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Dated: February 20, 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 January 25, 2024 intimating the schedule of the conference call for Wednesday, February 14, 2024 at 4.00 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 9 (nine) months ended on December 31, 2023, 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](http://www.ethoswatches.com)

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

Thanking you

Yours truly  
For **Ethos Limited**



**Anil Kumar**  
**Company Secretary & Compliance Officer**  
**Membership no. F8023**

**Encl.: as above**

— **ETHOS LIMITED** —

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“Ethos Limited  
Q3 and 9M FY '24 Earnings Conference Call”

February 14, 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 14<sup>th</sup> February 2024 will prevail

**MANAGEMENT: MR. PRANAV SABOO – CHIEF EXECUTIVE OFFICER  
MR. RITESH AGRAWAL – CHIEF FINANCIAL OFFICER  
SGA – INVESTOR RELATIONS ADVISOR**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Ethos Limited. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranav Saboo from Ethos Limited. Thank you and over to you, sir.

**Pranav Saboo:** Good evening, everyone. Thank you for joining us on the Ethos Limited Q3 and 9-months FY24 Earnings Conference Call.

I hope everyone had a chance to view our financial results and investor presentation which were recently posted on the company's website and stock exchanges. I am accompanied by our CFO, Mr. Ritesh Agrawal and SGA, our Investor Relations Advisors, on this call today. Let me give you an overview of our Q3 and 9-months FY24 performance.

For Q3 FY24, revenue from operations is up 22.4% to INR281.2 crores from INR229.7 crores in Q3 FY23. As I have mentioned in our previous earnings call, there is a shift of the Shraddh period this time from Q2 in the previous financial year to Q3 in this financial year. This led to a muted growth in October, thereby lowering the revenue and profitability growth of the quarter. However, when seen for 9 months, it is as per the guidance we had given both at the beginning of the year and at the end of Q2.

Despite the impact of the Shraddh, 10-day impact of floods at Chennai and store renovations, we have grown by 13% in October, 26% in November and 28% in December in revenue. EBITDA for the quarter grew by 28.5% year on year to Rs. 50.8 crores in Q3 FY24. EBITDA margin for Q3 FY24 stood at 17.7%. This is despite a negative movement in the foreign exchange of CHF and INR. CHF INR was at an average in Q3 FY23 of Rs 85 vs RRs 93.90 in Q3 FY24 with it ending at Rs 98.88.

This led to a margin loss in the quarter as well as a further direct exchange loss on remittance and reinstatement of INR2.21 crores. We believe that the price will be passed on to the customer within the next three months and we believe that this will lead to a positive impact in the coming quarter and the next year. Our efforts to grow margins were not fully visible this year due to a constant negative movement of the CHF INR exchange rate. However, we are seeing stabilisation of this now and are looking forward to a positive future. Since we are talking about EBITDA, you may notice an increase in manpower compared to last year.

This is because we are hiring early to train people for the rapid expansion of over 25 boutiques in the coming year. In the long run, this will stabilise back to the positions we saw in the previous year. Silvercity, which owns our brand Favre Leuba, also had a loss of INR58 lakhs. This is pre-operative in nature. Favre Leuba is the second oldest Swiss watch brand.

We will launch globally in August this year with three absolutely beautiful and stunning collections. We aim to reach sales of 100,000 watches per year over the next 10 years at an average of CHF2,500 per watch ex-factory price. Our same-store growth in Q3 was 11.2%, which was impacted by the renovations of our store and the Shraddh period. Eliminating the impact of both Shraddh and renovation, our SSG for the quarter stands at 15.3%.

Furthermore, as of 9 months FY24, our new client enrolment stood at 88% and repeat customers stood at 46%. As you are already aware, we have opened our first Rimowa boutique in Jio World Plaza, Mumbai. From the start, we received an overwhelmingly positive response.

The segment generated revenue for around 60 days, contributing to the bottom line. It is already profitable and has been profitable from the first month onwards. Profit after tax grew YOY in Q3 by 23.5% to INR25.5 crores. Now coming to the 9 months, revenue from operations is up by 28.5% to INR746.5 crores from INR581 crores in 9 months FY23. EBITDA for the period grew by 33% YOY to INR130.9 crores.

EBITDA margin stood at 17.2% despite an increase in manpower cost on account of future capacity building. Profit after tax was INR62.3 crores as compared to INR47 crores in 9 months FY23, which grew by 32.4% on a YOY basis. Inventory days as on 31st December 2023 stood at 156 days at sales. Gross debt stood at INR6.85 crores as on 31st December 2023. Cash and bank balance stood at INR350 crores as on 31st December 2023.

Share of exclusive brands for Q3 FY24 stood at 29.3% and 9 months at 30.7%. Revenue from CPO or Certified Pre-Owned was INR49.7 crores in 9 months FY24. Before we go to the discussion's question-and-answer part, let me talk about the upcoming year.

We are extremely happy with our talks with brands and allocations from the biggest brands to the company are greater than what we expected for the next financial year. We remain confident in our long-term goal of increasing revenue at a CAGR of 25% for this decade. We will launch our app in about 2 weeks on 1st March 2024.

This is a small step towards a big vision of giving our customers a personalised and customised watch buying experience. We will build the app slowly but steadily over time to provide customers with the next level of information, transparency, exclusivity and experience. It will give us the data to provide customers with exactly what they need.

We are extremely bullish that over the next 5 years, the Ethos app will seamlessly integrate with all the services of Ethos including After Sales, Lifestyle, CRM, Pre-Owned and give Ethos an edge over all other retailers. Provided there are no delays from landlords, we expect to open 25 new boutiques by the end of the next financial year. I am also happy to announce that this

includes India's largest horological project which will open in Gurugram and cover 12,500 sq.ft. carpet area featuring about 9 boutiques and 2 multi-brand areas. It aims to become one of finest horological projects in the world and will take customer experience to a whole new level.

This will put Ethos and India on the global map and assure the allocation that we need for our continued growth and that we will continue to get exclusive brands. Ethos was also recognized as one of the 20 finest retailers in the world by the Revolution magazine and our aim is to become one of the world's top 3 retailers by the end of this decade.

We have incorporated RF Brands Private Limited with the aim of distributing some of our exclusive brands to other retailers who wish to work with us. This is an exciting new area we are developing, starting with the brands under the price point of CHF1,000. We will start with the brand Maserati Watches. We are closely monitoring the development of the free trade agreement between Switzerland and India.

We are hopeful it will reduce the duty on imported watches. This will grow the market significantly as it will lead to a reduction in smuggled watches coming into the market, encourage more Indians to buy locally and encourage more brands to enter the market. It will allow for greater local investments by Ethos and brands as both will experience positive margin growth.

With this, I open the floor for questions and answers. Thank you.

**Moderator:** Thank you. The first question is on the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Yes, hi. Thanks for the opportunity. Pranav, as you mentioned on this news flow around finalization of contours on India Swiss FTA, I just want you to check if we take precedence from similar FTAs of Switzerland with other countries. What margin gains can be accrued to us in case India ends up signing this agreement?

**Pranav Saboo:** We don't have the full details, of course. But I can say that, for example, with Japan, India has a free trade agreement where the duty is lower by about, instead of 23%, it's effectively 5%. So that is one area.

In other countries, it's even lower the duty where Switzerland has a free trade with other countries. It's about 3% to 4%. But again, of course, this is an open point discussed between governments.

But we are hopeful that it will lead to a reduction in duties and a positive impact on margins in the future. It will also allow for brands to enter India. Many brands are not able to enter India right now because the duty is prohibitive.

**Devanshu Bansal:** Got it. And whatever 15% or 16% additional benefit we will get, will this be shared equally between brands and retailers, or how will it happen?

**Pranav Saboo:** I think, I mean, the logical way is to do it equally. In some cases, it will come to us. In our contract with exclusive brands, in most cases, it will come to us. In some cases, it will be split.

**Devanshu Bansal:** Got it. And Pranav, you, interestingly, also mentioned that you expect 25% top-line CAGR over the next decade. So, I wanted to check what is the overall store potential for Ethos Watch Boutiques that you expect we can add over the next 10 years?

**Pranav Saboo:** Look, I think that I don't have exactly a number in mind per se, but we will be targeting between 13% to 14% same-store growth during this period. So, the others will come through new stores. Now, that depends upon different changes in the market, depending upon, you know, what is the rest of the distribution, how that distribution is going to be, whether we do larger stores, whether we do smaller stores.

It's too early to sort of comment on this at this point in time. But I can say that the next year, we definitely have 25 stores, and a similar 15 to 20 stores in the following year after that, 15 stores in the following year after that. So, there is, right now, we see immense potential. What I do want to tell you is that even cities that we are opening up like Raipur, etcetera, right from the second or third month onwards, they are profitable already. So, we see very good signs in Tier 2 cities, and that's very encouraging for us.

**Moderator:** Thank you. We will move on to the next question. That is from the line of Rahul Agrawal from InCred Equities. Please go ahead.

**Rahul Agrawal:** Hi. Very good evening and thank you for the opportunity. Firstly, a smaller question. The new watch and CPO billing details are not part of the presentation. Could you share that? Then I'll move on to the logical questions.

**Ritesh Agrawal:** Rahul, we present the billing details. So, we have already mentioned the CPO billing details. Pranav has also mentioned that we have INR49.7 crores of CPO business for nine months. And in presentation, we used to present the overall. That has already been there. In case if you have any further questions, we can take offline.

**Rahul Agrawal:** Okay. I'll move ahead then. So, on the cash usage, right, INR350 crores, just wanted to understand. You shared the store addition plans. That's pretty clear. But broadly on, you know, could you share some more colour on the plan for Favre Leuba? That is one. Because it looks like a larger investment from our side. And then luggage and jewellery, are these also part of this store addition, which we discussed 25 and 15 stores, respectively, for the next two years?

**Pranav Saboo:** Next year we are looking at 25 stores. So, I think we have -- the cash usage is for capex and inventory. But I'll let the CFO answer this question.

**Ritesh Agrawal:** Just to answer the second part of your questions about the store opening, including luggage and jewellery. So as in our earlier call as well, we have already mentioned that we are learning the new vertical, especially in the jewellery. So jewellery may be there in a couple of years that we will learn and then expand slowly.

Luggage, again, it is one or two boutiques, maybe three boutiques maximum in next two years. Majorly the growth will be in our existing business, which is into a watch retail. That is the prime and that is the growth opportunity that we have. So that will continue to grow.

**Pranav Saboo:** Just to answer for Rimowa, for example, we've signed the first one. We are looking for a place for the next two boutiques. We hope to do two more boutiques, provided we get the right space in Delhi and Bangalore over the next 12 to 15 months.

**Rahul Agrawal:** Anything on the Favre Leuba.

**Pranav Saboo:** I'll just quickly answer that last one on Favre Leuba. As I said right now, you would have seen INR60 lakh loss or a INR58 lakh loss in the consol. We are in the preoperative stage right now. Next Geneva Watch Days, we will launch globally, inviting retailers from around the world.

We have an overwhelming response right now from the biggest retailers around the world that they want to work with us. Of course, it takes that time to get all the designs ready. All the products have to be put in place. So that is where we have -- the launch is taking place over there. And in the first year, we plan to sell 3,000 watches. And over the next 10 years, it will get to 100,000 watches.

**Rahul Agrawal:** Got it. I'll come back in the queue. Thank you so much. All the best.

**Moderator:** Thank you. The next question is from the line of Shivam Shah from Smart Sync Services. Please go ahead.

**Shivam Shah:** My first question is regarding Favre Leuba only. So, when are you expecting this to be launched?

**Pranav Saboo:** We will launch globally during Geneva Watch Days, which takes place in the last week of August in Geneva.

**Shivam Shah:** Okay. What were the number of new stores that we opened in quarter three?

**Pranav Saboo:** We opened one new boutique in quarter three this year.

**Shivam Shah:** Okay. Thank you.

**Moderator:** Thank you. The next question is from the line of Kunal Sharma from Care Health Insurance Limited. Please go ahead.

**Kunal Sharma:** Hi, sir my question is on demand, so our numbers are pretty impressive. So, looking at the current scenario where subdued demand in the consumer discretionary space, I'm asking you on the on-ground thought process. So how are you, like your HNI customers, and aren't they bothering about the current inflationary environment and prior to buying such a large ticket size of product?

**Pranav Saboo:** I think our customers are celebrating the success of India's stock markets and Indian businesses worldwide are celebrating the new highs they are reaching. So, I don't think our customers are

worried about the long term. And I think they spend on items with heritage and beauty and lie on the crossroads of emotion and arts and crafts.

And again, you know, that's just one part. But even in weddings today, there's such a big celebration, and watches are a very elegant way of gifting. So, we are not seeing any such problem right now. We are very confident about the next year. We are very confident. Already the trends for this quarter, we are very confident on where we are going. So, we don't see any major concerns from a demand perspective.

**Kunal Sharma:** Yes, so actually, my question was on Rimova. So, I think it's been more than three to four months we opened up your first store on Rimova. So, what was the response on that particular store?

**Pranav Saboo:** So Rimova, the response is greater than what we had thought. It is -- we are fighting to get more, as much merchandise as we can in right now. From the first month onwards, it's profitable. And we are working hard to be able to find the correct location in the next two, in this year to open two more boutiques. So, we are very happy with it.

Just to tell you what the challenge about the location is that it needs to meet international guidelines. So Rimova has certain international guidelines to meet when we sign on to a location. We have identified one location as we speak. In the next week, Rimova is going to push it to their board for approval. If that happens, we will open the second one in Delhi, and hopefully the third one in Bangalore later in the year.

But we are extremely happy with the performance of Rimova till now. In the next year, we want -- just to give you a little bit of colour behind this, we expect each boutique to do about INR20 crores of business to start with and grow from there. That's the current scenario with the Rimova boutique.

**Moderator:** Thank you. The next question is from the line of Shreya Jain from Niveshaay. Please go ahead.

**Shreya Jain:** Yes, Sir, thank you for the opportunity. I wanted to ask about the total economics of ETHOS and how it will be different from other regional players like Kapoor and Zimson Watches.

**Pranav Saboo:** I can't report how it's different, but I will let the CFO answer this question.

**Ritesh Agrawal:** So, Shreya, if you have reviewed our numbers, which is already published on the stock exchange about the profitability, that's what we report to a stock exchange. We would not be able to comment anything about other retailers' performance, because we are unique from other retailers, especially in the retailing of luxury watches, where we do not see any comparison from our listed peers.

**Shreya Jain:** Sir, another question that I had was, when we enter into any exclusive brand, do we also undertake to do the marketing expenditure on our own? What amount do we usually spend on advertising and how many years are those exclusive deals for?



- Pranav Saboo:** Our exclusive contracts are typically between five and nine years with auto renovations, auto renewals that happen. But coming to marketing, typically, the marketing is shared between the brand and between ETHOS. And typically, it will be to the tune of, I'm just giving a typical number, would be about 1% of the MRP each.
- Moderator:** Thank you. The next question is from the line of Hardik Doshi from White Whale Partners. Please go ahead.
- Hardik Doshi:** Yes, thanks for taking the question. I just want to go back to your earlier comment, that you can compound at 25% for the next decade. So, if you add about 1,000 people, let's say, for this year, that implies that you should get close to about 10,000 in a decade or so. I want to understand, how do you see the totally addressable market right now in India for watches? And what percentage of market share do we have? And then how do you see that market growing? And then what do we end up with in terms of a market share?
- Pranav Saboo:** So, your question is about where we are going to grow from a market share perspective? Is that roughly the...?
- Hardik Doshi:** Currently, like with our INR1,000 crores, let's say, run rate, I mean, what is our market share? I mean, so what is our addressable market in total then? And then how is the market growing? At what rate do you see the market growing?
- Pranav Saboo:** Right. Well, there's no exact numbers. I will -- there's an industry report showing different brands' market shares. But before we get to that, I want to explain that the -- there are different verticals we are in today.
- New watches is one. There's pre-owned, which is adding to it because it adds to the multiple ownership of watches. And there's trading of watches that takes place. That adds to it. Over and above that is the lifestyle business that is also coming into place with brands like Rimowa. And hopefully, for Messika, we also opened a boutique this year.
- If we are able to find the right place, we have the right place. But if we had to let it go because the landlord was in litigation with the current partner who's not leaving it. But coming back to that, so these are all the things that will add up to the growth. Today, our market share, I'll let Ritesh, what is the...
- Ritesh Agrawal:** So, our market share from a luxury side is 21% on the luxury retailing as per latest industry report by Technopak.
- Pranav Saboo:** And we expect -- my expectation is that over the decade, we will grow aggressively and reach 40% to 45% on this.
- Ritesh Agrawal:** And when you talk about the market share, so FY'28, that's what the Technopak has projected in the premium and luxury segment by INR17,400 crores.
- Hardik Doshi:** Okay.

**Pranav Saboo:** Remember, market share is also because certain brands are shifting towards us. Like Ulysse Nardin was the latest brand. They were working with six or seven retailers. And they're now starting off this quarter. They're going to be available only with us. So, brands are also going to shift exclusively to us, which is a big part of our strategy.

If you look at our presentation, it's there that working with brands and bringing brands exclusively is very important for us because then we can invest and create a moat around our business, create value for the brand, and create value for our shareholders.

**Hardik Doshi:** Understood. My second question was on the unit economics. In your past conference calls, you mentioned feedback period of about three years. And I believe that the total capex, INR1.2 crores of capex and about INR5.3 crores in -- at least about INR6.5 crores goes in building up a store. Can you just talk about maybe first year, what is the revenue? What is it due by the third year? What is the first-year margin? Then what do they get due by the third year?

**Pranav Saboo:** I think we can take this offline.

**Pranav Saboo:** We've answered this question in the previous one, but we'll also do it offline. It remains largely the same as our previous calls.

**Moderator:** Thank you, sir. The next question is on the line of Onkar from Shree Investments. Please go ahead.

**Onkar:** Good afternoon, sir. You mostly talked about the revenue growth potential in the upcoming decade. Just wanted to know currently the margins which you are doing 17%, around 17%, 17.5%. So, you talked about the margin expansion, but which you couldn't do fully this year. So just wanted to know your views on what would be the long-term margin you would be targeting?

**Pranav Saboo:** I mean, I don't want to give a number right now on what we are targeting on a long-term basis because it's sensitive, but our margin has been increasing and we expect that this will continue to increase because of one, operating leverage kicking in. Two, obviously right now, prices in India are factored. Over the last two years, over the last 18 months, the price movement of the CHF INR has been unprecedented.

We've never seen this over the last 10 years, what we've seen in the last 15 months. That will stabilize and that will also add to it. But we want to increase this over the long run through operating leverage.

Our share of exclusive house brands that is selling because we have, we enjoy a much greater margin over there. And of course, fully pricing on towards the brand. That's how we are looking at an increasing margin in the future.

**Ritesh Agrawal:** EBITDA margin has already been increased. I can say that 50 basis points from last year Y-o-Y nine months.

**Onkar:** The second question is on the return on capital employed and ROE, sir. What kind of figures you are expecting?

**Ritesh Agrawal:** ROIC is over 20%.

**Pranav Saboo:** Our ROIC is over 20% today. I don't want to give a number publicly right now, but I can only say that we are very closely tracking return on invested capital. We have processes in place that we have a certain number in mind that we want to try and hit in the future. We're not disclosing that publicly, but I can assure you we are working hard to increase this number.

**Onkar:** At least you can sustain and better it. That's the reason, right?

**Ritesh Agrawal:** Of course.

**Moderator:** Thank you. The next question is from the line of Shalini Gupta from East India Securities. Please go ahead.

**Shalini Gupta:** My first question is that the CPO revenue, you said a nine-month revenue was around INR40 crores, INR49 crores, or INR50-odd crores.

**Ritesh Agrawal:** Yes.

**Shalini Gupta:** So, when I look at it, that revenue has been the same for the last three, four quarters, CPO revenue. And on the other hand, we hear all sorts of things that the CPO market is growing in a big way. So, my question is, number one, why has your revenue remained the same and your outlook on the CPO market? That's number one. Number two, what are the volumes that you did during the quarter?

**Pranav Saboo:** Okay, let me start with the CPO number. I'm not sure where you're getting the number of CPO being the same, but CPO has, from a percentage wise, what has been the increase? In a quarter, what is the percentage increase? So, Y-o-Y? Nine months overall, Y-o-Y, 35%. And quarter three is even higher than that, right?

Quarter three is 45% increase for Y-o-Y. It's over 45% over the previous quarter, over the previous year. On a Y-o-Y basis, quarter three is 45% higher. The biggest challenge in going up is how we're different from others is that we want to protect the ethos brand and we want to do this slowly and steadily. Every watch that we get, we give a two-year warranty. Nobody else in India is doing this.

We have a two-year warranty. We open every watch, we restore every watch, and then we sell the watch. We are now putting up a second service centre in India to be -- sorry, in South India. Right now, we have it in North India. We're putting it up in South India, a state-of-the-art service centre to be able to restore more watches.

In the next year, we are looking at another 50% increase, 50% to 60% increase from CPO. I believe CPO will continue to increase. I believe that we have to do it in a steady manner to be

able to make sure that we protect the Ethos brand name, and we separate ourselves from everybody.

There's lots of people today who are doing it on WhatsApp. They're completely non-compliant. From our side, we are also working with the government to get clarifications on the exact compliance required for all transactions that we do. And we are on the side of extra compliance rather than lesser compliance. And those are today the biggest challenges, but we expect this to continue to grow at 50%.

**Shalini Gupta:** Can you tell me the volumes, the number of watches sold?

**Pranav Saboo:** Yes, yes, okay, I'll just do it. Volume, we are seeing a growth. Where is the volume number?

**Ritesh Agrawal:** We are growing from volume trade. We are growing above INR1 lakh price by 19% from last year.

**Pranav Saboo:** This is nine months.

**Pranav Saboo:** So just to be clear on this, as you know that we are dropping, we are lowering the price point below INR1 lakh inside our stores. And there have been constant questions: look, are we increasing volume? So, we are sharing the volume that we are doing above INR1 lakh. Below INR1 lakh, we want to take it into our new company, RF Enterprises, where we will be doing distribution of these brands to other retailers. Above INR1 lakh, we have a quantity growth in three months of 15.5%, and in nine months of 19.2%. Does that answer the question?

**Shalini Gupta:** Yes, I mean the absolute figure, please.

**Pranav Saboo:** Sorry, we can take it offline. Let's take that offline. I have the percentage growth in quantity, but I will answer this later. I think it's 6,308 versus 5,462. Above INR1 lakh for the quarter of three months.

**Shalini Gupta:** 6,308. Okay, thank you, sir. Bye.

**Pranav Saboo:** Above INR1 lakh, yes.

**Moderator:** Thank you. The next question is from the line of Pallavi Deshpande from Sameeksha capital. Please go ahead.

**Pallavi Deshpande:** Yes, I just wanted to understand what was the preoperative employee expense for Ethos, for the nine months and maybe for the third quarter that you highlighted. And secondly, was on this ASP, there was this decline for this quarter. So, just wanted to know?

I'll take the second question back. I'll just go back and put my second question around Favre Leuba. What's the kind of profitability we expect when we hit 100,000 watches? And how much of a lift can it get to the gross and a EBITDA of margins for the company as a whole? That's it.

- Pranav Saboo:** Okay, so, sorry, I've forgotten the first question.
- Pallavi Deshpande:** You'll have to repeat that. Preoperative for the third quarter.
- Pranav Saboo:** Preoperative. We have, I don't have the exact cost with me, so I'll have to get back to you on this. But I have the exact number. It's roughly we have, we've hired, we're looking at opening 25 stores in the next year. That means we're adding about six people per store. So, 150 people.
- Today, we have estimated that we have hired 60 people ahead of time to be able to catch up with this and make sure that they are trained well in advance. So, for the quarter, we would expect that the additional cost was about INR60 lakh for this.
- Pallavi Deshpande:** All right. And so, secondly, on Favre Leuba, we're looking at 100,000.
- Pranav Saboo:** We have, it's too early to say about the profitability, but all I can say is that 100,000 watches at 2,500 Swiss francs is a large revenue and will be, and of course, because it is our own brand, it will be extremely profitable. One can look at other brands that are as large and see the profitability. It will be, we will benchmark against those.
- Pallavi Deshpande:** And in India, what would be the share you're targeting from Favre Leuba? I see that in the store, it's already being showcased pretty nicely.
- Pranav Saboo:** Right now, the stock that is there is not the new collection. When the stock, the new collection comes in, we're talking about the new collection. This is the collection that we acquired when, this is the collection that was there when we acquired the brand.
- When we get the new collection, it will elevate it to the next level. The 2,500 Swiss francs is the ex-factory. So, when it comes to India, you realize that that price will be doubled. So, that we have to separate. You have to separate brand and retail. Ethos will be the retailer for the brand, which is owned in Silvercity.
- So, Ethos will be a large part of it. But by the time you get to 100,000, Ethos will be about, will be a large part, but I can't give you the exact percentage. But you just have to make sure that you differentiate between brand and Ethos.
- Pallavi Deshpande:** Right, got it. Thank you. Yes.
- Moderator:** Thank you. The next question is from the line of Saaksha from Old Bridge Capital. Please go ahead.
- Saaksha:** Yes. So, just one question from my end. You mentioned that you're trying to kind of re-enter the price point of 1,00,000 and below through your new entity. And I just wanted to know your thought process to re-enter this category because we were kind of getting rid of this category till now in our own scale. So, your thought process to re-enter and also, when you do this, who bears the inventory risk here? So, that's just one question.

**Pranav Saboo:** Yes. Thank you. These are very good questions. So, just to be clear, Ethos has boutiques under the name of Ethos Watch Boutique and Ethos Summit. Here, we want to get rid of watches below INR70,000, right? But we have very close relationships with these brands and more and more brands are embracing the professional way we do business.

So, what they've come back and said is that these are typically the non-Swiss watches, right? Like Maserati watches or other watches which are in the INR40,000, INR35,000 price point, right? We don't want to put them in Ethos.

So, they said that, look, we are going to go and get another distributor who will sell in other places where these INR30,000 watches are sold. Why don't you do the sales for those watches, right? So, then we said, okay, if we are able to get enough brands, it makes sense.

We spoke to brands and all the brands were very happy that we are entering into this. We will go and sell to other retailers who are competing at the price point of 20,000 to 80,000. There are many retailers who work at that price point.

We will distribute to these. We will hold two to three months of inventory and then we will be giving it to those retailers. We will not be giving it to those retailers on consignment. Those retailers who buy from us will bear the inventory risk. Does that clarify what we are doing?

**Saaksha:** Yes, yes, absolutely, fully.

**Pranav Saboo:** And in the next stage for RF Enterprises is that these are watches that are not Swiss made typically. So, we can bring in kits into India, assemble in India, sell, and even add even greater margin over there. Because these are typically non-Swiss made watches like a Maserati watch is not a Swiss made watch.

**Moderator:** Thank you. The next question is in the line of Hardik Doshi from White Whale Partners. Please go ahead.

**Hardik Doshi:** Yes, so just, you know, following up on my previous question, I just want to understand in terms of the competitive advantage, right? For all these, I mean, you mentioned earlier that a lot of these brands were looking to go exclusive and were already here on a non-exclusive basis. I just want to understand the thought process of why you would want to go exclusive and what is the advantage in that area?

**Pranav Saboo:** Right, that's a very good question. You know, like what happens is if you have a fragmented distribution system, right? What ends up happening is that no one is being able to invest behind the brand. If the brand doesn't want to invest largely in India, the others are not able to invest also because there is discounting pressure. Each one is discounting. So, it becomes important to nobody.

So, we said that whatever you're investing, we'll invest four times the amount, right? Whatever was your subsidiary margin, you give that to us. We will invest, but then we don't want anybody else to be distributing.

Then it becomes exclusively with us. By doing that, we are able to reduce the discounting, right? We are able to put in money into marketing.

We are able to use all our data that we get from the website to do pinpoint marketing, create content behind that. So, what ends up happening for every brand that has become exclusive for us, they are able to remove their fixed cost of working in India because we do it for them. Secondly, we have the fact that for every one of them, they are seeing a sales increase and a profit increase both for the retailer and the brand themselves.

Because here, let's say one brand manager will manage five to eight brands. Over there, you have, if a brand wants to enter India themselves and work through 10 partners, they will need eight people to do it. They don't have customer data, so they spend crores on marketing, whereas we have customer data, we can reach out to customers at a fraction of that cost.

Therefore, it makes it profitable for each one of us. It lets a partner create a partnership and that's more profitable, and that's happening world over where people are choosing one partner in every region.

**Hardik Doshi:** My second question was on the, so you have about 60 stores right now across 23 cities. If I just look at the top, let's say five or I mean -- how many, top five cities, what would be the number of stores and what would be a percentage of sales of this?

**Pranav Saboo:** Top two cities would be Delhi, Mumbai. Yes, top two cities are Delhi, Mumbai. Delhi has nine stores right now. Mumbai has about 10 stores. Look, we can, I mean, I think you can go to the website, and we will have that detail in the website.

**Ritesh Agrawal:** Delhi NCR 14, Mumbai 10.

**Pranav Saboo:** Yes, 14 in Delhi, 10 in Mumbai. Right now, the metros are a large percentage. I don't have the exact percentage, but it's a large percentage of our turnover. But the new cities, the tier two cities, are starting to perform very well, and that's why we are confident of growth over there.

**Hardik Doshi:** Would you say, like, for example, Delhi and Mumbai, you're largely kind of saturated in your presence because you have like 10, 15 cities. You're pretty much covering the entire city.

**Pranav Saboo:** Sorry, what was that? Would I say, you'll have to repeat that.

**Hardik Doshi:** Saturated in presence because...

**Pranav Saboo:** No, not at all, not at all. There's a lot of growth possible. Like, I tell you right now, in Noida, we have only one store, which is 700 square feet. Noida itself, we could open another, we could

easily open 2,000 square feet in Noida. Similarly, we don't have anything in Mumbai or North Mumbai. In Calcutta, we have only one store. In Hyderabad, we have one store.

In Chennai, we have three stores. We need more in Chennai as well. There's, just because of the number of brands that want to work with us, we will need to open more stores. More and more brands want to- there's a list of 30 brands today that want to work exclusively with us.

We have said no to these brands because we don't have space within our stores, even in the city like, Hyderabad, we need another store, just not because we can't do more – not because we can't do more sales from that store, or people aren't willing to come to that store. There's no more space left in the store to add the brands.

**Moderator:** Thank you, sir. The next question is on the line of Shivam Shah from Smart Sync Services. Please go ahead.

**Shivam Shah:** Hi. Just wanted to ask, are we facing any challenges due to the Red Sea crisis?

**Pranav Saboo:** In terms of furniture, yes, which is what has delayed some of our store opening, but not in terms of watches because we fly in the watches. I mean, there were a couple of shipments that were delayed. Maybe we lost sales of one and a half, two crores, but that will come in this quarter, so it's okay.

**Shivam Shah:** Okay. Thanks.

**Pranav Saboo:** Yes.

**Moderator:** Thank you. The next question is on the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Yes, hi. Thanks for the follow-up opportunity. Pranav, you have very clearly sort of charted out top line and margin expectations for Favre Lauba. I just wanted to check upon the operating model for this, how you initially mentioned that you people are setting up a team in Switzerland. It would be really helpful if you could comment on the capital intensity, etcetera that will be required to pursue this growth outlook.

**Ritesh Agrawal:** So Devanshu, it's very early to mention about the capital intensity, but we are regularly working and looking into that and whatever is needed, we are very sufficient to do that. So you will see, whenever any development comes, we'll do the necessary disclosure.

**Devanshu Bansal:** Got it, Ritesh. Thanks for taking my question.

**Moderator:** Thank you. The next question is on the line of Rahul Agrawal from InCred Equities. Please go ahead.



**Rahul Agrawal:** Yes, thanks for the follow-up. Pranav, one question on the certified pre-owned. What's the road to build this to scale, let's say \$100 million top-line? I understand there's competition and it's all informal, but I just want to understand your plans over the next five years.

**Pranav Saboo:** To be honest, Rahul, I don't think that the biggest challenges lie in making sure that there is, we have the compliance and the ERP setup network and the after-sales service, well, in this case, the before-sales service network that needs to be put up to be able to make sure that the watches are completely restored properly and being given. To be honest, it's also a question on where our priority has been there.

I believe that the opportunity in the new market is also exploding at the same time. We've been sort of more busy with getting the next 25 boutiques rolled out. I believe that the next two years are very important to take a pole position in the new watch area because whoever takes the position in the next two years, you see, once you get to 100 stores or 125 stores, most brands will want to work with you.

And it's very challenging for anyone else to compete with us. Meanwhile, in pre-owned, we will have the time to expand. So right now, the next two years, we've just been very focused on making sure we get the pole position and build the network of the store and then pre-owned will catch up automatically.

Right now, as I said, my number one focus is to make sure that over the next two years, whoever becomes the king in the next two years, which is good, it was clearly in the lead, we'll have a pole position in Ethos for the next, in India, in watches for the next 25 years. At that stage to bring pre-owned up will be fairly simpler.

At this point of time, I'm just going to say this, that I'm fairly confident on our growth on pre-owned. I don't see major challenges. Compliance and making sure people's compliance has been the biggest challenge till now. For example, we don't take watches that are not smuggled in. We need an affidavit. We don't pay in cash.

We pay only in these things. That has been a bit of the challenge, but the biggest challenge is to make sure we get enough watchmakers to restore the watch. We are doing that now. We have 17 watchmakers now in place. The next service centre in South India will allow us to bring in more regional, we're doing it in South India so that we can get more watchmakers there as well.

And that will continue to help us to grow the business.

**Rahul Agrawal:** Get it. And second was on margins, the gross margins. You explained a bit of it in terms of some INR2 crores impact. And obviously the CHF INR has been crazy, I understand.

**Pranav Saboo:** That is only the reinstatement and remittance plot. The margin loss was greater because if you dial back 15 months ago, 15 months ago the Swiss franc was about INR80. Now it started to move from then, then it moved to INR80 to INR85. Then it took one year to bring everybody from INR80 to even INR85, INR88, INR89, INR90 of pricing.

Then in the last quarter it moved from INR90, and it ended up at INR98. Right, so whatever all the one year of work of getting everybody's prices up to INR90 from INR80 to INR90, it took about 12 to 14 months to do that. But in the last two months, it moved from INR90 to INR99. Now it's gone down back to INR94.

But for that quarter we had a margin loss of about 1.5%.

**Rahul Agrawal:** Right. So, what is really -- So then what's the way ahead now? The pricing happens I think once a year, right? So how do we cover this?

**Pranav Saboo:** Yes, pricing is happening. So right now, most of it is -- You see most brands are taking the price increase now as we speak. If the price remains at about INR95, we will have the margins that are there. Otherwise, we will have -- If it goes to INR105, then it will be similar to last year. So, one has to see.

But typically, over the last 20 years we've seen 2%, 3% or 3%, 4% devaluation of the rupee to the Swiss franc. We've never seen like 12%. So that's the...

**Rahul Agrawal:** Yes. No, what I was asking was this INR95 will get covered till what time? Forget about INR105. Nobody knows that.

**Pranav Saboo:** Yes. In next two quarters. Next two quarters. Next two quarters means already by April. We should have it, yes?

**Rahul Agrawal:** Okay, perfect. Perfect. All right. Thank you so much. All the best.

**Pranav Saboo:** That sort of helped. I know it's a little bit of a tough one to -- Tough one to answer.

**Moderator:** Thank you. The next question is on the line of Onkar from Sri Investments. Please go ahead.

**Onkar:** Yes. First question is on the -- what kind of trajectory you are looking for the average selling price for a couple of years. And the second question is on generally how long is the brand association of yours with a particular brand which has been the longest-serving brand you have been associated with? Those are the two questions.

**Pranav Saboo:** You know, it's hard to answer on the basis of average selling price. I mean, it's been going up and we expect it to go up but not at the same rate at which it has been going up. That's all I can say because a lot depends on inflation in Europe and rupee devaluation.

These two are important factors to decide the average selling price. Our mix is generally going up. We always aim to upsell but there are too many factors at play to be able to give an average selling price.

That's the reality of the situation. Now, coming to your next question on brand relationship. Our brand relationships are very old.

In fact, out of 60 brands that we are operating today we would probably have only ended relationships with about 7-8 unless we left a price point. We would have... We barely ever end a relationship.

Many of the brands that were there on day one for me are active and working with us even today. Most of the brands that were there on day one is still active and working with us.

**Onkar:** Okay. Thank you very much.

**Moderator:** Thank you. The next question is in the line of Hardik Doshi from White Whale Partners. Please go ahead.

**Hardik Doshi:** You talked about having 20% market share that you're looking to take up to 40%-45%. I'm just wondering globally if you look at more developed markets like the US or even China.

Are there examples of companies that have gained this first mover advantage built on it and dominated it?

**Pranav Saboo:** **I don't think** USA and China are very good examples, but you have to look at where you have Southeast Asia or Middle East where you have Seddiqi or Hour Glass. Those are more important because no one had first mover advantage in the USA and China. There were a lot of them that were there from day one.

So, there's a very big difference but if you look at Seddiqi in Middle East or you look at Hour Glass in Southeast Asia like Singapore, Malaysia you'll see similar examples.

**Ritesh Agrawal:** We have never mentioned any number about the 40% you talked about.

**Hardik Doshi:** What do you mean by that?

**Ritesh Agrawal:** We have 20% and aim for a larger market share over the period.

**Hardik Doshi:** And then this last question is when you look at Dubai or the Southeast Asian market what is the pre-owned watch's market size as a percentage of the watch retail market size?

**Pranav Saboo:** About 35%. It's expected to equal it by 2030. Most reports show that by 2030 it will start to be as big as that.

**Hardik Doshi:** Got it. Okay, thanks so much.

**Pranav Saboo:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we'll take the last question in the line of Ajaykumar Surya from Niveshaay. Please go ahead.

**Ajaykumar Surya:** Thank you for the opportunity and congratulations on a very good set of numbers. My question is more on the book side. We had this promoter selling. Can I know any particular reason behind this?

**Pranav Saboo:** I don't think that we need to answer that question here. KDDL is selling and KDDL had opportunities to reward its shareholders and other opportunities. Therefore, they took that decision.

**Ajaykumar Surya:** No worries. My next question is whether the CFO is resigning in February. Have you found out who will be taking over the position?

**Ritesh Agrawal:** We've already announced today.

**Pranav Saboo:** We've already announced today and yes, we found someone who's very capable. First of all, Ritesh is leaving, but he will be in touch with us, and he served the company extremely well and we are parting on very good terms, and we wish him very well for the future and at the same time, we have someone joining us. That person has been identified and I think it's been announced today in the disclosure list.

**Ajaykumar Surya:** All the very best for the future.

**Pranav Saboo:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for their closing comments.

**Pranav Saboo:** Thank you, everyone. I hope we have been able to answer all your questions satisfactorily. However, if you need any further clarifications or want to know more about the company, please contact the SGA team, our investor relations advisor. Thank you. Have a good evening and Jai Hind.

**Moderator:** Thank you, members of the management team. Ladies and gentlemen, on behalf of Ethos Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.