



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Revenue for the company increased by 31.6% to Rs 370 crore
- EBITDA for Q3 FY25 increased by 23.6% to INR 62.8 crore, compared to INR 50.8 crore in Q3 FY24. Similarly, EBITDA for 9M FY25 grew by 22.8% to INR 160.7 crore, up from INR 130.9 crore in 9M FY24. EBITDA margins stood at 16.7% in Q3 FY25 (versus 17.7% in Q3 FY24) and 16.8% in 9M FY25 (versus 17.2% in 9M FY24).
- SSG improved by 400 bps to 23.1% in Q3FY25 and by 280 bps to 18.3% in 9MFY25.

2. MANAGEMENT COMMENTARY:

- In Q3, company added 5 stores taking our count in 9MFY25 to 13 new stores and overall count to 73 stores. This year, the company entered three new cities—Dehradun, Kochi, and Mangaluru and the 2nd Duty-Free Store at Bengaluru Airport, bringing our presence to 26 cities.
- The implementation of the Graded Response Action Plan (GRAP) for pollution control in Delhi/NCR was in effect for 52 days. However, its impact on the construction and renovation of new boutiques extended to 75 days due to the intermittent imposition and lifting of restrictions. This unpredictability led to challenges in manpower deployment, as construction labour is fungible and often reassigned to other locations during periods of restriction. Despite these challenges, company remain committed to expansion strategy and aim to open six additional boutiques by the end of FY25, further strengthening our presence in key markets.

3. BUSINESS OVERVIEW:

- Ethos Ltd was established in 2003 and is one of India's largest luxury and premium watch retailers. The company caters to over 60+ premium and luxury watch brands, which includes 46+ exclusive brands that are available exclusively at Ethos. It has over 7000 SKUs of premium, bridge to luxury, luxury and high-luxury watches. Ethos is a global leader in the Certified Pre-Owned (CPO) luxury watch market. They sell and buy pre-owned luxury timepieces with a 360-degree inspection and a two-year warranty. The Company is also Diversifying into rapidly increasing premium areas, including Rimowa luggage and Messika and Bvlgari jewellery.

4. MANAGEMENT GUIDANCE

- Added 3 Exclusive Brands in Q3FY25, bringing the total to 6 in 9MFY25.
- Gradual expansion of CPO and new categories – Luggage (Rimova) and Jewellery businesses. In a move to further strengthen its luxury luggage portfolio, Ethos signed its second luxury luggage brand, Zero Halliburton.
- With ambitious expansion goals based on new collaborations, Ethos wants to increase its exclusive mix from approx 30% to approximately 45% by FY26.

5. LUXURY WATCH INDUSTRY

- The mechanical watch market in India has been steadily expanding in recent years. Mechanical watches have gained considerable popularity among customers who value the craftsmanship and complexity of these timepieces. The mechanical watch market is expected to witness growth in the coming years due to the increasing number of luxury and premium watch brands. The Indian watch market is projected to register a CAGR of 20.32% over the forecast year of 2022-2027

6. VALUATION AND OUTLOOK:

- Ethos plans to add 100 stores over the next 5 years, with company has maintained its long-term growth target of achieving 10x revenue growth over the next decade. Sustained high demand for luxury and premium watches, expanding footprint in Tier 2/3 Cities. Diversification into fast-growing luxury segment – Luggage and Jewellery and CPO Segment.
- We value the company at 56x FY26 EPS to arrive at the target of 2993.

RECOMMENDATION - BUY

CMP - 2580

TARGET - 2993 (16%)

Industry	Retailing
NSE CODE	ETHOSLTD
BSE CODE	543532
Market Cap (₹ Cr)	6321
Shares Outstanding (in Cr)	2.45
52 wk High/Low (₹)	3524/ 2150
P/E	67.3
P/BV	6.87
Face Value (₹)	10.00
Book Value (₹)	391
EPS (FY23) (₹)	34
Dividend Yield (%)	0.00

SHAREHOLDING PATTERN

	Dec'24	Sep'24	Jun'24
Promoters	50.79	51.21	54.71
Mutual Funds	14.38	13.69	11.89
FII/FPI	12.61	12.28	11.20
Non-Institutions	20.02	20.88	20.04
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Core			
Revenue	999	1270	1610
Total Expense	841	1074	1334
EBITDA	158	196	276
Interest Expense	22	18	28
Depreciation	49	55	83
PAT	83	100	132
EPS	34.02	40.80	53.8
Ratios			
ROE (%)	10.99	11.2	12.6
ROCE (%)	17.43	16.8	17.5
Valuation			
P/E (x)	76.04	65	52
P/BV (x)	7.16	6.5	5.6

Historical & Industrial Val Ratios

Historical P/E	66.84
Industry P/E	82.51
Historical P/B	6.60
Industry P/B	10.34



Summary	Q3FY25	Q2FY25	Q1FY25	Q4FY24	Q3FY24	Q2FY24	Q1FY24
Overall Brands Portfolio	70+	70+	65	65	60	61	60
Exclusive Brands Portfolio	61	58	55	51	46	46	42
Share of Luxury & High luxury watch sales (%)	71	72	73	68	68	68	67
ASP Per Watch	207513	215952	220520	189844	186533	187468	176953

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23	FY24				FY25			FY25E*	FY26E*
		Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Net Sales	208	230	235	281	253	273	297	370	1270	1610
YoY Change	30.80%	32.53%	32.35%	22.44%	21.66%	18.79%	26.32%	31.54%	27%	26.5%
Total Expenditure	182	196	198	237	217	230	255	313	1074	1334
EBITDA	26	34	37	45	36	43	42	57	196	276
EBITDA Margin	12%	15%	16%	16%	14%	16%	14%	15%	16%	17%
Other Income	5	5	4	6	9	6	6	6	10	12
Interest	3	4	4	4	4	5	5	5	18	28
Depreciation	9	11	13	13	13	14	15	17	55	83
PBT	18	24	25	34	28	31	29	41	133	177
Tax %	25%	25%	25%	26%	24%	26%	26%	27%	25%	25%
Profit After Tax	13	18	19	26	21	23	21	29	100	132
YoY Change	69.39%	41.88%	37.09%	23.52%	58.36%	25.55%	14.31%	15.56%	20%	32%

Source: Company, Hem Securities Research.

EWS* Insights into the assumptions:

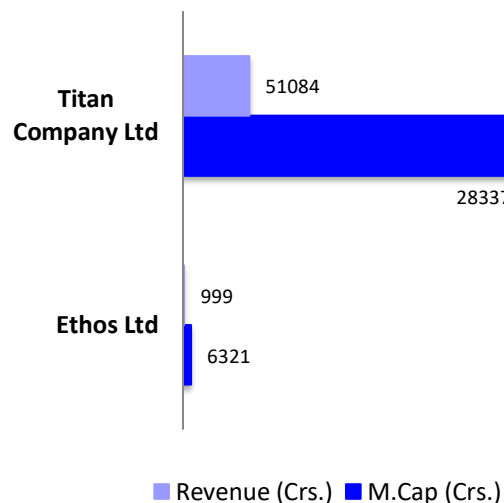
- 1> Ethos average selling price (ASP) has increased, led by increase in mix of luxury and high luxury watch categories..
- 2> First mover in the CPO market
- 3> Expansion of exclusive portfolio
- 4> Growth in HNI and UHNI numbers will significantly fuel the expansion of luxury businesses.
- 5> Diversifying into rapidly increasing premium areas, including Rimowa luggage and Messika and Bvlgari jewellery.



INDUSTRY OVERVIEW

- The demand for luxury goods, such as premium watches, is rising as consumer spending and disposable incomes increase. In addition, growing consumer preference for attractive luxury watches as a valuable asset and consumers' desire for luxury goods from a number of international brands are bolstering the market for high-end watches and are expected to hasten the rate of market expansion.
- The watches segment outperformed the segment of collectibles such as jewellery, handbags, wine, art and furniture over a period of ten years from 2013 to 2022, growing at an average annual rate of 7%. It increased in value by 27% from year 2020 to 2022.
- As a key segment of the worldwide luxury watch market, Swiss watch exports witnessed a record-breaking year in CY 2022. The year's export sales totalled CHF23.7 billion, an all-time high record with a year-on-year growth rate of 11.6%
- The luxury products market in India is expected to grow 3.5 times its current size and reach USD 200 billion by the year 2030, driven by an increase in the number of UHNWIs (net assets of USD 30 million or more), growing entrepreneurship, a strong middle class, increased e-commerce penetration and demand from Tier II and Tier III cities.

KEY PLAYERS



PEER PERFORMANCE

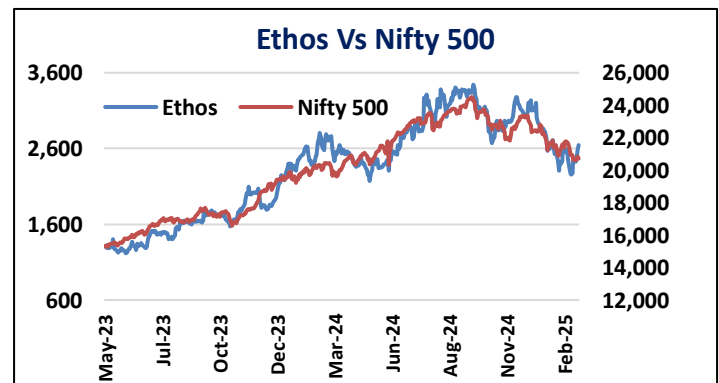
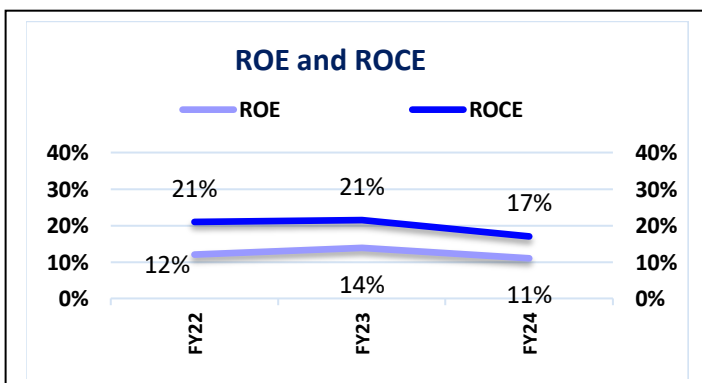
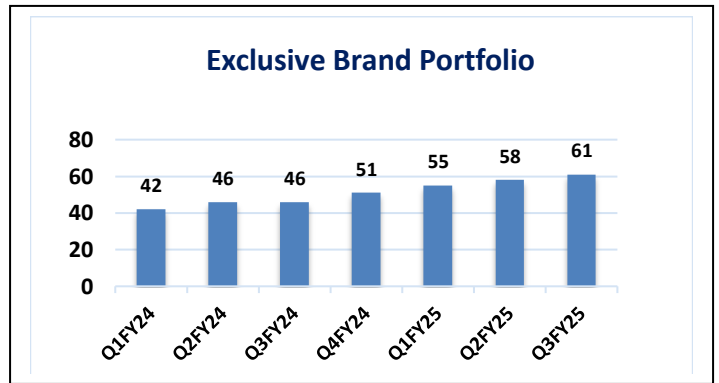
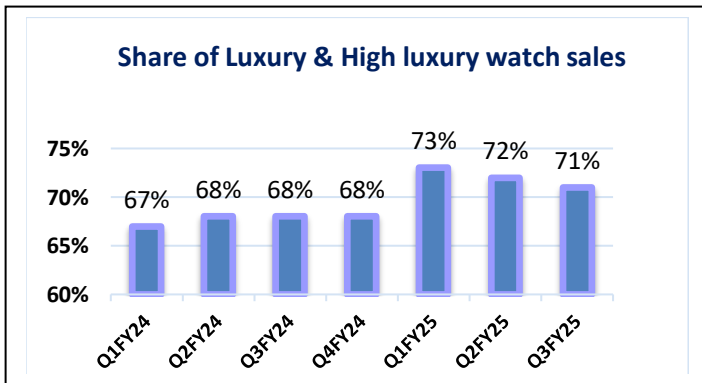
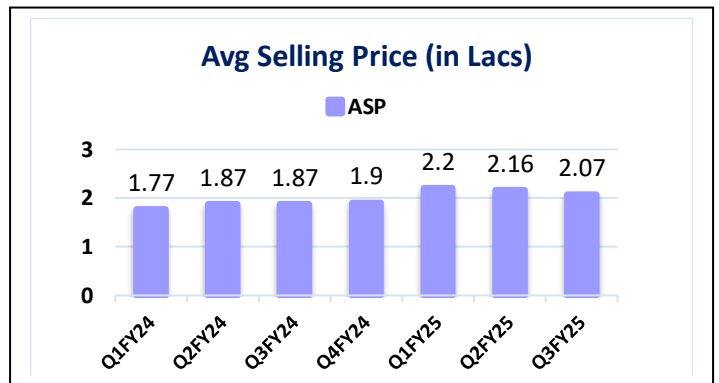
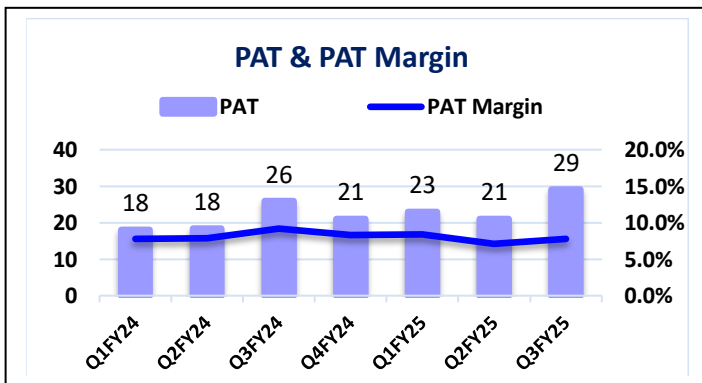
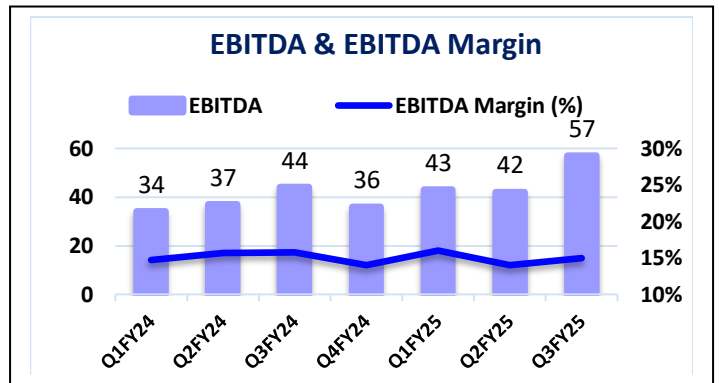
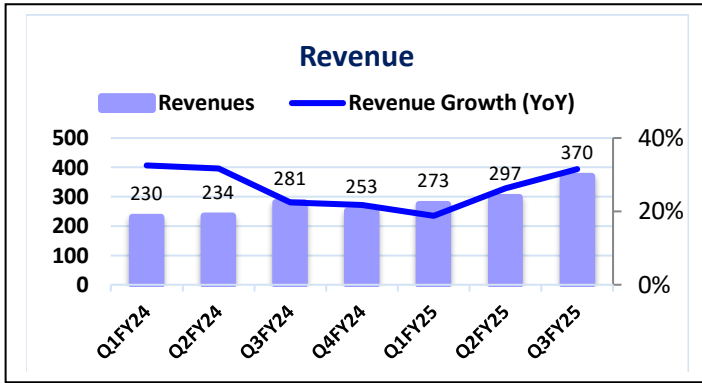
(₹ Cr)

Particulars	Ethos	Titan
Market Cap	6321	283372
Net Sales	999	51084
EBITDA	158	5292
PAT	83	3496
EPS(₹)	34	39
EBITDA MARGIN %	16	11
PAT MARGIN %	8	7
ROCE %	17	25
ROE %	11	33
P/E TTM	67	88
P/B TTM	7	26
EV/EBITDA	31	51
Dividend Yield %	0	0
MCap/ Sales TTM	5	5

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- With 60 locations distributed over 26 Indian cities, Ethos is currently the largest structured luxury watch retailer in the nation. The majority of the well-known international brands, including Omega, Rolex, Rado, IWC, and Bulgari, are retailed by the corporation. Additionally, the business has exclusive distribution agreements with a number of brands, such as Oris, Bovet, H. Moser & Cie, and Jacob & Co.
- Ethos is seeing more traction than anticipated in Tier 2/3 cities as people's knowledge of quality watches rises. With the aid of money raised, Ethos intends to expedite its strategy to expand its reach to Tier 2/3 cities.
- With exclusive partnerships, content-led marketing, and pan-India omnipresence, it aims to grow its ~21% market share in the luxury watch class.
- Positively, the company has projected a CAGR of 25% revenue growth over the next few years, driven by the introduction of new and expanded exclusive brand portfolios, the gradual expansion of CPO, and the introduction of new categories, including the luggage (Rimova) and jewellery businesses.
- The company's overall financial risk profile has been gradually improving due to steady top line growth and ongoing strong profitability. The company reported operating margin of 16% and net profit margin of 8.3% in FY2024, up from 15% and 8.0% of operating margin and net profit margin, respectively, in FY2022, helped by high value-added sales and economies of scale.
- Over FY20–9MFY25, there was a significant increase in ASP from Rs84K to Rs207K due to a deliberate withdrawal from lower price points. The majority of this correction has been made, and Ethos anticipates a modest increase in ASP going forward.
- The lack of mechanical watch technicians is impeding expansion. Ethos has an excellent training programme for this. In order to receive specialized training from the brands, it even sends its specialists abroad.
- In line with strategic focus, company have also signed six new exclusive brand partnerships since April, with additional collaborations in the pipeline. Revenue from exclusive brands contributed 29.7% of total revenue in Q3 FY25 and 29.5% in 9M FY25, underscoring the growing significance of this segment.

RISK FACTORS:

- There are shops that compete with one another. For instance, there are two luxury watch retailers in Bandra: Time Avenue and Watches of Switzerland. These boutiques concentrate on luxury watches.
- Risk of fluctuating demand amid ongoing global scenario.
- Increased competition intensity, a slowdown in the luxury and premium segment, and increased currency exchange rate volatility (CHF/INR).
- Geographic expansion challenges
- A disrupted supply of premium and luxury watches and insufficient inventory maintenance may jeopardize the client demands of Ethos.

COMPANY RECAP

- Ethos (formerly, Kamla Retail Ltd), a subsidiary of KDDL, was incorporated in 2007. The company retails luxury wrist watches, and currently operates 46 premium retail stores across India, including at airports in Delhi, Mumbai, and Bengaluru. It sells more than 60 international luxury watch brands, including Rolex, Omega, TAG Heuer, Carl F Bucherer, Longines, Cartier, Breitling, Breguet, Swatch, Michael Kors, Rado, Versace, Victorinox, Titoni, Favre Leuba, and Corum. In addition to their chain of 73 physical retail stores in 26 cities across India, Ethos offers an omni-channel experience to its customers through website and social media platforms. Its website "www.ethoswatches.com" is India's largest website for premium and luxury watches in terms of the number of brands and watches offered.
- Ethos was promoted by KDDL in 2003. Ethos' promoter is KDDL, which makes watch dials. Ethos has benefitted from its promoter's ie KDDL's, longstanding relationships with luxury watch brands. Since 1983, KDDL undertook export of watch dials, thereby gaining valuable insights in the watch industry, which has been instrumental in building strong relationships with the brands Ethos retails.
- Yashovardhan Saboo the MD of the company. He is B.A. (Hons.) and MBA from IIM, Ahmedabad. He started his career in 1980 as Director of Groz-Beckert Saboo Limited, Chandigarh and was the Managing Director of the company from 1991 to 1993. In 1983, he set up Kamla Dials and Devices Limited (now KDDL Limited) as Managing Director of the Company. In 2003, he set up Ethos. In 2006, he set up the Precision Stamping division, EIGEN Engineering, at Bangalore. He has been conferred with "UdyogRatna" Award from PHDCCI in 2005 for valuable contribution to the economic development of Himachal Pradesh.



ANNUAL PERFORMANCE

Financials & Valuations						
Income Statement	(₹ Cr)					
	2021	2022	2023	2024	2025E	2026E
Revenue	387	577	789	999	1270	1610
YoY change (%)	-15.6%	49.3%	36.6%	26.7%	23%	26.5%
Total Expenditure	344	505	668	841	1074	1334
EBITDA	43	72	120	158	196	276
EBITDA Margin	11%	12%	15%	16%	16%	17%
Other Income	17	13	15	24	10	12
Interest	20	21	20	22	18	28
Depreciation	33	32	35	49	55	83
Profit Before Tax	7	32	81	111	146	177
Tax %	29%	26%	25%	25%	25%	25%
Profit After Tax	5	23	60	83	100	132
YoY change (%)		360.0%	160.9%	38.3%	20%	32%
EPS	2.61	12.26	25.83	34.02	40.81	53.87

Source: Company, Hem Securities Research.

Balance Sheet					
Y/E March	(₹ Cr)				
	2020	2021	2022	2023	2024
Share Capital	18	18	19	23	24
Reserves	134	139	213	608	859
Borrowings	0	0	0	0	145
Other Liabilities	175	140	161	121	142
Total Liabilities & Equity	427	396	507	880	1,171
Fixed Assets	128	112	129	197	230
CWIP	1	4	0	4	9
Investments	4	4	6	7	25
Other Assets	294	275	373	672	907
Total Assets	427	396	507	880	1,171

Source: Company, Hem Securities Research.



Ratios				
Y/E March (Basic (INR)	2021	2022	2023	2024
Margin Ratios				
PBIDTM (%)	15.17	14.56	17.05	17.90
EBITM (%)	6.77	9.12	12.67	13.08
Pre Tax Margin(%)	1.63	5.41	10.12	10.88
PATM (%)	1.2	4.05	7.58	8.15
CPM(%)	9.6	9.49	11.96	12.96
Efficiency Ratio				
ROA (%)	1.15	5.27	8.73	8.00
ROE (%)	3	12.03	13.86	10.74
ROCE (%)	11.96	21.05	21.48	17.09
Asset Turnover(x)	0.96	1.3	1.15	0.98
Inventory Turnover(x)	1.86	2.58	2.67	2.56
Debtors Turnover(x)	35.85	66.5	138.83	91.77
Fixed Asset Turnover (x)	2.34	3.2	3.47	3.44
Sales/Working Capital (x)	3.67	3.41	1.63	1.45
Receivable days	10.18	5.49	2.63	3.98
Inventory Days	196.56	141.54	136.51	142.57
Payable days	96.97	71.65	62.03	51.37
Valuations Ratios				
EV/Net Sales(x)	0.13	0.07	2.57	6.01
EV/EBITDA(x)	0.87	0.47	15.09	33.58
EV/EBIT(x)	1.95	0.74	20.3	45.95
Financial Stability Ratios				
Total Debt/Equity(x)	0.33	0.26	0.01	0.01
Current Ratio(x)	1.7	2.02	4.21	4.98
Quick Ratio(x)	0.38	0.52	1.96	2.43
Interest Cover(x)	1.32	2.45	4.96	5.94

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
21-February-2025	BUY	2993

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Name of the Research Analyst: Madhur Mandhana

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