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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

Scrp 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 July 27, 2023 intimating the schedule of the conference call for Monday, August 7, 2023 at 3.00 p.m. IST.

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 ended on June 30, 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

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
Q1 FY '24 Earnings Conference Call”
August 07, 2023

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 7th August 2023 will prevail

MANAGEMENT: **MR. YASHOVARDHAN SABOO – CHAIRMAN AND
MANAGING DIRECTOR – ETHOS LIMITED
MR. PRANAV SABOO – CHIEF EXECUTIVE OFFICER –
ETHOS LIMITED
MR. RITESH AGRAWAL – CHIEF FINANCIAL OFFICER –
ETHOS LIMITED
SGA, INVESTOR RELATIONS ADVISOR – ETHOS
LIMITED**

MODERATOR: **MR. MANDAR CHAVAN – STRATEGIC GROWTH
ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Ethos Limited Q1 FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Saboo, CEO from Ethos Limited. Thank you and over to you, sir.

Pranav Saboo: Good afternoon everyone. Thank you for joining us on Ethos Limited Quarter 1 FY24 Earnings Conference Call. I hope everyone had a chance to view our financial results and investor presentation recently posted on the company's website and stock exchanges. I am accompanied by our Chairman and Managing Director, Mr. Yashovardhan Saboo, and our CFO, Mr. Ritesh Agrawal, and SGA, our Investor Relations Advisors, on this call today.

FY24 has started positively, and we are confident that this is a sustainable trend. We believe the luxury watch demand will remain robust and grow steadily. Our strategy and plan to gain market share without compromising profitability will continue together with a steady expansion of our product and brand portfolio. It is extremely heartening to see that the watch brands support this view of Ethos and have continued to extend full support to grow the Indian market with us. This is evident from the increase in marketing spending by brands, exclusive launches of timepieces for the Indian market, simultaneous launches of watches in India and with the globe, and of course, better product allocation for India.

Ethos is best placed to capitalize on this trend with its strong presence and understanding of the Indian luxury watch market. It is essential for us to continue our pursuit of elevating the luxury experience for our clients. We are in the progress of making significant investments in our showrooms during the year as well as renovating existing boutiques. These investments, backed by our proven business model, impactful marketing, and dedication to client service, will help us grow the market and gain market share.

Let me give you an overview of our Q1 performance. Revenue from operations is up by 33% to INR230 crores from INR170 crores in Q1 FY23. EBITDA for the quarter grew by 32% year-on-year to INR38.6 crores in Q1 FY24. You will surely note that our margin has been impacted. This is solely due to a significant increase in the exchange rate between INR and CHF, which has changed from INR 82 to INR 83 in the first quarter of last year and INR85-INR86 in December 2022 to approximately INR95 now. That is a change of nearly 13% from December. About 75% of brands have now taken the price increase in accordance with the INR CHF rate at 91, which was the average rate for the first quarter of the calendar. The balanced 25% is still at INR 85-86 range of December 2022. This unprecedented gap means that even as the cost has increased, the selling price still needs to be revised by the brands. We expect that prices across

brands will be corrected by January or earlier and margin will be fully restored, and the effect of our margin expansion strategy will start to show up next year in great display. The forex hit was around 110 basis points this quarter, over and above the INR 77 lakhs, which is payment related.

Profit after tax for Q1 FY24 was INR18.2 crores as compared to INR12.8 crores in Q1 FY23 which grew 42% on a year-on-year basis. Inventory days as on 30th June stood at 147 days. Gross debt stood at INR8.2 crores as on 30th June 2023. Cash and cash equivalent stood at INR212 crores as on 30th June 2023. Before we go for the question-and-answer part of our discussion, allow me to discuss a few more points. At Ethos, mastery of luxury watches is synonymous with a commitment to product innovation and knowledge.

This is enabled and leveraged with impact and effectiveness through the participation of our teams at renowned watch fairs in Switzerland. Our team is invited to these fairs by watch brands to learn more about their products and to give feedback. This gives us a superior product portfolio to Indian consumers with refined service.

We believe Ethos will lead the way to getting more brands and better products to India in the future.. While expanding our operations rapidly, we continue to keep a close watch on costs. We maintain stringent cost controls to ensure an efficient operation, particularly rental costs. On a regular basis, we are assessing the performance of all retail stores, and we take location-related decisions based on the performance of each store. We continue to pursue our growth strategy through a combination of targeted capital investment in showrooms and driving operational leverage.

Let me now talk about the pre-owned market. This is a positive development for the retail market. This is a growing sector. While there has been some cooling down of the excessive heat in the international market, it remains an area of huge potential everywhere especially in India.

We are putting greater resources and marketing efforts to ensure full justice to the unique opportunity we have built in the pre-owned market. During quarter one, growth was impacted because our second movement boutique was non-functional for two months due to ongoing renovation and litigation of the mall that we are in. We expect it to be back on stream quite soon. Let me talk now about new boutiques. Around the end of last fiscal year, we had indicated that we have planned about 40 new openings in the next two fiscal years, of which 20 to 25 will be in the current fiscal year. I am pleased to inform you that in the we have opened six new boutiques in the last quarter, and added three new cities – Surat, Bhubaneswar and Raipur on the Ethos map. I am pleased to inform you that several new openings are coming up in the next quarter. Our first Rimowa boutique will be coming up in the Jio World Plaza Mall in BKC, Mumbai. As many as six boutiques will come up at Mall of Asia, the new super luxury mall in Bangalore. This includes five monobrand boutiques and one Ethos Summit multi-brand store. Furthermore, two stores, one multi-brand and one brand boutique will open at the Mall of Millennium in Pune.

We will strengthen our position at Select City Walk in New Delhi with a new monobrand boutique opening. In addition, new openings are in the pipeline for expanding our presence in Mumbai, Delhi NCR, Kochi and other new cities.

We have also signed more brands for our portfolio. These are the Swiss brands Perrelet, Ikepod, Eterna and Alpina. The highly focused German brand MühleGlaschutte and a unique hard-to-get brand from Belgian “Ressence”, much loved and sought after by Connoisseurs.

These brands have some outstanding innovations in their product portfolio and significantly add to making the Ethos product and brand portfolio more comprehensive. I should mention Ethos will be the only retailer for these brands in India. We signed these brands with a long-term view. These are all exclusive brands and we believe will give positive impacts in the long term. We now have a strong portfolio of exclusive brands and we have many more brands that want to work with us exclusively in the future, which we will consider to work with.

There's more good news, ladies and gentlemen. I am pleased to share with you what I consider among so many positive advances, the most exciting of all developments at Ethos. As many of you know we recently acquired controlling majority of Silvercity Brands AG in Switzerland which acquired all the intellectual property assets of the iconic Swiss brand Favre Leuba.

Favre Leuba is the second oldest Swiss watch brand in history. I want to repeat that to underline the significance, it is the second oldest Swiss watch brand, established in 1737, with over 286 years of heritage. This was before electricity was discovered, before the British ruled India. Its history is storied. Its heritage in the world of horology is legendary. Our vision for Favre Leuba is to preserve and celebrate its remarkable past, while infusing it with contemporary allure that resonates with current and future watch collectors.

The management team in Silvercity is now being selected and together with them, we aim to re-establish Favre Leuba as a leading global Swiss watch brand, as it was in the decades past. Rest assured that, we are committed to nurturing this long-term investment and our effort will be directed towards creating timepieces that evoke the essence of Favre Leuba, while sparking desire in watch aficionados worldwide.

Together with our strategic partners, we are investing in a brand with a timeless heritage and are excited to see it flourish in the Ethos Watches Boutique network and retailers worldwide. The focus will be on crafting exceptional timepieces that not only honor the brand's history, but also embody the aspirations of present and future watch collectors.

In conclusion, let me quickly recap for you the gist of our efforts over the last decade to create a unique luxury retail story in India. Long-standing collaborative partnerships with the most prestigious and recognized luxury watch brands now being extended to other categories. Stunning boutiques with exceptional service to provide an unparalleled client experience. Cutting edge marketing with a strong digital focus and a strong focus on storytelling.

Finally, let me express my deep gratitude to each of you, our valued shareholders and analysts, who have believed our story. I'd like to express my heartfelt gratitude to our brand partners, dedicated teams, location collaborators and all internal and external stakeholders who have played an integral role in this successful quarter. However, the true credit for this monumental success goes to the robust Indian economy and the unwavering spirit of Indians, who aspire to make a mark on the global stage.

As our nation strides forward, we at Ethos take immense pride in being a part of this journey, echoing the dreams and aspirations of every Indian. Thank you for trusting us and joining us on this exciting voyage. With this, I would like to open a session for questions and answers and invite our Chairman to take over. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devanshu Bansal from Emkay Global Financial Service. Please go ahead.

Devanshu Bansal: Thanks for the opportunity and many congratulations on a very strong factor across all the revenue in the EBITDA factor. Sir, Pranav alluded to this, but there has been a significant fall in prices of secondhand luxury watches globally. So, wanted to understand better, what is leading to such a fall in prices, and does this in any way have any reproach for our both new watches as well as pre-owned ones? Next number one.

Yashovardhan Saboo: Devanshu, is this your only question or are there other questions assigned? Why don't you ask them all so we can answer together

Devanshu Bansal: Sure, sir. Second, we have indicated about the controlling stake in Favre Leuba. So the other larger company, Titan, struggled to ramp up this brand. So what are the key learnings that we would like to implement, what kind of investments we would like to implement, and what kind of investments are we planning to make to ramp up this plan?

The third one is our ASP has encouragingly been increasing. So this time around, it is 12%, this quarter versus last year. And this is despite, I guess, we were of the opinion that, some low-end watches will also sort of start coming into the picture now. So what is sort of driving this and what are our expectations for the coming quarters? I have more, sir. Maybe I will join back in the queue for...

Yashovardhan Saboo: So your first question was on the prices of pre-owned watches. It's true, the prices of pre-owned watches worldwide have come down a lot. But it's very, very important to understand this in perspective. In the initial times of COVID, the prices had gone up like 200% and 300%. There were many brands, and in those brands, several watches for which the retail price, suggested retail price was 100 and the price in the pre-owned market jumps up to 300 and 400.

Now, that is an overheated market as everybody knew at that time and that was not sustainable. So obviously, that bubble had to subside. It has subsided. But what is sobering is to remember that what was 100 it went up to 300 and now it has come down from 300 to maybe 250 or 220

and people are seeing that, it has declined from 300 to 200 but not realizing that the original price of the watch was still 100. So I think it's, it cross which is going away.

The substance is still very solid and the basic arguments for success on the pre-owned market are absolutely undented. The crazy purchase of watches in return for immediate gains of 100%, 200%, 300% is not sustainable. And it's healthy for the market that the prices reflect reality.

And today, good brands in the pre-owned market still have good prices and the demand, though corrected, is still going to grow pretty strongly, especially in India. So we are not at all worried on that account. Except of course, when there is a correction, then people don't know, where it will stabilize and so on. So that's a little bit of this, let's say, disturbance in the market. But all of you guys dealing in the stock markets are aware of these turbulences and they take time to settle down and the underlying trend is always there.

The second question was about the controlling stake and Favre Leuba and Titan. Well, Titan is one of India's most fabulous companies, and their mastery in the watch business is unparalleled. I don't want to comment on the reasons why they didn't continue with Favre Leuba or whatever. I can only say that we believe Favre Leuba to be an excellent brand with a huge potential. We don't know what happened with Titan and why it happened, but we have a pretty clear idea of how we're going to develop it. Pranav already alluded to that. We are waiting for, not waiting, but we are working on establishing the team. We have to know, that it is a Swiss brand. It will always be managed. There'll be Swiss watches produced in Switzerland. All the operations will be there. The marketing strategy, everything will be doing from Switzerland, and it's our job to find the right management team.

We are in the process of doing that, and together with the team, we'll create the business plan, the product strategies and of course, then we will come to know, what kind of precise investments are involved. We believe that with reasonable investments and a sound strategy and a good leadership in Switzerland, this will be a huge success and the success will come pretty soon.

The last question was regarding ASP. Yes, ASP is going up. It will continue to go up, but ASP is not our only focus. We believe that together with ASP, with our spread of boutiques into smaller cities, there will also be a growth of some of the entry level brands and the interplay of both a higher number of more expensive brands, as well as some addition in the mid-price and low price categories, this will lead to a steady increase, though it may not be that fast as you saw in the first three years of, or in the first two years of COVID. But we expect ASP to continuously go up steadily.

Devanshu Bansal:

All right, sir. I have one follow-up question on Favre Leuba. So you indicated that operationally, what kind of investments will be there, you'll get to know in a few quarters. Just wanted to check if there will be any capital investment in terms of manufacturing capacity or something like that, which we will be making here?

Yashovardhan Saboo: It's a little early, it's a little premature, Devanshu, to say that, because there are several models, right? You can, for operating and creating Swiss watches, you can do it yourself, they are specialists, depend on what kind of products, what movements, what are the embellishments we do, what kind of handwork or specializations that are added, and these are details of product strategies that are extremely important, and these are things, which we can decide only once, we have the brand, we have the full chance, and our team in Switzerland will have the full chance of studying the history, the full heritage, what is the marketing materials. There are a huge number of patents.

At the watch museum in the La Chaux-de-Fonds in Switzerland, there are some examples of old Favre Leuba watches and the patents that they had, which are absolutely remarkable. And these are not fully known. For example, Favre Leuba made Bivouac, the first watch to measure altimeter mechanically. It was Faver-Leuba, worn, on the wrist by Junko Tabei, the first woman who conquered Everest and climbed Everest. So there is a huge heritage.

We are still discovering it. Our team in Switzerland, once they're in place, they have to discover it, they have to interpret it, how they're going to use it, to create the new product portfolio. It's going to be very interesting, but very hard work. But when it finally comes out, I can guarantee, it will shine brightly and you will love it.

Devanshu Bansal: Got it, sir. then this is encouraging. I have more questions; I will join back in the queue.

Pranav Saboo: May I just add in a few points on all these questions because I feel that these questions will be repeated in future questions. I want to say that there is a lot of talk about correction of secondhand watches. I do want to underline the fact that, it is limited to less than 7%- 8% of the brands that we operate with, where these corrections are happening and that too in about 20% - 25% of their collection of these 7% - 8% of the brand. So there are many pieces, known as hype pieces which have corrected a little bit, but a large percentage of the majority of our business continues to be unimpacted. That is the second hand or the pre-owned watch business continues to be unimpacted in pricing in these watches.

So yes, a lot of media coverage wants to cover a few pieces that went up 300% and has corrected 20%. But the majority of the business was not these timepieces, and it remains unaffected by that. And secondly, on Favre Leuba, I want to say that we will always make an exciting plan for all our stakeholders, consumers, and the people who are investing behind the brand. And there will be financial prudence in all our decision making.

I believe that we have unique skills. We have skills that are different from previous owners of Favre Leuba. We have great respect for them. I do believe that our luxury niche and focused, our focus on luxury gives us unique skills, and perhaps it fits better in a business of a smaller size like ours than it did for previous owners, which we have deep respect for and are giants today in our consumer business world. Thank you.

Moderator: Next question is from Rahul Agarwal from InCred Capital

Rahul Agarwal: Thank you for the opportunity. So three questions. Firstly, on both of the businesses, New watch and CPO, any material change in our thoughts versus what we had planned a year back? Case in example could be like something like Favre Leuba happened. Anything else you'd like to highlight, like your thoughts on watch and jewellery together going forward? Inventory management is pretty much the same across new watch building and CPO or is it any different? Or any other new thought you have, which you think can, make things better than what we thought earlier? That's my first question.

Our second was on margins. So obviously, Parnav alluded that margins would get better once pricing correction happens. My sense was, obviously, there will be some basic impact of new store opening as well because the OPEX will go up in sync. My sense was post-IndAS, pre-IndAS, however you want to look at, margins would largely sustain in this band, which is what is currently for the rest of the year. So just any thoughts on that? And lastly, if I can get the number from Ritesh on new watch and CPO sales, both including and excluding GST, please? Thank you so much.

Yashovardhan Saboo: You know, in terms of new learning, both for new watches and CPO, I can't think of anything. I mean, our strategy was pretty clear. We have implemented that strategy. The operations team has done a fabulous job doing that. Ofcourse, as you go along, there are changes in the environment. And I think we've been flexible to adapt to them. When there are opportunities, we've grabbed them, where sometimes things have not panned out exactly as we had thought.

I think we've covered up using whatever means we had. And that's why we can be happy that we are quarter-after-quarter we are able to share results that are actually ahead of whatever we had expected and ahead of the guidance that we have been giving from time-to-time. So nothing new to share at the moment, except that, you know, as and when things happen, of course, we will share all the news with you as our partners.

As far as your margins question is concerned, I think on margins we, ofcourse there is the impact of new stores and some opex leading the sales, so that impact is of course there. But you will also see an impact on the gross margin, which is purely a result of the exchange rate. To the extent that there is an impact at EBITDA level, there it could involve some opex issues and opex costs.

Regarding the prices of new and CPO watches, I think I will let Ritesh do that, but can we get back to you on this later, Rahul? There's a long list of other people who want to ask questions, and you know, there's something we can connect separately on.

Moderator: Next question is from the line of Bhavya Sonawala from Samaasa Capital. Please go ahead.

Moderator: Next question is from the line of Ankush Agrawal from Surge Capital, please go ahead.

Ankush Agrawal: Yes, hi sir, thank you for taking my question and congrats on a great set of numbers. Firstly, a couple of data points. What was the SSG for the quarter? Share of exclusive brands in terms of

revenues and clarity that the six stores that we have opened, this has been before June. So number of stores that were opened and number of stores, if any, that we have closed during the quarter?

Yashovardhan Saboo: So let me answer the last one first. Yes, these six stores were opened in the period April to June. And the count, which you see now, is. If I'm not mistaken, no store was opened in July. No store has been opened in July, but there are more openings coming up. SSG for this quarter has been 23%. It's a very, very good figure. And the share of exclusive brands has been 30%.

Ankush Agrawal: 30%, okay. And secondly, again on this strategy of acquiring a Swiss brand, would it be possible for you to share this brand's current state? Because I think the cost that you have paid to acquire the brand is quite minuscule. So was it a different brand if you have any history to share, like at a point of time where it was doing good, when, and any history that you can share that would help us understand more, like how we can grow this brand?

Yashovardhan Saboo: You know, that's a question that requires a 1.5-hour presentation, because the history of that over the last 280 years is so, so fabulous. But if you fast forward it, I mean, the brand was active until 2019. And after that, during the COVID years, it went into, let's say it was inactive. And I mean, then in the last quarter, we purchased the brand. Or SCB, Silver City Brands purchased it and we have controlling interest in the Swiss entity.

Ankush Agrawal: So can we assume that this is one of the many brands that Ethos might look to hold in its portfolio in the long run? Or this is just, I think, one of the...

Yashovardhan Saboo: That's not, by the way, Ankush, sorry. That's not the idea to hold a lot of brands. I think we have to understand that, to nurture a brand, it requires a lot of effort, it requires a lot of mind, of course, financial engagement as well. And our goal is not really to amass a whole bunch of brands, but, if we acquire a brand or if we take controlling interest in a brand, or even if we invest in a brand, even without controlling interest, as we've done in one case, I think we want to contribute to that brand becoming a huge success at a global scale.

And therefore, I think it's quality more than just number of brands. What will give us great satisfaction is if the brand Favre Leuba achieves the fame that it had at a global level several decades ago. And we believe that's completely possible.

Does it mean we will not acquire interest in or controlling interest in any brands in the future? We can't say, but there's nothing as of now that is on the cards. Our focus is really to make this brand a huge success.

Moderator: Thank you. Next question is from the line of Bhavya Sonawala from Samaasa Capital, please go ahead.

Bhavya Sonawala: Sir basically I had two questions. The first question was with respect to Favre Leuba. Will we keep these watches with probably showcase these watches with other retailers in India and probably internationally over time? And my second question is when we come with exclusive brands and set up a store in association with them like we did with Jacob and Company, what is

the kind of agreement or is there any difference in a normal store and an exclusive store with brands?

Yashovardhan Saboo: So you know, for Favre Leuba, I can say that the brand's ambition is to regain its global presence. What will be the policy for India is something that the brand has to decide once they are ready to take that decision and that will be a decision that is going to happen in Switzerland when the time comes. But for sure, the ambitions are to make it a global brand. And of course Ethos having controlling interest. We not only are interested in the brand but of course we have great plans for it in India as well.

As far as the exclusive brand boutiques are concerned, in the sense that typically brands when they establish an exclusive boutique, they make available exclusive boutique additions to that, there is a lot more marketing concentrated around the exclusive brand boutique because, in a way that's not only a place to make those products available, but it's also to showcase of the prestige of the brand. So it plays a dual role, not only to sell watches, but also to present and establish the preeminence of the brand. And to that extent, of course, there are separate terms. Typically, there could be some separate terms for a mono-brand boutique compared to participation in the multi-brand stores.

Pranav Saboo: May I use this opportunity to give one example of the Jacob Boutique that has been given We were able to design a product with Jacob. Because we work exclusively, we also have rights for exclusive editions for India. These exclusive editions for India have done extremely well. For the launch of the boutique we celebrated it with the launch of an 11-piece Jacob in Steel Epic X at INR26 lakh at MRP. 11 pieces were sold in under 36 hours.

On Wednesday we are going to launch the gold edition of this another 11 pieces, at INR56 lakhs, which will also, we believe, be sold by the end of the month. I think that these give us extremely good opportunities and longstanding relationships with these brands. Jacob himself will be coming down into India for a large event, which will be a star-studded event in October.

So it gives us much greater, they are able to give us much greater focus and it allows us to do business in an unprecedented manner because the boutique gives us this leverage. Thank you.

Bhavya Sonawala: Okay. So is it fair to assume that the pieces available in the exclusive stores majorly won't be available in any other multi-brand stores that we have?

Pranav Saboo: No, it's the boutique that gives us the opportunity to do this. It will be available there but the priority goes to the boutique. Yes, because we don't want to be limited by, let's say, it's 11 pieces this year, next year we'll do a larger edition but it is a boutique that gives us the right to be able to design these pieces along with the Jacob.

Moderator: Thank you. Next question is from the line of Abhishek Agarwal from Naredi Investment, please go ahead.

Abhishek Agarwal: Good afternoon, sir. Thanks for giving me opportunity and congrats on good numbers. Sir, I have two questions. First, there is a supply side constraint on costly watches as few manufacturers and buyers are more. How do you deal with this situation?

Second question. What is the cost of showroom open in Raipur, like, in how much time needs to come, it comes breakeven point. Third question, what growth in top and bottom line, we expected in next few years?

And last question, average selling price going up every year-after-year and quarter-after-quarter. Where do you see in next three-year time period? That's all my question.

Yashovardhan Saboo: Thank you, thank you Abhishek. First question was regarding supply side constraints. Now that's the reality of the luxury watch business. Luxury watches are not automatically produced on assembly lines where you can just speed it up. There is a huge amount of designing content that goes, the manufacture of components, the assembly, the design of the watch, and putting together by skilled watchmakers in Switzerland.

Now, these you cannot just invent these, they are already working full out. And the demand has gone up a lot. As you know, in India and everywhere in the world, the demand for premium and luxury watches has increased a lot. It's not possible to maintain the same quality, the same exclusivity, and you know, churn out larger production. That's not the philosophy of the brands.

So unfortunately, supply side constraints are a reality that we will have to live with. And it's not only in the luxury watch business. If you have read about the luxury car business, it is the same situation in some other luxury businesses. Supply sides are constrained because if demand goes up suddenly, it is impossible to increase supply. So we have to live with it, we have to understand that if you wanted to invest, if a consumer, if a customer wants to invest in a luxury brand, they might be waiting in war. And I think it also adds to the brand's respect and prestige when things are not just available and you can ask for a discount or anything like that. So I think this is going to be the way things are, we have to manage within that and I think we are doing that pretty well.

Your second point was how long does it take for stores to break even? You know, again, it depends a little bit on when the store opens, what is the situation in the mall when it opens, but largely, broadly, we can say that our stores become profitable within the first year. At a store operational level, they become profitable within the first year.

You asked for what is the top line and bottom line going to be in the next year. I really can't answer that. However, I have mentioned it before that our long-term goal is to grow at least 20% CAGR. We always will try to do better than that and try to touch as close to 25% CAGR. I think that's the range that we are forecasting for the top line growth. And bottom line, of course, should be around that or a little bit better. That's all that we can say at this moment. But as we go along, you will see, I think, you will see how quarter-after-quarter works out. And hopefully, we will not only be able to keep to this CAGR of 20%-plus, but do a bit better.

And your last question was, where do we see the ASP going? That's also difficult. I think these are not numbers that we can predict. What we can say is that ASP will continue to go up. We, you know, it went up sharply during the COVID period, mainly because we reduced the emphasis on lower price points. That is done, so we believe it will go up a little more gradually from now on, but it will continue to go up. Let's wait and see where it lands up in three years' time, but it'll certainly be higher than where it is today. Thank you, Abhishek.

Moderator: Thank you. Next question is from the line of Nirav Savai from Abakkus Asset Managers. Please go ahead.

Nirav Savai: Yes, thanks for the opportunity and congratulations for your excellent set of numbers. I have got three questions. One is on the initial remarks which were made on the renovation modernization side. So annual budget, if you can highlight which would be located towards that, which would be the part of opex?

Second is this acquisition of 6.25% stake in another Swiss company which is Haute-Rive. So what exactly is the purpose of that? And lastly, the revenue contribution from this online billing this quarter. So in the last quarter you used to give how much revenue has come from online, what is the revenue of second watches which is pre-owned watches so I found it missing this time so if you can just give those details, please?

Yashovardhan Saboo: Sorry, Nirav, can you just say, what was your first question? I didn't get that clearly.

Nirav Savai: So how much would be we spending behind the renovation and modernization of our existing stores, which was highlighted in the earlier remarks that there will be some spending behind renovation of stores as well.

Yashovardhan Saboo: Right, so you will understand that the renovation of the stores will always be an ongoing process. We now have 60 stores, and typically, a store needs to be renovated within four to five years. How much we spend depends on what is the level of renovation. Is it a small renovation? Is it a complete renovation? If it is a complete renovation, it is like, almost like setting up a new store. If it is a small renovation, then it could be 20%, 30% or 40% of setting up a new store.

So that depends very much on the stores coming up and at that particular location, are you upgrading the store to new brands? Are you keeping the same set of brands? So it's very difficult to put a standard number at that. But typically, for example, I think we, in the next year, I think we have allocated something like about INR3.5 crores and INR4 crores for the renovation of the stores that will be coming up.

Your second question was regarding the investment of 6.25% in the equity of Haute-Rive.

Haute-Rive is again a Swiss brand, it's a new brand but created by a very, very talented watchmaker, who has a third-generation history of watchmaking and he, who is the founder, he has a very unique concept to create some new, highly complicated watches. And these watches will be unveiled in the last quarter of this year. And we believe they will be a great success. And

for us, getting this 6.25% stake in the equity enables us to be a part of this brand's journey, and get allocations of the brand for India, which will be beneficial. And lastly, also to understand the high-end watchmaking space from the inside. So it's also of strategic value.

As far as the online business is concerned, I want to highlight that we do not distinguish anymore between online and offline. And I think most retail businesses will stop doing this because this distinction between online and offline is no longer relevant. It is omnichannel. Customers go seamlessly between online and offline. They go to a store, they go to a website, they go to social media. Everything is one omnichannel platform. So we don't monitor online and offline that much anymore. So I'm not going to be able to give you those online numbers separately. We believe that Omnichannel is the right way to address this business.

Nirav Savai: Right. On this pre-owned side, if you can just, pass out some number that what are the sales of pre-owned.

Yashovardhan Saboo: So quarter 1, over quarter 1 in the pre-owned business has grown by about 15%. This is lower than what we had projected, which our CEO had mentioned. That's because the second movement lounge, which is dedicated for this business, was not operative for nearly two months due to a problem at the mall where it is located. However, we expect it to be operative soon.

Nirav Savai: Right. Broadly, our guidance of reaching about INR200 crores of size in the next three to four years is still intact, right? I mean, despite the connection of...

Yashovardhan Saboo: No, Nirav. I have not given that guidance. I am not giving guidance for three years to four years with a number.

Pranav Saboo: I do want to say that we are very confident of growing rapidly in pre-owned watches. We don't see a structural challenge over here.

Nirav Savai: Right, understood. All right, sir. That's it from my side. Thank you very much. I wish you all the best.

Moderator: Thank you. Next question is from the line of Saranya Agarwal from Param Capital. Please go ahead.

Saranya Agarwal: Good afternoon, sir. Congratulations on such a good set of numbers. We are thanks for that.

Yashovardhan Saboo: Afternoon, Saranya.

Saranya Agarwal: I'm really excited for the journey ahead. I had a question about us entering the luxury, jewellery market. So currently we have Messika on our current portfolio. Sir, I wanted to know if they're going to expand our existing brand product portfolios because a lot of them already do luxury jewellery or we want to add new brands such as Longines and others who are in the realm of luxury but not present in India and who have a significant demand. And since luxury jewellery is expected to grow a lot in the future, as like your per capita income grows, is that a segment that we would be interested in exploring more deeply?

- Yashovardhan Saboo:** Okay, do you have any other questions, Saranya?
- Saranya Agarwal:** No, that was the only one.
- Yashovardhan Saboo:** Okay, so you know, it's true, there is a lot of opportunity in many, many luxury segments. But after a detailed study, our understanding is that, the opportunity of growth in the premium and luxury watch segment where we are is unparalleled. And therefore, we believe that our priority at this time is to focus, to maximize, to extract the maximum growth and profitable growth from the premium and luxury watch segments. This is going to be our greatest focus for right now.
- Jewellery, for sure, jewellery has a great scope, branded jewellery. However, it will I think over the next few years, it will be a slow takeoff, and it will come into its own probably a couple of years down the line. We are conscious about that, and we will take positions accordingly. But as I mentioned, our primary focus at this time is to extract the best possible we can from the highest potential growth market in the luxury business, which is premium and luxury watches.
- Saranya Agarwal:** That makes sense, thank you.
- Moderator:** Thank you. Next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.
- Devanshu Bansal:** Yes sir, thanks for the follow-up opportunity. Sir, as we learned from other retailers, this time around wedding season was very bad and was hit poorly, hit badly due to lower number of wedding days. And from my understanding is that your business is also sort of linked to wedding business in some way. So despite such challenges, we have delivered about a very strong growth in this quarter. So just wanted to understand, according to you, this growth was a normal growth or it would have been even better if weddings were there in full flow?
- Yashovardhan Saboo:** Yes, Devanshu, again, I'm not monitoring whether weddings were in full flow or not. I think in India, weddings are always in full flow, sometimes a little less, sometimes a little more. But if you're saying that, this time the wedding season was subdued and it's going to be -- it's going to catch up later and let me use our basic phrase ghee sugar in your mouth and I'm sure that if the wedding season takes off better than the last one then our results will also take up there is a strong correlation between wedding buying and luxury product sales.
- Devanshu Bansal:** I'm saying what is the typical sales salience for first quarter, last year it was 22%. Is it normally in that range?
- Yashovardhan Saboo:** Yes, it's about the same.
- Devanshu Bansal:** Got it. And this 6 store openings in Mall of Asia, when is this expected to come in, as in which quarter?
- Yashovardhan Saboo:** Well, the mall is announced that this will be ready in the last quarter of this calendar year and we are aiming to launch by that time. Still, typically we have seen that mall dates can sometimes

vary and slip depending on main retailers taking place. So, as of now it's scheduled for the last quarter of this calendar year. So, quarter three for this fiscal.

Devanshu Bansal: All right. And sir, last question from my end, I understood you were indicating these mono-brand boutiques, but still at the sales and return level, these stores are comparable to the other MBO stores that we have or they have some difference?

Yashovardhan Saboo: I think if you take an average they're about the same. If you take an average of all the mono-brand boutiques and you take an average of all the mono – multi-brand stores, it's about the same. Of course, between mono-brand boutiques, there would be differences, just like between mono-brand stores or multi-brand stores, there are differences. It depends on the brand, it depends on the location, it depends on how much the brand is pushed, how well it is known, and so on.

Devanshu Bansal: Got it sir. Thank you so much for taking the time.

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

Shalini Gupta: Good afternoon sir. my first question is that you said that your ASP is 1,60,000, but sir you are also saying that you're retailing watches which are like 10 lakhs 12 lakhs, so what is it that is bringing your ASP down to this level? Is it that -- is it because of the discount that you have to offer on watches which are not selling? Could you please discuss why it is so low?

Yashovardhan Saboo: You have other questions, Shalini.

Shalini Gupta: Yes, what is the average age of our inventory?

Yashovardhan Saboo: Okay, anything else.

Shalini Gupta: No, that's it.

Yashovardhan Saboo: It is true we are selling watches of INR 10 lakhs, INR 20 lakhs and even one crore. But we are selling many more watches at the price point of INR 40,000, INR 50,000, INR 1 lakh and so on. So, as you know, the average is an average quantity multiplied by average price. So, if I sell one watch of INR 10 lakhs, but five watches of INR 50,000, it's easy to do a calculation that the average will be around INR 1,60,000.

It has nothing to do with discounts because when we say the average price is INR 1,60,000, that's post-discount, and when we say that we are selling a watch for INR 10 lakhs, that's also post-discount. And discounts are certainly not that they'll bring an average price from INR 10 lakhs to INR 1,60,000. Our discounts typically, they range from between 0 to a high of 20%, but that's the range of discounts.

So, it's a matter of how many, what's the number of watches that you sell at different price points. And, logically, we will sell a lot more in the lower price brand than in the lower price brand than

in the higher price brand. For example, Mercedes we will sell fewer S-class Mercedes than E-class and C-class, right? And it's exactly the same thing. Regarding the average inventory, I can tell you that more than 80% of our inventory is less than one year old.

Shalini Gupta: Yes, so like just a follow up, like you said that, can you discuss like, because you're buying out the watches and there will be some watches which are not getting sold. So what is -- what do you do with these watches?

Yashovardhan Saboo: We sell them. There are no watches that remain unsold. It is not, I want to understand this it is not -- we are not in the fashion watch business, you're probably -- you're seeing this from a fashion business segment where trends change, fashions change, and a collection becomes unsellable. In the business of premium and luxury watches, watches remain on the catalogue for 5 years, 10 years, mostly 15 years, and even 20 years.

So, even if there's a watch which is two years old, it doesn't mean that it's out of fashion, it will still sell. It may take a little bit longer, and that's a question that the auditors of our company prior auditors, KPMG, now it's Ernst & Young, they constantly examine this and so far there has not been the need to make any significant provisions. Because they've seen that watches, eventually, they always sell out.

Shalini Gupta: Okay and sir how do you keep your inventory fresh like how frequently would the person visiting your online portal or your physical store, hope to see something new?

Yashovardhan Saboo: That depends on the brands. So when we add, if we add a new brand, of course you will see the connection of that brand which is fresh. And in the existing brands, as and when brands add new models, you will see them. They do not take off too many models, and I am saying that unlike the fashion watch industry, they are not adding a huge number of new models every year. It's a much more nuanced portfolio of products with some fresh products, but many of the existing products also continue.

Shalini Gupta: And sir, what is the reason for such high inventory days? I was looking at the balance sheet of some international brands. The inventory days are much higher than what, I mean, looks like the international norm that's what it seems like to me?

Pranav Saboo: I want to explain this because I feel it's a relevant question. We are, as a company, these international players are much older and with time, we will also get to similar numbers or lower than where we are today. Today, we are investing into the future. In the last two years we have signed on 19 brands when we sign on a brand. These brands are exclusive brands. They will fire two years or three years later.

When we reach that stage of maturity, they will start -- the number of days starts to go down. These, where you are looking at three months or four months, our brand portfolio is significantly more diversified, and key dependence on brands is also much lower. We can bring down the days if we don't bring a new brand, for example, into our portfolio. But at this point of time, we have decided that growth is more important, and we continue to invest in new brands because

the opportunity in India over the next five years to seven years is massive. We must be in a position to dominate that. To that extent, we continue to invest in new brands. Over to you YS.

Shalini Gupta: And sir what is the minimum number of days of inventory that we can reach and therefore...

Pranav Saboo: Can please ask in one go because I feel like we are going one by one. If you have all your questions perhaps you can ask your question.

Shalini Gupta: Okay, I'll tell you so what is the minimum days of inventory that that we can reach given that obviously and rightly so we have a focus on growth and we are therefore tying up with more brands the number one, question number one is what is the minimum base of inventory that we can reach therefore and secondly sir you buy the product and even then you are very conscious of your relationship with the brands why is that I mean do you apprehend that they may stop selling you the quantity you want, what is it, these are my two questions?

Yashovardhan Saboo: As our CEO Pranav told you, I think overall, in the long term, we will start to see a decline in the number of days of stock. However, while we are in a fast growth expanding mode, which is likely to continue for the next one years or two years at least if not more, I don't see a very significant decline in the number of days of inventory. There are several reasons why inventories must remain high in India, because it's a fast-growing economy, we are adding brands and we need to keep a large variety and stock to grow this segment.

So, it's a trade-off between who wants lower inventory or who I want higher growth. We aim for higher growth for at least the next couple of years. And your second question was relating to.—sorry what was your second question your last question.

Shalini Gupta: My second question was that sir you're buying the watch?

Yashovardhan Saboo: Yes, yes, yes why is it necessary to have a good relation? We think it's always -- it's not a purchase that you make once and then it's over. You have a good relationship because not only because it's a partnership that's going to last for years and decades, but it's also a nice way of doing business where you look after each other's interests while it's a commercial transaction, but you do that. Our customers also buy a watch, and that doesn't mean we don't have a good relationship with them.

They keep a good relationship with us and we keep a good relationship with them. It's the same thing. You go to your kirana store and you buy things from them, but you still want to have a good relationship. You want to make if he will wish you, you will wish him it's fact. So, I think it's a way of doing business. It is business, but it's not only transactional. So, I think it's very, very important to keep this relationship, it is also a matter of trust this is a partnership.

They are entrusting us with the wellbeing of their brand. We are, and they are entrusting us to expand their brand, and we are trusting them to give us their products and help us to grow. It's a quick trope and therefore it needs a strong relationship. I hope I've answered your question, Shalini.

Moderator: Thank you very much. Sorry, Shalini, but due to time constraint, we won't be able to take any more questions. I will now hand the conference over to the management for closing comments.

Yashovardhan Saboo: Thank you very much. I would like to thank all the participants in this call for your patient hearing, for the very interesting questions, and I hope to -- we hope to see you again at the next earnings call. Thank you once again and wish you a nice day.

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