter four, and for the year it increased by 49% to INR 577 crore in FY 22. Consolidated gross profit increased by 35% Y-o-Y to about INR 48 crore in quarter four 22, while it increased by 58% Y-o-Y to INR 166 crore in FY 22.

Consolidated gross profit margins expanded significantly too by 130 basis points Y-o-Y to 30.2% in quarter four, FY 22, while it expanded by 165 basis points Y-o-Y to 28.8% for the whole year. Consolidated EBITDA increased by 46% Y-o-Y to INR 15.4 crore quarter four, while it increased 85% Y-o-Y to INR 48.3 crore in the whole year. Consolidated EBITDA margin expanded by 110 basis points, Y-o-Y to 9.6% in quarter four FY 22, while it expanded by 160 basis points to 8.3% for the year as a whole.

Consolidated PBT increased by 65% to INR 11.6 crore in quarter four, while it almost equaled to INR 35.3 crore for year as a whole.

The stock carrying months on sales reduced from 6.2 months in FY 21 to 5.3 months in FY 22 on better inventory planning and sales. and consolidated debts stood at INR 60 crore. Post the repayment from IPO to see the lowest debt levels significantly reduced to almost half. Ladies and gentlemen while we are pleased with the record numbers we are even more excited about the prospects for the current year and the years ahead. We continue to see strong demand for our product and the consolidation of our leadership.

**Pranav Saboo:**

Ladies and gentlemen, this is Pranav Saboo, and I'll continue the speech. Ladies and gentlemen, while we are pleased with these record numbers, we are even more excited about the prospects for the current year and years ahead. We continue to see strong demand for our products and the consolidation of our leadership position in the market. Already in the first two months of the current year, that is April and May we estimate revenue in the vicinity of INR 120 crore.

This indicates that we have a strong revenue growth in quarter one profitability will also be strong on the back of improved margins and greater leverage on fixed costs. Further as is known quarter two and quarter four are generally stronger than quarter one and quarter three is significantly the strongest of all quarters. Therefore, we are very hopeful of strong growth of 30% to 35% in revenue for FY 23 over FY 22, a strong, like-to-like store growth and great increase in the profitability.

Besides these exciting summarized financial numbers there is a wealth of qualitative factors that provide immense fundamental strength and an impregnable moat to our business. This includes the portfolio of over 30 brands available exclusively at Ethos, a list that will further grow.

Let me start by sharing very exciting news that we have just received a few days ago. I'm extremely pleased to announce that Geneva-based GPHG the Premier Global Award for excellence in watchmaking, widely acknowledged as the Oscars of the watch business has chosen Ethos as the partner for the unique pre-award exhibition in 2022.

Only two cities in the world are chosen every year for this event. This year, the event will be held in new Delhi in October with Ethos as the sole watch retail partner. I would like to add that our chairman is a member of the global GPHG academy since 2021. This is a matter of great pride for every one of us at et Ethos.

Now, let me go on to the industry. As per Technopak watch the watch market in India was valued at INR 13,500 crore in 2020, and is expected to grow at a CAGR of 10.6% to reach INR 20,300 crore by 2025. On the other hand, premium segments are growing at a CAGR of 12%. The luxury segments are growing faster than other segments at a CAGR of 13%. These fast-growing segments is where Ethos is focusing and growing its market share continuously.

The pre-owned business will further increase the overall industry size. Our growth is galvanized by our portfolio of 33 brands, which are exclusively available at Ethos. The Investor Presentation lists most of these, we are in discussion with more brands, with some more globally recognized brands and hope to share information of additions to our brand portfolio during the year, as in when new arrangements are finalized.

Relationships with luxury brands and their owners typically take many years to develop and are difficult to replicate. Our promoters and management team has worked hard to nurture these relationships, and these two provide a wide moat for our business. Our partnership with key brands, including Omega, Bvlgari, IWC, Hublot, Panerai, Rado Tissot, Longines, Breitling, Jaeger LeCoultre and many more brands. These has been ongoing for more than a decade and for most we are the brand's largest Indian partner.

Certified pre-owned watches is a great growth pillar for the watch industry. The pre-owned watch sector does not cannibalize the new watch business. On the contrary, it adds to the overall industry size by promoting multiple ownership of watches and adding a whole sector of

first time, luxury enthusiast. It is already 33% of the new watch business globally, According to industry experts, it will become half the size of the new watch industry globally by 2025. At Ethos, we grew from roughly INR 11 crore of certified pre-owned business in FY 21 to INR 32 crore of business in FY 22. We hope to exceed over INR 75 crore of business by the end of the year through one lounge in Delhi and the website for pre-owned watches.

Over the next two years, we will expand the footprint along with the website to four to five major cities in India to continue driving strong growth in the pre-owned business. In India, we will dominate this fast growing sector because we are the only ones with a pan India network to source watches. Our state-of-the-art service center, which we recently opened, restores each watch and provides a 2-year warranty on the watches. Our new website, [secondmovement.com](https://secondmovement.com) has already received a hundred thousand visitors onboard every month.

We have painstakingly trained 17 watchmakers over the last 12 months. We are well placed to grow this business rapidly. It'll have a huge impact on the new watch business as well. Within the luxury segment, the higher priced watches are growing at a faster pace than lower priced watches. Ethos being predominantly luxury and premium focused player will continue to benefit from this phenomena. Luxury and high luxury watch segments also earn better margins, allowing us to have better profitability.

We derive significant benefits from the tendency of consumers in the luxury watch markets to become repeat customers. Our physical presence is leveraged by our strong digital platform with a frequently visited website, effective social media communication a large database of HNI customers and an active program of home and office delivery of luxury products.

Our digital platform has created a niche in the online luxury watch market through various unique value-added services, including a highly specialized team of luxury watch consultants targeted content, watch insurance, easy installments and dedicated after sale service to our customers.

Our loyalty program called Club ECHO is a customer relationship management initiative, which provides benefits to repeat customers based on their cumulative purchasing over time. The database generated via Club ECHO gives us access to important buying trends, which further enables us to design appropriate communication strategies, leading to greater satisfaction and commitment.

As of March 31, 2022, we had over 283,300 registered members in our Club ECHO. We have also leveraged our rich experience to expand into other luxury verticals, such as luggage and jewelry recently. We have recently entered into an exclusive agreement with Rimowa for retailing their range of luxury luggage and Messika for retailing, their range of luxury jewelry in India. This will offer new growth verticals for the company in the future.

I will summarize our key and high priority strategy.

**Expanding our physical store network** we will continue to execute our pipeline of new store projects, as well as identify attractive locations for opening new company branded stores or mono brand boutiques. We have planned to add 13 boutiques across India and renovate six stores, including a certified pre-owned lounge in Mumbai, which we plan to open very soon.

**Certified pre-owned watches.** As I've mentioned, we plan to scale up the certified pre-owned watches vertical swiftly. So, the expanding the footprint along with the website to three to four major cities in India to fuel further growth.

**Increase market share and profitability,** our focus will continue to grow business from existing and new stores using our strong omnichannel platform and digital reach to capture higher market share and improve margins in our existing stores through the increased sale of business and cost optimization initiatives.

**Increase our watch brand's portfolio.** As a part of our continuous efforts to offer the widest assortment of brands to our customer base, we will continue to invest in entering into new brand relationships including some exciting new exclusive relationships while continuing to nature nurture our existing brand partnerships.

I want to underline the fact that today 33 brands work exclusively in India with us. We will continue to invest in strengthening our brand through online marketing, electronic media, print media, outdoor events, and sponsorships. We believe that investment in brand is critical to increasing our brand recognition and market share, and also help us capitalize on the growing consumer reference for branded products.

Lastly, **after sale service**. Our service center is already one of the best in the country with extensive brand authorization. We will build excellence in our after-sale service as one of the key drivers for our business and our credibility in our customer base. With these words, I would, I thank you again for your confidence. And I now hand over the call back to our chairman.

**Y Saboo:** Thanks Pranav. I hope for all the listeners, we've been able to summarize and present useful information about our business. My apologies for the disconnections in between, but I hope, you enjoyed this call and I now welcome your questions and participation.

**Moderator:** Thank you. We will now begin the question-and-answer session. We take the first question from the line of Akshay K from Envision Capital. Please go ahead.

**Akshay K:** Thanks for the opportunity. First of all, congratulations on the listing, sir. Sir I wanted to know, what sort of revenues are we expecting from RIMOWA and Messika?

**Y Saboo:** Hi, Akshay, thanks for your kind words. May I suggest if you have more question, if you can ask all of them, so then we can go on.

**Akshay K:** Yes.

**Y Saboo:** Or is this your only question?

**Akshay K:** Yes, I'd just ask them. Sir, also wanted to understand, you have given a slide wherein a loyalty program started by other brands. So, I think there is only one of the other competitors who have started this. So wanted to understand since this is a new business to me. How difficult is it to start a loyalty program? And what sort of loyalty benefits, what is the differentiating factor are we giving? And I don't think there is a, what we can say very much difficult to start a loyalty program. And I believe that Helios also has a loyalty program by the name of Encircle.

And my third question would be what sort of ASP average selling price currently we are at INR 1.5 L. So what sort of ASPs can we expect going forward? These are the three questions from my side. Thanks a lot.

**Y Saboo:** Right. Thanks, Akshay. So, let me answer the last one first. ASP you've seen in the last four years our ASP has grown from around INR 73,000 to about one like INR 1,45,000 now, around that number. This is a result of a couple of things. Most importantly our shift of focus away from low price segment, that means watches below INR 30,000, INR 40,000 towards more watches in the price range of INR 1 lakhs to INR 3 lakhs to INR 5 lakhs and INR 10 lakhs.

This trend towards a higher percentage of our business coming from the luxury and high luxury segment is going to continue. And we believe that there will be a steady growth in the ASP as the, as it has grown in the past couple of years. It's difficult to really estimate exactly how it'll grow, but I think the trend of the last couple of years is going to continue. Second your loyalty program. Listen, the loyalty program works if you have a certain minimum threshold of loyalty customers. You have a large offering of brands.

**Pranav Saboo:** So, just to continue, the loyalty program requires a large setup, that we believe the current competition does not have. It requires the capturing of data, it requires to be able to work on the data. You have to have a large number of brands. You have to bring the brands on board to be able to work with these to work with the loyalty program. We offer many benefits to our customers as well.

First of all, we offer points on every purchase, which they can redeem in the future for greater offer on any of our watches. They get a priority service at our after sale service center. They get invitations to our events. They get access to limited edition watches. So, there's a host of

other benefits that, that we have that we offer to customers, which is why we see people enrolling for the loyalty program.

**Akshay K:** Okay.

**Pranav Saboo:** I believe the next question was on the lines of RIMOWA and Messika. We believe that every RIMOWA boutique that we opened will give us INR 12 crore, to INR 15 crore of business. We have already finalized the first location for RIMOWA in Mumbai, and we are looking for more locations in luxury malls, and as and when they come up, we will be signing that on.

At the moment for Messika, we are opening only as a trial. The first six months will be a trial phase that we are doing inside a few of our stores. And once that is successful, we will be taking it to boutiques. And we expect every boutique as well to do about INR 80 lacks to a crore of business going forward Monthly.

**Akshay K:** Just one follow-up. Sir, you did mention that loyalty program needs tie up with brands. So, the benefits, which we are passing to the customer in terms of discounts on all these events. So, I think events we would be doing, but any discounts or rebates on future purchases, are they passed through to the brands, we are getting that from the brands as well?

**Pranav Saboo:** We in many of the cases we take the cost on us. In many of the cases, it is shared with the brand. So, it depends brand to brand, but brands do want to participate with us in the communication cost in bearing some of the cost including offers to our customer base.

**Moderator:** Thank you. We take the next question from the line Anjana Shah from Shah Invest. Please go ahead.

**Anjana Shah:** Thank you very much for this opportunity, Sir. So, I have three questions. First, can you give any qualitative aspects on how the business focus would change for Ethos post IPO? Second, how will the fresh issue be utilized to create value for the company in the long term? And third, what can be the sustainable EBITDA margins for our business? Thank you.

**Ritesh Agrawal:** Let's start with the fresh issue. So our fresh issue to be utilized for working capital for a long term business growth, as well as, we will be utilizing fresh issue for opening our stores that has been proposed as well as the upgradation of our IT infrastructure, and the balance will be for a general corporate purpose.

So, these are from our fresh issue utilization. And definitely all these fresh issues are primarily for the business growth of the organization going forward.

**Pranav Saboo:** I do want to say that the idea with the raise of the funds is to use the money to create structural advantages for the business going forward. For example, signing on more exclusive brands, for example, creating new boutiques and creating, tying up with new brands and creating new experiences for our customers to be able to power us forward.

**Moderator:** We take the next question from the line of Akshay Jain from Jain Capital. Please go ahead.

**Akshay Jain:** Yes. Good evening. I have a couple of questions. Firstly, what are your views on certified pre-owned businesses. So, how do you plan to scale that? And lastly what is the expected what can be expected ROCE of the business once it's stabilized?

**Y Saboo:** Pranav, will you take the question on the certified pre-owned business?

**Pranav Saboo:** I think you should go ahead and take that.

**Y Saboo:** Okay. So, Akshay, sorry, again, I'm getting disconnected, but I hope it won't get. The certified pre-owned business is actually as Pranav mentioned a very fast growing business globally, and in India as well, it is growing fast. We can see it, we can feel it. As you know, in the second year we've nearly tripled the business and we are once again, looking at a high double-digit growth in this year as well.

How it works is actually it, there are two things it accomplishes. There are people who own multiple watches in the premium and luxury segment and many of the watches they don't use,



and they can actually then sell the watch and upgrade to another watch, which they like more. On the other hand it allows first time users who want entry into a premium or luxury watch segment, but at a lower price than a new watch would cost.

It allows them to buy into a watch or even to buy into multiple watches. That's the reason why this model is successful globally, and that's the reason why it's succeeding in India. How it works for us is, we are actually get this through our website and through our lounge. We are in touch with customers who want to sell their watches. We assess those watches, we make sure that they are genuine watches.

Then those watches are fully refurbished in our service center, and then they are offered for sale, and then there are customers who are interested in the watches and they come and buy them. There are cases where a seller may expect a different price than what we feel is fair. In that case, we tell the seller look, we will put, we will service your watch, and we will put it on our website at the price you want. And if a customer is there, he will buy it. When the customer buys it, we will deduct the agreed margin, and after that, we'll make the payment to you. So, we have both a bought and sold model, as well as a consignment and sales model. And both are working pretty strongly for us.

**Pranav Saboo:** As far as the ROCE is concerned, it is our goal our long term goal to actually go for a to attain a figure higher than 25% ROCE.

**Moderator:** Thank you. We take the next question from the line of Sachin Shah from SS Securities. Please go ahead.

**Sachin Shah:** Thanks for giving an opportunity. I have a couple of questions. First would be, what is your same store sales growth in FY 22? And how is it trend over the last three, four years?

**Y Saboo:** Okay. What are the other questions please?

**Sachin Shah:** And my second question would be on the digital side. I mean, how, what are the initiatives you are taking to grow on the digital aspect and how, how quickly it can be scaled up in span of two, three years?

**Y Saboo:** Ritesh, would you answer the question on same-store sales growth and Pranav on the digital side, please?

**Ritesh Agarwal:** So same-store sales growth for FY 21 is 47%. And, if we talk about the Q4, it's 21%.

**Y Saboo:** Mr. Shah. I may just say, you also asked for what has been the long-term trend. If we exclude the COVID period in the longer term in the longer, in the past our same-store growth used to be in the region of 10% to 12%. We are seeing an acceleration now, as we move to higher price points, because actually for the same-store with a higher price points, we get a much higher growth rate. And therefore, we believe, our same-store growth will be substantially higher than the long term or the previous trend of 10% to 12%.

And what you're seeing, for example, in the last quarter of 21%, same-store growth, we are hoping that we will continue to achieve something in that vicinity in the near future as well.

**Sachin Shah:** So around 18% to 20% is a target.

**Y Saboo:** Yes, it depends on a little bit on what is the product mix and so on. But as I said, significantly higher than the 10% to 12%, which was the trend pre-COVID.

**Sachin Shah:** Got it.

**Y Saboo:** Pranav, would you like to answer the question on digital initiatives and growing that side of the business?

**Pranav Saboo:** So, the digital part of the business is growing quite quickly. We are taking several initiatives there to be able to further grow the business. We have, for example, on now on many of our watches on the website, you can see, it is in they are available in 3D, they are available in augmented reality. We have our own studio that is coming up to create content that is further



shoppable, our own channels that are going to come up for creating video content because we believe the future is that or video content.

Later in the year, we have our app coming out as well, which I believe will be quite a game changer, in terms of the way the industry looks at watches digitally. So, we are taking all of these steps. In fact if you look at our website [secondmovement.com](http://secondmovement.com) everything, all the watches there are that we shoot ourselves.

The content is created by us, and we have much higher stock turn on the certified pre-owned business than we have over here as well. So, I believe that with all of these initiatives we'll be able to grow quite quickly, as we have in the past.

- Sachin Shah:** Would it be in Hi teens. The target would be?
- Pranav Saboo:** When you mean by, in terms of.
- Sachin Shah:** Growth target.
- Pranav Saboo:** So, what I can say is that digital will probably be around 35% to 40% of the overall business that we are doing.
- Moderator:** We take the next question from the line of Pooja Shah from TCG. Please go ahead.
- Pooja Shah:** Sir, I would like, yes. Sir, I would like to ask a question on exclusive agreement with the brands. Are we going forward to have an exclusive agreement with the brands? And if so, with which brands?
- Y Saboo:** Pooja, is this your only question or you have other questions? Why don't you list them all?
- Pooja Shah:** No, sir. This is the only question.
- Y Saboo:** Okay. So, let me answer that. As Pranav mentioned, out of our portfolio of a little more than 50 brands, 33 brands are available exclusively at Ethos. So essentially what we are saying is nearly two-third of our brand portfolio consists of brands that are exclusively at Ethos. We do want, we do plan to add to this brand list because an exclusive brand actually allows us to offer a very differentiated product portfolio to customers, and it builds a very strong moat around us.
- There are reasons why brands also want an exclusive arrangement because it allows them to reduce their costs of operating in India while getting the advantage of the extensive digital and physical network of Ethos. So, to answer your question, yes, we have exclusive arrangements and we will be growing the list of brands with whom we have exclusive arrangements.
- Pooja Shah:** So, we have exclusive agreements or arrangements, sir?
- Y Saboo:** These are, so in many cases there were agreements. In many cases, there are arrangements. As I mentioned in the speech, a lot of, most of the luxury brands they have their relationships are extremely important and these relationships are nurtured. We may often start a relationship with an agreement, but it continues even if there is no agreement in place. So, while there are agreements not all of them have agreements, but what I can say is that the exclusive arrangements that we have had with so many brands have all continued from the time they have started without any break.
- Pranav Saboo:** I just do want to add that most of the brands that we have in our exclusive portfolio also have contracts, exclusive contracts.
- Moderator:** Thank you. We take the next question from the line of Priyanka Shah. Please go ahead.
- Priyanka Shah:** Yes. Hi, good evening. I wanted to understand what can be the sustainable EBITDA margins for the business?
- Y Saboo:** You know, our margin. Is this your only question?

**Priyanka Shah:** Yes, I have two more questions.

Yes. Also, do you have any plan to optimize your high inventory days going forward? And how many stores do you plan to open in the next one year?

**Y Saboo:** Okay. Coming to EBITDA margins. I don't know if you participated in the earnings calls of KDDL where we used to report Ethos in past years. Three or four years ago, we used to look and it is a matter of record that we said our goal is to hit a INR 1,000 crore of billing and a 10% EBITDA. Okay. And we said that is something that we'll be very happy to achieve.

Despite the two years of disruption of COVID I am happy to say that we are almost reaching that level. And we hope that very soon we will be able to touch the EBITDA level and this I'm talking now without Ind AS. However is 10% the EBITDA ceiling I don't think so. Because what is happening now is that we are seeing a constant improvement in our margins and a constant improvement in our operating leverage. And therefore, I believe that the EBITDA margins will exceed 10%. I don't want to give a cap number because cap number sort of bring us down, but I believe we will get an EBITDA margin, which will be superior to most of the businesses in the retail space and definitely in excess of 10%.

As far as the inventory question you have written. In terms of sales our inventory three years ago was about 190 days. The last report it's come down to about 155 days 157 days of sales. So, there has been a steady decrease in the inventory in terms of days of sales that we've had.

We believe that this improvement will continue a bit as we go ahead and our scale improves. However, I do want to add a word of balance here, because remember that this is a luxury business. This is not a business where people just come and put a watch in a basket on the Internet, and we deliver a INR 1 lakh watch just like that. It doesn't work like that. In the luxury business people need to see exactly what they are buying. And for that, the physical inventory is important.

For example, if someone is buying a INR 5 lakh watch and we have a watch which has a black dial, but the lady was buying it she says, no, no I want to see what a gold dial looks like. I cannot say that look here is the picture of the gold dial please go ahead and buy it. In a t-shirt you may say, okay, I want a white colored t-shirt as if the size is fine, if the fabric is fine I will take it I don't have to see it. But in a watch, the customer will say, I need to see that watch.

So, there is a certain minimum requirement of inventory that the luxury business requires. So, while, so we have to reach a balance between the stock required what is natural for the success of a luxury business and what is efficient from a working capital point of view? I think our working capital efficiency in terms of inventory has increased over the last couple of years, working capital has gone down in number of days of sale. It will continue to improve, but we will need to carry a certain minimum inventory because of the nature of our business.

As far as the new stores are concerned, we have planned, we have specifically 13 stores, new stores that we are going that we are expanding into. These stores are identified, however, the exact timing of these will depend on when the malls become ready, because most of them are actually in malls. We do expect a large number of them to be ready in this financial year, but towards the end of the financial year.

**Moderator:** Thank you. We take the next question from the line of Adit Shah from Vibrant Securities. Please go ahead.

**Lalaram Singh:** I think. I should congratulate you guys for all the hard work over the last four years and great to see this outcome. And so obviously really happy for myself and also clients and also for the company. Sir, I have a couple of questions. One is based on the first two months of this financial year, what does the outlook look like? Even we have seen some weakness in global financial markets and that does have an impact on the well defect and the propensity to consume. That is my first question.

My second question is, basically over the next two to three years seeing that we are also spending in category, but is it fair to assume that our overall growth and stock margin expansion will be driven by the watch category or the other categories have a fairly significant role in the near term in the next two to three years? That's it.

**Y Saboo:** Okay. So, Lala, very interesting first question. In the first two months I can go out and say we are on the last day of the first two months, and we see absolutely no impact of what of seeing of the global sort of trends. In fact one question that I was often asked was that the growth that you saw in the last quarter three and quarter four was it because people were not traveling or for any reason like that. And now that people are traveling sales are going to come down?

Well, travel has been opened since April, since March, it has been completely opened. Airports are full, flights are full, you can't find tickets or places in hotels, anywhere outside India. Indians are traveling everywhere, but we have seen zero impact on our sales.

The first two months, I can tell you, the first two months we are seeing, we are estimating sales of about INR 120 crore, which is going to be record quarter. And you know that that kind of a revenue, if you prorate it, what it does. And obviously quarter one vs, quarter two and three and two and four are better than quarter one, quarter three is obviously the best quarter in the retail business, in our business especially.

So, there is a very strong and continuing undercurrent of growth of demand. I've been saying this since to look at the trends filter a rate of COVID quarters and you see the strong growth in demand. This is not only an India phenomenon this is a global phenomena. But today the Indian high-end shoppers are no different from anyone else in the world. And we believe this is going to continue absolutely.

On your second question over two to three years. Yes, while we are looking at other segments such as jewelry and luggage and it's, you can understand that jewelry is a very strong complimentary segment to watches because it attracts lady customers. So, therefore there's a strong, rational to enter into that segment. But you are also right, that over the next two, three years, the mainstay of the business will still be the luxury and premium watch business.

There are huge opportunities in that business. There are many brands, global, very famous brands that are not even present in India, yet. We are working to bring those brands to India, we be the partner of choice. So, there is a large potential of growth in the watch business. It will remain the mainstay of our business, but with the new segment, jewelry, luggage, perhaps some others, we will build a growth vector, which will continue to power the company to growth even in future years let's say three, four, five years from now, when the growth in the watch segment starts to slow down a bit.

We don't see any evidence of that, but we are just building another engine of growth in our business in luxury business, because we see huge complementary in these segments.

**Lalaram Singh:** Understood. Thank you so much. Great to hear that momentum is still very strong. And all the best for.

**Moderator:** Thank you. We take the next question from the line of Rahul Agarwal from InCred Capital. Please go ahead.

**Rahul Agarwal:** Hi. Sir, three questions. Firstly, on the industry it seems like vertical specialists generally get most of the market share for luxury watches in terms of retailing in the country. How do you see this moving ahead? Are you seeing some consolidation here, some parameters that brands monitor and choose their partners in India? How, what is Ethos doing better than the other? That is the first question.

Second is on the new brand you talked about signing up more exclusive brands. Just wanted to understand what's the scope like further from here because we already have a lot of brands with us in our portfolio in terms of adding new ones going into next three to five years. And will these be only entering India for the first time or you would also be taking market share from other existing retailers? And lastly, on the margin you said obviously there is immense scope further here, even from the 8.5% we reported this year, this is I am talking about without Ind As, but what would be the levers to improve margins?

Obviously, the presentation talks about exclusive brands higher revenue share from them helps on the EBITDA margin side. But if you would list down two, three reasons for how we should track the EBITDA margin going forward that will be helpful. That's all from my side, sir.

**Y Saboo:**

Okay, Rahul. First about the vertical specialists and why, what Ethos does better than anybody else. You're right. Selling luxury watches is a highly skilled and technically oriented retail. People believe that watches are expensive INR 5 lakh and INR 10 lakh watches that price only because of the brand, that's not true.

There is a huge amount of engineering, there's a huge amount of knowhow and specialization that goes into the watches and collectors who buy that kind of watch, want to know what is special about this watch? Why is it INR 5 lakhs? Why is it INR 10 lakhs? Why is it INR 2 lakhs? While you get a Quartz watch for a good Quartz watch for INR 10,000.

Why do some mechanical watches from collector brands cost INR 25 lakhs, INR 30 lakhs? And for this, you need a very specialized and highly trained manpower. So, this is the first point. Ethos invests in training its manpower multiple times more than any other retailer, and the brands recognize this. Brands have training sessions where sometimes more than one retailer representatives are there. And time after time, the representatives of Ethos are rated as the highest by the brand. So, this is the first point.

Second point, our digital network. Our digital reach due to the network that we have is in all India reach. And this contribution to the reach of the brand without having too many points of sale. You are aware that today brands are saying I don't want 20 points of sale or 30 points of sale or 50 points of sale, they don't want too many points of sale, but they want qualitative points of sale. If with a limited number of points of sale brand can reach the all-India market stores become efficient, brands become successful, so this is the other unique strength that Ethos brings on the table.

These are the two strongest strengths. I'm sure there are more, which I would love to discuss and reveal. For example, how the quality of a service that we order. The dependability that we offer, the transparency that we offer. These are all things that are highly valued by brands. The professionalism of our purchasing of our dependability, of our payments these are all very, very strong, factors that go into nurturing our brand relationships.

As far as the new brands are concerned. We have 33 brands, we believe we will sign on more, especially in the high price segment. We need a portfolio that is equal to the best in the world. Why did in the past, why did Indians shop outside India when they were looking for expensive or luxury watches? They said that in India, we don't have enough choice.

We don't have enough choice of brands, and within the brand, we don't have enough choice of merchandise. Ethos has changed that forever. Today you go into an Ethos store, the experience, the portfolio of brands, the brand width the product width within each portfolio is equal to similar global stores in India.

And that's the reason why we are seeing more and more Indian customers buying in India. Ofcourse, the other reason is that price in India are competitive with anywhere in the world. So, that is the reason why we believe there will be new brands that we'll be signing on, It'll help us to present the most exciting portfolio of brands to our customers. It's difficult to put a number to it, but wait for good news you will see it coming.

You asked whether it's going to be completely new brands or some who are present, or already present in India. Can't really say that, but I can tell you that brands in the past, which were working through distributors or agents have chosen to work with us exclusively because of the benefits it offers them. So, we hope to add more new brands, whether first time or already existing in India.

Your last question was on margin growth. The two most important reasons you already said, which is exclusive brand and the operating leverage. However, I may add that the, as our marketing and our storytelling and our communication becomes important, and as our service becomes important and valuable our aftersales service and the credibility of the brand Ethos scores.

The other factor that we see happening is that the consumer discounts that we have to offer, those are gradually going down. You may recall that in past years, there were often offers in consumer sales we don't have to do that very often now. Consumers are happy to buy at even a low discount from Ethos or no discount from ethos very often because they value the service,

the product, the reliability of what we offer at Ethos, and this is also helping us to improve our margin.

**Rahul Agarwal:** Right, sir. Sir, one, just one follow-up. Under certified preowned business how do the sourcing really work? As in, you said you are the largest sourcing retailer in the country for 35 preowned in India today, but how's, it really work in terms of getting the right product, getting it the right time. And then, as Pranav mentioned, the terms are very high, so how quickly do you liquidate? Could just throw some light here, sir?

**Y Saboo:** So the purchasing process is a very key process in the certified pre-owned business. Why? Because A, you need to connect with interested sellers. With a pan India network it gives us a huge strength because, when a customer comes to buy a watch, they're very often surprised when a person in the store also asks, sir, would you have or ma'am would you have a watch that you're not using which you would like to sell and upgrade to another watch or maybe just sell it? And they're very surprised. Oh, you're doing that too.

Yes. So, the pan India network of tools, which nobody else has gives us that leverage. How does it work? So, obviously when we buy a watch, before we buy the watch, the customer wants to know what is the approximate price, that they can get. But for that, we need to judge whether the watch is genuine, what is the condition of the watch so there is a provisional documentation that is done. Then the watch is shipped to our central service center experts, then check the watch for its genuineness, for what will be the refurbishment cost that is communicated agreed with the customer.

When it is agreed, when the final documentation is done, the refurbishment is done and it is offered for sale. The refurbishment process, and all of this takes about a month, but after that, within a month, this watch sells out on an average. We have less than a month of stock of pre-owned watches. Our bottleneck has actually been up to now has been the, the refurbishing capacity, but this as Pranav mentioned, we have trained 17 watchmakers.

We have a state-of-the-art service center. So, this capacity is steadily going up. And with this, we will be buying more and selling more.

**Moderator:** Thank you. As there are no further questions, I would now like to hand over the conference to the management for closing comments.

**Y Saboo:** Thank you very much. I would like to take this opportunity to thank all the listeners and everyone who joined in this maiden earnings call of Ethos. Thank you for your confidence, and we look forward to remaining connected. Thank you, Pranav, and thank you Ritesh. And thank you Samir Bhai, for being on the call as well. Thanks very much. Goodbye. Have a nice day.

**Ritesh Agarwal:** Thank you, sir. Thanks all the participants.

**Moderator:** Thank you. On behalf of Ethos Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

**Y Saboo:** Thanks.