Ref. no. : Ethos/Secretarial/2024-25/18

Dated: May 16, 2024

BSE Limited **Phiroze Jeejeebhoy Towers,** **Dalal Street, Mumbai – 400 001**	**National Stock Exchange of India Limited** **Exchange Plaza, C-1, Block G,** **Bandra Kurla Complex, Bandra,** **Mumbai - 400 051**
Scrip Code : 543532	**Trading symbol : ETHOSLTD**

ISIN : INE04TZ01018

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

Dear Sir/Ma'am

Greetings from Ethos.

This is in furtherance to our letter dated May 6, 2024 intimating the schedule of the conference call for today i.e. Monday, May 13, 2024 at 4.30 p.m.

In this regard, we are enclosing herewith the transcript of the aforesaid conference call, held inter alia to discuss operational and financial performance of the Company for the quarter and financial year ended on March 31, 2024, pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The same is also available on the website of the Company www.ethoswatches.com

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

Thanking you

Yours truly
For **Ethos Limited**

Anil Kumar
Digitally signed by Anil Kumar
Date: 2024.05.16 18:06:07 +05'30'

Anil Kumar
Company Secretary & Compliance Officer
Membership no. F8023

Encl.: as above

"Ethos Limited
Q4 FY '24 Earnings Conference Call"
May 13, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and National Stock Exchange of India Limited and the Company website on 13th May 2024 will prevail.

MANAGEMENT: **MR. PRANAV SABOO – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ETHOS LIMITED**
MR. MUNISH GUPTA – CHIEF FINANCIAL OFFICER – ETHOS LIMITED
MR. MUKUL KHANNA – CHIEF OPERATING OFFICER -- ETHOS LIMITED
MR. MANOJ SUBRAMANIAN – EXECUTIVE DIRECTOR -- ETHOS LIMITED
SGA, INVESTOR RELATIONS ADVISOR

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '24 Earnings Conference Call of Ethos Limited. 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 a guarantee of future performance and involves risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranav Saboo, Managing Director and Chief Executive Officer. Thank you, and over to you, sir.

Pranav Saboo: Good evening, everyone. Thank you for joining us on the Ethos Limited Quarter 4 and FY '24 Earnings Conference Call. I hope everyone had a chance to view our financial results and investor presentation recently posted on the company's website and stock exchanges.

I am accompanied by our new CFO, Mr. Munish Gupta. He is a CA and an Executive MBA from IIM Ahmedabad with 20 years of expertise in construction, hotels, IT travel, start-ups, and FMCG. He spent most of his career with InterGlobe Group, establishing operations, implementing finance processes and making them stable and scalable. He excels in business strategy, operational challenges, performance bottlenecks and profitability goals.

In addition, we have appointed a new Chief Operating Officer, Mr. Mukul Khanna, a 25-year business leader in consumer durables, telecom, and e-commerce. He excels in P&L management, business strategy, brand and revenue marketing, product management, sales and partnerships. He holds an MBA in marketing from NMIMS Mumbai and an M.Sc in chemistry from Punjab University, Chandigarh. He's also on this call with us. Additionally, we also have our Executive Director, Manoj Subramaniam on the call. On the call, we also have SGA, our Investor Relationship Advisor.

Let me give you now an overview of our Quarter 4 and FY '24 performance. So Quarter 4 FY '24 versus quarter 4 FY '23. Revenue from operations is up by 21.7% to INR252.5 crores. EBITDA for the quarter grew by 45.1% Y-o-Y to INR44.4 crores. EBITDA margin stood at 17%. PAT (Profit after tax) grew by 57.9% to INR21 crores.

Now we're talking about FY '24. Revenue from operations is up by 26.7% to INR 999 crores from INR 788 crores in FY '23. Revenue growth is attributable to a surge in the high-end watch segment, enhanced sales of the preowned watch segment, and revenue commencement in the other luxury segment. Other income includes a fair value gain of INR 2.5 crores.

EBITDA grew by 36% to INR175.3 crores. EBITDA margin stood at 17.1%. PAT grew by 38.1% to INR83.3 crores. PAT margin for FY '24 stood at 8.1%. Inventory days as of March 31 stood at 161 days. Cash and bank balance stood at INR345.5 crores as on March 31, 2024. Billing from pre-owned CPO was INR66 crores in FY '24.

Let me now give you some updates on the industry. Relationships between India and Switzerland have greatly strengthened recently with the signing of the EFTA agreement. India and the EFTA, a 4-nation European organization, including Switzerland into the landmark Trade and Economic Partnership Agreement to increase trade and investment between the two regions. In this context, India will gradually phase out custom tariffs under its trade agreement with the EFTA block.

Custom Duty on Swiss watches is currently at 20% and 2% CESS on that. Under the EFTA agreement, duty on Swiss watches will be reduced to 0 in a 7-year period. This change is likely to start in the second half of this financial year with a 3% decrease in duty every year. This will improve Ethos' gross margins. More importantly, it will open doors for many more luxury brands to come in, for whom these rates were a deterrent to profitability and therefore, an Indian presence.

We also expect availability and supply to India to increase. So we will witness a margin uptick and the advent of many large brands entering India and improved supply from existing brands as well. Let me now give you our focus in the upcoming years to come. Number one, increase in physical footprint. We started FY '24 with 54 stores in 20 cities, and we currently have 63 stores in 24 cities. We added new cities such as Surat, Bhubaneshwar, Raipur, Mohali and Breitling boutiques at Pune. During this time, we also closed down 2 stores due to relocation.

Further, we will soon be opening a new City Kochi, in June 2024. In FY '24, we spent INR38.3 crores on the fit-out of new stores and restoration of existing ones. In FY '25, we intend to add approximately 20 boutiques. We intend to keep growing our physical network in the years to come.

Secondly, improve our digital network. With the launch of the app and an upcoming overhaul of the website, we will focus on better user interaction, UI/UX, digital journey personalization and better service provided by our concierge with the help of technology. We will invest greatly in measuring each of these and move forward with maintaining the digital edge to provide the ultimate place for watch enthusiasts to research their watches and use data to provide relevant and unparalleled customer service.

Thirdly, deploying AI. We have shortlisted 4 use cases of AI in the first year of deployment of AI, for which we now have a dedicated team, which go beyond simply chatbots and other basic AI tools. These projects require the training of LLMs and foundation models, which have started now. These models will be proprietary to us and will be deployed through our sales network and digital platforms in the next year to achieve, again, incredible customer service, through unparalleled presentations for customers, website research journey, visual searches and much more.

Fourthly, increasing strategic moat with exclusive brands. Exclusive brands provided a great moat and allow many advantages, including store rollout, higher margin and greater growth. Exclusive brands continue to do well, and we anticipate this trend will continue in the future.

In FY '24, exclusive brands accounted for nearly 29% of our total sales from our portfolio of 51 brands. Exclusive brands help generate higher revenue, and this also results in a high return on capital employed by businesses. We see tremendous opportunities as we continue to expand our broader digital network. We are constantly in talks and at advanced stages with several brands about adding them to our portfolio.

Fifthly, large focus on setting the foundation for HR and greater professionalization. The need for the hour to achieve the 10-year goal of 10x revenue is to get great talent at every level. We will make investments into our training school for talent on the shop floor as well as investments into engagement of the HR to lower attrition. We will continue to invest into our design and tech teams as well, to enable the strengthening of the foundation for our long-term goals.

Sixthly, brand enhancement and refresh. This year, we want to enhance the brand value of Ethos through a brand refresh and alignment to ensure it reflects the premiumization that we want to achieve. We will work with the best creative agencies in the country or the world to ensure all our brand touch points, from shopping bags to logos to smells in the stores, represent our ambition of the ultimate luxury and credible luxury destination. We want customers to choose Ethos before they choose the brand, and this will be a powerful shift once it is achieved whichwill allow us to achieve our lofty ambitions.

Lastly, lifestyle preowned vertical and service department. With regard to the performance of the RIMOWA division. Our first store in Mumbai is doing quite well. As we said recently in all -- in our most recent results call, it has been profitable on a PAT basis since month 1. We see a lot of opportunities in this business.

The lifestyle business, headed by Manoj Subramanian will sign up 2 more RIMOWA boutique that should be operational in the second half of the year or early next year. We will open our first boutique this year for luxury clocks at UB City in Bangalore, with a brand known as QlockTwo. We are now actively -- also now actively looking for our first flagship boutique for Messika in the country. We are discussing signing on more brands for this vertical.

We have interest from large brands that spend over $700 million worldwide to enter India with us. Slowly and steadily, we will expand this vertical. Due to competitive reasons, I cannot yet announce these names, but they are extremely iconic brands. They want to enter the Indian market with us as the retail partner. The Lifestyle division will be a priority area for us.

I am happy to share that the success of the state-of-the-art service centre in Delhi was extremely heartening. We now plan to open a second service centre in Bengaluru, which will be operational in the second quarter of this year, allowing us to expand our geographic footprint for service. We see tremendous opportunity in the service centre business. We shall grow steadily. However, we shall grow on this.

Pre-owned vertical:- We remain committed to growing this business and'll continue investing in it. We are working on removing the bottlenecks of service with manpower addition and training schools as well as regulatory hurdles which we are confident we can achieve. I hope this gives a sense of what we are going to be working on in the coming years.

These earnings call now represent 2 years of earnings calls since we listed. We have given short-term guidance till now to guide investors and increase stability. We will now focus on long-term strategies and long-term visions instead of just focusing on giving short-term guidance. For the upcoming years, we feel confident. And once the election phase is over, I'm sure there will be great success and we want to set this up as a foundation year for the next decade.

Thank you, everyone. now with this, I open up the floor to question and answers.

Moderator: The first question is from the line of Ravi Naredi from Naredi Investment.

Ravi Naredi: Sir, we are well in top line INR1,000 crores. First of all, congratulations to you and your team. Our net profit margin is around 8.33%. So any increased possibility in future, if yes, how much, this is my first question.

Pranav Saboo: You have any other questions, just to list down all your question.

Ravi Naredi: Yes. Second, as you mentioned you'll be 10 times in 10 years. So what strategy and how many stores we need? And how much more QIB you need because the QIB is always expensive. So want to know such thing.

Pranav Saboo: Let me answer your first question in terms of profitability. I don't want to give a number of what we can and can't achieve. But our focus is to continue to grow our margins through operational leverage and through a brand mix change focusing on more exclusive brands, where discounts can be reduced, and the gross margin is much more. So yes, we believe that in the future profit margins can increase.

Next question is regarding our 10-year vision in terms of how many boutiques we need. We will continue to grow the number of boutiques as and when the opportunity arises. We are -- all I can say at this point of time is that in the next year, we have 25 boutiques coming up. We have a clear runway up to 150 boutiques. Once we achieve that, we will once again relook at whether we require more capital, or we don't require more capital.

However, whatever we do, we want to be very cognizant of the fact that we take return on invested capital extremely seriously as well as return on capital employed extremely seriously, and we will look towards that. We have seen a return on investment, and ROIC on our mature stores is already increasing. Almost all stores that have been opened are profitable and giving incremental returns on invested capital, which is how we want to focus going forward.

Moderator: The next question is from the line of Khush Gosrani from InCred Asset Management.

Khush Gosrani: I'm new to your company. So A, I wanted to understand how the pricing works with your exclusive brands? And B, if you could give some unit economics for your new stores ready for the breakeven, what is the payback period, etc.? That would be helpful. These are the first questions.

Pranav Saboo: Sorry, what was the first question? Exclusive brand, what about...

Khush Gosrani: How does the pricing work? How do you -- the pricing works with these exclusive brands that we have tied up 51 brands?

Pranav Saboo: Right. The pricing is in our hand for -- the pricing is largely in our hands. Of course, we need a mutual agreement. But the all exclusive brands allow us to set the pricing in India as per what we seem fit.

Khush Gosrani: Okay. Sure. And second question is on the unit economics of these exclusive stores. If you could highlight what the capex per store would be, what the payback period would be, and what the IRRs would be?

Pranav Saboo: I didn't understand. What is an exclusive store?

Khush Gosrani: Overall boutiques, sir, boutiques that you're opening.

Munish Gupta: So in terms of the new boutique, it varies from boutique to boutique. For example, last year, we opened RIMOWA, and it's been profitable since the first year. In fact, the store was opened in October and it's profitable.

For other boutique it varies, but all our boutiques are profitable, most of the boutiques are profitable from first year.

Pranav Saboo: Yes. We have -- the way we look at it is that we try to touch 18% to 20% return on capital in the first year itself. That's how we target it.

Khush Gosrani: Got it, sir. And last question, sir, how have your nonmetro city stores performed over the last year?

Pranav Saboo: We're very happy with their performance.

Moderator: The next question is from the line of Ankush Agarwal from Surge Capital.

Ankush Agarwal: Sir, firstly, a few months back, we have diluted our stake in Silvercity Brands in favour of our holding company KDDL. And I believe Silvercity -- what owns the rights to Favre Leuba, so I wanted to understand why this transfer?

Pranav Saboo: Right. Any other question?

Ankush Agarwal: Yes. Secondly, sir, if I look at our gross margins, so starting 2024, the forex has corrected substantially, plus typically, we get price correction from the brand in the first year from the start of the year. So why have we not seen any improvement in gross margins in the quarter? And how should we look at it going forward?

And lastly, on this import duty reduction. So you said that we expect a 3% reduction from H2, which will add to gross margins. So I think last quarter, there was this discussion with Mr. Saboo, that he said, in case of exclusive brands, we will keep the entire differential in case of reduction in customs. And in case of non-exclusive brand, it would be shared. So based on that, if you can guide to an extent like out of the 22%, that's the duty is going to reduce how much Ethos will be able to capture out of it. Those three questions.

Pranav Saboo: Okay. Clear. Let's start with Favre Leuba. You see that, as I mentioned, 50 exclusive brands are currently required -- give us 30% of our business. I want to first start by saying what is Ethos, Ethos will focus upon India. Ethos' core competency is retail in India, right? Our long-term goal is to reach 50% of our brands coming where we have exclusivity and through strategic tie-up, right? So now if I -- if we are at 50 brands or 45 to 50 exclusive brands get us 30%, and we need to add another 20% right?

We can either do it by adding another 25, 50 brands or we can say, let's take one brand and where we have a great see in the brand, where we have great influence in the brand, where we can design products specifically for us, do an extremely long-term contract as well as invest significantly in the beginning without the fear of changes in contract, etc. Then we can hit critical mass with one, and instead of investing into 45 or another 25 brands, we can do it by taking one brand to hit critical mass and achieve the next 20% with one brand.

That has been the plan on why we said that look, we need one brand where we invest and control a stake, a significant stake, not a majority stake, necessarily. The rest of the money is going to come in from KDDL because KDDL is going to continue to do the manufacturing for the brand. The manufacturing know-how is over there. The retail part will come from us with the 30-odd percent that we have now in Favre Leuba will allow us to control the brand or influence the brand in terms of product, in terms of how they will be in India, their presence in India, etc., and grow the brand to become one of the greatest brands in India and make sure that we reach our goal of getting 50% of our business coming in through exclusive brands. That's the reason why the next phase of investment came in from KDDL, where they will do the manufacturing. Next, come to...

Ankush Agarwal: Just a clarification over here. But we could have either ways transferred the manufacturing in terms of partnership with KDDL. I mean transferring the ownership back to a promoter group entity, don't you think...

Pranav Saboo: KDDL shareholders weren't interested in that manner.

Ankush Agarwal: No. But KDDL is a related party, right? So now if they own the brand...

Pranav Saboo: They don't own the brand. They own on a certain percentage of the brand.

Ankush Agarwal: Yes, but they own 65% right now, which is more than what Ethos will own.

Pranav Saboo: Okay, so?

Ankush Agarwal: No. So doesn't it create a conflict because the deal was brought to Ethos, right, as a company. Ethos initiated the deal. They bought it and then...

Pranav Saboo: Look, I don't believe that there is a conflict of interest. I think the Board -- both the boards have done -- have deliberated over this. The manufacturing will be the greatest investment that is going to be made. We wanted a manufacturing tie-up that is permanent in nature. The manufacturing of the factory, etc., setting up of the factory cannot be done by Ethos. We cannot outsource it. KDDL was not interested unless they own the brand as well, which is why it came in from there. Ethos is focused upon its core competency of retail in India. That's all I have to say at this matter.

Let's move on from this. If you have more points, we can connect on it. Or if you have other suggestions, please let us know off-line. My next point to your thing was import duty margins. If we go towards 50% of our business Today is 30% (house brands), where we will capture the entire amount. If we go towards 50%, we will capture 22% of tax.

Ankush Agarwal: Why have we not seen improvement in gross margins in the current quarter given that the FX rate has corrected substantially in 2024? And we typically get a price correction based on FX rate in the start of the year.

Munish Gupta: So in terms of forex, like we mentioned in the last call also, the CHF to INR at the start of the year was INR92. At in December '23, it was INR99, which was not seen historically. And again, now it's INR92. In terms of overall forex gain in Q4, we are positive by INR1.3 crores. And for the full year, the overall forex's, there is a loss of INR1 crore. As mentioned in the earlier call also that price increase was due from January onwards, and some of the brands have already increased our prices. From that point of view, it is fine. Yes.

Moderator: The next question is from the line of Smitesh Seth from Redean Securities.

Smitesh Seth: Sir, out of the 25 boutiques, which are lined up for the next year to be opened, I mean, in FY '25, could you throw some light about in first half, how many of them are opening and a couple of them where we have signed it and some dates on the opening schedule?

Pranav Saboo: Right. So as I mentioned, Kochi, which is our -- it's a 5,000 square feet boutique will open around the 1st of July. We already have another store in Pune that is already opened. We have 6 boutiques which are lined up for opening in Mall of Asia, Bangalore. That's the landmark boutique mall coming up from the Phoenix Group. And that will open when that mall is ready to open. So it looks like it is going to be the second half of the financial year. We have 6 boutiques over there because that is a landmark luxury mall that is coming up in –

Smitesh Seth: Has that been delayed, sir, this Mall of Asia, Bangalore? Has that been delayed? Not by us, but by the mall operators themself?

Pranav Saboo: The luxury floor is not yet opened. So the first floor is open, the second floor is open, but the ground floor (luxury floor) is delayed, which is why we want to open when it is fully thriving. So that's why there is a bit of a delay over there. So whenever there is a delay, it is usually a delay when the location hasn't been handed over to us. As another example, we should be starting in the next 60 days, Bangalore duty-free airport, that had a lot of compliance issues in terms of security passes, etc., which needed to be arranged and things kept changing, requirements kept changing over there, and that got us a little bit delayed.

So the delay that we are facing is not so much because of internal management reasons, but external reasons where the locations aren't being handed over to us in time. But we have in -- we have also Dehradun launching in another 45 days. Kochi I, already mentioned to you. Our service centre should be quarter 2. Mangalore will open also before the second half. And our flagship boutique, City of Time, we hope to open around Diwali.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Congratulations, Pranav, for a strong FY '24 and all the best for capitalizing on the big tailwind from EFTA agreement. I have four questions. What is the CHF rate at which the brands have revised their MRPs for CY '24? Number one. Number 2 is inventory, which has increased by about INR100 crores for the 10 stores that we opened during the year. This implies slightly higher inventory per store than the guided range. So your thoughts on that. The other 2 are bookkeeping questions. The employee expenses have increased this quarter. Is this in anticipation of the new stores that are expected to come up in the coming quarters? And last one is, what is the SSG for the quarter?

Pranav Saboo: Let's start with the last one. SSG is 10% for the quarter., I forgot.Employee costs are rising because of we are preparing for -- number one, we are hiring ahead of time. Number two, is the fact that we are setting up even at the top management, first of all, more verticals which require upfront senior leadership to be hired, for example, for the Lifestyle division. For example, now in tech, we have greater hiring taking place to incorporate AI and for the app teams to come in. The results of this will be seen in the future, right? Because the app will not provide us revenue this year, but for the -- in the next year, it will be a game changer in my opinion. So for these 3 reasons, new verticals, greater hiring at the tech and design level as well as advanced hiring for store rollouts because we've never rolled out as many stores in a single year that we did last year or in this year that is coming up. This is the reason why that is going up.

Number two was your question on greater inventory. Again, we are signing on new brands as well, which are adding to the inventory right now. And that is going to be -- it will normalize in the years -- in the months to come because we bought the stock, but some of the stores are delayed. That's one of the reasons that, for example, our largest project, City of Time, it's taking a little bit more time, but we still signed on some more exclusive brands that will be inaugurated over here. That's why you see this, but you will see a normalization of this taking place. CHF to

INR, yes. Different brands have done it very differently. But the average price increase in the first quarter was roughly about 7% to 8%. Most brands are priced around the INR92 mark,

Devanshu Bansal: So broadly at current levels, right?

Pranav Saboo: Yes.

Devanshu Bansal: Pranav, just a follow-up on this. I guess, December rates were like INR99, INR100, right? So any reason why the conversion rate was chosen to be lower?

Pranav Saboo: First of all, again, it's about INR93 that it is, INR92 to INR93. Our exclusive brands are at about INR100. The reason is that everybody took a percentage increase, and INR98, INR99 was the last 15 days or the last 30 days of the month. So it was a more longer outlook to first get them to INR92, INR93, the non-exclusive brands. Exclusive brands are a little bit easier because we can move it up and down as we see it.

Devanshu Bansal: Got it. I just have one follow-up. You indicated that SSG is 10% for the quarter. I noticed that your ASPs have actually -- not ASPs, but average realizations have gone up by about 20-odd percent. So any reason for this moderation in volume growth? Is it expected to pick up in coming quarters? Your thoughts on that, please? That is my last question.

Pranav Saboo: Let me just talk about overall the numbers. You see the numbers vary largely when you look at -- if you remove the segment below INR1 lakh, which we're exiting out of, I just want to talk about overall the segment above INR1 lakh. FY '23, we sold 18,471 watches above INR1 lakh. In FY '24, we sold 22,000 watches, an increase of 19%. So we are looking at volume increase. One should look at the volume increase above the INR1 lakh mark and not overall as a number because, as I've mentioned in my previous calls, we are exiting the fashion category, the non-Swiss category from Ethos watches, Ethos boutiques across India.

Devanshu Bansal: This is very encouraging, Pranav. Just one feedback. If you could include this data in your PPT, then it would be very helpful for us to analyse that.

Pranav Saboo: Sure, yes, I have this data ready because I know that this question will come up. That's why I have this ready. We'll try and incorporate it in the PPT.

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

Bhavya Sonawala: Congratulations on a great set of numbers. My main question has been answered in terms of the previous participant. Just 2 clarifications. You spoke about in the initial remark, I'm not sure if you spoke about saying that you're going to introduce new store -- 2 new stores of RIMOWA or was that with relation with the QlockTwo in UB City and other Messika store? And my second question, second clarification was in terms of will the Bangalore Airport have the first -- is this our first airport store?

Pranav Saboo: No. Our first airport store is in Delhi. And secondly, yes, that is correct, 2 more RIMOWA stores have been signed up in Emporio Mall in Delhi and Mall of Asia in Bangalore. It takes 6 to 7 months of fit out period, but that is once they hand over the stores.

So the other 2 locations have been identified. They have been signed, mall has agreed, brand has agreed. We just need the handover now from the mall because they are running stores. So the existing tenant has to -- in Emporio existing tenant has to move out. And in Bangalore, the mall has to be fully operational before we open. But it just shows that we are on an aggressive path to finding the best locations for RIMOWA rollouts.

Bhavya Sonawala: Yes, understood. Just a follow-up, sir, just to understand what are our thought process in terms of airport stores? We see a few more coming, going ahead. And what kind of targets are we looking at for airport stores because I can see it's Delhi and Bangalore. So what -- are we looking at more airport stores.

Pranav Saboo: Overall, I'm bullish on travel retail, and we are looking at opportunities in travel retail. And we have operated the Delhi Airport for a long time. Now we are entering the Bangalore Airport as well. And we will continue to operate in travel retail. And return on capital is quite similar to what we see in the company. In fact, perhaps even a little bit greater -- but again, I don't want to go into store specific numbers, etc., I think that, all I can say is that the company remains bullish on Travel Retail.

Moderator: The next question is from the line of Onkar Ghugardare from Shree Investments

Onkar Ghugardare: My first question is on the, in the PPT, you have mentioned that in Q4 '24, the online visitors have dropped at 50% and there has been a drop for FY '23 from FY '23 to FY '24 as -- can you just explain the significance of this.

Pranav Saboo: Yes. I think the number one reason is that you see we've removed all the lower price point watches like Cassio, Fossil, Michael Kors, etc.. They are no longer on the website. So that removes a large chunk of the traffic because we don't want to focus on that.

We want our focus to be on the higher price points. And on the core strength of Ethos, we will achieve the other smaller price points through distribution on online platforms and other retailers. However, we want to remove that on the Ethos website and focus on greater conversion. I'm happy to report that our business that is generated from it, is rising despite the drop in traffic, which is a strategic call, our business from the website has increased. Our profitability in that business has also increased.

Onkar Ghugardare: . I was asking, these watches are available on another platforms, right?

Pranav Saboo: Yes. For us as well, we are signing on new brands that will be exclusively with us, but we will distribute them through online platforms and other retailers, which is the reason to set up RF Brands rather than do it entirely for store, where we want to focus on prices above INR1 lakh because it gives us better return on capital employed, and we want to make Ethos a premium journey, Swiss watches, luxury watches, not fashion watches, which are made in China. I don't have anything against it. It's not a judgment call, but it's just not the same category and the category being separately. That's why.

Onkar Ghugardare: Okay. The second and third question is regarding -- the 150 stores that you want to achieve? So say like how many yours were targeting those stores? And third question is when you open a new store in a new city, like a couple of factors which goes into opening the new store, what is the thinking behind that, if you can briefly elaborate that?

Pranav Saboo: Well we want to achieve 150 stores over the next 5, 6 years. But -- what goes into when we look at a store, when we are looking at a store is that, number one is, we like to see the amount of unaided traffic or unadvertised traffic that comes from the website to our city. Other markers of HNI behaviour, for example, number of Five Star hotels, the number of luxury car agencies in the city and data from our partners on what is their estimate of the business from the city on the basis of that we decide which format and where to go in the city.

Onkar Ghugardare: In the last question, you mentioned targeting 10x revenue in 10 years. So roughly, I'm not telling you to give particular number, but that would be like INR10,000 crores. So it's of EBITDA margin, when can we achieve the other significant operating leverage? And what can be the margins going forward, not yearly basis, maybe directionally, you can?

Pranav Saboo: Directionally upwards. That's all I want to say at this point of time.

Moderator: The next question is from the line of Prerana Amana from PNA Capital.

Prerana Amana: Congrats, sir, first of all, on a good set of numbers. I have 2 main questions. You guided for 20 store openings this year. So are these all 20 stores going to be Ethos, or is it going to be mix of Ethos, RIMOWA and Messika? That's my question number one. Question number 2: Did you mention something along the lines of that H2 could be better, and were you highlighting something about elections? So, do you see any headwinds in terms of demand because of this entire election scenario? So those are my first 2 questions.

Pranav Saboo: Thank you. Very good question. Yes, first of all, it is a mix of the 20 stores that are a mix of what we call mono-brand boutiques and multi-brand boutiques. Of course, the multi-brand boutiques will carry the Ethos name. Mono-brand boutiques will carry the names of the different brands, whether it is Breitling, whether it is Panerai, whether it is X, Y, Z or RIMOWA. It is a mixture of these, if not just Ethos or not only EBOs. It's a mixture of multi-brand and exclusive brand outlets.

Next question is on the question of elections. Every time there are elections, the 2 months leading up to the election are a little bit subdued, and we see great numbers in the months after it. This is because of typically a couple of things. Number one is the Model Code of Conduct, which comes into play and restricts cash movement. We are allowed to sell watches in cash up to INR199,000 but the movement of cash above INR50,000 greatly restricts that sale.

Secondly, we can't hold events because there are a lot of restrictions on what events are possible. The service of any beverage -- alcoholic beverages, etc.. Nothing is allowed. So event shows have slowed down during this period. However, it is always followed in the next few months with a great booming in it. That's why I said that the following 3 quarters might be better than the first quarter, but I must say April has gone well. We are doing well in May. And things are going to be exciting in the year ahead.

Prerana Amana: Okay, sir. I just have another 2 more questions. I'm just going to squeeze in very quickly. One is regarding the volume growth. You mentioned that we have around 19% volume growth for the full year. And we have also seen that the average selling price has increased by 19%. So this ASP is on account of -- since we exited the under 1 lakh watches, is it because of that? That's my first question.

And the second question you mentioned in the opening remarks is whether the 22% VAT we have on the taxes is going to be reduced over a 7-year period. And in H2, we will see at least a 3% decrease in this. Did I hear this right?

Pranav Saboo: The first question was with average selling prices. Yes, it's going -- the quantities should be looked at above INR1 lakh because they are exiting the price point below significantly below -- at least below INR50,000 we are exiting and every time the picture that if you look at only the numbers that are given in volumes without looking at understanding it, it seems as if volumes are dropping. Volumes are not dropping. Volumes are continuing to grow. We are just exiting the price point below INR1 lakh or below INR50,000.

your next question was average, on duty reduction, duty reduction it requires 2 logistical steps that need to be taken. It is a matter of time in our opinion. We expect that the Swiss approval -- the Swiss paperwork will be completed in the second half of the year. And with that will be the first cut in duty, which is 20% plus CESS that will be reduced to 0%, so 3-point-something percent every year will be the reduction, which we hope -- which we expect should start in the second year -- second half of the financial year.

Moderator: The next question is from the line of Kunal Sharma from SP Capital.

Kunal Sharma: So wanted to ask about the new stores. Say what is the payback period for the new store?

Pranav Saboo: Payback period for different stores differs greatly depending upon which format. But as I mentioned, that we target a 20% return on capital in the first year itself. And obviously, it will grow in the years to come. That is our target with every store opening. If there's a form and a process that we follow when we make our decisions on these stores, And largely, we have seen that in the last year, these stores have been giving close to that mark, not 20%, but close to that mark in the first year itself and it always increases in the next year.

Kunal Sharma: Okay. So is it for the both metro and non-metro?

Pranav Saboo: Yes, both.

Kunal Sharma: Okay. Okay. And recently, you guided that you just elaborate on the recent event on the election side. So can we expect quarter 1 to be normalized or subdued numbers during the quarter because of the...

Pranav Saboo: It might be -- so let me explain this again. And for the benefit of everyone. Due to the election, a model code of conduct subdues the first 2 months. We expect April and May to be subdued, but June will be a big month. It might be a slightly subdued one, but we don't expect any effect on the long-term performance of the year.

Kunal Sharma: Okay. Okay. And then lastly, on the optionality business, could you just- you have elaborated about the- but could you just share your thoughts on Messika as well? So how it is performing?

Pranav Saboo: Sorry. I just want to reiterate this so that it's clearly understood. Even if there is any -- we've already seen April. April was a success for us. It doesn't mean that it is going to be a subdued quarter. We expect greater growth in the coming quarters, and everything is going as expected in this quarter. I don't want to say that quarter 1 will be subdued. I just know that, I just feel that after the election, growth will be even better.

Kunal Sharma: Okay. Okay. That's great. And lastly, regarding the Messika, could you just share some thoughts on the same?

Pranav Saboo: So Messika, we had done a pilot project right now till now, which was inside our store at SMGD, which is Jio World Drive in Mumbai. That was a success. Now, we want to shift to a full-fledged boutique, which will act as a flagship boutique. We are very confident that we should be able to find it this year and hopefully launch one by the end of the year, which will be a dedicated boutique and the first boutique for Messika in the country.

We want to go ahead with the international branded jewellery. We believe this will be big, but we want to take slow and steady measures. We want to start the first boutique, make it a success as we have done in RIMOWA and then expand on that.

Moderator: The next question is from the line of Ajay Kumar Surya from Niveshaay.

Ajay Surya: Sir, my question is, can you provide the breakup between like top 3 stores that will be contributing how much of a revenue? And sir, another question on the average selling price. Across tier 3 cities and tier 1 cities, how much difference would that be and the average selling price of the watches? Any guidance on that?

Pranav Saboo: I'm not sure we are revealing this data on the first 3 stores in terms of percentage. At this point of time, we are not -- we haven't sent this out for competitive reasons. We prefer not to give this out right now. In terms of Tier 2 and Tier 1 cities, we see a price difference typically of about 20% to 25% on like-to-like scores.

Ajay Surya: Got it...

Pranav Saboo: And if the brand mix is the same.

Ajay Surya: Got it. Got it. Sir, next question, sir, again, a clarification on the Silvercity transaction. Sir, because now...

Pranav Saboo: Ethos will focus on Indian retail. Ethos doesn't have the manufacturing know-how. It requires manufacturing commitments and investments that will -- that is not possible to do only by a retail company.

Ethos will focus on retail in India and to grow from 30% in exclusive brands to 50%. We prefer to take -- instead of starting another 30 brands, we want to focus on one brand and make sure it reaches critical mass with a significant stakeholder in the company.

Moderator: The next question is from the line of Vikas Mistry from Moon shoot Ventures.

Vikas Mistry: And thanks for being the first category creator doing this in India. So we try to take some longer view of what we're trying to do. And we're trying -- just I want to ask you that a lot of luxury brands are coming to India, and you have done really good innovation work just to start RIMOWA right on time and Messika. Do you think that are you firing innovation engine, putting different boutiques or different price points to cater to Indian consumer?

Are we trying to give ourself room to just fail in one or two kind of boutiques or one or two kinds of formats? Are we trying to just put that innovation in the right on track? How do you see this company to be shaping after 3, 4 years? And if you get this innovation, right, can we see a big thing coming out of here?

Pranav Saboo: I'm not sure I fully understand your question, but is your question that, why are we setting up different boutiques for different brands other than...

Vikas Mistry: No, no. Sorry for interruption. I'm just trying to ask that are we good enough with just 2 brands to go forward after may be 3, 4 years? Can we do further brands to take to India and ensure that our growth trajectory remains right enough?

Pranav Saboo: So yes, I would like to just focus on one key signal that I would like to give is that we moved our best person in the company, the Chief Operating Officer, Mr. Manoj Subramanian, is now heading this vertical. The reason for this is that we believe that it will open incredible doors, and this business can be extremely large in the future. So yes, we want to bring on more brands. We will bring on brands; getting brand takes time, but then the brands stay with us for many decades.

We are now, and as I said in my speech as well. One of the biggest brands in the world, which does more than $700 million, $800 million turnover globally. We are discussing bringing them exclusively into India with us. So yes, we do expect many, many more brands to come in, in the future. It will be slow and steady. We are not going to be restricted to 2 brands.

Moderator: The next question is from the line of Pallavi from Sameeksha.

Pallavi: So it was on -- what volumes are we looking at for Favre Leuba. I think you had earlier mentioned 3,000 in the first and 10,000 in the next year. So would that be only India sales or those would be global sales? And then how would, KDDL be able to manage sales, globally?

Pranav Saboo: Yes, 3,000 watches. Globally, it's about 2,500 watches. Manufacturing, it depends, 10,000 depends upon manufacturing ability. The first thing is global distribution will take place through the Silvercity company. Silvercity is an independent company that will be owned both jointly by KDDL and Ethos.

Silvercity, that is headed by Mr. Patrik Hoffmann, who is the CEO of Ulysse Nardin has set up an international distribution very, very successfully. He's the person who's going to be leading that distribution globally. The manufacturing will be done with the help of KDDL, that requires investments. The investment is not possible to outsource that investment. Therefore, it is -- therefore, the only way to do that was through the KDDL tie-up. Ethos will focus upon the India sales.

Pallavi: What is the volume that are sitting for India, yes, that's it.

Pranav Saboo: Well, India will be buying roughly 2,000 watches in the -- 2,000 -- or 1,800 to 2,000 watches in the first year. We don't know exactly for the second year. I don't have the numbers in front of me. We can circle back to that later.

Pallavi: Right, sir. And the total capex, if you could give for next year?

Pranav Saboo: For which company?

Pallavi: For Ethos, just...

Pranav Saboo: We don't have that guidance available right now. You have to come back to that.

Moderator: The last question is from the line of Devanshu Gulati from Avid Investments.

Devanshu Gulati: First of all, congratulations on a great quarter. I have 2 questions. The first one is, what is the percentage of your second movement business, the preowned watch business revenue as part of the total revenue mix? The second question that I had is, how long are these partnerships with exclusive brands? It will be different for different brands, but can you just give a general duration for these partnerships?

Pranav Saboo: The 5 years with an auto renewal. We don't sign on now anything under 5 years without an auto renewal of another 5 years or another 4 years, right? So that means, if the numbers are achieved for 5 years, then there will be an auto renewal for another 4 years.

Devanshu Gulati: Okay. And what about the second movement business, the pre-owned watch business? How much is that?

Pranav Saboo: INR66 crores for the previous financial year.

Moderator: Due to time constraint, we will take that as the last question. I would now like to hand the conference to management for closing comments.

Pranav Saboo: Thank you, everyone. I hope that we were able to answer all your questions satisfactorily. If you need any further clarification or want to know more about the company, please contact the SGA team, our investor relationship adviser. Thank you for attending this call, and I wish you all a good evening.

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