

Issue highlights

- Ethos Limited (“Ethos”)** was incorporated on November 5, 2007 and promoted by **KDDL Limited**, being one of the promoters of the company. Ethos is India’s largest luxury and premium watch retail player having 13% share of the total retail sales in premium and luxury segment and a share of 20% when seen in exclusively luxury segment in the financial year 2020.
- With a Pan India presence, Ethos has made its presence across cities and regions through a network of stores and boutiques. Its **50 stores are spread across 17 cities**. Ethos Summit exclusively houses bridge to luxury, Luxury & High Luxury Brands, while Ethos Stores house the premium & fashion range as well.
- Ethos has also opened Boutiques in partnership with prominent market leading brands like Rolex. Ethos has an increased focus on customer experience through consultation with watch experts, prompt customer service, loyalty points, guides & research on various watches and brands, service & repair through Ethos Watch Care.
- Ethos also actively retails through its website. Online purchase is digitally enabled for fashion and below range, while it is voice enabled for premium & luxury range. On their website visitors can research about the latest watch launches, reviews and choose from over 7,000 premium, bridge to luxury, luxury and high luxury watches across 50 brands and as of the calendar year ending December 31, 2021, their **website had 21,844,216 number of visitor sessions**.
- As of March 31, 2022, they had about 2.5 million website users, over 2,83,300 active email subscriptions, 1,68,000 Instagram followers, 1,57,000 Facebook followers, and 12,300 YouTube subscriptions.
- Club Echo** is the loyalty program of Ethos with registered members, and annually 35% business comes from repeat buyers registered with the program.

Brief Financial Details*

(₹ In Cr)

	As at Dec’ 31,	As at Mar’ 31,		
	2021(09)	2021(12)	2020(12)	2019(12)
Equity Share Capital	18.78	18.21	18.21	16.90
Reserves#	179.27	137.38	131.64	113.49
Net worth as stated	198.04	155.60	149.85	130.39
Revenue from Operations	418.59	386.57	457.85	443.53
Revenue Growth (%)	-	(15.57)%	3.23%	-
EBITDA	56.29	56.44	54.40	58.26
Profit before Tax	21.62	8.10	1.99	16.48
Profit for the period	15.99	5.79	(1.33)	9.89
Net Profit Margin (%)	3.82%	1.50%	(0.29)%	2.23%
EPS- Diluted (₹)	8.74^	3.15	(0.75)	5.22
RoNW (%)	8.07%^	3.72%	(0.89)%	7.58%
Net Asset Value (₹)	105.48	85.43	82.28	77.14

Source: RHP, *Restated Consolidated, ^ not annualised, # Reserve excluding Capital Reserve.

Issue Details

Fresh Issue of Equity shares aggregating upto ₹375 Cr and Offer for sale of 1,108,037 Equity shares

Issue summary

Issue size: ₹ 468 – 472 Cr

No. of shares(‘000): 5,593,682 – 5,379,107

Face value: ₹ 10/-

Price band: ₹ 836 – 878

Bid Lot: 17 Shares and in multiple thereof

Post Issue Implied Market Cap =

₹ 1,970 – 2,050 Cr

BRLMs: Emkay Global Financial, Incred Capital

Registrar: KFin Technologies Ltd.

Issue opens on: Wednesday, 18th May’2022

Issue closes on: Friday, 20th May’2022

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	25-05-2022
Refunds/Unblocking ASBA Fund	26-05-2022
Credit of equity shares to DP A/c	27-05-2022
Trading commences	30-05-2022

Issue break-up

	No. of Shares (‘000)		₹ In Cr		% of Issue
	@Lower	@Upper	@Lower	@Upper	
QIB	2,796,840	2,689,552	233.82	236.14	50%
NIB	839,053	806,867	70.14	70.84	15%
RET	1,957,789	1,882,688	163.67	165.30	35%
Total	5,593,682	5,379,107	467.63	472.29	100%

Listing: BSE & NSE

Shareholding (Approx. No. of Shares)

Pre issue	Post issue~	Post issue^
19,078,163	23,563,808	23,349,233

~@ Lower price Band ^@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	77.52%	59.81%
Promoter Group	3.49%	1.84%
Public – Selling S/h	0.77%	0.42%
Public – Others	18.22%	37.92%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The Company was incorporated as “*Kamla Retail Limited*” on November 5, 2007. KDDL Ltd; Mahen Distribution Ltd; and Yashovardhan Saboo are the Promoters of the company. The Promoters currently hold 14,790,121 Equity Shares, representing 77.52% of the issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Yashovardhan Saboo is the Managing Director of the company since incorporation of the company. He is the promoter of the company and has vast experience of working in manufacturing and retail industry. He is also the promoter in KDDL Ltd.

Anil Khanna is the Independent Director of the company since incorporation of the company.

Nagarajan Subramanian is the independent Director of the company since June 29, 2011. Prior to joining the company, he was associated with Titan Industries Ltd., Walt Disney India Pvt. Ltd.

Neelima Tripathi is the Independent Director of the company since August 9, 2016. She has over 20 years of experience in handling civil litigations, arbitrations, appearances at tribunals, courts, commissions etc.

Sundeep Kumar is the Independent Director of the company since October 6, 2016. He has been heading Corporate Affairs and Communication of Dalmia Bharat. He has also worked with Novartis Healthcare.

Dilpreet Singh is the Independent Director of the company since April 9, 2018. He is currently an employability consultant at Amazon Web Services India (AISPL). He has served in various capacities within IBM.

Mohaimin Altaf is the Independent Director of the company since April 9, 2018. Prior to joining the company, he worked as a Strategy and M & A Analyst with Morgan Stanley, New York.

Manoj Gupta is the Executive Director of the company since February 12, 2020. Prior to joining the company, he has worked with Titan Industries Ltd. He was also associated with KDDL Ltd.

Patrik Paul Hoffman is the Non-Independent Director of the company since June 11, 2021. He has over 30 years' experience in the watch industry and has been at leadership positions with global watch brands and retailers.

Chitranjan Agarwal is the Additional Director (Non-Independent) of the company since April 1, 2022.

Key Managerial Personnel

Pranav Shankar Saboo is the Chief Executive Officer of the company. He is associated with the company since January 31, 2015. He is also the founder and on the board of Dream Digital Technology Ltd.

Ritesh Kumar Agrawal is the Chief Financial Officer of the company. He joined the Company on August 17, 2021. He has 17 years of experience in finance. He has previously been associated with Spencer's Retail Ltd, Baxter Pharmaceuticals Pvt Ltd, Intertek India Pvt Ltd and PricewaterhouseCoopers Pvt Ltd.

Anil Kumar is the Company Secretary and Compliance Officer of the company since June 29, 2011. He has over 12 years of experience in legal and secretarial compliances.

OBJECTS OF THE ISSUE

The net proceeds of the Fresh Issue are proposed to be utilised as:

Objects	Amount (₹ Cr)
• Repayment or pre-payment, in full or in part, of all or certain borrowings availed by the company;	29.89
• Funding working capital requirements of the company	234.96
• Financing the establishment of new stores and renovation of the certain existing stores	33.27
• Financing the upgradation of ERP	1.98
• General Corporate Purposes	[•]
Total	[•]

The schedule of the expected deployment of the Net Proceeds:

(₹ In Cr)

Particulars	from the Net Proceeds	Estimated deployment of the Net Proceeds in		
		Fiscal 2022	Fiscal 2023	Fiscal 2024
• Repayment or pre-payment, in full or in part, of all or certain borrowings availed by the company;	29.89	-	29.89	-
• Funding working capital requirements of the company	234.96	25.00	104.99	104.98
• Financing the establishment of new stores and renovation of the certain existing stores	33.27	-	29.06	4.21
• Financing the upgradation of ERP	1.98	-	1.98	-
• General Corporate Purposes	[●]	[●]	[●]	[●]

OFFER DETAILS

The Offer	No. of Shares	
Fresh Issue (₹ 375 Cr)	Approx. upto 4,485,646 [~] - 4,271,071 [^] Equity Shares	
Offer for Sale : Name of Selling Shareholder	Upto 1,108,037 Equity Shares	Average Cost of Acquisition (₹)
The Promoter Selling Shareholder:		
<i>Yashovardhan Saboo</i>	<i>Upto 275,000 Equity Shares</i>	100.95
<i>KDDL Limited</i>	<i>Upto 500,000 Equity Shares</i>	93.51
<i>Mahen Distribution Limited</i>	<i>Upto 50,000 Equity Shares</i>	36.38
The Promoter Group Selling Shareholders:		
<i>Saboo Ventures LLP</i>	<i>Upto 150,000 Equity Shares</i>	180.56
<i>Anuradha Saboo</i>	<i>Upto 60,000 Equity Shares</i>	141.36
<i>Jai Vardhan Saboo</i>	<i>Upto 15,000 Equity Shares</i>	186.24
<i>VBL Innovations Private Limite</i>	<i>Upto 10,500 Equity Shares</i>	140.24
The Selling Shareholders:		
<i>Anil Khanna</i>	<i>Upto 6,250 Equity Shares</i>	130.80
<i>Nagarajan Subramanian</i>	<i>Upto 19,231 Equity Shares</i>	99.09
<i>C. Raja Sekhar</i>	<i>Upto 10,556 Equity Shares</i>	121.96
<i>Karan Singh Bhandari</i>	<i>Upto 3,000 Equity Shares</i>	28.86
<i>Harsh Vardhan Bhuwalka</i>	<i>Upto 2,125 Equity Shares</i>	140.24
<i>Anand Vardhan Bhuwalka</i>	<i>Upto 2,125 Equity Shares</i>	140.24
<i>Shalini Bhuwalka</i>	<i>Upto 2,125 Equity Shares</i>	140.24
<i>Manju Bhuwalka</i>	<i>Upto 2,125 Equity Shares</i>	140.24

([~] at lower price band and [^] upper price band)

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
<i>Promoters</i>	14,790,121	77.52%	825,000	13,965,121	59.81%
<i>Promoters Group</i>	666,291	3.49%	235,500	430,791	1.84%
Total for Promoter and Promoter Group	15,456,412	81.02%	1,060,500	14,395,912	61.65%
<i>Public - Selling Shareholders</i>	146,169	0.77%	47,537	98,632	0.42%
<i>Public - Other</i>	3,475,582	18.22%	-	8,854,689	37.92%
Total for Public Shareholder	3,621,751	18.98%	47,537	8,953,321	38.35%
Total Equity Share Capital	19,078,163	100.00%	1,108,037	23,349,233	100.00%

PRE IPO PLACEMENT

The company has undertaken a Pre-IPO Placement of **302,663 Equity Shares** at a price of ₹ **826/-** per share, aggregating to ₹ **25 Crore** as under.

Name of the Entity	No. of Equity Shares	Amount (₹ Cr)
Abakkus Growth Fund – 2	302,663	25.00

BUSINESS OVERVIEW

Ethos Limited (“Ethos”) is India’s largest luxury and premium watch retail player having 13% share of the total retail sales in premium and luxury segment and a share of 20% when seen in exclusively luxury segment in the financial year 2020 delivering a content-led luxury retail experience to their customers through their online and physical presence. In addition to their chain of 50 physical retail stores in 17 cities in India in a multi store format, Ethos offers an Omni-channel experience to their customers through their website and social media platforms. They have the sizeable portfolio of premium and luxury watches in India enabling them to retail 50 premium and luxury watch brands like Omega, IWC Schaffhausen, Jaeger LeCoultre, Panerai, Bvlgari, H. Moser & Cie, Rado, Longines, Baume & Mercier, Oris SA, Corum, Carl F. Bucherer, Tissot, Raymond Weil, Louis Moinet and Balmain. Ethos enjoys a healthy market share of 20% in the luxury watch retail segment and 13% in the premium and luxury watch retail segment in India. In addition to their premium and luxury watch retail, they also undertake retail of certified pre-owned luxury watches since Fiscal 2019.

Company’s Omni-channel approach is premised on their endeavour to provide experience, content, customisation, reach and convenience to their customers. Their website “www.ethoswatches.com” is India’s largest website for premium and luxury watches in terms in number of brands and watches offered. In their industry, watches are categorised on the basis of price segments ranging from the high luxury price point (₹ 10 lakhs and above per watch), luxury watch segment (₹2.5 lakhs - ₹10 lakhs per watch), bridge to luxury segment (₹1 lakh - ₹2.5 lakhs per watch), premium segment (₹0.25 lakhs -1 lakh per watch) and fashion and mass segment (upto ₹0.25 lakhs per watch). On their website visitors can research about the latest watch launches, reviews and choose from over 7,000 premium, bridge to luxury, luxury and high luxury watches across 50 brands and as of the calendar year ending December 31, 2021, their **website had 21,844,216 number of visitor sessions**. On their website, visitors are assigned highly trained watch consultants, who help the customers to choose from the wide array of choices available. Ethos gives their customers the ability to shop online or to touch and feel their shortlisted watches in the comfort of their homes or at one of their 50 stores. As their offline and online channels are integrated, their customers can place orders for their products either offline or online and have the flexibility of buying products at one store and returning at another or browsing their product catalogues and placing orders online with doorstep delivery.

Through their website, Ethos is able to cater to their customers located in cities where they do not have any physical presence. Their Omni-channel model enables them in adding more customers, expanding their reach and providing better watch buying experience to their customers. They include research articles, independent reviews and guides on watch selection on their website to assist customers in making the right choice while purchasing luxury watches. They also have a luxury watch helpline for answering technical and other queries, along with live chat with luxury watch consultants on their website.

In addition to their premium and luxury watch retail, Ethos also undertake retail of certified pre-owned luxury watches under ‘Certified Pre-Owned’ (“CPO”) luxury watch lounge located at New Delhi. They started their pre-owned luxury watch retail business in Fiscal 2019. CPO is a destination for selling and buying pre-owned luxury watches under technical expert supervision providing a 360- degree physical inspection and verification of watches and certified with a 2 year warranty. The market for previously owned or “pre-owned” watches has become the best place to purchase after assessing the value of a watch over time and provide liquidity to watch owners who want to trade in their watch for a new one.

Company’s 1st luxury retail watch store was opened in January 2003 at Chandigarh by their Promoter, KDDL Limited, a company listed on the BSE and the NSE, under the brand name “**ETHOS**”. Subsequently, the retail business of their Promoter was hived off into Ethos under the name and style of Kamla Retail Ltd in 2008 and Ethos was renamed as Ethos Limited in 2012, in order to consolidate the business of luxury watch retail under one umbrella for better management and focussed approach. Their Promoter’s experience in the watch industry has assisted them in establishing strong relationships with the global watch brands and further strengthening their business.

Currently, Ethos has an extensive network of 50 retail stores spread across 17 cities of New Delhi, Mumbai, Bengaluru, Hyderabad, Chennai, Kolkata, Chandigarh, Ahmedabad, Jaipur, Lucknow, Gurgaon, Guwahati, Ludhiana, Nagpur, Noida, Pune and Thane in India. Their 50 stores are categorised into 14 Ethos Summit Stores and 1 airport store, 14 multi-brand outlets and 10 Ethos Boutiques both housing bridge to luxury and premium brands, 10 luxury segment mono-brand boutiques offering a single luxury watch brand, and 1 CPO luxury watch lounge for pre-owned watches. Their distinct retail formats address various market segments like luxury and high luxury, exclusive boutiques and airport boutique. Ethos Summit stores are their flagship and large stores, which gives a far superior experience to their customers on account of a wider range of products.

Their physical stores provide them the ability to interact with their consumers in person. Owners of major luxury watch brands invest heavily in marketing. As a luxury watch retailer, they benefit from the increased awareness generated by traditional marketing activities as well as promotional activities, such as watch fairs, exhibitions and flagship store openings. They often collaborate with luxury watch brands, holding events together and running cooperative marketing campaigns (where their brand is paired with the relevant third-party brand's name).

Company's digital platform had 3.2 million sessions in December 31, 2021. As of March 31, 2022, they had about 2.5 million website users, over 2,83,300 active email subscriptions, 1,68,000 Instagram followers, 1,57,000 Facebook followers, and 12,300 YouTube subscriptions. Their digital platform has created a niche in the online luxury watch market through various unique value-added services including a highly specialised team of luxury watch consultants, targeted content, watch insurance, easy instalments and dedicated after sales service to their customers. In addition to leveraging their strengths in comprehensive merchandising, brand relationships and delivery experience, they focus on educating consumers via digital content and newsletters, which is an integral part of their business model. 'The Watch Guide', their in-house digital magazine curates relevant and exclusive content for watch enthusiasts.

Club Echo:

Company's loyalty programme 'Club Echo' is a customer relationship management initiative for providing them with a rewarding experience in luxury retail category. Club Echo operates as a dynamic incentive scheme which provides benefits to repeat customers based on their cumulative purchasing over time. The database generated via Club Echo gives them access to important information on customers and their buying trends which further enables them to design appropriate reward and communication strategies leading to greater satisfaction and commitment. Their Club Echo outbound call centre stationed at marketing office at Mohali, Punjab, which helps them to establish direct contact with their customers and pitch occasion specific offers to them over the phone. As of March 31, 2022, they had over 283,300 registered members to their Club Echo. The details of enrolment of new customers in their loyalty programme Club Echo and the repeat customers and revenue from such operation for 9 months period ended December 31, 2021, Fiscal 2021, Fiscal 2020 and Fiscal 2019 are as follows:

(₹ in Cr)

Financial Year	Club ECHO Sales	Repeat Transactions	Total Billing	Club Echo %	Repeat Share % (Value)
	A	B	C	D =A/C	E=B/C
9 months period ending Dec' 31, 2021	407.66	177.77	487.24	83.67%	36.49%
Fiscal 2021	388.87	164.92	448.77	86.65%	36.75%
Fiscal 2020	421.56	177.53	524.51	80.37%	33.85%
Fiscal 2019	367.45	172.97	512.88	71.64%	33.75%

Company's business is supported by their state of the art service centre which is equipped with latest machinery imported from Switzerland. Their service centre has engaged horological engineers having experience at leading global watch brands. Their expert watchmakers at the service centre have certifications from brands like Omega, Tissot, Longines, Rado among other global brands with a minimum work experience of 10 years. Their service centre has received authorisations from several leading global watch brands.

Company's average selling prices per watch in their retail business have increased on a YoY basis. In Fiscals 2019, 2020, 2021 and the 9 months period ended December 31, 2021 the average selling price of their watches moved up from ₹ 73,261 in Fiscal 2019 to ₹ 84,240 in Fiscal 2020, to ₹ 1,09,864 in Fiscal 2021 and ₹ 1,42,795 for the 9 months period ended December 31, 2021. The luxury and high luxury watch sales constituted 46.06% (₹ 20,375.17 lakhs), 48.09% (₹ 22,020.00 lakhs), 58.00% (₹ 22,421.56 lakhs) and 64.41% (₹ 26,960.95 lakhs) during Fiscals 2019, 2020, 2021 and the 9 months period ended December 31, 2021, respectively, of their sale of products

For the 9 months period ended December 31, 2021, Fiscals 2021, 2020 and 2019, their online sales have gradually increased and comprised of 33.29% (₹ 139.35 crore), 37.64% (₹ 145.52 crore), 29.40% (₹ 134.63 crore) and 27.01% (₹ 119.80 crore), respectively of their revenue from operations.

Most of their supplier works with them on a nonexclusive basis, in absence of exclusivity with their suppliers Ethos may be subject to competition from the entities which may have more resources than them. They have not entered into any exclusive arrangement with most of their suppliers. In absence of exclusivity, they may not be able to sell the exclusive products which may not be available with other retailers in India. Some of their competitors may have greater resources than them and may offer better deals, discounts and offers to the customers. They face competition from various domestic as well as international players that may have some effect on their competitive position and profitability. As a result of increasing competition and absence of exclusive arrangements with the suppliers their pricing could be adversely impacted.

COMPANY BUSINESS

Ethos is a category leader in premium and luxury watch retail in India having a healthy market share of 20% in the luxury watch retail segment and 13% in the premium and luxury watch retail segment in India. They operate an Omni-channel retail platform across India and sell their products through their (i) stores categorised as Ethos Summit Stores, multi-brand stores, Ethos Boutiques, Airport Store, CPO luxury watch lounge and mono-brand boutiques, and (ii) via online channel (including Online Leads).

The sales to their customers, and the percentage of total sales to their customers contribution from each channel:

(₹ in Cr)

Sales Channel	9 months ended December 31, 2021		2021		2020		2019	
	Sales	% Sales	Sales	% Sales	Sales	% Sales	Sales	% Sales
Stores	279.24	66.71%	241.05	62.36%	323.22	70.60%	323.73	72.99%
Online	139.35	33.29%	145.52	37.64%	134.63	29.40%	119.80	27.01%
Total	418.59	100.00%	386.57	100.00%	457.85	100.00%	443.53	100.00%

Retail Store

As of March 31, 2022, Ethos had a network of 50 retail stores across 17 cities in India, which are categorised into Ethos Summit Stores, multi-brand stores, Ethos Boutiques, Airport Store, CPO luxury watch lounge and mono-brand boutiques. Their Ethos Summit stores are their experiential flagship boutiques across all regions, gives a far superior experience to their customers on account of a wider range of products. In addition to their retail stores, they also have warehouses at New Delhi, Mumbai, Bengaluru, and Ahmedabad for storing their inventory on leasehold basis.

Online Sales

Company's website, www.ethoswatches.com provides a seamless experience to customer both online and offline. It provides information about international brands with smart search facilities by gender, price and its features and valuable customer education touch points. Their digital presence is supported by an in-house digital team of over 70 people with trained watch specialist and 25 online luxury watch consultant to respond to customer queries. All their sales, which are initiated on their website, irrespective of whether the sale concludes on their website or retail store are categorised as 'online sales'.

Company Products

Ethos is the retailers of premium and luxury watches and pre-owned luxury watches. They source all of their products directly from third-party brand owners, their subsidiary in India or their authorised dealers. Also, they retail watches in the category of premium, bridge to luxury, luxury and high luxury category.

Watches are categorised on the basis of price segments ranging from:

- High luxury price point (₹ 10 lakhs and above per watch),
- Luxury watch segment (₹2.5 lakhs - ₹10 lakhs per watch),
- Bridge to luxury segment (₹1 lakh - ₹2.5 lakhs per watch),
- Premium segment (₹0.25 lakhs -1 lakh per watch),
- Fashion and mass segment (up to ₹0.25 lakhs per watch).

Category-wise contribution to total sale of products:

(₹ in Cr)

Sales Channel	9 months ended December 31, 2021		2021		2020		2019	
	Sales	% Sales	Sales	% Sales	Sales	% Sales	Sales	% Sales
Fashion	16.46	3.93%	21.69	5.61%	36.59	7.99%	46.53	10.52%
Premium	55.10	13.16%	68.07	17.61%	102.41	22.37%	98.25	22.21%
Bridge to luxury	77.42	18.50%	72.60	18.78%	98.65	21.54%	93.84	21.21%
Luxury	153.26	36.61%	150.83	39.02%	174.83	38.18%	155.71	35.20%
High luxury	116.34	27.79%	73.39	18.98%	45.37	9.92%	48.04	10.86%
Total	418.59	100.00%	386.57	100.00%	457.84	100.00%	442.37	100.00%

Company Services

Company's service centre is a key infrastructure for their CPO business and undertakes the servicing, refurbishing and certification activities which are essential for operating the CPO retail business. Ethos offers watch aftercare

services, including repairs, restoration, movement overhauling, ultrasonic cleaning, engraving and alterations. Their state of the art service centre, 'Ethos Watch Care' and collection centre is based in New Delhi and repairs several leading global watch brands. Their business is supported by their state of the art service centre which is equipped with latest machinery imported from Switzerland. Their service centre has engaged horological engineers having experience at leading global watch brands. Their expert watchmakers at the service centre have certifications from brands like Omega, Tissot, Longines, Rado among other global brands with a minimum work experience of 10 years.

REVENUE FROM OPERATIONS

	9 months ended Dec'31,	Year Ended March 31,		
	2021	2021	2020	2019#
	Revenue (₹ in Cr)	Revenue (₹ in Cr)	Revenue (₹ in Cr)	Revenue (₹ in Cr)
Revenue from contracts with customers	418.59	386.57	457.85	442.91
- Sale of products (net of applicable tax)	416.62	381.85	449.06	437.44
- Sale of services	1.97	4.72	8.79	5.47
Other operating revenues	-	-	-	0.62
Total	418.59	386.57	457.85	443.53

INTELLECTUAL PROPERTY

Ethos is in the process of purchasing their brand-name "ETHOS" and "SUMMIT" from their promoter, KDDL Ltd. They have entered into an agreement to sell dated January 1, 2022, with KDDL Ltd, for the transfer of brand names, trademarks, trade names logos and all related rights to "Ethos" in Ethos name for an amount of ₹ 39 crore. Out of ₹ 39 crore, one third needs to be paid by Ethos by March 31, 2022, one third of the payment will be made by Ethos to KDDL Ltd when trademark "Ethos" is transferred and remaining amount is to be paid when trade mark "Summit" is transferred and registered in Ethos favour. The transfer of brand-names "ETHOS" and "SUMMIT" from their Promoter, KDDL Ltd to Ethos will complete after the listing of Equity Shares on the BSE and NSE.

COMPETITIVE STRENGTHS

- **Access to a large base of luxury Customers**

As of March 31, 2022 Ethos has access to a HNI customer base of over 283,300. Access to their digital platform increased over the calendar years i.e. 15.47 million number of sessions in 2019 to 21.46 million number of sessions in December 31, 2021. Each of their product lines are discretionary products, which are highly dependent on trends in consumer spending and, consequently, are sensitive to factors that influence consumer spending. Demand for their products is directly proportional to the number of their HNI customers.

Company's understanding of the luxury customers has enabled them to evolve their luxury customer base, enabling them to drive the sales of their luxury and high luxury watches. Their loyalty programme, Club Echo, has also been subscribed by over 2,83,300 registered members which gives a unique insight into understanding the buying pattern of the customers and reward them for their loyalty.

- **Leading luxury watch Omni-channel retail player of India**

Ethos was quick to establish a robust digital infrastructure which has been their key strength and enabled them to scale business and increase their customer base. Their digital team consists of over 70 employees across different teams, including performance marketing, creative, content, social media, product/website, technology and internet sales among others. Their website showcases over 50 brands, offering a great eco-system for visitors to not only purchase these watches online but also to discover watches, and understand their legacies. They use data collected across their channels to re-market to the customers who have shown interest in their website across the popular networks and social media platforms to remain top-of-mind for their customers.

By giving their consumers both physical and digital shopping experiences through their Omnichannel model, they want to remain relevant at all the touchpoints of a consumer's journey. Their website is custom-built with content rich, high- quality images and videos. Through their team responsible for e-commerce and web design, Ethos has created landing pages for each of its luxury brands, with distinctive brand imagery.

Their in-store channel allows customers to order products online and fulfilled by their store. Their online channels offer customers the ability to (i) purchase online with home delivery, (ii) book a viewing in-store or at home or office, and (iii) services to collect the product in-store.

- ***Strategically located and well invested store network with attractive in-store experience***

With 50 retail stores, over 7,000 varied premium and luxury watches and about 30,000 watches in stock at any given time, company's retail stores are located strategically in shopping malls, airport terminals and other premium areas. Their flagship stores are high-street stores allowing lower mall dependency for them, which proved to be a massive structural advantage, especially during the pandemic year. Their networks of retail stores allow them to cater to a large section of consumers and ensure effective penetration of the luxury watch brands that they retail.

- ***Strong and long-standing relationships with luxury watch brands***

The company views themselves as brand custodians and apply a client-servicing mindset to their interactions with brands to ensure they are building long-term strategic relationships. The retailing of luxury watches requires formal approval from the owner of the luxury watch brand to carry a particular product on a store-by-store basis, rather than being allowed to distribute products across an entire business. The manufacturing of key luxury watch brands is highly concentrated among a limited number of brand owners that are primarily based in Switzerland.

Relationships with owners of luxury watch brands typically take many years to develop and are difficult to replicate. Ethos has been immensely benefitted from their Promoter's long standing relationships with luxury watch brands, developed over the years. Further, through their strong and long-standing relationships with the world's leading luxury watch makers, Ethos is able to offer its customers the respected luxury watches brands in the world.

- ***Leadership position in an attractive luxury watch market***

Ethos is the largest retailer for luxury watches in India commanding 20% market share of the organised market for luxury watch retail in India. They have the sizeable portfolio of premium and luxury watches in India enabling them to retail 50 premium and luxury watch brands. Ethos benefits from strong levels of domestic demand for luxury watches. Brands command significant pricing power, which has enabled them to raise the list prices of their products almost every year and to carefully monitor and control potential arbitrage across regions. The retailer margins on premium watches ranges from 20% - 25%, while retailer margins on bridge to luxury segment ranges from 25% - 28%, and luxury & above segments have a retailer margin of 20% - 35%. The fact that luxury and above watch segments demand better margins allows to have better profitability in sale of high value luxury and above category. The company derives significant benefits from the tendency of consumers in the luxury watch markets to become repeat customers and span age and income groups.

- ***Early mover advantage in certified pre-owned business***

In addition to their premium and luxury watch retail, Ethos also undertake retail of certified pre-owned luxury watches under 'Certified Pre-Owned' ("CPO") luxury watch lounge located at New Delhi. CPO is a destination for selling and buying pre-owned luxury watches under technical expert supervision providing a 360-degree physical inspection and verification of watches and certified with a 2 year warranty. The overall luxury pre-owned market in India was valued at approximately ₹ 40 crores - ₹ 50 crores during financial year 2020, which was largely dominated by the unorganised sector contributing almost 80% of the market.

- ***Founder-led company supported by a professional management team***

Ethos benefits greatly from an experienced management team with deep industry know-how and knowledge. The management team is led by Yashovardhan Saboo, their Managing Director. He was involved in promotion of KDDL in 1981 and has since led it to the position of market leadership in India and abroad. He founded Ethos Limited in the year 2007. Their management team understands the global luxury industry and the luxury customer in India. The experience of their Company's committed and capable management team enables them to make informed decisions on key issues the business is facing. Company's management team has been instrumental in achieving growth in India and enhancing its relationships with owners of luxury watch brands.

KEY BUSINESS STRATEGIES

- ***Leveraging the luxury watch retail business and access to luxury customers to expand into other luxury verticals***

For category specialists in the luxury segment, growth through category extension is expected. There is a potential for current vertical specialists to expand into adjacent luxury offerings like hard luxury in various product categories. Ethos has a thorough understanding of the luxury customer and the related environment in India and has a ready database of HNIs in India. All of their retail platforms are well maintained and appeal to customers interested in

purchasing luxury products. They intend to leverage their strength of understanding of the luxury market, customers and products, reputation for authentic, high-end luxury products. Through their CPO platform, they have ventured into sale of pre-owned luxury watches and intend to expand into other luxury category goods. They aim to increase the product offerings in their current brand portfolio of luxury watches and add newer long-term focused brands in other product categories.

- ***Expanding the physical store network and increasing market share***

Ethos expects the luxury watch market to continue to grow in India as well as neighbouring countries like of Bangladesh (Dhaka), Sri Lanka (Colombo), Nepal (Kathmandu) and Maldives (Male). They will continue to focus on continued growth of their luxury watches business. Their strategy for continued growth and market share gain is focused on the following key limbs:

- Successfully executing its pipeline of new store projects, as well as identifying attractive locations for opening new Company-branded stores or mono-brand stores or relocating existing stores and continuing to upgrade its existing stores as and when necessary;
- Growing sales and improving margins in their existing stores and via the online channel through product, merchandising, marketing, training, logistics and technological initiatives; and
- Proactively managing their store portfolio to improve operating margins

- ***Growing the certified pre-owned luxury watch retail business***

In order to be successful in certified pre-owned, scale is crucial as it is important to offer a wide choice of watches to the customers and scale also allows one to make the necessary investments in digital infrastructure, marketing, servicing, refurbishing and certification. The most crucial part in a successful certified pre-owned business in watches is the procurement and refurbishment of watches.

Company's 50 retail stores across India that acts as off-line touch point with customers, allowing them to ask their patrons about trading in an older watch and get store-credit reimbursable on new watches. They have a dedicated website for certified pre-owned watches, which acts as a digital touch point.

Website visitors can also share details and pictures of their timepieces for evaluation online, this allows them to capture procurement intent online as well. Company's service centre helps in the quality checks, evaluation, refurbishing and certification of the pre-owned timepieces they receive. Their service centre also enables them to procure more timepieces, allowing their customers to trade-in or simply sell their watches to them.

- ***Increasing the watch brands portfolio***

Ethos endeavours to improve sales and hence create value for their brand relationships through improved merchandising, refined marketing and new data driven brand specific experiences. They want to ensure that their platform maintains its position as a go-to premium and luxury watch retail destination for its diverse brand relationships. Many of the world's leading watch brands are not yet present in India and Ethos intends to partner with them and bring these brands to India. In addition to increasing their brand portfolio, they also intend to enter into and increase their exclusive arrangements for sale and marketing of premium and luxury watch brands in India.

- ***Drive Sales and gather data through Technological Innovations***

With increased internet penetration and adoption of artificial intelligence and machine learning in retailing, luxury brands have started adopting these technologies to make their products available to the customers. Certain global marketplace platforms offer virtual showrooms on its apps, which enables the customers to virtually try on the watch through augmented reality, giving customers an experience and enabling them to view and feel how the watch will look on wearing.

Ethos understand the importance of assisted buying to drive awareness and make sales and in order to further enhance their efficiency, optimisation and driving sales, they are in the process of implementing several innovative steps and products.

INDUSTRY OVERVIEW

Segmentation of Indian Watch market by Price

Category	Price Range (INR)	Key Brands
High Luxury	>10,00,000	    
Luxury	2,50,000-10,00,000	    
Bridge to Luxury	1,00,000 - 2,50,000	    
Premium	25,000 - 1,00,000	    
Fashion	5,000 - 25,000	  
Mass	<5,000	  

Market Shares of Key Vertical Specialist Premium & Luxury Watch MBOs

Vertical Specialist Premium & Luxury MBOs	Revenue FY2020 (₹ Cr)	Share in Luxury Watch Market	Share in Premium, & Luxury Watch Market
Ethos Limited	457.8	20%	13%
Kapoor Watch	242.4	10%	7%
Johnson Watch	161.6	7%	4%
Zimson	150.5	6%	4%
Kamal Watch	111.2	5%	3%
Khimani Watch	55.9	2%	2%
Helvetica Boutique	35.7	2%	1%

City-type and Region mapping for key Vertical Specialist MBOs

Vertical Specialist	Region-wise					City-wise					Total Stores
	North	South	East	West	Central	Metro	Mini-Metro	Tier 1	Tier 2	Tier 3	
Ethos	41%	29%	4%	27%	0%	41%	39%	18%	2%	0%	50
Zimson	0%	100%	0%	0%	0%	0%	73%	23%	3%	0%	30
Johnson Watch Co.	100%	0%	0%	0%	0%	100%	0%	0%	0%	0%	10
Kapoor Watch Co.	100%	0%	0%	0%	0%	100%	0%	0%	0%	0%	11
Helios	35%	20%	11%	21%	4%	26%	31%	20%	22%	1%	112
Art of Time	0%	0%	0%	100%	0%	100%	0%	0%	0%	0%	2

Details of Partnerships for key Vertical Specialist MBOs

	Brand EBO Partnership	No. of EBOs	Cities
Ethos	Girard Perregaux	1	National Capital Territory of Delhi
	Hublot	1	Mumbai
	Jaeger-LeCoultre	1	National Capital Territory of Delhi
	Omega	3	Chennai, Jaipur, Mumbai
	Oris	1	Chennai
	Panerai	1	National Capital Territory of Delhi
	Rado	6	Ahmedabad, Chandigarh, Jaipur, Lucknow, National Capital Territory of Delhi, Mumbai
	Rolex	2	Bangalore, National Capital Territory of Delhi
	Seiko	1	Bangalore
	Tissot	1	National Capital Territory of Delhi
Zimson	Longines	2	Bangalore, Chennai
	Omega	1	Bangalore
	Rado	6	Coimbatore, Bangalore, Chennai

	Brand EBO Partnership	No. of EBOs	Cities
	Seiko	2	Chennai,
	Tissot	3	Coimbatore, Bangalore, Chennai
Johnson Watch Co	Longines	2	National Capital Territory of Delhi
	Mont Blanc	1	National Capital Territory of Delhi
	Omega	1	National Capital Territory of Delhi
	Rado	2	National Capital Territory of Delhi
Helvetica	Longines	1	Chennai
	Omega	1	Chennai
	Rado	2	Chennai, National Capital Territory of Delhi
	Rolex	1	Chennai, National Capital Territory of Delhi
	Tissot	2	Chennai, Bangalore
Kamal Watch Co	Longines	1	Hyderabad
	Omega	1	Hyderabad
	Rado	3	Hyderabad
	Rolex	1	Hyderabad
	Tissot	3	Hyderabad, Bhubaneshwar

Comparison of Vertical Specialists on Digital Presence & Loyalty Program – Global and Indian

Retailers	Global/ Indian Retailer	Loyalty Program	Number of Instagram Followers	Number of Likes on Facebook Page	Number of Twitter Followers	Website Ranking in India*
Hodinkee	Global	No	194,000	191,086	70,400	-
Ethos	Indian	Yes	164,000	157,655	4,935	8th
Bucherer	Global	No	122,000	74,939	9,622	-
The Hourglass	Global	No	57,300	64,469	-	-
Watches of Switzerland	Global	Yes	53,200	195,555	5,620	-
Kapoor Watch Co	Indian	No	44,200	104,355	641	75 th
Helios	Indian	No	33,600	140,724	-	27 th
Johnson Watch Co	Indian	No	22,800	196,306	-	-
Zimson	Indian	No	9,400	21,802	337	-
Kamal Watch Co	Indian	No	8,000	35,610	-	-

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