

KDDL Limited

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Ref : KDDL/CS/2019-20/39

Date : 14th August, 2019

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

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

Trading Symbol : KDDL

Scrip Code : 532054

Subject: Results Update Presentation

Dear Sir / Madam,

Please find enclosed Results Update Presentation for Q1FY20.

Kindly take the same on record.

Thanking you,

Yours truly

For KDDL Limited



**Brahm Prakash Kumar
Company Secretary**



KDDL Limited

&

ETHOS Limited

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WATCH BOUTIQUES

Result Update Presentation

August 2019

Q1FY20



Safe Harbor

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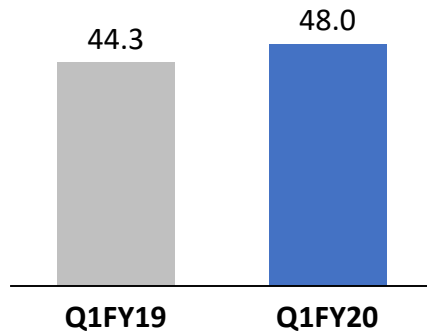
Q1FY20 Performance Overview



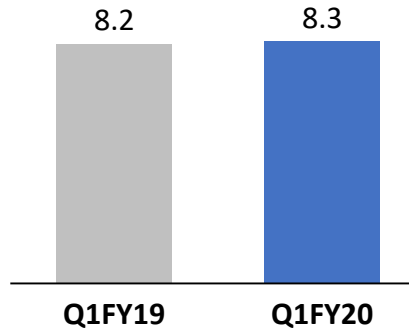
Q1FY20 Performance

Standalone Performance

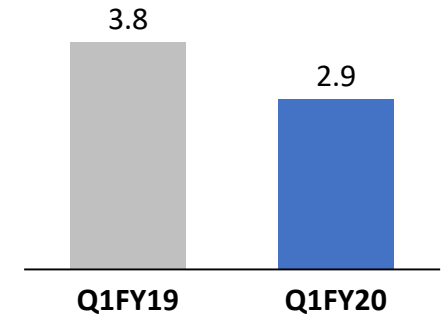
Revenue (Rs. Cr)



EBITDA (Rs. Cr)

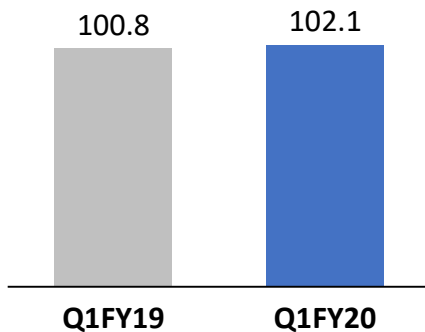


PAT (Rs. Cr)

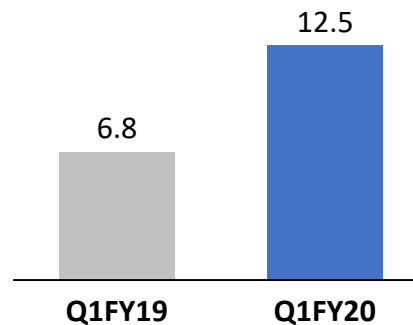


Ethos Performance (Consolidated)

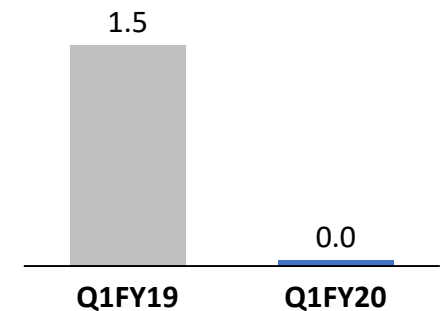
Revenue (Rs. Cr)



Normalized EBITDA (Rs. Cr)



PAT (Rs. Cr)





Standalone P&L

Rs. Crs	Standalone			
	Q1FY20	Q1FY19	YoY%	FY19
Revenue	48.0	44.3	9%	175.2
Cost of Goods Sold	12.5	10.8		44.6
Gross Profit	35.6	33.4	6%	130.6
Employee Expenses	14.1	12.8		49.1
Other Expenses	13.1	12.5		49.1
EBITDA	8.3	8.2	1%	32.5
Margin (%)	17.3%	18.6%		18.5%
Other Income	0.9	0.6		3.9
Interest	2.1	1.4		6.3
Depreciation	3.0	1.9		7.8
PBT	4.1	5.5	-25%	22.3
Tax	1.3	1.7		6.5
PAT	2.9	3.8		15.8
Cash PAT	5.7	5.7	1%	23.5



Consolidated P&L

Rs. Crs	Consolidated			
	Q1FY20	Q1FY19	YoY%	FY19
Revenue	152.7	146.2	4%	624.2
Cost of Goods Sold	84.9	84.9		360.9
Gross Profit	67.8	61.3	11%	263.3
Employee Expenses	25.8	20.0		86.4
Other Expenses	24.0	27.9		111.5
EBITDA	18.1	13.4	35%	65.5
Margin (%)	11.8%	9.1%		10.5%
Other Income	0.8	1.0		3.0
Interest	6.5	3.7		14.9
Depreciation	10.9	3.2		13.2
PBT	1.5	7.5		40.3
Tax	1.5	2.5		15.2
PAT	0.1	5.0		25.1
Minority Interest	-0.4	0.4		3.0
PAT After Minority Interest	0.4	4.6	-91%	22.1
Cash PAT	11.3	8.2	38%	35.3

Commentary

- PAT was impacted by INDAS 116 accounting standards
- IND AS 116 has resulted in increase in Depreciation and Interest by Rs. 9.4 Crs
- CASH PAT has increased by 38% on YoY basis in Q1FY20



Adjusted Consolidated Profit & Loss

Particulars (Rs. Crores)*	Q1FY20 As Reported	Adjusted for INDAS 116		YoY%
		Q1FY20	Q1FY19	
Revenue	152.7	152.7	146.2	4%
Cost of Goods Sold	84.9	84.9	84.9	
Gross Profit	67.8	67.8	61.3	11%
Employee Expenses	25.8	25.8	20.0	
Other Expenses	24.0	31.8	27.9	
Normalized EBITDA	18.1	10.3	13.4	-23%
Normalized Margin (%)	11.8%	6.8%	9.1%	
Other Income	0.8	0.8	1.0	
Interest	4.1	4.1	3.7	
INDAS 116 Interest	2.4	-	-	
Depreciation	3.8	3.8	3.2	
INDAS 116 Depreciation	7.0	-	-	
PBT	1.5	3.2	7.5	-58%



Ind AS 116: Impact on Financials

- On 1 April 2019, the Group has adopted Ind AS 116 “leases”, using the modified retrospective approach. Accordingly, the comparatives have not been retrospectively adjusted
- The adoption of Ind AS 116 has resulted in recognizing a Right-of-Use Assets of Rs. 88.6 Cr. and Rs. 2.61 lakhs as net Investment in Sub Lease of ROU Assets equivalent to the lease liability of Rs. 88.6 Cr. as at 1st April 2019
- Overall balance sheet will increase by the amount of asset created for Leases. This will have an impact on Profitability as under:

<i>Profit & Loss Impacts</i>		For Q1FY20 (Rs. Cr.)	Financial impact
<i>Other expenses (Rent)</i>	<i>Decrease in Rent expense</i>	-7.7	This affects other expenses, depreciation and finance cost in the Profit & loss statement & consequently impacts EBITDA and PBT of the company
<i>Finance costs</i>	<i>Increase in Finance cost</i>	2.4	
<i>Depreciation</i>	<i>Increase in Depreciation</i>	7.0	
<i>Profit before tax</i>	<i>Decrease in PBT</i>	-1.7	

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



Balance Sheet

Rs. Crs	Consolidated		Standalone	
	Mar-19	Mar-18	Mar-19	Mar-18
Equity	235.0	161.7	167.1	130.3
(a) Equity share capital	11.7	11.0	11.7	11.0
(b) Other equity	179.1	121.0	155.4	119.3
Non Controlling Interest	44.2	29.7	-	-
Non-current liabilities	73.9	53.2	41.0	39.2
(a) Financial Liabilities				
(i) Borrowings	65.1	46.0	34.5	33.4
(ii) Other financial liabilities	0.1	0.1	0.1	0.1
(b) Provisions	4.6	3.4	2.2	1.9
(c) Deferred tax liability (net)	4.2	3.8	4.2	3.8
Current liabilities	207.4	215.2	54.6	68.2
(a) Financial Liabilities				
(i) Borrowings	62.0	63.6	7.4	22.6
(ii) Trade payables	82.6	86.3	15.7	15.0
(iii) Other financial liabilities	48.7	47.8	26.9	23.6
(b) Other current liabilities	9.1	12.5	2.8	2.8
(c) Provisions	0.7	0.8	0.6	0.8
(d) Current tax liabilities(net)	4.3	4.2	1.3	3.6
Total Liabilities	516.3	430.0	262.8	237.8
Non-current assets	184.1	140.4	185.2	160.6
(a) Property, plant and equipment	143.2	83.6	94.1	60.4
(b) Capital work-in-progress	6.8	24.2	2.4	23.6
(c) Other intangible assets	0.9	0.8	0.7	0.6
(c) Intangible assets under development	0.4	0.0	-	-
(e) Equity accounted investees	0.3	0.3	-	-
(f) Financial assets				
(i) Investments	0.5	0.5	79.7	67.6
(ii) Loans	12.4	10.6	2.2	1.7
(iii) Other financial assets	1.4	2.2	-	-
(g) Current Tax Asset	6.3	6.2	5.0	5.0
(h) Deferred tax assets (net)	6.3	5.0	-	-
(i) Other Non Current Assets	5.6	7.0	1.0	1.8
Current assets	332.2	289.6	77.6	77.2
(a) Inventories	240.0	201.2	30.7	27.1
(b) Financial assets				
(i) Trade receivables	30.4	32.6	23.7	28.6
(ii) Cash and cash equivalents	17.0	11.3	2.5	1.8
(iii) Other bank balances	6.1	6.7	6.1	6.7
(iv) Loans	4.8	4.4	1.8	1.8
(v) Other financial assets	2.5	0.4	5.0	0.9
(c) Other current assets	31.6	32.9	7.8	10.3
Total Assets	516.3	430.0	262.8	237.8



Manufacturing Business Overview



Introduction - Watch Dials and Hands Business

Watch Dials

- Commercial operations began in 1983
- Leading Global supplier of Watch Dial serving many well-known brands all over the world
- Manufacturing facilities located at Parwanoo & Derabassi, near Chandigarh in India
- Capability to manufacture dials with high & complex features

Watch Hands

- Commercial operations began in 1996
- Only supplier in India and one of 5 independent manufacturers globally; facilities located at Bengaluru
- Recently acquired Estima AG in Switzerland; to enhance presence in mid-priced segment European Brands

Value Proposition

- Deep Understanding of the Global Watch Industry
- Established relationships with Swiss Watch makers as well as Indian Watch makers
- Consistent Manufacturing on basis International Quality norms



Acquired “Estima AG” in Switzerland

About Estima AG

- Estima was established as a maker of watch hands in Switzerland in 1924
- It was a leading supplier to Swiss and other European watch brands in the mid-priced segment and enjoyed an excellent reputation
- However, over last 10 years, it was unable to keep up with market changes and lost market share leading to declining turnover and mounting losses

Strategic Rationale

- Estima was a competitor of the Company in the business of watch hands manufacturing
- Has a well established name, valuable production infrastructure and will be serve as a good platform to establish a foothold in Swiss watch component manufacturing
- Will help capture additional market share of customers in European market serviced by Estima



Acquisition of “Estima AG”

Deal Structure

- Acquiring 100% holding of Estima
- Cash – CHF 4,00,000 for 100 % Shares
- The cut-off date for acquisition by new management was 7th January, 2019

Financials

- Current Turnover : CHF 1.8 – 2.0 million



Introduction - Precision Engineering Business



Value Proposition

Eigen offers a full package of services, ranging from design and development to full scale production, providing customers with optimized supply chain solutions



Capabilities

We address various segments such as Electrical, Electronics, Automobile, Telecommunications, medical equipment, Aerospace, Consumer Durables etc



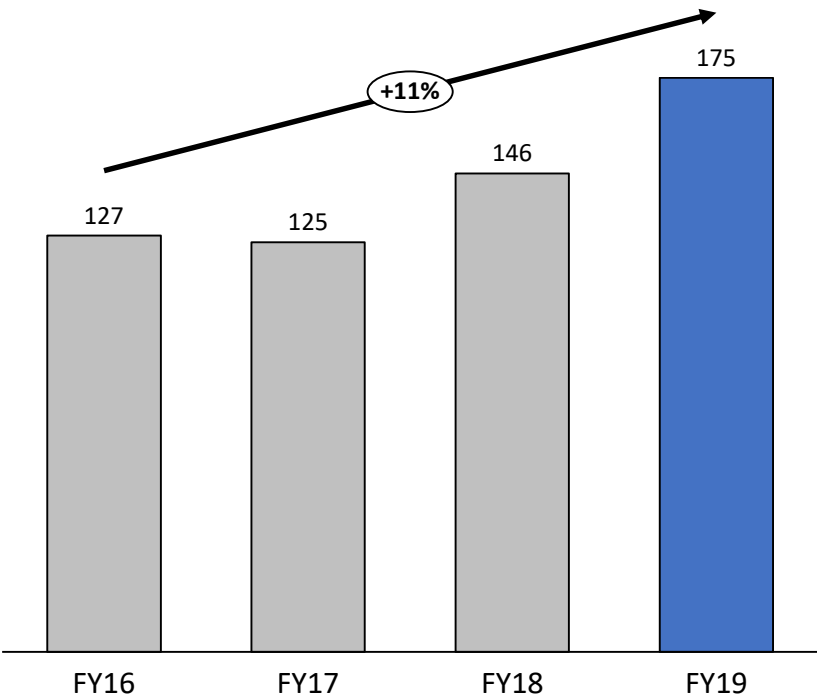
Customers

Enabling our customers to meet their design and production needs for over 12 years. We have some of the most well-known names in their industry as our esteemed customers

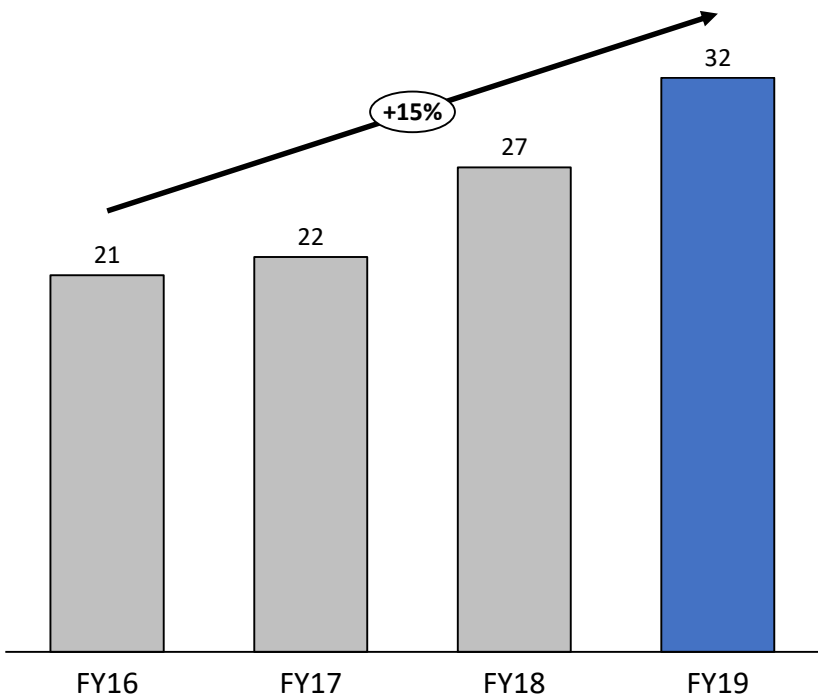


Stable Manufacturing Performance*

Revenue (Rs. Crs)



EBITDA (Rs. Crs)



*Excludes the Financial Performance of Estima AG, Switzerland

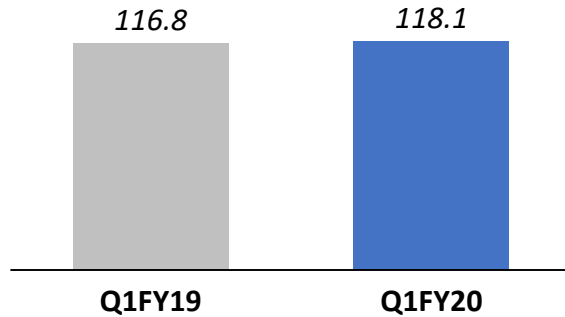


*Ethos:
Q1FY20 Snapshot*

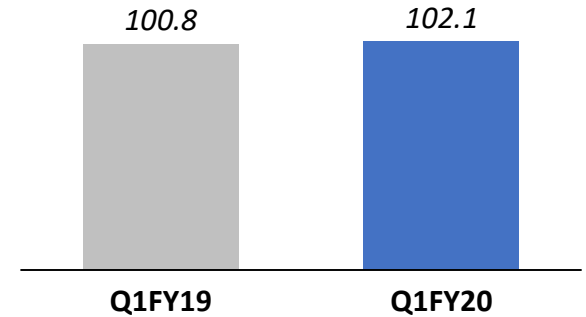
Q1FY20 Performance

Q1FY20 vs Q1FY19 (Consolidated*)

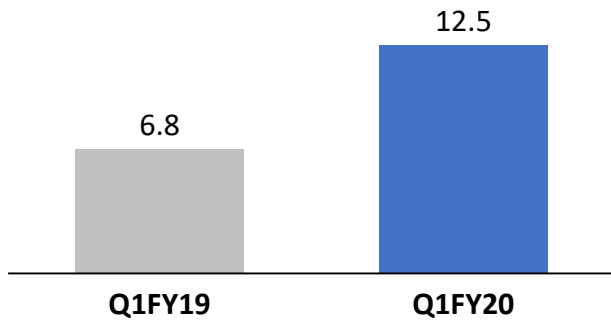
Billings (Rs. Cr)



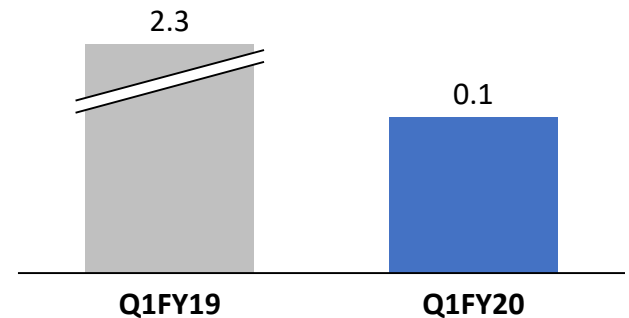
Revenue (Rs. Cr)



Normalized EBITDA (Rs. Cr)



PBT (Rs. Cr)



*Consolidated Financials include Watch Retailing Business and Digital Marketing business
Q1FY20 Financials are with applicability of IND AS 116

Consolidated Profit & Loss

Particulars (Rs. Crores)*	Q1FY20	Q1FY19	YoY %	FY19
Revenue	102.1	100.8	1%	445.1
Cost of Goods Sold	71.6	73.3		315.9
Gross Profit	30.5	27.5	11%	129.2
Employee Expenses	8.7	6.9		33.4
Other Expenses	9.6	15.2		61.8
Reported EBITDA	12.1	5.4	125%	34.0
Margin (%)	11.9%	5.4%		7.6%
Interest	4.2	1.9		7.7
Depreciation	7.8	1.2		4.8
PBT	0.1	2.3	-95%	21.5
Tax	0.1	0.8		8.4
PAT	0.0	1.5	-97%	13.2
Cash PAT	7.8	2.6	197%	18.0

*Consolidated Financials include Watch Retailing Business and Digital Marketing business
Q1FY20 Financials are with applicability of IND AS 116

Adjusted Consolidated Profit & Loss

Particulars (Rs. Crores)*	Q1FY20 As Reported	Adjusted for INDAS 116 & other items		YoY%
		Q1FY20	Q1FY19	
Revenue	102.1	102.1	100.8	1%
Cost of Goods Sold	71.6	71.6	73.3	
Gross Profit	30.5	30.5	27.5	11%
Employee Expenses	8.7	8.7	6.9	
Other Expenses	9.3	16.4	13.8	
Normalized EBITDA	12.5	5.3	6.8	-22%
Normalized Margin (%)	12.2%	5.2%	6.8%	
Interest	2.1	2.1	1.9	
INDAS 116 Interest	2.1	-	-	
Depreciation	1.4	1.4	1.2	
INDAS 116 Depreciation	6.4	-	-	
Forex Items	0.4	0.4	0.4	
Provision for Legal case	-	-	1.0	
PBT	0.1	1.5	2.3	-37%

*Consolidated Financials include Watch Retailing Business and Digital Marketing business
Q1FY20 Financials are with applicability of IND AS 116

Ind AS 116: Impact on Financials

- On 1 April 2019, the Group has adopted Ind AS 116 “leases”, using the modified retrospective approach. Accordingly, the comparatives have not been retrospectively adjusted
- The adoption of Ind AS 116 has resulted in recognizing a Right-of-Use Assets of Rs.79.8 Cr. equivalent to the lease liability as at 1 April 2019
- Overall balance sheet will increase by the amount of asset created for Leases. This will have an impact on Profitability as under:

<i>Profit & Loss Impact</i>		For Q1FY20 (Rs. Cr.)	Financial impact
<i>Other expenses (Rent)</i>	<i>Decrease in Rent expense</i>	-7.2	This affects other expenses, depreciation and finance cost in the Profit & loss statement & consequently impacts EBITDA and PBT of the company
<i>Finance costs</i>	<i>Increase in Finance cost</i>	2.1	
<i>Depreciation</i>	<i>Increase in Depreciation</i>	6.4	
<i>Profit before tax</i>	<i>Decrease in PBT</i>	-1.3	

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

Consolidated Balance Sheet

Particulars (Rs. Crores)*	Mar-19	Mar-18
Shareholder's Fund	134	92
Share Capital	17	16
Other Equity	117	76
Non-current liabilities	16	13
Long Term borrowings	14	11
Long Term Provisions	2	1
Current liabilities	148	146
Short Term Borrowings	53	41
Trade Payables	67	77
Other Current liabilities	29	27
Short Term Provisions	0	0
Total Liabilities	299	250
Non-current assets	50	40
Fixed Assets	27	17
Long Term loans and Advances	11	10
Other Non Current Assets	6	7
Deferred Tax Asset	6	5
Current assets	249	210
Inventories	206	171
Trade Receivables	8	6
Cash and Bank Balances	9	7
Short Term Loans and Advances	4	4
Other Current Assets	22	21
Total Assets	299	250

Largest Pan India retailer of Luxury Watches



Stores as of Mar-19
47

Additions



Ethos Flagship Store,
Roxana Fortune
Building, Hyderabad
5250 Sq. Ft.



Ethos Boutique,
City Centre Mall,
Guwahati
1089 Sq. Ft.



Ethos Summit,
Phoenix Market City,
Pune
2255 Sq. Ft.

Total Stores
50



With 50 pan India stores, Ethos offers the widest variety of Luxury watches in India

Fund Raise strengthens Balance Sheet



Rs. 50cr

Ethos Limited raises Rs. 29 crores equity funds in FY19 & Rs. 21 Crores YTD FY20



Rs. 480cr

Funds raised at a pre money valuation of Rs. 480 crores



73.56%

Shareholding of KDDL Ltd (directly and indirectly) in Ethos Ltd on fully diluted basis

Equity Funds will primarily be utilized towards New Store rollouts and working capital

New Initiatives

Repair and Service

Repair and services over 60 of the World's top Luxury watch Brands

Strap and Bracelet replacement

Servicing of Movements

Bracelet link removal and adjustment

Ultrasonic Cleaning

Pre-Owned Watches

Pre-Owned Watches has the **potential to expand the volume and customer base**

Ethos has the **expertise to check the authenticity** and to ensure that each time piece is in great condition for its new owner to enjoy

The prices we quote for each pre-owned watch is based on **a thorough assessment of its current market value, and its years of use.** This makes it a fair price

Financial consultancy Kepler Cheuvreux estimates the current **global market for pre-owned watches alone to be worth upward of USD \$15 billion annually**

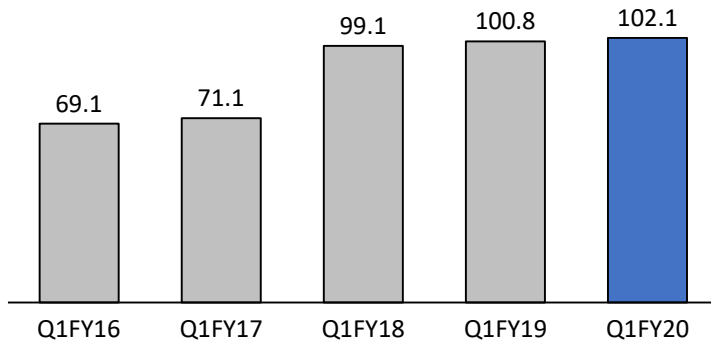
Ethos Watches is the #1 destination for Luxury Watch shoppers in India



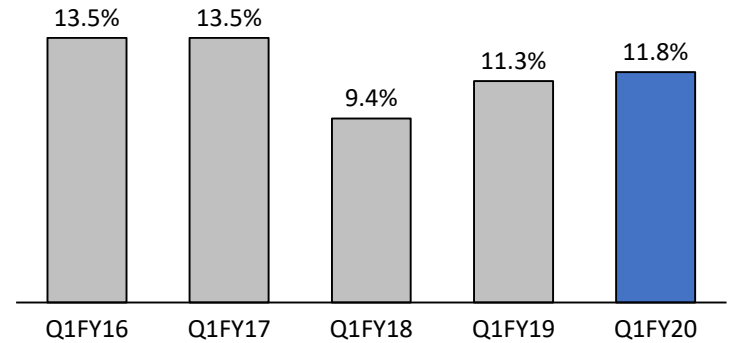
Operational Snapshot

Ethos - Performance Trend

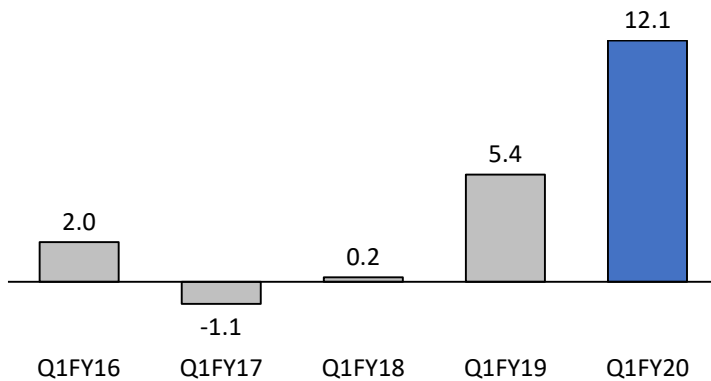
Revenue (Rs. Cr)



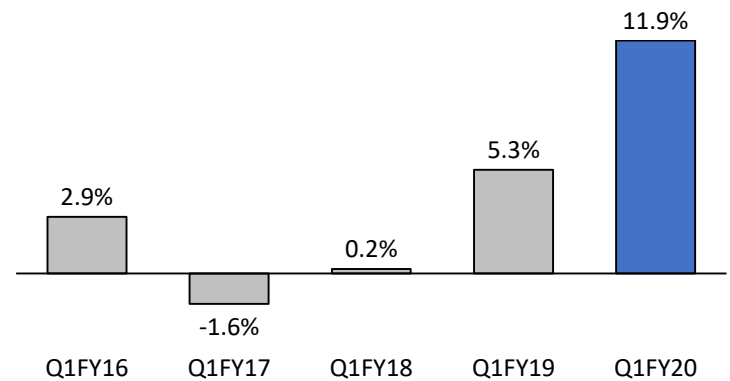
Front-end Rent & Manpower Cost as % of Revenue



EBITDA (Rs. Cr)

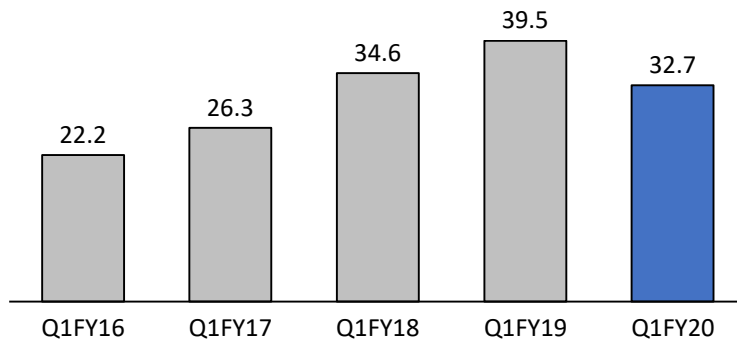


EBITDA Margin

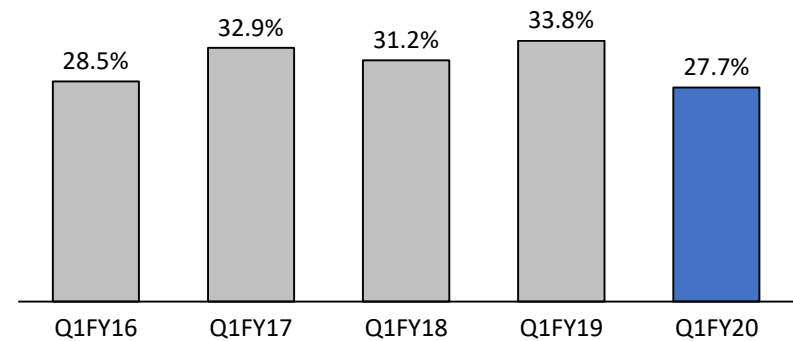


Ethos - Online Sales Trend

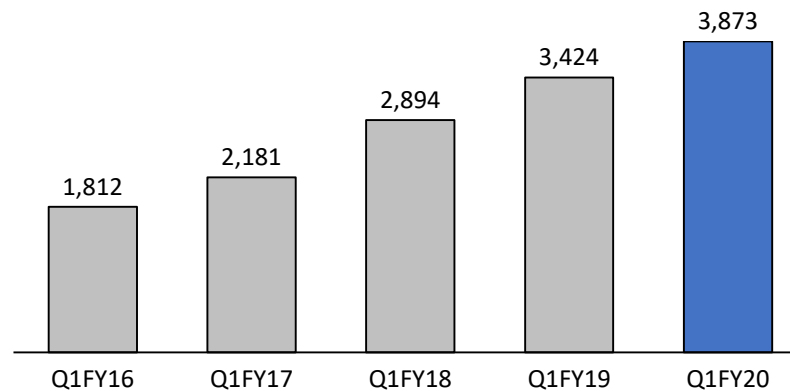
Online Billings (Rs. Cr)



Online Billing as % of Total Billing

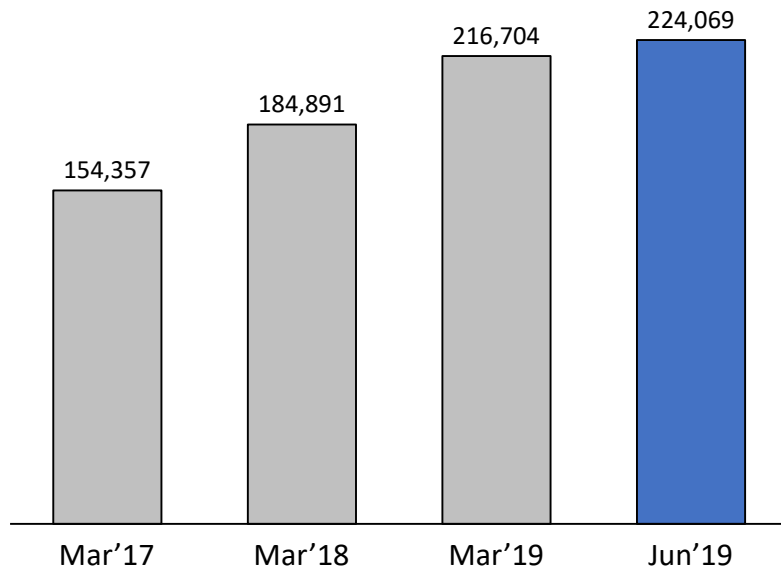


Visitors ('000)

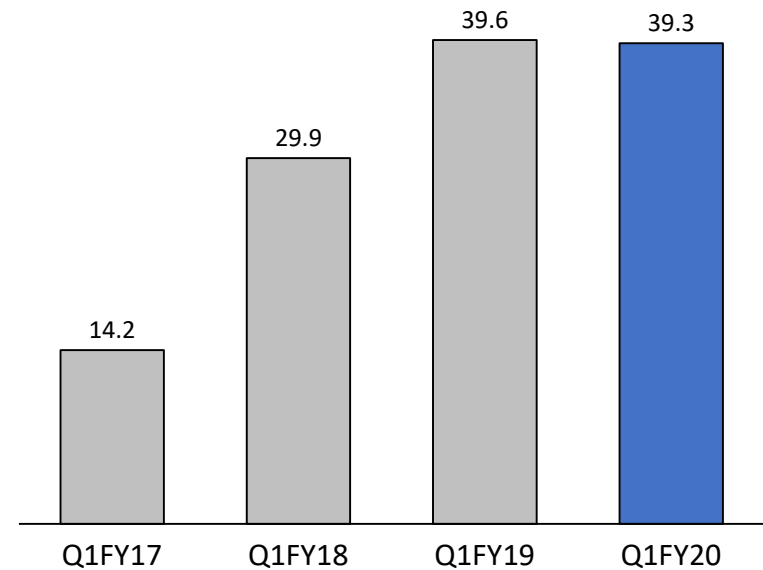


Ethos - Repeat Sales Trend

Club ECHO Member Base



Repeat Billings (Rs. Cr)





*Ethos is India's Largest
Luxury Watch Retailer*

Pan-India Presence with Offline Store Network



India's Largest retail chain of Luxury Watches with 50 stores

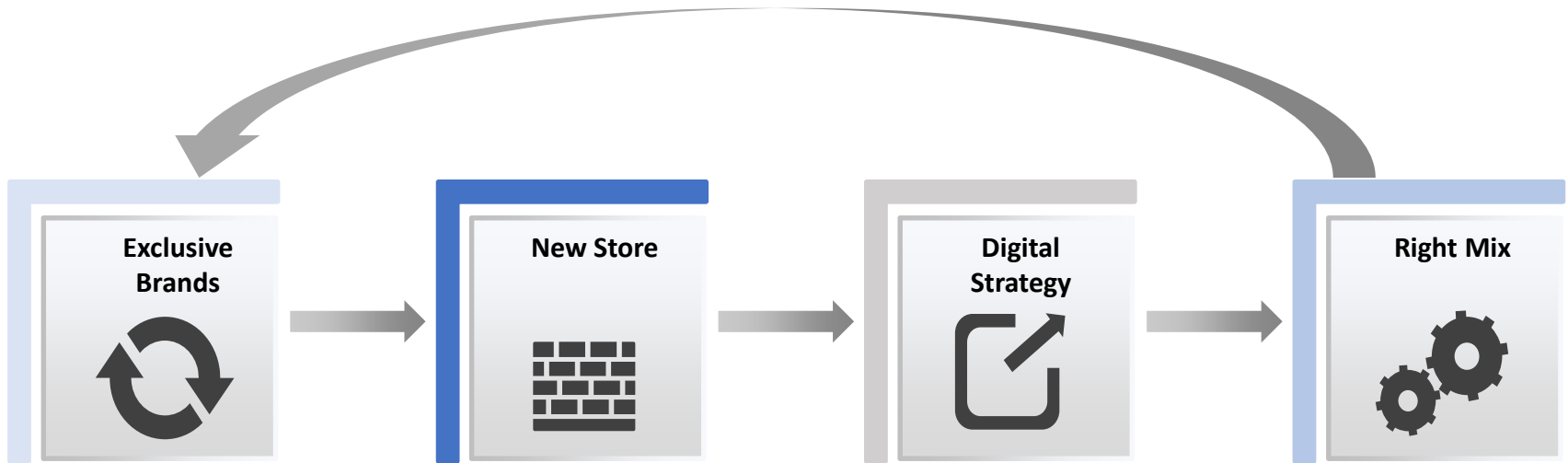
Presence across Metros, Tier I, Tier II cities

1 Duty Paid Retail Outlet 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

Strong Business Strategy



- Higher share of Business from Exclusive Brands

- Targeting to open new stores in Tier 2 cities
- Ethos stores will be a 1 stop destination for watches

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

- Targeting to have a right mix of Brands at all price points leading to faster churn in Inventory and increasing profitability

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'



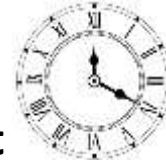
Online

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.



With an 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**

and Continued Investments in Advertising...

Print Ads in leading newspapers...



... with **ETHOS** co-branding

Offering the best Watch Brands under one roof

NOMOS
GLASHÜTTE

GRAHAM
WATCHMAKERS SINCE 1695

TISSOT
Swiss Watches since 1853

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MAISON D'HORLOGERIE GENEVE 1830

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1884

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LONGINES

Daniel Wellington

BVLGARI

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