

KDDL Limited

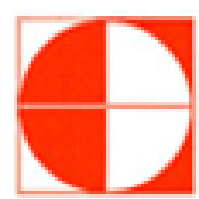
ETHOS Limited

Result Update Presentation

December 2017

Q2&H1FY18



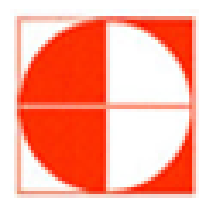


Safe Harbor

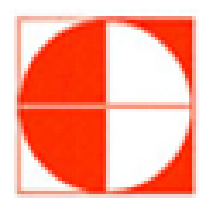
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Overview



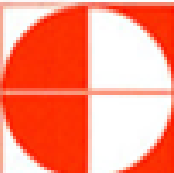
Highlights

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

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

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

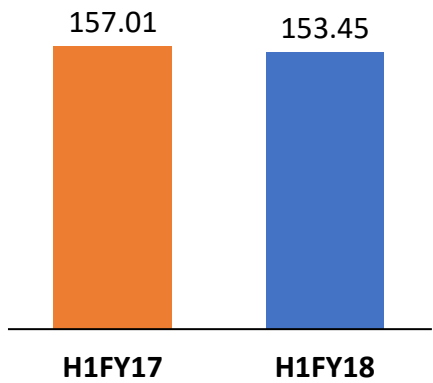
***Return of Profitability
from Q3FY18***



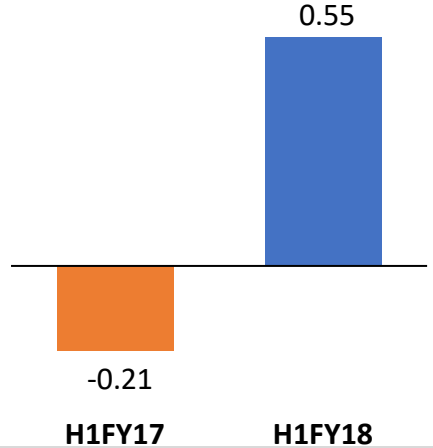
Financial Highlights

Ethos – H1FY18 vs H1FY17

Revenue (Rs. Cr)



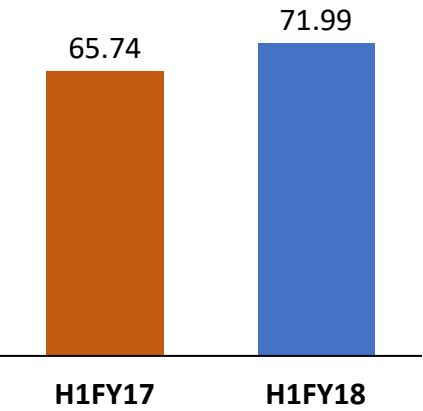
Normalized EBITDA (Rs. Cr)



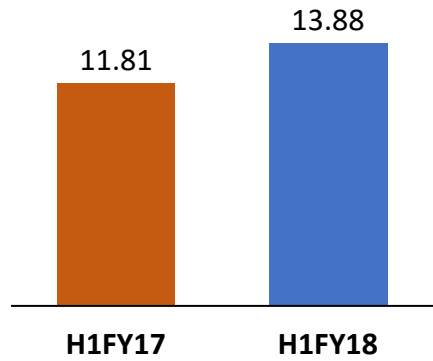
Sharp turnaround at operational level

KDDL (Standalone) – H1FY18 vs H1FY17

Revenue (Rs. Cr)



EBITDA (Rs. Cr)



Improved utilizations led to operating leverage

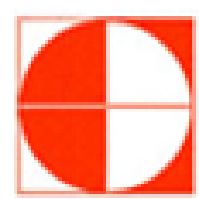


Reconciliation to Normalised EBITDA

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

Significant Turnaround with Normalized EBITDA

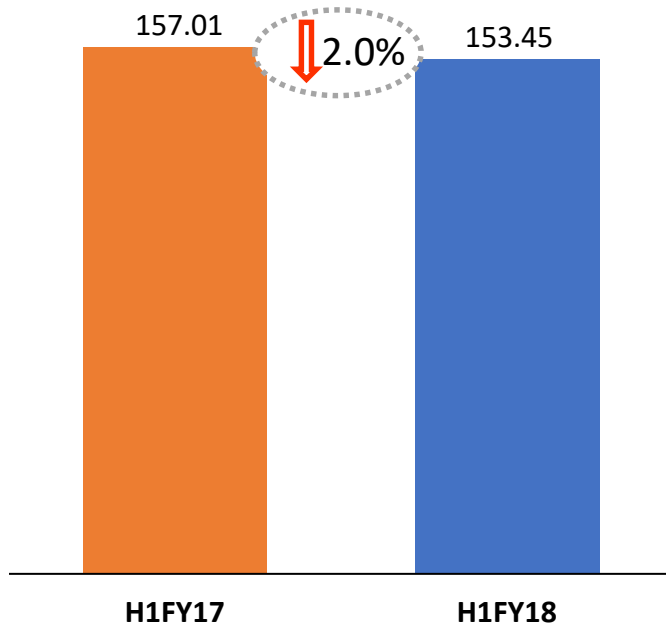
Credits written off on account of change in taxation owing to of GST Regime



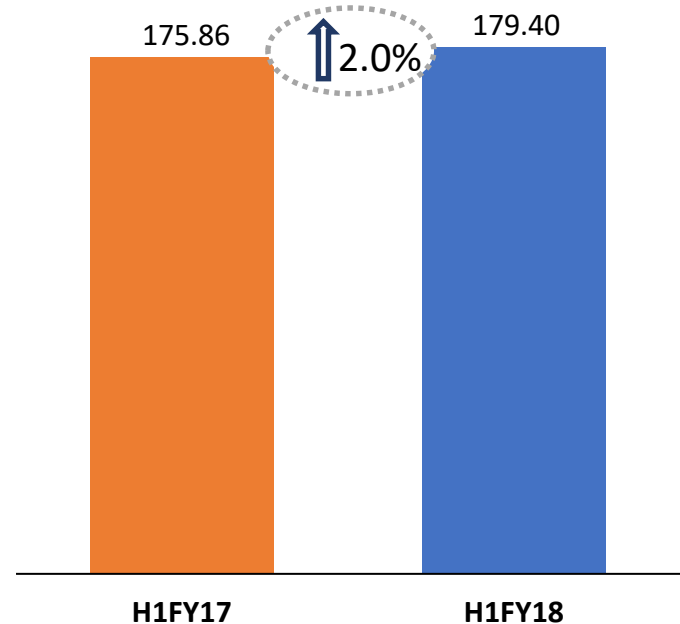
GST Regime Impact on Ethos Performance

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

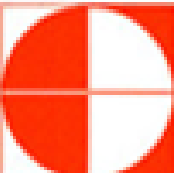
Net Revenue (Rs. Cr)



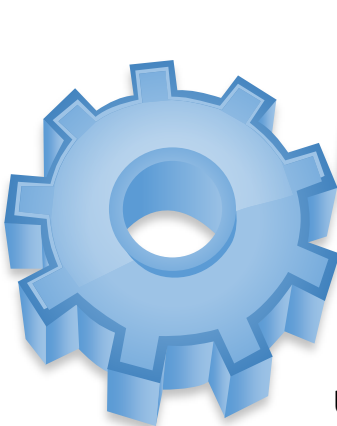
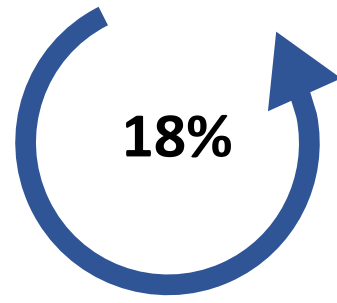
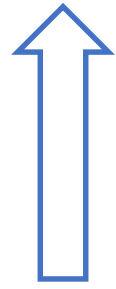
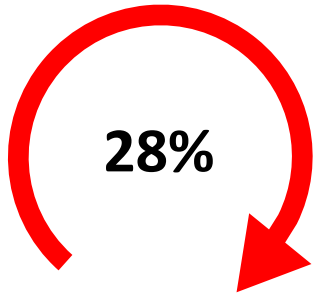
Billings (Rs. Cr)



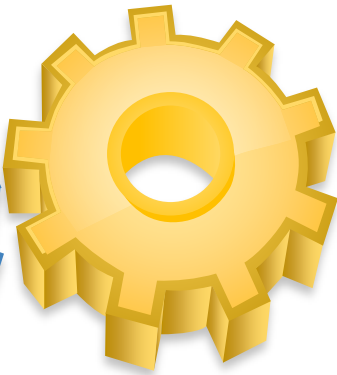
Further, we witnessed preponement of Sales in Pre-GST period of April – June 2017 i.e. Q1FY18 resulting in a muted Q2FY18; however for H1FY18 we have delivered a YoY growth of 2% on Billings basis



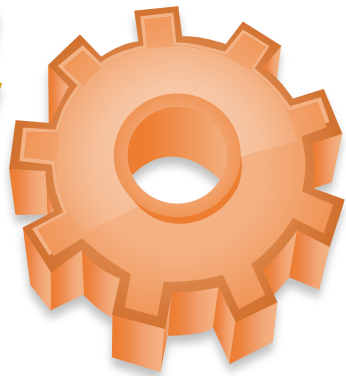
Revision of GST Rate



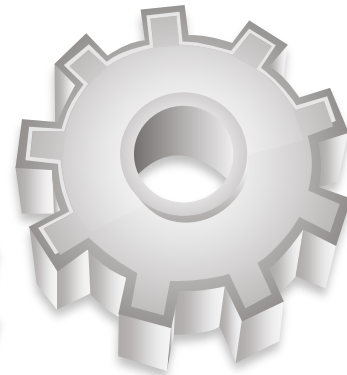
Witnessing immediate Demand pickup in Watches segment benefitting Retail and our Manufacturing operations



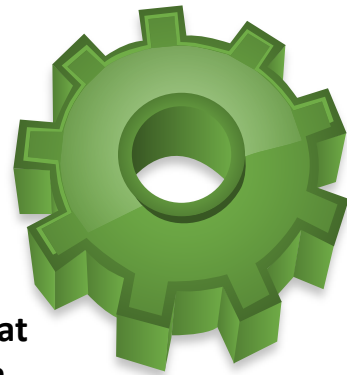
Uptick in Operational Efficiency



Expect customers to move up the value chain in Watch purchases

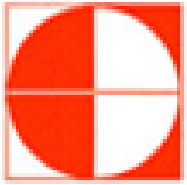


Watch Prices now at par or lower than Swiss Prices leading to higher sales in India by same customer base



Faster churn in Inventory both in Retail and Manufacturing

Expecting Profitability to Return



New Store Openings

One Awadh Center Welldone Infrastructure Pvt. Ltd, Lucknow



The Pavillion Mall, Pune

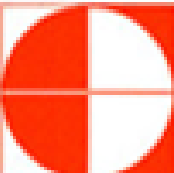


Tissot Boutique – The Pavillion Mall, Pune



Rado boutique - Elante Mall, Chandigarh





Moving up the Value Chain



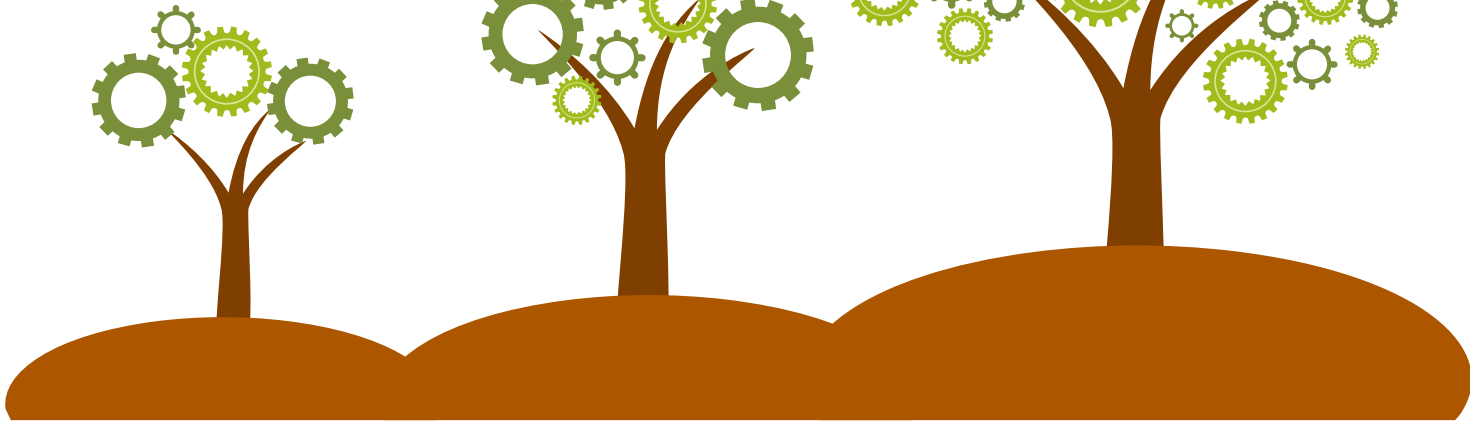
The Largest & Preferred Retailer of Swiss Watches in India

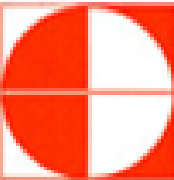
ēthos
WATCH BOUTIQUES

Forayed in Watch Retailing

 **KDDL Limited**

Started as a Watch Components Manufacturer





Ethos is India's Preferred Destination for Luxury Watches

Knowledge

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



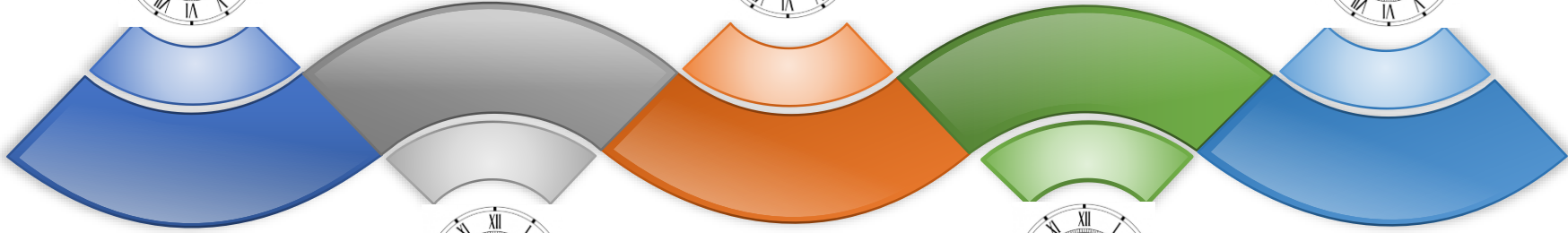
One-stop shop

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



Mind Share

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



Online

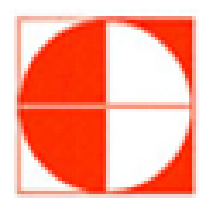
Ethos makes Swiss Watches 'Available Online' in a confluence of Online-Offline model helping us to leverage the strength of Swiss Watch Brands and our wide Distribution Reach



Trust

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

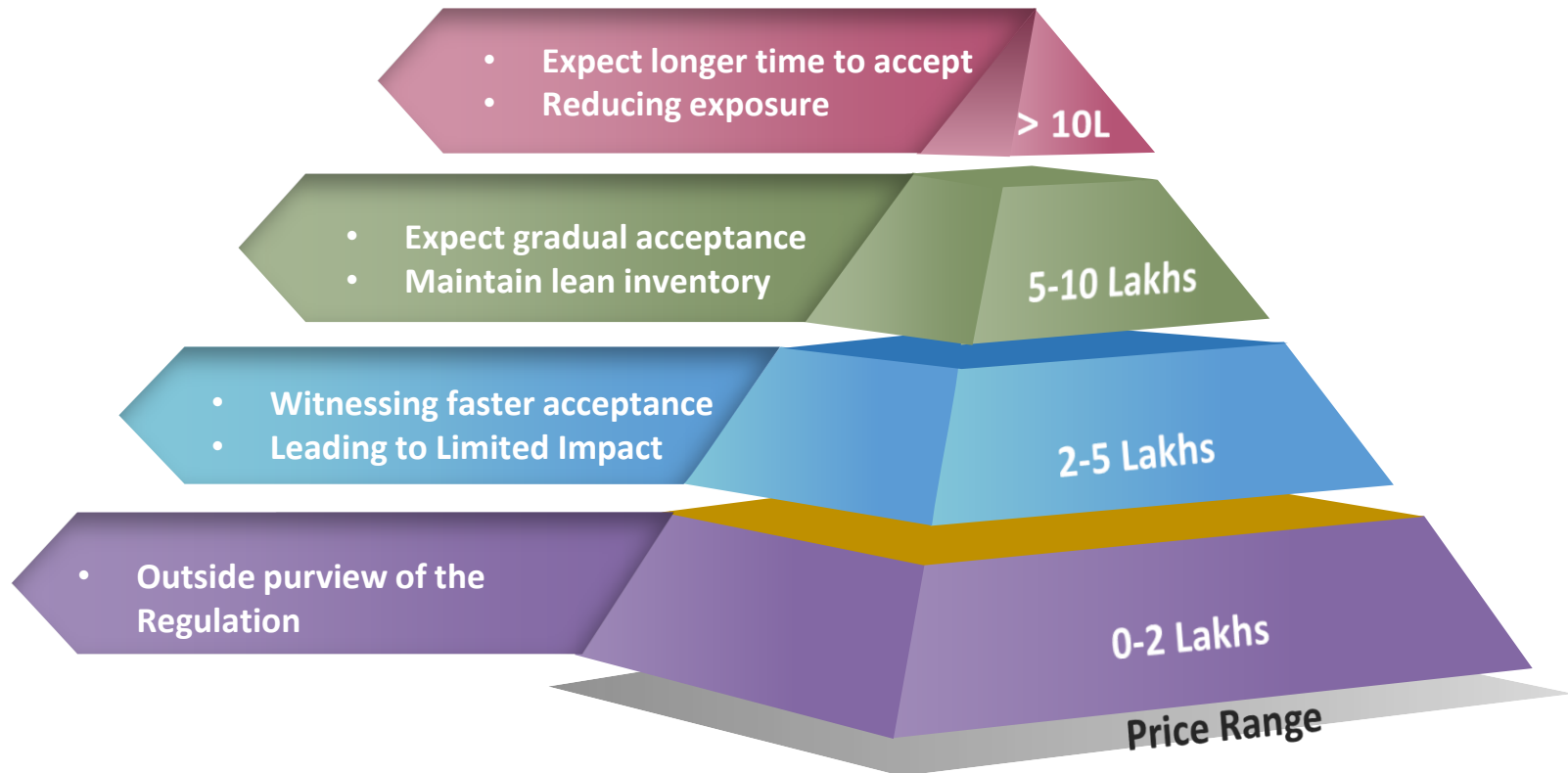


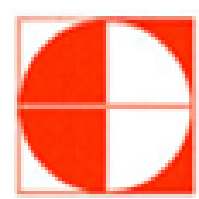


PAN Card Regulation : Adapting to Change

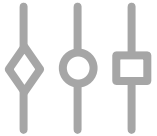
With effect from 1st January, 2016, Income Tax department made it mandatory to quote Permanent Account Number (PAN) for all transactions of amount exceeding Rs. 2 lakh, irrespective of mode of payment.

'Refining' Product Mix Strategy





PAN Card Regulation : Benefits in the long run



LEVEL PLAYING FIELD

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



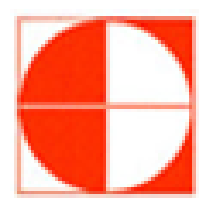
CUSTOMER PROFILING

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



BETTER SERVICE to EXISTING CUSTOMERS

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



Asset Light Model...

Improve Return On Capital Employed

**Operating Leverage
Playing Out**

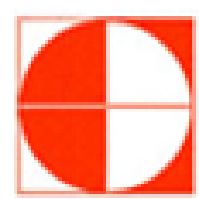
Reduce Front-End Cost like Manpower and Rental expenses

**Maximize
Reach**

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

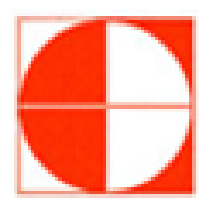
Minimize Investment

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



Financial Overview

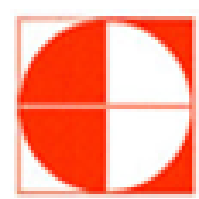




P&L– H1FY18

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

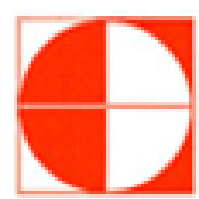
* Consolidated Results include Standalone, Ethos Ltd and other subsidiaries as per IND-AS



Ethos Balance Sheet

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

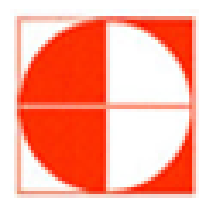
Rs. Crs	Sep-17
Non-current assets	30
Fixed assets	12
Long term loans and advances	12
Other non-current assets	6
Deferred tax Asset	7
Current assets	199
Inventories	156
Trade receivables	13
Cash and bank balances	7
Short term loans and advances	3
Other current assets	19
Total Assets	236



Consolidated Balance Sheet

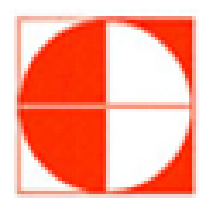
Rs. Crs	Sep-17
Shareholder's Fund	140
Share capital	11
Other Equity	100
Minority Interest	29
Non-current liabilities	50
Financial Liabilities	
Borrowings	44
Provisions	4
Other non-current liabilities	2
Current liabilities	200
Financial Liabilities	
Borrowings	64
Trade Payables	98
Other Financial Liabilities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

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



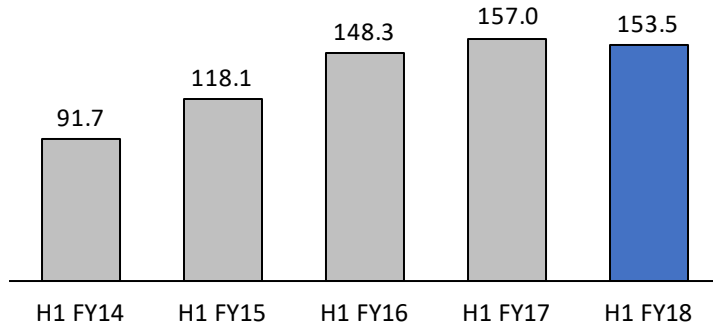
Reconciliation of H1FY17 as per I-GAAP

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

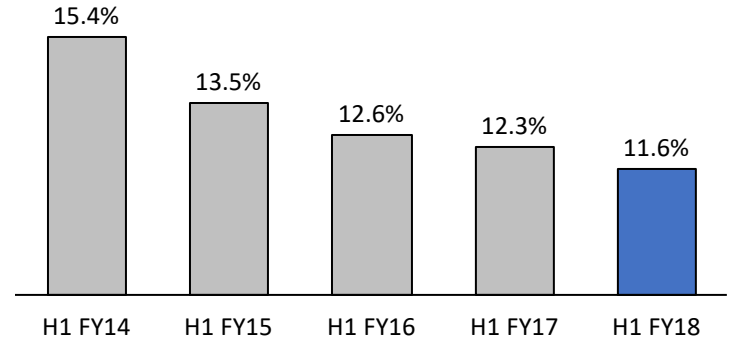


Ethos Performance Trend – H1FY18

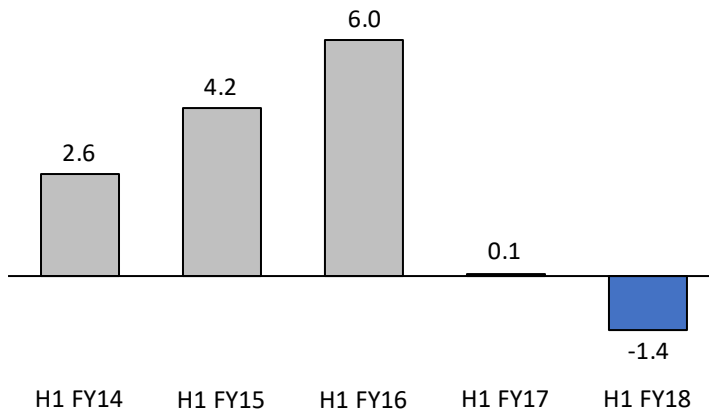
Revenue (Rs.Crs)



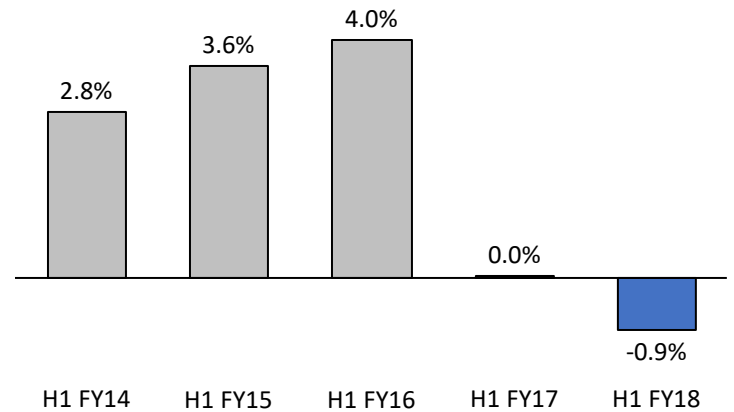
Front-end Rent & Manpower Cost as % of Revenue

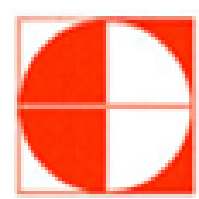


EBITDA (Rs.Crs)



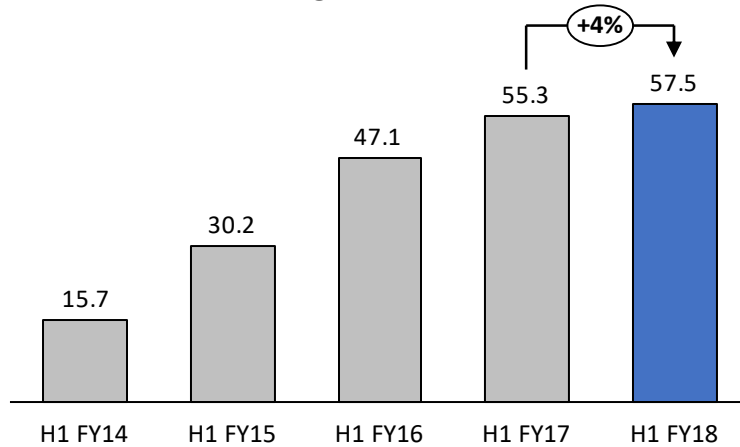
EBITDA Margin (%)



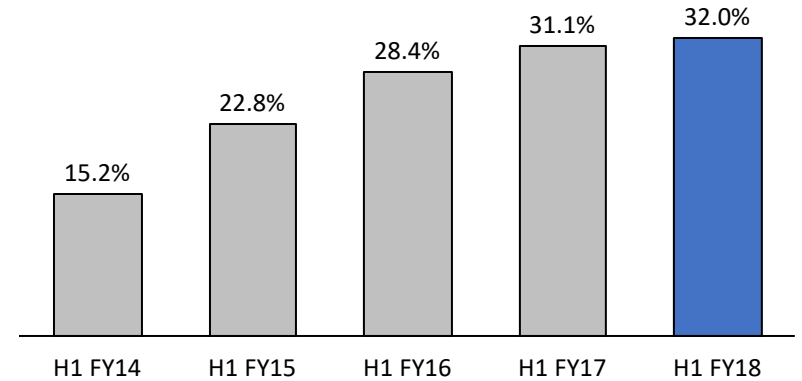


Ethos Online Sales Trend– H1FY18

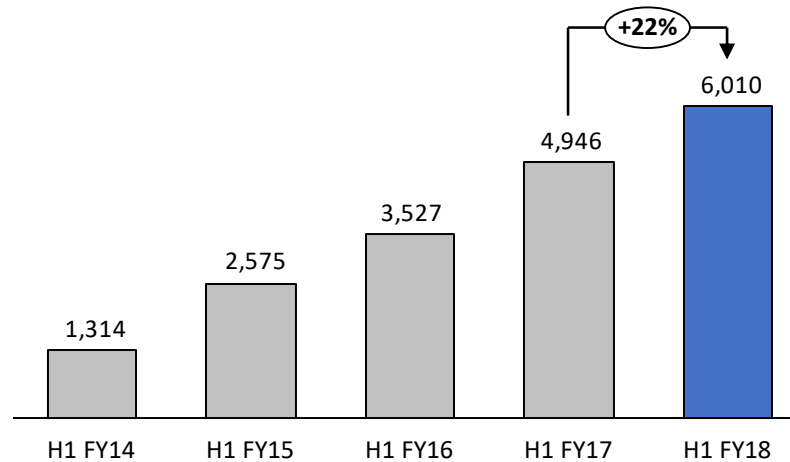
Online Billing (Rs. Crs)

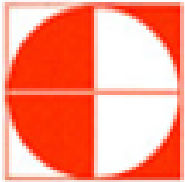


Online – as % of Total Billing



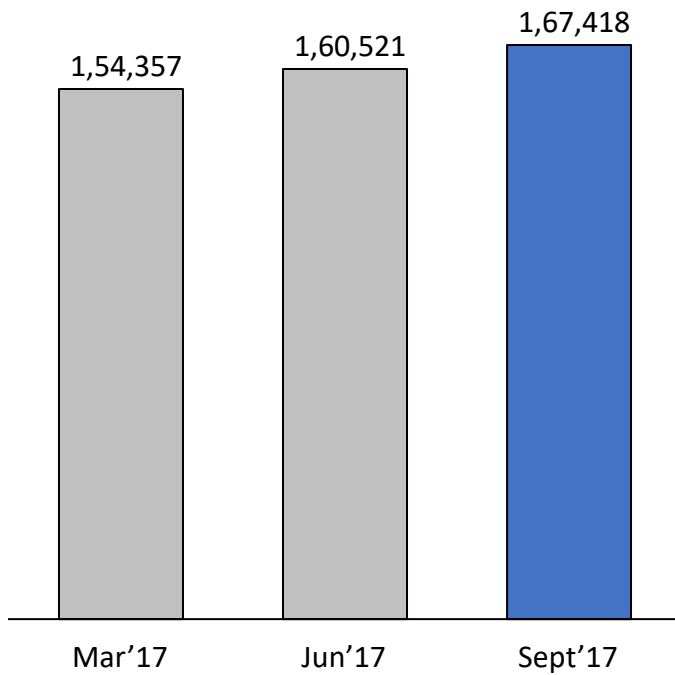
Visitors on website ('000)



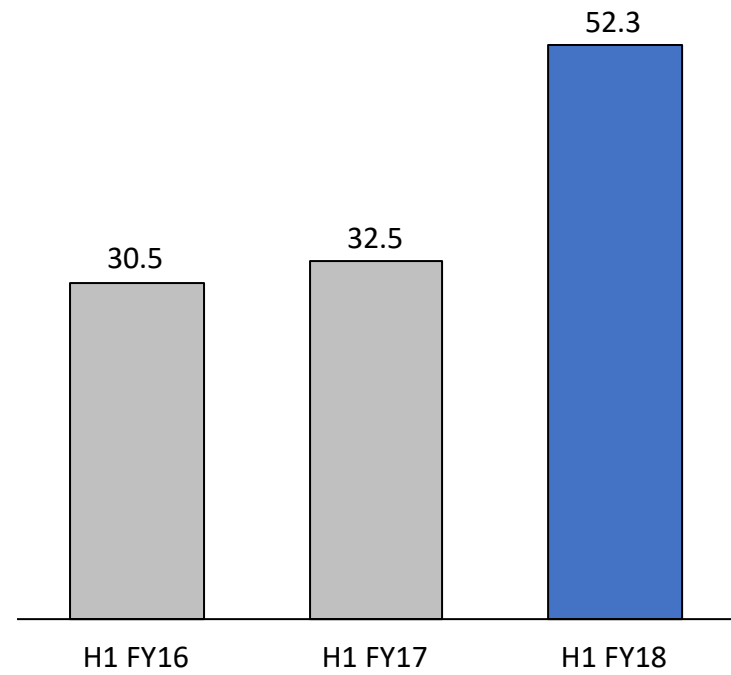


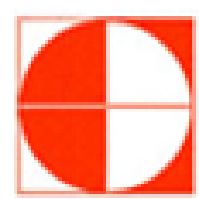
Ethos Repeat Sales Trend – H1FY18

Club ECHO – Member Base



Repeat Billings (%)





Pan-India Presence with Offline Store Network



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

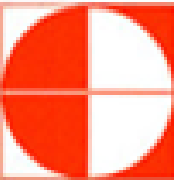
Presence across Metros, Tier I, Tier II cities

2 Duty Paid Retail Outlets at Domestic Terminals

2 Duty Free Retail Outlets at International Terminals

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

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



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UB City, Vittal Walya Road
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Shop online at ETHOSWATCHES.COM

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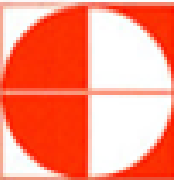
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WATCH BOUTIQUES

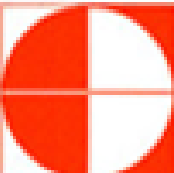
Favre Leuba has a history of 280 years of excellence and innovation in horology, the art of timekeeping. The Favre Leuba Raider Deep Blue shows this spirit magnificently. Discover this unique watch exclusively at Ethos Watch Boutiques – India's largest and most trusted luxury watch retailer. To know more about this watch just call our Luxury Watch Hotline at +91 8725028888, visit Ethoswatches.com, or simply walk into an Ethos Watch Boutique.

Bangalore: The Corridor, UB City Mall
Chennai: Green Park
Hyderabad: 100ft Club

Delhi: Select Citywalk Mall
Mumbai: Green Park Central II
Shop Online: www.ethoswatches.com

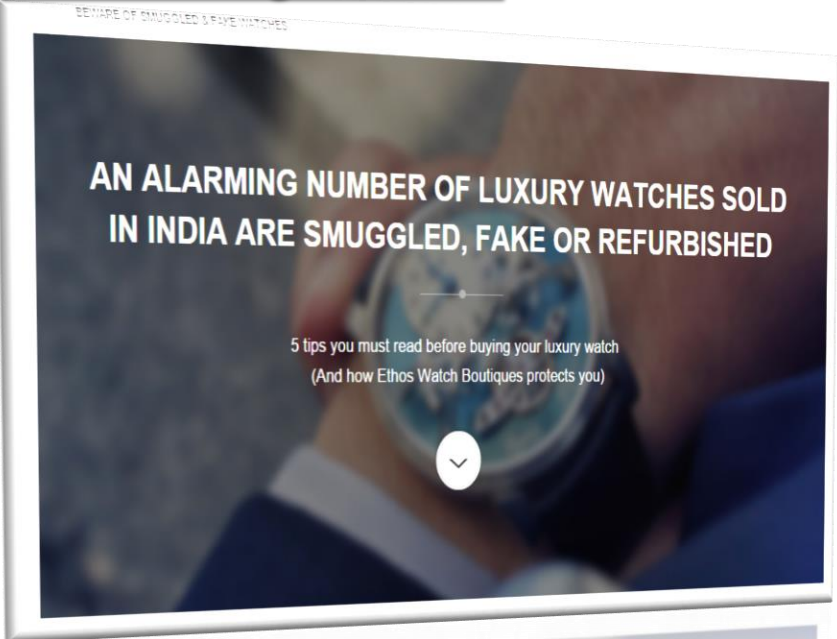
Ethos Watch Boutiques +91 87250 28888

... with ETHOS co-branding

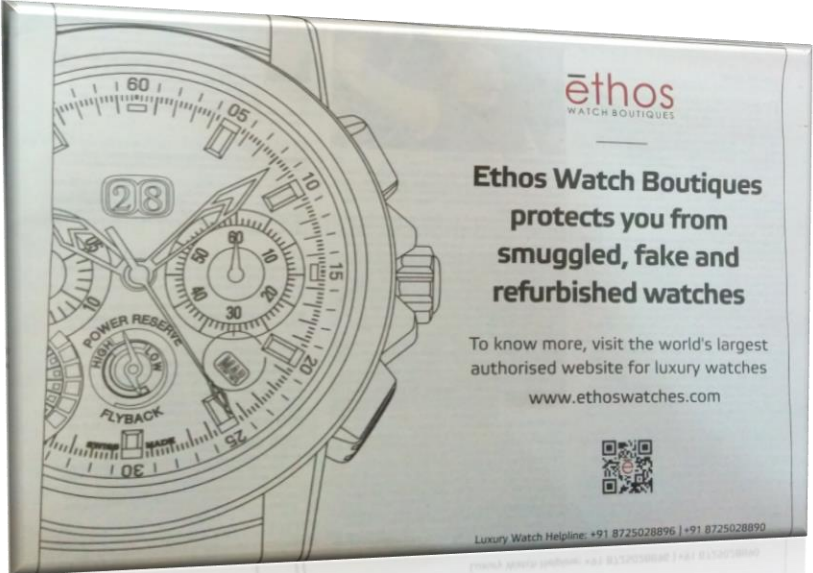


TRUST CAMPAIGN across channels

Online through website



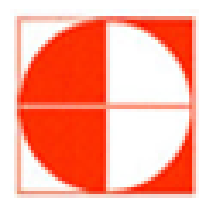
Offline through Print



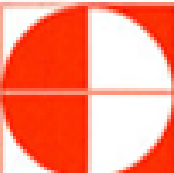
... to Educate consumers about Watches

... to Create Awareness about unscrupulous activities

... To Reinforce our "ETHOS"



Company Overview



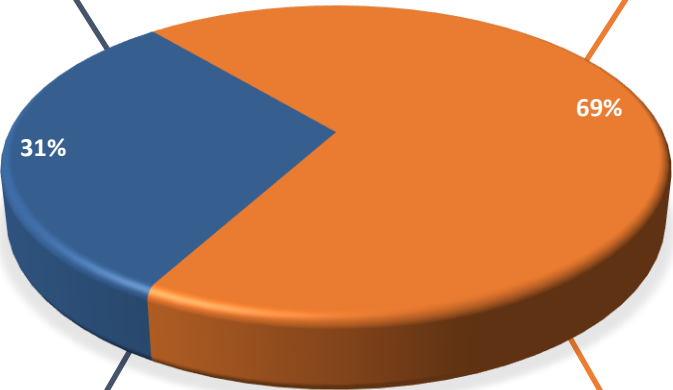
Business Overview

Stable Business

Scalable Business

Stable Manufacturing Business

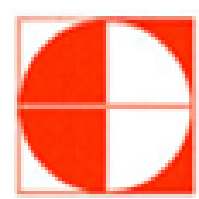
- Leading supplier of premium watch components - watch dials and watch hands
- Caters to demand from international brands in Switzerland & India
- Engaged in manufacturing of High Precision Stamping Parts & Precision & Progressive Tools
- CAGR of 6% over FY13 – FY17



Scalable Retail Business - ETHOS

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

*Figures updated as on date



Expanding Precision Engineering Business...

Setting up Greenfield Facility at Bengaluru, Karnataka

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

Building New capabilities

- Injection Molding
- CNC Machining
- Plating



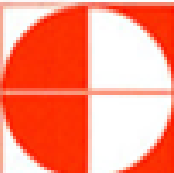
Invested Rs. 30 Crs over 2 years

~2 acre land allotted in EOU zone near Bengaluru Airport

Partial operations commenced recently

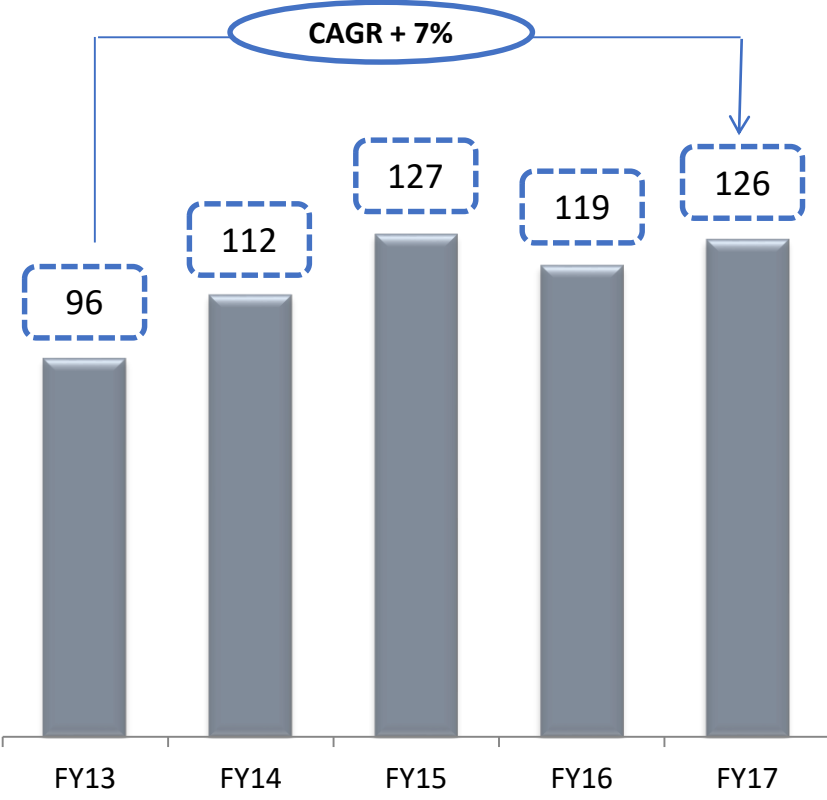
Financial Closure has been achieved & project is proceeding as per schedule

... to emerge as "Strong Player" in Organized space

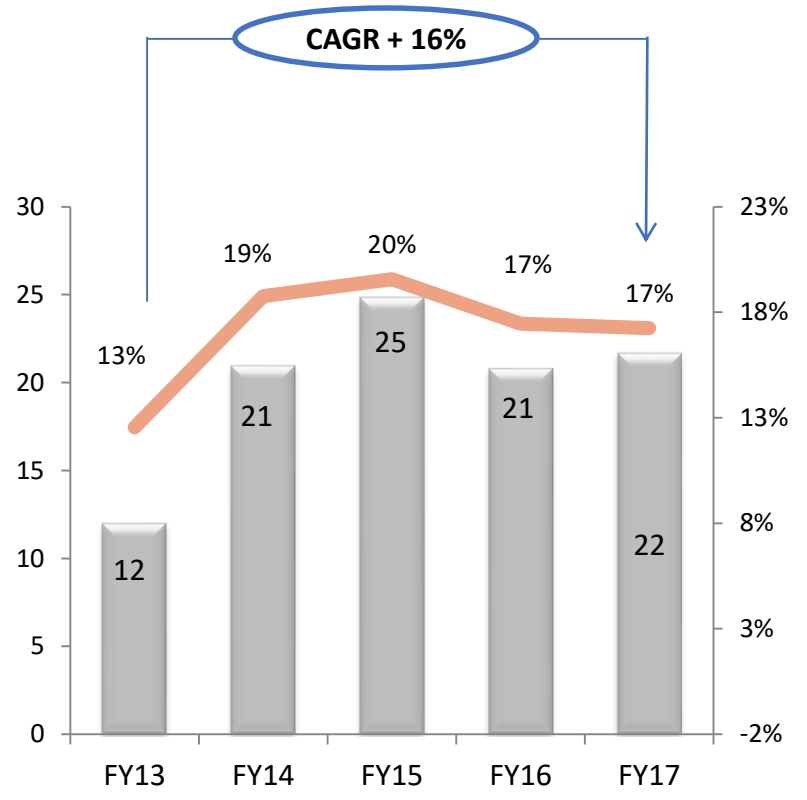


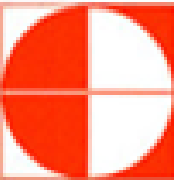
Stable Manufacturing Performance

Revenue (Rs.Crs)



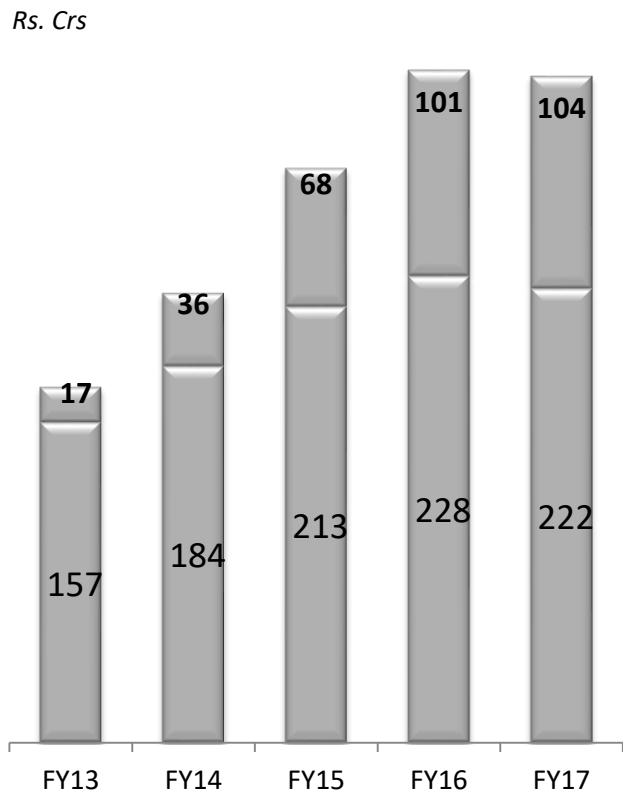
EBITDA (Rs.Crs)





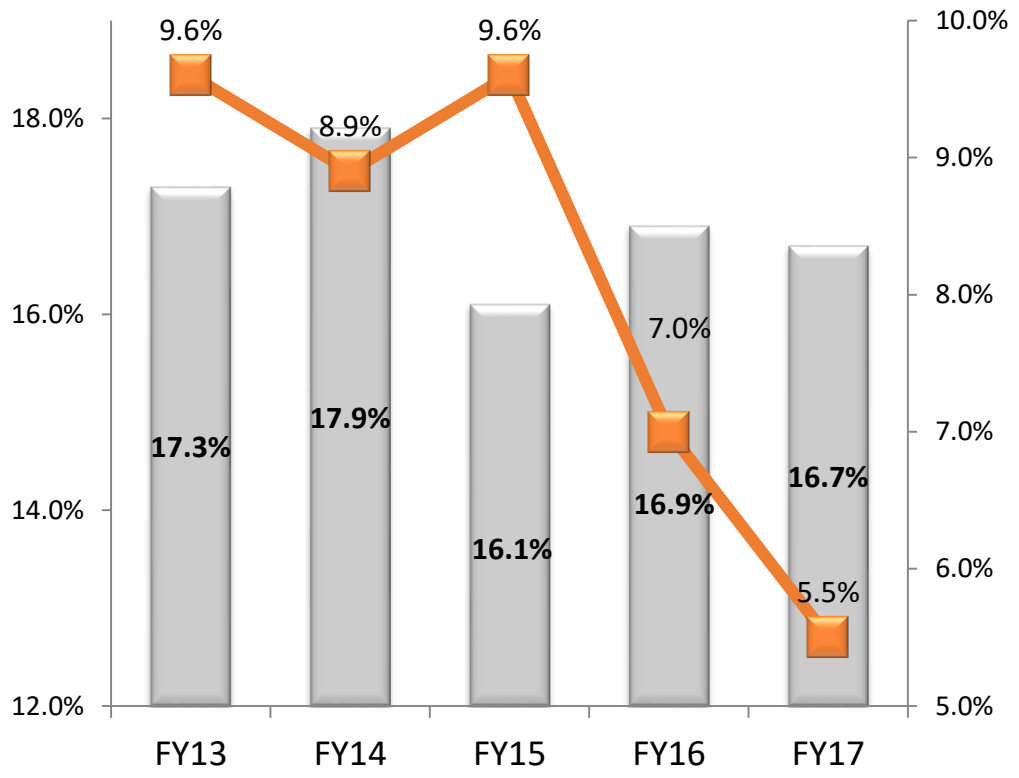
Scaling-Up Retail Performance

Increasing Online Revenue...

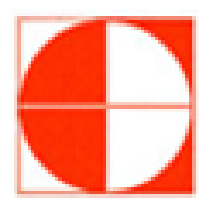


Offline Online

... Improved Absorption of Fixed Expenses

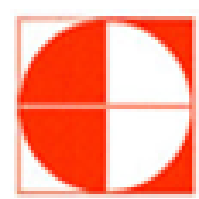


Front End expenses as % of Sales
EBITDA Margin before Central Expenses



Historical Financial Highlights

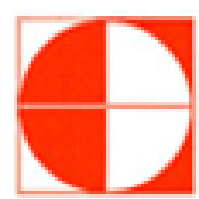




Consolidated – Profit & Loss Statement

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

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



Contact

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Investor Relations Advisors :

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