

KDDL Limited

ETHOS Limited

Result Update Presentation

September 2017

Q1FY18





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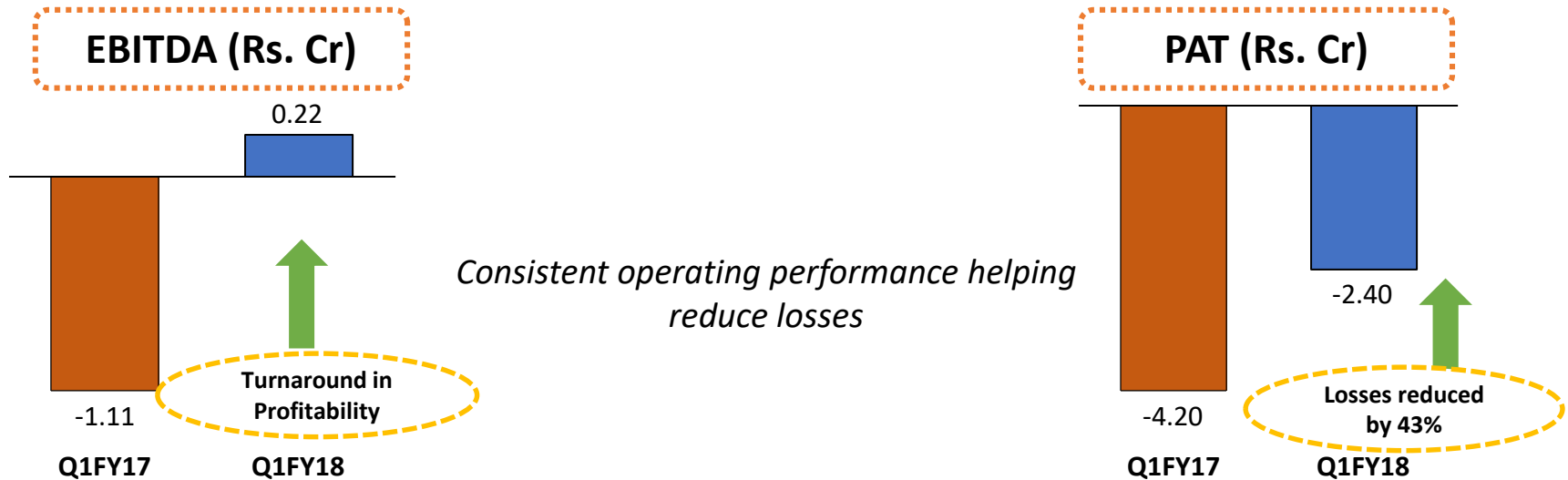


Overview

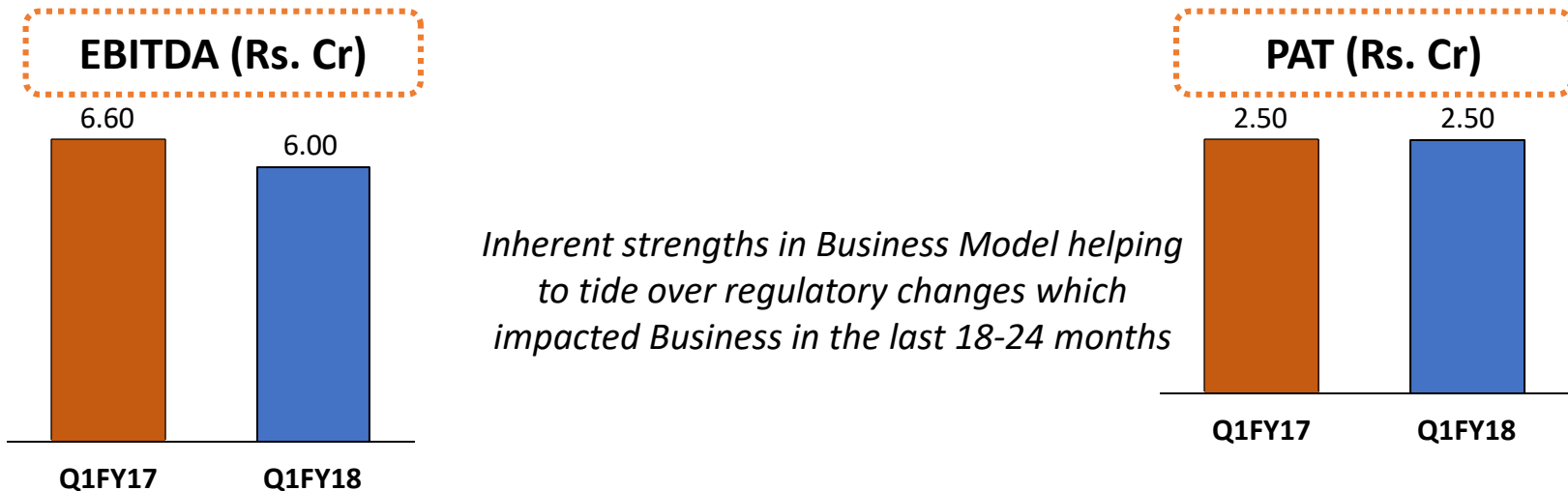


Financial Highlights as per IND-AS

Ethos – Q1FY18 vs Q1FY17



KDDL – Q1FY18 vs Q1FY17





New Store Openings



**Tissot Boutique at
Seawoods Grand
Central, Navi Mumbai**

**Ethos Watches Boutique, Seawoods Grand
Central Store, Navi Mumbai**

**Ethos Watches Boutique,
Jaipur**





Swiss Watch Sales improving Globally

3.6% increase in Shipments

Shipments rose 3.6 percent to 1.7 billion francs (\$1.8 billion) in July

Exports on a Rise

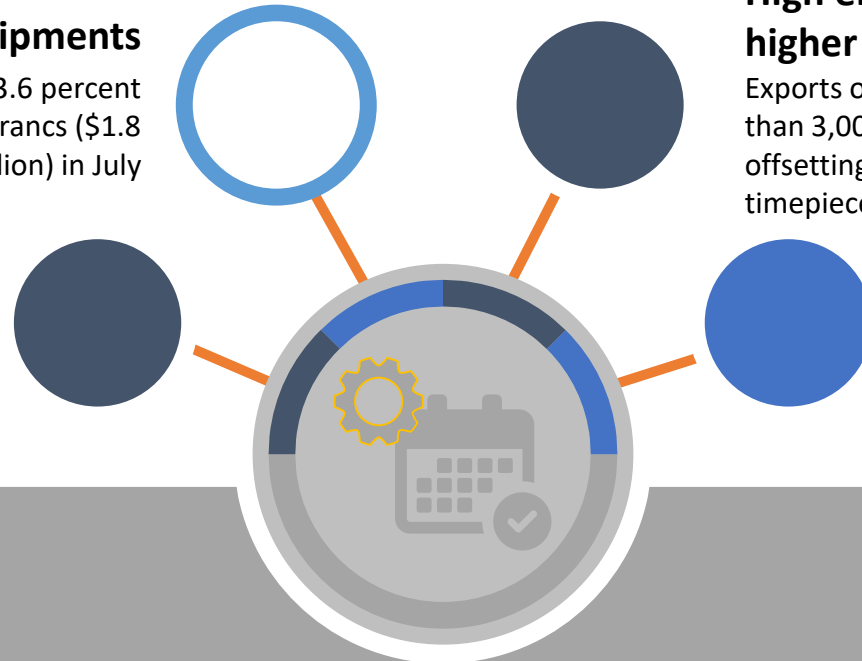
Swiss Watch exports climbed for a fourth month in five as growth in higher-end mechanical timepieces made up for a decline in cheaper quartz models.

High end watches seeing higher exports

Exports of watches wholesaling for more than 3,000 francs rose 5.9 percent, offsetting an 18 percent slump in timepieces costing less than 200 francs

Exports to HK up

Exports to Hong Kong, the industry's largest market, rose 17 percent for the third consecutive month of gains





Moving up the Value Chain



**The Largest & Preferred Retailer of
Swiss Watches in India**

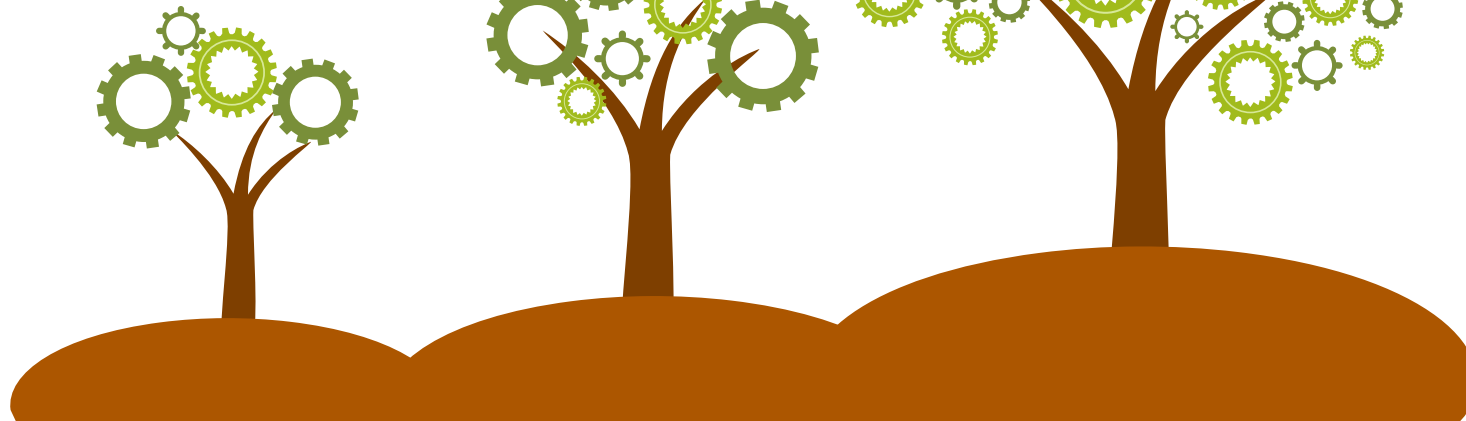
ēthos
WATCH BOUTIQUES

**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.



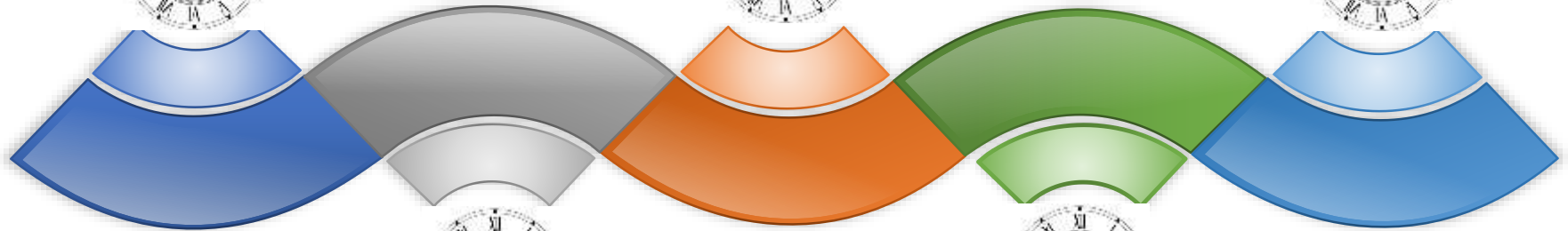
One-stop shop

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



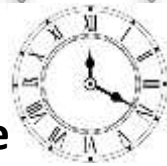
Mind Share

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



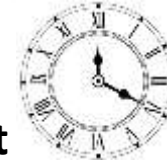
Online

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.

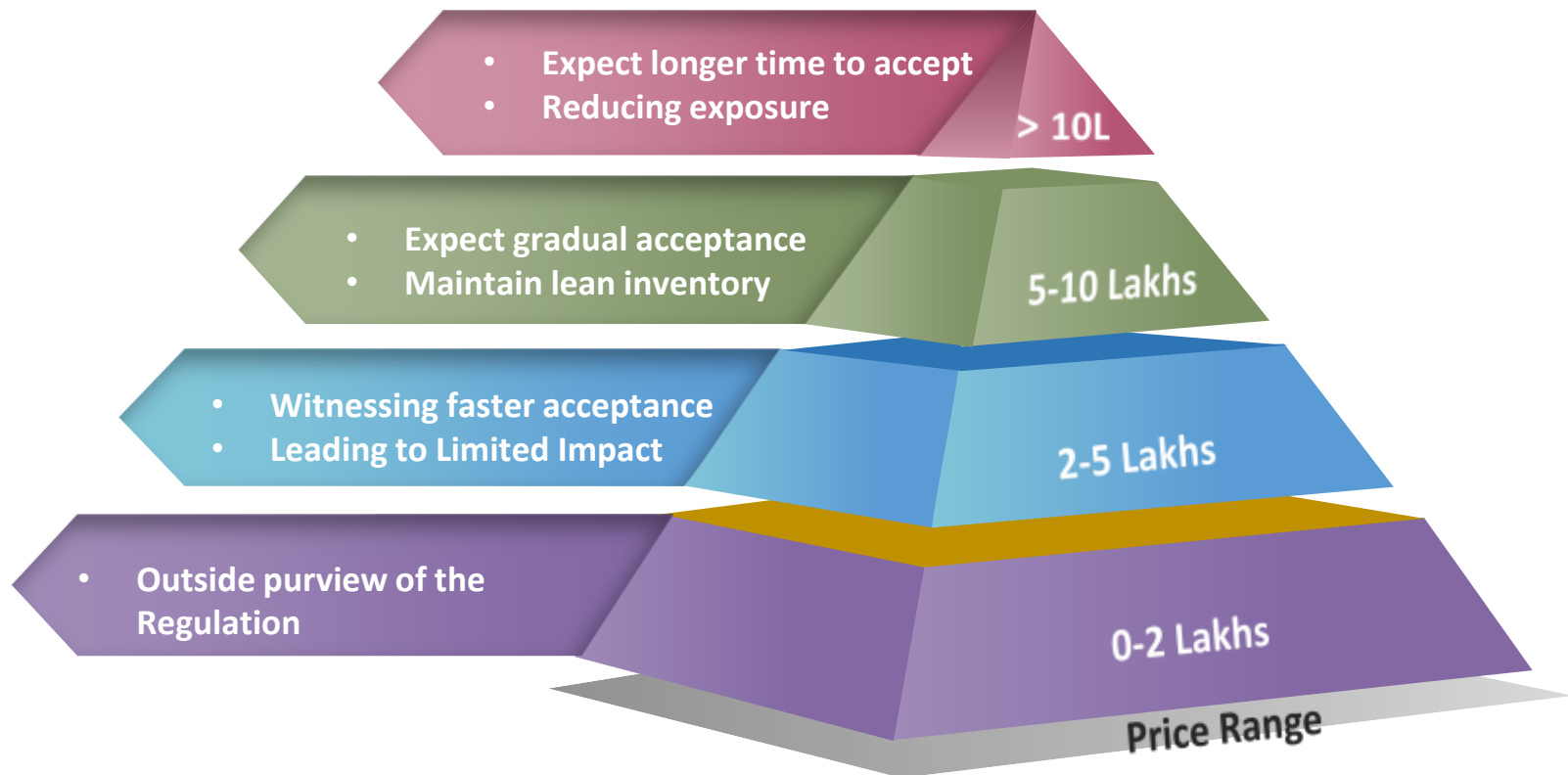




PAN Card Regulation : Adapting to Change

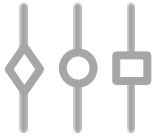
With effect from 1st January, 2016, Income Tax department made it mandatory to quote Permanent Account Number (PAN) for all transactions of amount exceeding Rs. 2 lakh, irrespective of mode of payment.

'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– Q1FY18

Rs. Crs	Consolidated*			Standalone			Ethos		
	Q1FY18	Q1FY17	YoY %	Q1FY18	Q1FY17	YoY %	Q1FY18	Q1FY17	YoY %
Revenue	121.2	105.9	14%	32.4	34.1	-5%	98.8	71.1	39%
Cost of Goods Sold	76.8	62.4		6.3	7.5		80.1	55.0	
Gross Profit	44.4	43.5		26.1	26.6		18.6	16.1	
Employee Expenses	16.2	15.9		10.5	10.7		5.4	5.1	
Other Expenses	23.0	22.1		9.6	9.4		13.1	12.1	
EBITDA	5.2	5.6	-7%	6.0	6.6	-9%	0.2	-1.1	
Margin (%)	4.3%	5.3%		18.6%	19.3%		0.2%	-1.6%	
Other Income	1.6	1.1		1.1	0.7		0.0	0.0	
Interest	3.2	4.1		1.3	1.7		1.8	2.1	
Depreciation	2.9	2.9		1.9	1.7		0.9	1.0	
PBT	0.7	-0.3		3.9	3.9		-2.4	-4.2	
Tax	1.4	1.4		1.4	1.3		-	-	
PAT	-0.7	-1.7		2.5	2.5		-2.4	-4.2	
PAT After MI	-0.3	-0.9		2.5	2.5	1%	NA	NA	
Cash PAT	2.6	2.0	32%	4.4	4.2	4%	-1.5	-3.2	53%

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



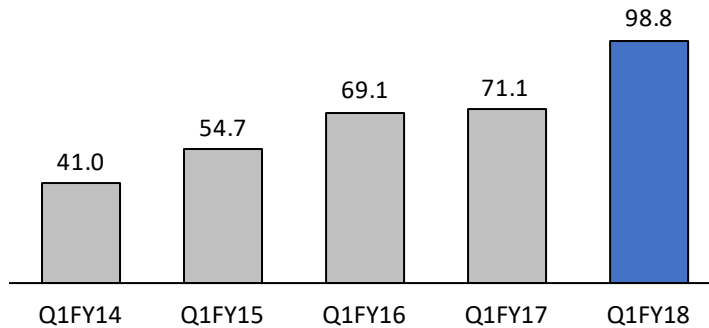
Reconciliation of Q1FY17 as per I-GAAP

Rs. Crs	Q1FY17 (Consolidated)
Net profit as reported in Earlier I-GAAP	-1.2
Mark to Market gain on recognition on forward contracts	0.2
Reversal of lease equalization reserve	0.0
Deferral of revenue as per Ind AS-18	-0.7
Employee Stock Option plan compensation expense measured at fair value	-0.1
Others	0.1
Consequential tax adjustments	-0.0
Net profit as Per IND-AS	-1.7

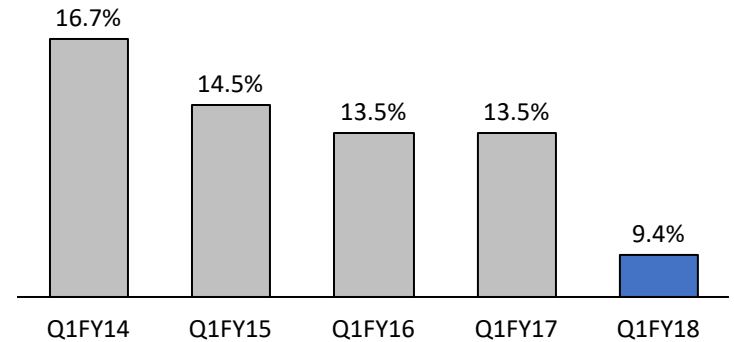


Ethos Performance Trend – Q1FY18

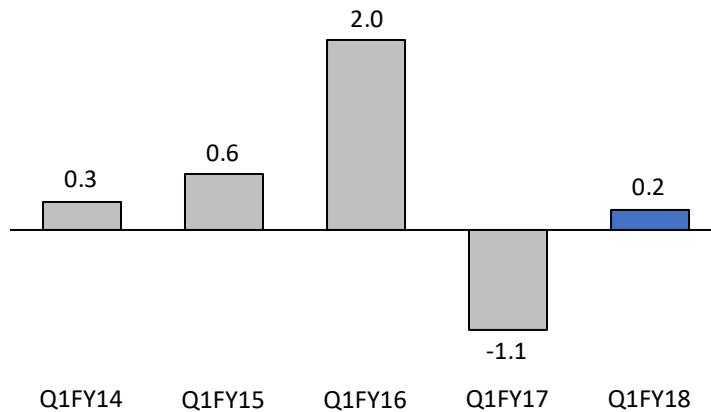
Revenue (Rs.Crs)



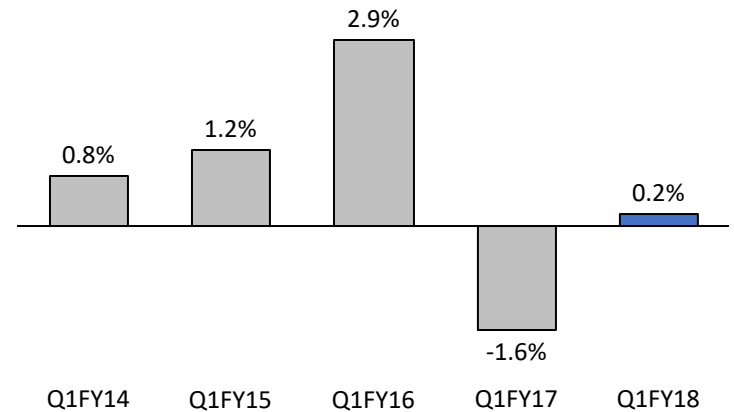
Front-end Rent & Manpower Cost as % of Revenue



EBITDA (Rs.Crs)



EBITDA Margin (%)

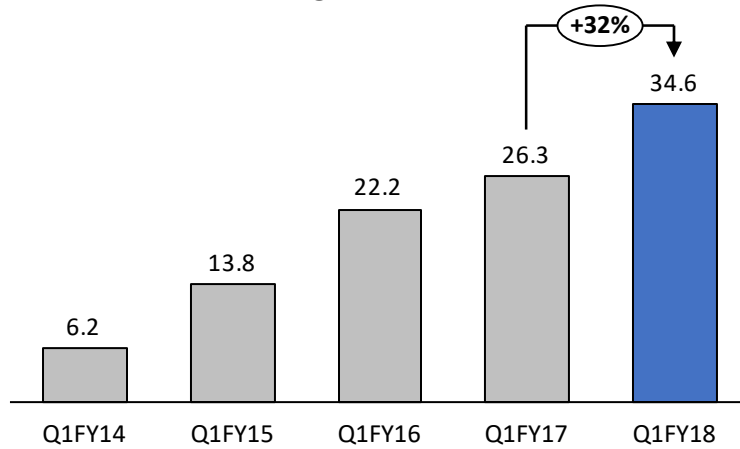


Continuously gaining market share despite near term challenges

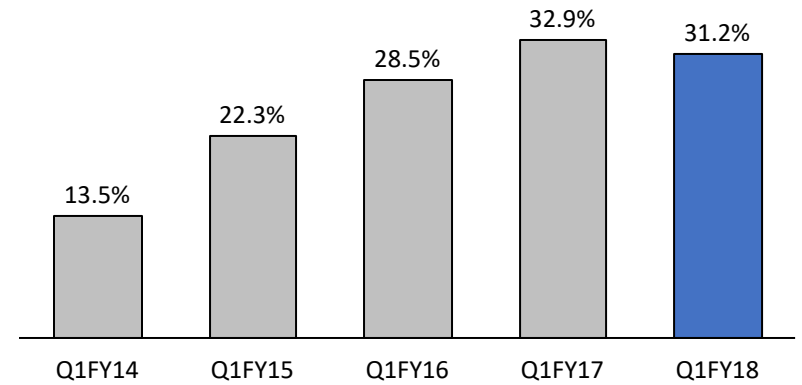


Ethos Online Sales Trend– Q1FY18

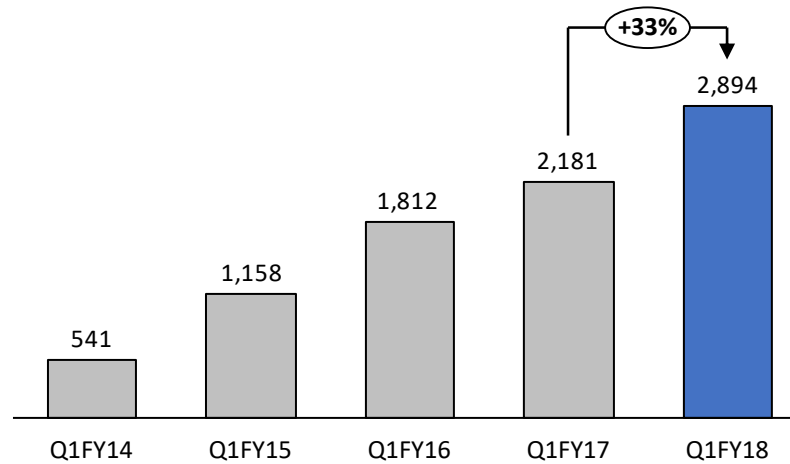
Online Billing (Rs. Crs)



Online – as % of Total Billing



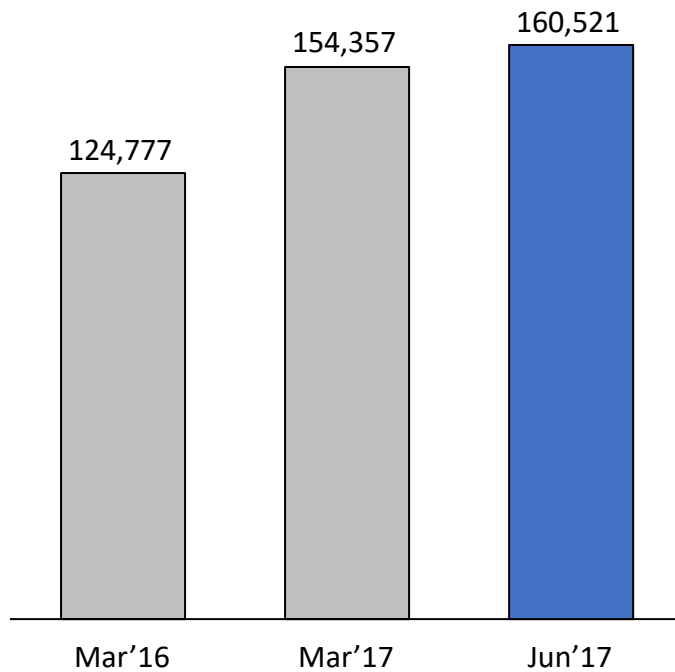
Visitors on website ('000)



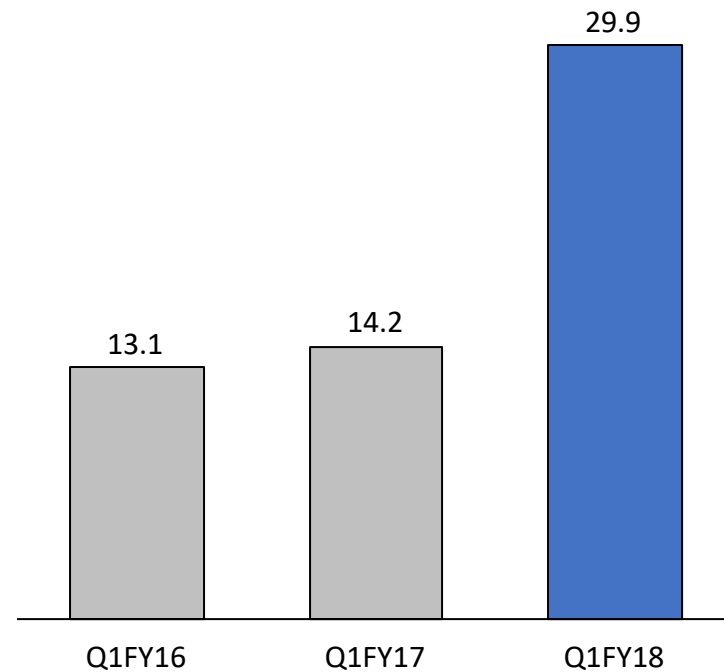


Ethos Repeat Sales Trend – Q1FY18

Club ECHO – Member Base



Repeat Billings (Rs. Crs)





Ethos Balance Sheet

Rs. Crs	Mar-17	Mar-16
Shareholder's Fund	65	57
Share Capital	36	32
Reserves & Surplus	29	25
Non-current liabilities	12	11
Long Term borrowings	11	10
Long Term Provisions	1	1
Current liabilities	135	140
Short Term Borrowings	51	54
Trade Payables	65	69
Other Current liabilities	19	16
Short Term Provisions	1	1
Total Liabilities	211	208
Non-current assets	25	26
Fixed Assets	10	13
Long Term loans and advs.	15	13
Other Current Assets	0	1
Deferred Tax Asset	0	0
Current assets	187	182
Inventories	167	164
Trade Receivables	5	6
Cash and Bank Balances	10	6
Short Term Loans and Advances	5	6
Total Assets	211	208



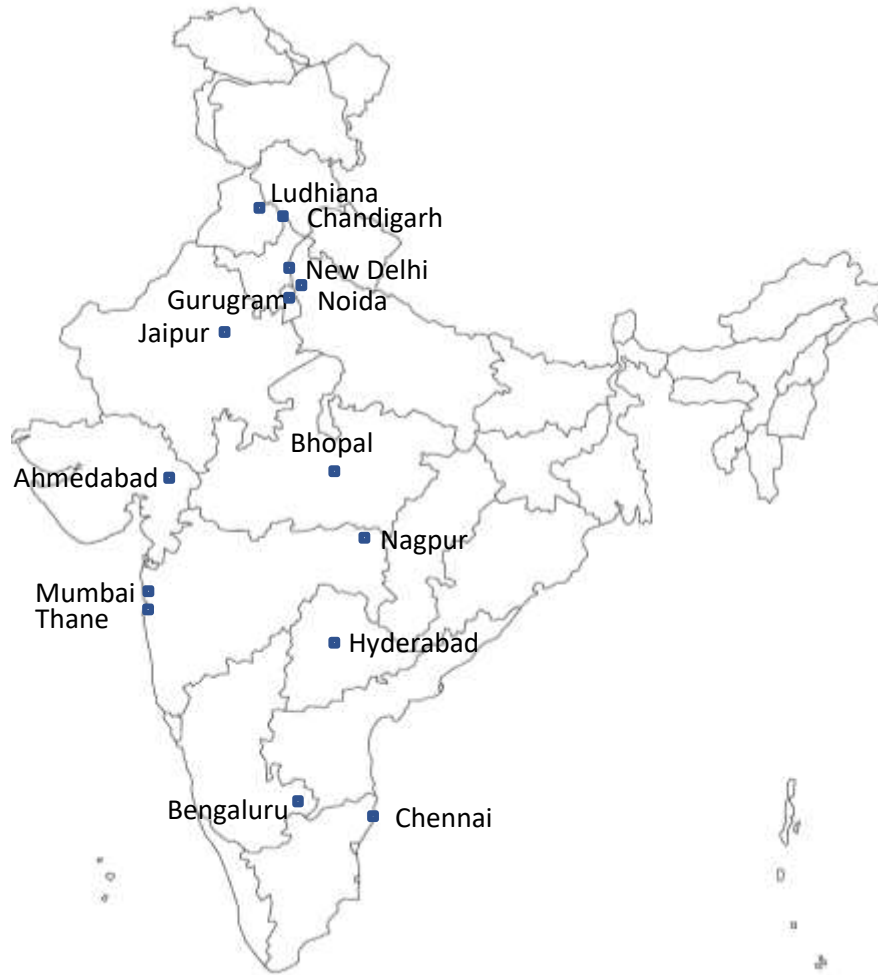
Consolidated Balance Sheet

Rs. Crs	Mar-17	Mar-16
Shareholder's Fund	102	82
Share capital	11	10
Reserves & Surplus	88	72
Money received against share warrants	3	-
Minority Interest	35	34
Non-current liabilities	51	43
Long term borrowings	40	33
Deferred Tax Liabilities	4	3
Other Long Term Liabilities	3	3
Long Term Provisions	3	4
Current liabilities	172	183
Short term borrowings	59	68
Trade Payables	72	78
Other current liabilities	36	34
Short term provisions	3	3
Total Liabilities	358	341
Non-current assets	107	104
Fixed assets	84	82
Non Current Investments	1	1
Long-term loans and advs.	22	21
Other Non Current Assets	0	1
Current assets	251	238
Inventories	188	185
Trade receivables	30	26
Cash and bank balances	21	12
Short-term loans and advs.	12	14
Total Assets	358	341

Consolidated Results include Standalone, Ethos Ltd and other subsidiaries. Financials are as per I-GAAP.



Pan-India Presence with Offline Store Network



India's Largest retail chain of Luxury Watches with 36 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

Continued Investments in Advertising

Print Ads on The Economic Times Front Page

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Home Buyers to Reap Dividends of Rate Cut War

Tatas Accuse Mistry of Leaking Confidential Info

For PM's 'Big Move, BJP Aims for Lucknow's Biggest Rally

To Gain Currency, Gov't Payments Platforms to enter in New Avatars

WHAT CAN I DO FOR YOU TODAY?

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ON Saturday

Cash Crisis Set to Pass into History Early Next Year

2017: The Year That may Define Modi's Tenure

MSY Expels Akhilesh, Ram Gopal

Maruti, Hyundai to Hike Prices from Jan

ORIS
Swiss Made Watches since 1884

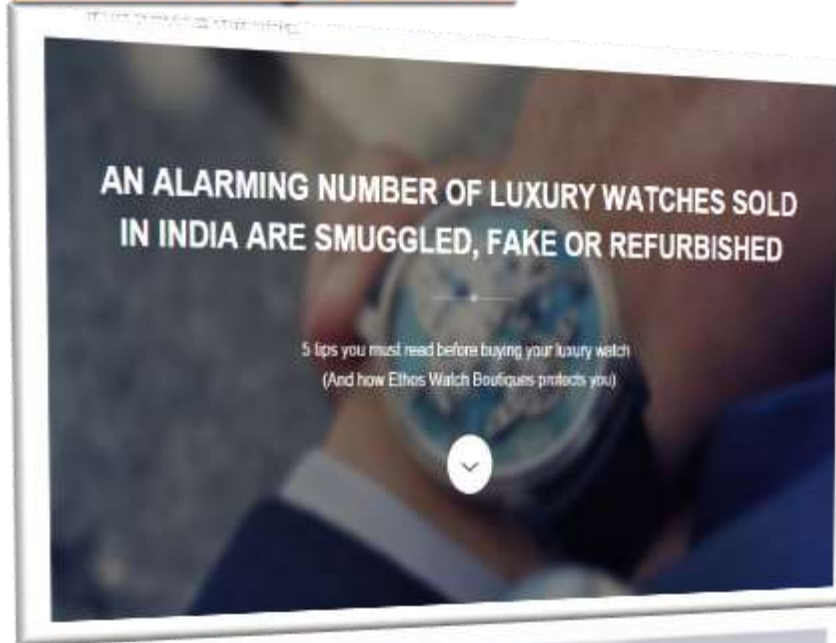
ethos

... 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



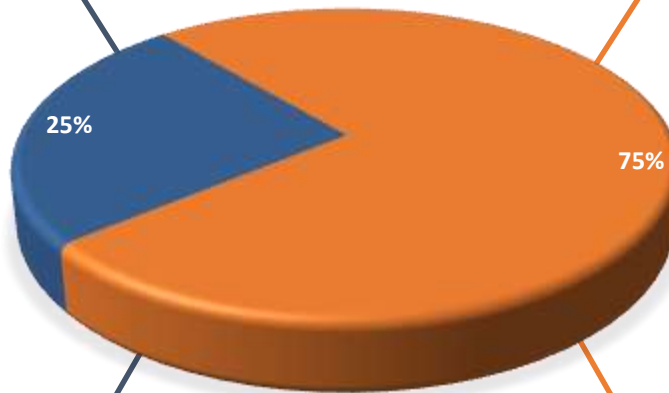
Business Overview

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
- 36 premium watch boutiques across country
- CAGR of 17% over FY13 - FY17
- 73.60% subsidiary of KDDL Ltd on a fully diluted basis



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



Investing Rs. 30 Crs over 2 years with 2:1 debt funding

~2 acre land allotted in EOU zone near Bengaluru Airport

Expected to commence operations by Q2 FY18

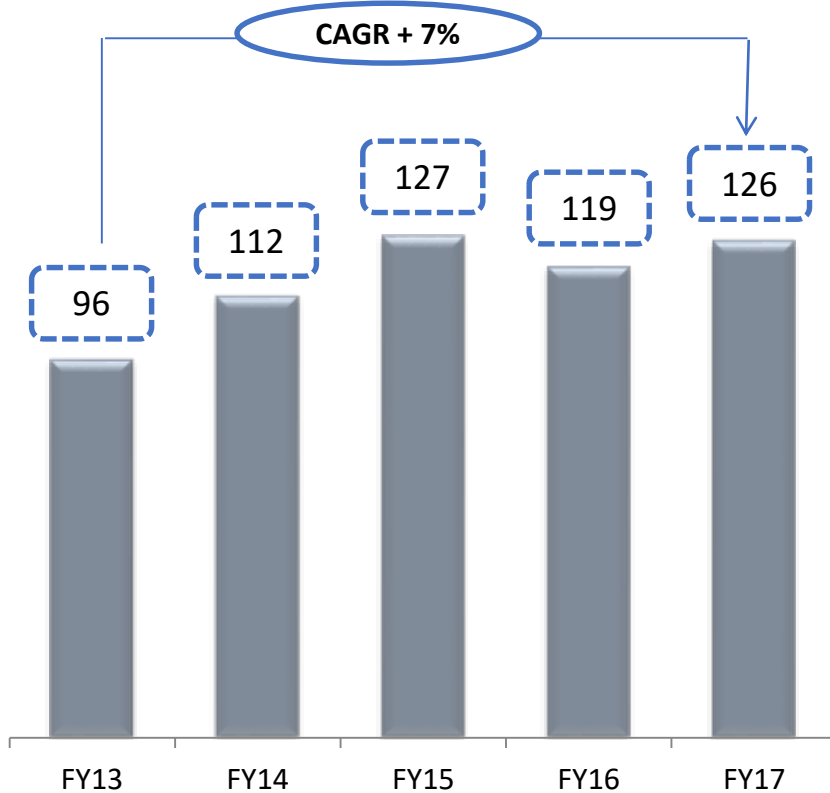
Financial Closure has been achieved & project is proceeding as per schedule

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

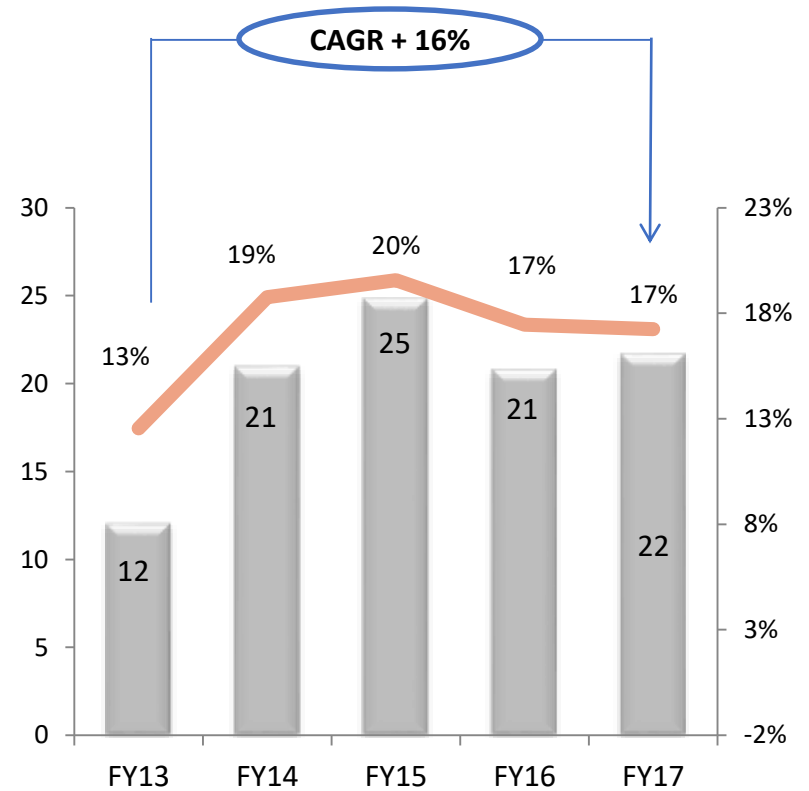


Stable Manufacturing Performance

Revenue (Rs.Crs)



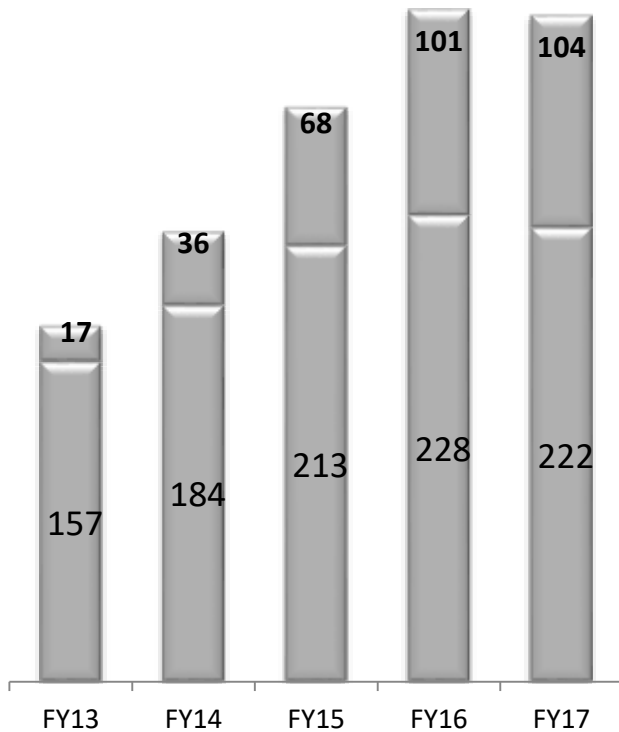
EBITDA (Rs.Crs)



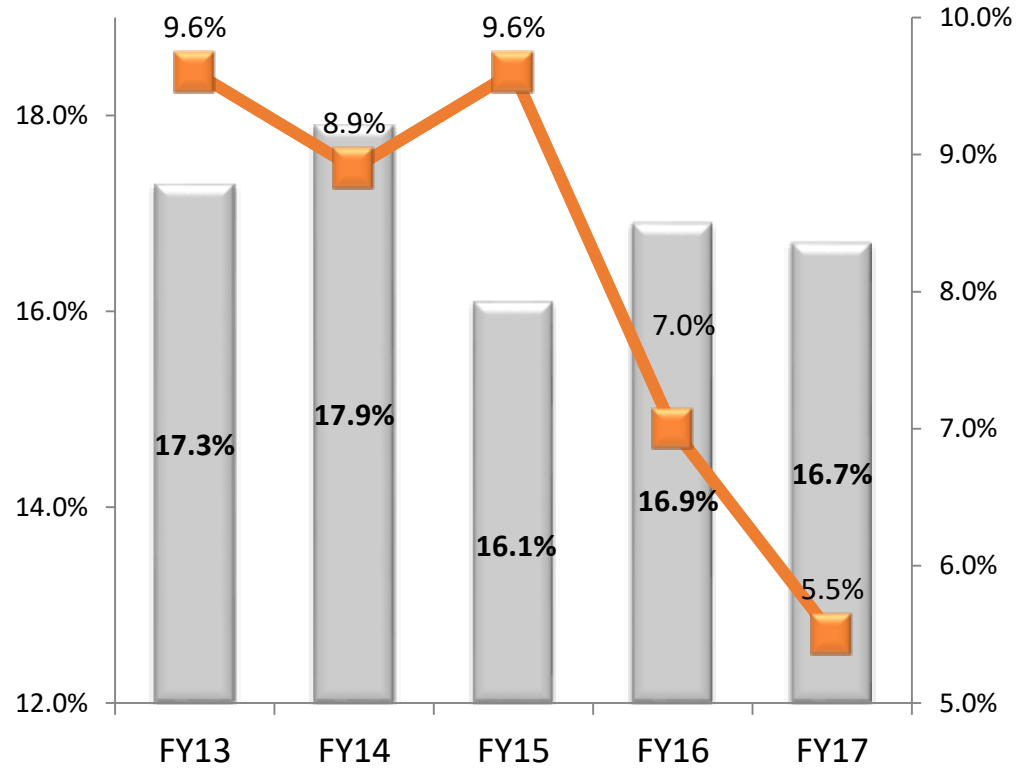


Scaling-Up Retail Performance

Rs. Crs



■ Offline ■ Online



■ 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

For further information, please contact:

Company :

KDDL Limited
CIN : L33302HP1981PLC008123

Mr. C. Raja Sekhar

rajasekhar@ethoswatches.com

www.kddl.com / www.ethoswatches.com

Investor Relations Advisors :

Strategic Growth Advisors Pvt. Ltd.
CIN : U74140MH2010PTC204285

Mr. Shogun Jain/ Ms. Sanghamitra Karak
+91 7738377756 / +91 9833692935

shogun.jain@sgapl.net /
sanghamitra.karak@sgapl.net

www.sgapl.net
