ēthos
WATCH BOUTIQUES

Ref. No.: Ethos/Secretarial/2025-26/24

Dated: May 20, 2025

Corporate Service Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra,
Mumbai - 400051

Scrip Code: 543532
ISIN: INE04TZ01018

Trading Symbol: ETHOSLTD

Subject: Disclosure under Regulation 30 of the SEBI (LODR) Regulations, 2015- Submission of Transcript of the Earnings call conducted on May 15, 2025

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the Earnings call conducted on May 15, 2025 with Investors/Analysts in respect to the Audited financial results of the Company for the quarter and year ended March 31, 2025.

The above information will also be available on the website of the Company.

You are requested to please take on record the above-mentioned information for your reference and further needful.

Thanking You,
Sincerely,

For Ethos Limited

SHUBHAM KANDHWAY
Digitally signed by SHUBHAM KANDHWAY
Date: 2025.05.20 14:35:05 +05'30'

Shubham Kandhway
Company Secretary & Compliance Officer

Encl: as above

"Ethos Limited

Q4 FY '25 Earnings Conference Call"

May 15, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges and the Company website on 15th May 2025 will prevail."

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

Moderator: Ladies and gentlemen, good day, and welcome to Ethos Limited Q4 and FY '25 Earnings Conference Call. 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.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Please note that this conference is being recorded.

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

Pranav Saboo: Good afternoon, everyone. Thank you for joining us on the Ethos Limited FY '25 Earnings Conference Call. I'm accompanied by our CFO, Mr. Munish Gupta; Executive Director and Chief Operating Officer, Mr. Mukul Khanna; and SGA, our Investor Relations Advisors. I hope you've had a chance to review our financial results and the Investor Presentation published last week on the company's website and filed with the stock exchanges.

Given that, I will refrain from going over those in detail and instead focus on a few key updates and strategic highlights. Revenue in FY '24-'25 increased by 25.3% year-on-year to INR1,252 crores. EBITDA in FY '24-'25 pre-Ind AS increased by 23.5% year-on-year to INR161 crores. Profit before tax in FY '24-'25 pre-Ind AS increased by 21.3% year-on-year to INR141 crores. Let me talk about now the expansion of the boutique network.

We successfully inaugurated 14 new boutiques in FY '24-'25 and reached a count of 73 boutiques across 26 cities. It is important to clarify that only one boutique is temporarily closed and is under relocation and two were strategically merged into a larger boutique at New Delhi. At the beginning of the year, we set a target to open 20-plus boutiques as a part of our strategic expansion plan. Several boutique openings were delayed due to unforeseen challenges, including the implementation of GRAP IV restrictions in Delhi NCR, which disrupted our operations for 90 days in the Delhi region.

However, we are pleased to share that we have recently opened 8 boutiques that were initially slated for launch in the last financial year. City of Time, Gurgaon, we also opened India's largest horological project on 10th May. The City of Time Gurgaon spanning over 22,000 square feet features five exclusive brand boutiques and two multi-brand galleries with 50-plus independent brands, watchmaking zones, a cigar lounge and more. It is a definitive celebration of craftsmanship and time.

Two more exclusive brand boutiques will be opened by the next quarter to complete the City of Time rollout. Messika, The Chanakya Mall at New Delhi. We are pleased to announce the launch of our first Messika boutique on 14th May, marking a key milestone in our foray into the International Luxury Jewellery segment. We view this as a strategic step forward in diversifying our luxury offerings while continuing to approach this category with careful evaluation and a long-term outlook.

Looking ahead, we remain on track to be able to cross 100 boutiques during the current financial year. Our inventory remains under control and closely watched. However, the increase in inventory is in line with our strategic expansion, particularly the addition of 14 new boutiques, City of Time and investment into the Messika boutique, most of which are currently in their early revenue ramp-up phase. Furthermore, inventory for the 8 boutiques opening in May 2025 was proactively prearranged in quarter four to ensure timely and seamless launches.

Because of the above reasons, the inventory moved from INR 440 crores on 31st March 2024 to INR593 crores as on 31st March 2025. Building on the Lifestyle segment and following the launch of the Messika boutique, we are pleased to share additional developments. We will soon launch our second Rimowa boutique in Delhi, further strengthening our presence in the premium luxury luggage segment and expanding our footprint of Rimowa in key metropolitan markets.

Our Rimowa boutique in Mumbai continues to perform well, validating our strategy and reaffirming the strong customer demand for high-quality lifestyle products. These developments underscore our commitment to diversifying our luxury portfolio and delivering exceptional experiences across multiple lifestyle categories. Our pre-owned segment also continues to demonstrate strong traction, growing at over 30% year-on-year.

Over the period, customers are realizing the value of buying and selling from our pre-owned vertical known as Second Movement and reinforcing our faith in the strong processes and compliances that we have put in place over the past few years. As part of our international expansion strategy, we have established a wholly-owned subsidiary in the UAE. It's called Ficus Trading LLC. At this point of time, it is exploratory in nature to understand what we can do in the international arena.

We have seen notable fluctuations in the CHF INR exchange rate in the past year. We have now implemented a prudent hedging strategy covering approximately 50% of our foreign currency exposure through forward contracts. This approach allows us to protect against the rupee depreciation while maintaining flexibility to benefit from favorable currency movements on the unhedged portion.

Before opening the floor for questions, I would like to reiterate our long-term vision, which was stated when we went public to grow our revenue 10x over 10 years. Achieving this ambitious yet attainable goal will require sustained and strategic investment in expanding our boutique network, driving greater market reach, enhanced brand visibility and deeper customer engagement.

This growth-oriented approach will also pave the partnership -- will also pave the way for introducing new global brands into our portfolio and foraging exclusive partnerships, further solidifying our leadership in the luxury retail ecosystem in India and positioning us as a benchmark for excellence in the industry.

Thank you. And with that, I now open the floor for questions.

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

Devanshu Bansal: Congratulations and all the best for City of Time. This was in the works for a while and the hard work is reflecting through some of the pictures available. There is a long wrap-up of questions since we last interacted and I want to understand some interesting developments in the company.

I'll restrict myself to two questions and then come back in the queue. First set of questions is on City of Time, the selection of brands has been across price points with a strong portfolio of brands that should definitely drive share gains as well as grow the Delhi market. What are the key expectations from a top line perspective from this space or in case you want to cover this question or the growth strategy of this answer in some other way that will also be very helpful.

You also indicated that there were certain investments in terms of increasing inventory and CWIP at FY'25. How much of that is attributable to the 9 to 10 stores that are expected to open next and what is your store opening expectation for the current year FY '25? Working capital is also in that perspective, which has been on a declining trend.

Is this a conscious strategy where we are focusing on availing better margins from brands or this should normalize back to the earlier run rates? And lastly, from a City of Time perspective, there is a new format for Ethos MBO boutiques, which is Ethos Haute Horology, right? So how is this different versus our existing Ethos Summit store?

Pranav Saboo: Thank you, Devanshu. A couple of questions there. So let me try and go one by one. You'd asked for our top line projection on City of Time. I don't want to go into store-wise projections and guidance and of the like, but let me give you the overall view for it and why we took this step. A couple of reasons for this. Gurgaon is one of the fastest-growing markets in the country.

We weren't happy with our presence in Gurgaon, and we didn't have a presence that could help us reach our ambition of firstly, being the largest and the finest retailer and most importantly, setting benchmarks that we can be proud of. We were looking for a place for our flagship boutique, and we decided that since Gurgaon is the fastest growing, this is where we will establish a place where we can get a long-term lease, where we can do our flagship, where we can bring in brands and in a way that expresses them much better and where we can set global benchmarks.

That is the reason we have selected this place. And I believe that it will take time for revenue to catch up over here. But in time, it will be one of our -- not just one of our, it will be definitely amongst our best boutiques. Having said that, yes, right now, we are in a de-snagging phase or in a beta phase. In the next week, the marketing will start. We will start inviting customers. The list of brands, it's -- there's a watch boutiques on one side, which is the entry level.

Then you have different brand boutiques that are there that are decided on the basis of whether on strategic reasons that we've decided, which are the brands that we want to give a full boutique to. And then there's Ethos Haute Horology, which is our newest concept, which works on the prices above -- essentially on prices above INR 20 lakhs, and that is on the other side. If you look at the City of Time, we will be releasing more pictures in social media over the next one week, and you can follow us over there for that.

In terms of -- you said working capital, was that the other thing that will working capital normalize? Yes, working capital will normalize over time. There were some changes that we were doing to be able to bring this. And for that, we paid a couple of shipments ahead of time to be able to get better product availability. But yes, that will normalize over time. Was there any other question that I missed over there? I think I missed one question over there.

Devanshu Bansal: No. So broadly, if you could just call out as in for the 9 to 10 stores that opened in the current year, what was the total investment that can be attributed to these 9 to 10 stores that would be -- that would, in fact, help us to understand as in what was the investment for stores that were opened in FY '25 and what investments have sort of gone into the stores that have opened in FY '25?

Pranav Saboo: Devanshu, it is along the line of the average investment per boutique that we are -- it's not very far from the average that we are doing. You see, but when you invest into a boutique early, like if you invest into -- when you are in the ramp-up phase, right, the revenue doesn't start from Day 1. It takes a little bit of time for revenue to catch up.

So therefore, inventory may seem elevated for a while before it reaches the -- the revenue ramp-up rate reaches the steady state of growth or steady state and then growing from there. It takes a little bit of time. But the inventory lands up on Day 1, the entire inventory lands up on Day 1. So therefore, for some time, you end up seeing a slightly elevated months of stock or inventory turn becomes adjust accordingly.

Devanshu Bansal: Sir, second question.

Pranav Saboo: One point that I just wanted to explain was like for City of Time, we were going to open -- essentially, the plan was to open January or February, right? And then we had 90 days where in Delhi and Delhi-Gurgaon, et cetera, there was no construction possible because of the GRAP IV restrictions. But then the inventory had already landed there.

We had already ordered the inventory. So a lot of things got pushed because of the pollution. We couldn't get in the revenue, we couldn't get in everything. Of course, we still had to pay the rentals, et cetera. We couldn't get relief on that. But now we are in a position to be able to start. But the inventory came in earlier because we were planning to launch already.

Devanshu Bansal: Can I ask one more question?

Pranav Saboo: Let's circle back to that.

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

Ankush Agrawal: Firstly, can you talk a bit about the EFTA with Switzerland? What's the status on that? And when can we expect some material benefits flowing to us from that?

Pranav Saboo: From my understanding, the EFTA agreement will be effectively in place by the end of this year. This is from the comments that I've read in the media from the ministers and talking to -- with our discussions with the Swiss Embassy as well that I think the benefit will start flowing in by the end of this year.

Ankush Agrawal: Okay, got it. The second question was on Rimowa. So we have almost completed about 2.5 years with the first store. You did allude to it qualitatively, but quantitatively, can you give a sense of what kind of revenues or profit was generated by that store in the first year of its operation?

Pranav Saboo: I think that we are roughly about between 20 -- I don't have the exact numbers, but it's about INR 20 crores and INR 24 crores of billing value that was there. And I think it's steadily growing. And we will have -- the idea is that we have -- the second boutique is under construction now. And we've identified the area for the third boutique, which will also come into place. But understand that Mumbai was a very small boutique.

It's not a very large boutique if you visited the boutique. The next ones that are coming are much larger, which will give us more place to express the brand and hold and showcase the entire inventory. So that is -- that's what we have going ahead in Rimowa. We are very bullish on Rimowa. And ultimately, we hope to be able to bring e-commerce as well online for that. So lots of things in progress in Rimowa.

Ankush Agrawal: And just a clarification on the whole talk on the lifestyle business. So I see along with Rimowa now we have signed another luggage brand, American brand so within each category, are we looking to partner with multiple brands or how is it going to be? Like for jewelry, we have Messika. So if you think that jewelry works for us, we will go and partner another jewelry brands or do you want to expand more category wise?

Pranav Saboo: I think that it's a larger view that we have on lifestyle. I think the view on lifestyle that we have is that we understand the premium customer in India. And we understand retail in India. And we would love to be able to bring brands and help them reach their objectives in India. We would like to work exclusively with -- as exclusive brand partners to whoever we sign on in the lifestyle space.

And this is category agnostic. It is more that does -- is there a fit for the Indian consumer? And are we the right partners -- are we the right long-term partner for the brand? If it's in the premium category, I think we are open to having discussions with all brands over there.

Ankush Agrawal: Yes. But you would be comfortable with multiple brands in the same category. Is that understanding right?

Pranav Saboo: Yes, just like watches.

Moderator: The next question is from the line of Udit from YES Securities.

Udit: So firstly, sir, if you can explain about the subsidiaries that we are opening up in the international market. So what is the plan over there? And what will be the right to win in these markets?

Pranav Saboo: Sure. I think the -- for us, it is -- as I said, it's exploratory in nature. The reason I mentioned this in our speech was because we got a lot of questions already ahead of time. We see Dubai as a very large city and a very large market, which has a big infrastructure, but it also has a very large community of Indians that are living there, that travel there.

And also, it has a very thriving pre-owned market over there. So the first thing that we want to explore over there is that do we have a right to win in pre-owned over there? Secondly, from a service and from a talent perspective, aftersales service, we also need presence over there to be able to give much better aftersales service to our own customers even in India.

That is because the aftersales service business is also growing. And not everything is possible to do at this point of time in inside India. So that is the second thing. And thirdly is that Ethos will also be -- Ethos also has the right to retail Favre Leuba inside the UAE. And for that reason, when the boutique in the UAE comes up for Favre Leuba, that will also be run by Ethos. But at this point of time, it is exploratory in nature, and we are exploring all our options and what we want to do over there.

Udit: Understood. And sir, secondly, what will be the impact of this pricing going up due to tariffs? And what will be the impact on demand? Like we have seen Rolex communicating some price hikes to watches of Switzerland and also what has been the communication to us by the brands? And how does it impact?

Pranav Saboo: I don't have any such communication. I haven't seen such communication. In India, we don't see any impact on demand at the moment. April was a very strong month for us. And May, the only slowdown in May has been because of geopolitical tensions, nothing so much for tariffs, and we don't expect any -- even May will recover. I don't see any challenge on demand at the moment. You mean the global tariffs, right? We don't see challenges. We don't have any communication. We don't see any challenge.

Udit: Understand. Sir, lastly just to clarify.

Moderator: Sorry to interrupt, sir, but I may request you to rejoin the question queue. The next question is from the line of Nirav from Abakkus.

Nirav: Two questions from my side. What is the contribution of exclusive brands for this quarter and entire year? And secondly, on the volume and the value growth for Q4 and entire FY '25?

Munish Gupta: In terms of -- hi, Munish this side. In terms of house brand volume, it's in line with the earlier quarters and year. It's in the range of almost 30%. And in terms of overall volume, it grew by almost 15.5% year-on-year. And in terms of average selling price, it grew by 7.4%.

Nirav: Okay. So the entire FY '25, we are seeing volume growth is 15.5%. Am I right in understanding that?

Munish Gupta: Yes.

Nirav: Q4, the volume growth was 30%, right?

Pranav Saboo: No, no, that is not -- that was -- one second. That is the house brand share is over 30% in quarter four, the exclusive brands is over 30% in quarter four. What Munish was answering next was the volume growth for the year is the volume growth for the year overall is 15.5%.

Nirav: And would it be possible to share for this fourth quarter, what was the volume growth?

Munish Gupta: We don't share quarter-on-quarter, but let me -- I will check and get back to you.

Pranav Saboo: Let's just circle back to that. We'll get that number and circle back to you.

Moderator: The next question is from the line of Nitin from Green Capital Single Family Office.

Nitin: This is Nitin Shakdher from the Green Capital Single Family Office. Not an analyst question, but more as an investor. I feel that what is the broader vision for Ethos? Is it going more towards LVMH of getting brand value system where you want to become accumulator of luxury products and distributor across categories and bags and watches and jewellery and maybe Messika is a step towards that? Just wanted to understand the broader vision not only restricting only to maybe luxury products.

Pranav Saboo: So I think -- thank you for that question. I think a big difference between LVMH and Ethos will be that LVMH owns the brand and has retail partners around the world. In our case, do the retail themselves. In our case, we are purely retail partners, and we want to retail products in India. Our journey started with watches. Watches continues to be our core focus.

And as I had mentioned two years ago when the listing was taking place that we want to grow 10x in 10 years has been our vision, right, especially in the retail of watches and premium products in India. So as watches continues to grow, we are also taking our steps to be able to represent other brands in other luxury brands in India, which was the reason why we got into Rimowa.

We've done the first boutique that was successful. We are rolling it out. Messika, we did the first boutique. It was successful. We've rolled out the first boutique yesterday. We will be signing more brands in the premium and luxury space, and we will want to represent more and more brands in the lifestyle luxury space as well, while obviously, watches continues to grow.

Nitin: Okay. So just a follow-up to that. For example, your distribution tie-up, what you've taken a Silvercity stake arrangement, how do you -- in terms of the Swiss luxury markets, do you have your distributors and you keep on getting on newer brands into Ethos through that arrangement like something that you've done in Dubai or there are two different things altogether?

Pranav Saboo: I didn't understand the question because they're very, very different things. we do make investments into brands where we believe that there's a long-term potential in India. We will make those investments if required. At this point of time, we are not looking at investing into more brands in the ownership of brands, right?

But Dubai is something very different. Dubai is to be able to expand our pre-owned vertical over there, see if that makes sense. Aftersales is very important. Because we will also have the right to retail Favre Leuba in Dubai, which will be a very profitable venture in the future. And that's the reason that Ethos has gotten that right, because we've invested into the brand of Favre Leuba as well, which is through Silvercity.

Moderator: The next question is from the line of Akshat Jain from Sixth Sense Ventures.

Akshat Jain: My question is that what are the kind of margin that we are making in sales of Rimowa and going forward on Messika?

Pranav Saboo: I don't want to be talking about margins. They are -- it is an extremely profitable business for us. I think that we are doing very well over there. And all I can say is that margins are higher than the -- margins are higher than the watch category.

Moderator: The next question is from the line of Ravi Naredi from Naredi Invest.

Ravi Naredi: Sir, sorry, I joined late at this call. So if any question in repeated nature, please forgive me. Our inventory rises this time, so what are the main reasons? And we do not give any -- our business on franchisee mode. If no, then why the reason?

Pranav Saboo: I think the inventory answer we've already given in my speech and in the previous question. So just wait for the transcript and you will have that.

Ravi Naredi: Okay. I will read. I will read.

Pranav Saboo: And for franchising, it's a very good question. We are -- at present, we want control over the entire experience. We are not close to the idea of franchising in the future. But at present, we believe that it is very important to be able to control the credibility, the processes and the experience inside the boutique and really be in a very razor-sharp position before we franchise it out.

Also, franchising, we want to be able to do where we have complete control over the brand mix, what goes into the store, et cetera. So at present, we are not -- we haven't actively engaged into it. We've got a lot of requests for franchising. In the future, we may do it. We are exploring it this year as an option. We will have someone on board to do a detailed study. But I think at this point of time, we haven't opened it up because we want to control the experience that we deliver to the customer.

Ravi Naredi: And sir, how many more showroom we are looking this year?

Pranav Saboo: As I mentioned in the speech earlier, we are looking to cross 100 -- our boutique count will cross 100 this year.

Moderator: The next question is from the line of Harsh Shah from Bandhan AMC.

Harsh Shah: First question is basically, directionally, let's say how different would be in terms of size and scale, the revenue per store for an Ethos Summit versus the mono-brand stores?

Pranav Saboo: Are you talking about?

Moderator: Sorry to interrupt, sir, but could you please speak a little louder?

Harsh Shah: Yes. Can you hear me now?

Pranav Saboo: Yes. So your question was in size, right, in size, typically -- most mono-brand boutiques are about 800 square feet and Summits are about 1000 square feet.

Harsh Shah: In terms of revenue size, not in terms of the store size.

Pranav Saboo: We don't disclose this separately, but we can catch up on this later once we have the information -- once I have the exact information. But just to tell you, the return on capital is quite similar.

Harsh Shah: Got it. Got it. And this INR20 crores to INR24 crores of billing value last year in Rimowa, again, here, the inventory would be the same as watches, INR6 crores, INR7 crores per store or how different would that be for Rimowa -- sorry, it will be lower.

Pranav Saboo: Slightly lower, yes.

Harsh Shah: Slightly lower. And for Messika as well, we are starting with the same kind of inventory or?

Pranav Saboo: The inventory is similar, yes.

Harsh Shah: INR6 crores, INR7 crores in Messika as well.

Pranav Saboo: That is correct.

Harsh Shah: Okay. And Messika any plans to add more store?

Pranav Saboo: From an inventory position, Messika will behave quite -- Rimowa is lower than the watch category. In Messika, it will behave a little bit more similar to the watch category. But the taxation, of course, is much lower in jewelry, as you know.

Moderator: The next question is from the line of Manish Poddar from Invesco Asset Managers.

Manish Poddar: I have three questions. One is, let's say, this benefit of India Swiss EFTA, when does that start coming in? And would you be able to understand, let's say, now how is the sort of understanding which you have with brands in terms of, let's say, this benefit pass-through?

Pranav Saboo: So what we have, Manish, these are very good questions, and thank you for asking these. EFTA agreement, as I understand, will start to come at the end of the year, right? And the basic principle that we've applied to all the -- with all the brands is that we will share the gain and we will also share the pain.

So if the GST increases, that pain will be shared. If the EFTA comes down, that benefit will also be shared. Now what I can say is that I see a bright future going ahead. I see some of that margin slowing down. A little bit depends upon what is decided on GST, but I think that we have -- there's enough discussions have taken place to be able to protect our position and to gain from whatever happens.

Manish Poddar: Okay. But there's an additional benefit in terms of EFTA, you can also move to an SOR model than that.

Pranav Saboo: We can move to -- well, once the duties are lowered, you can have more SOR arrangements because it is easier to send back watches then. That is correct.

Manish Poddar: Is there some sort of discussion happening on this front?

Pranav Saboo: Those discussions are there. They've already taken place. I think we are waiting for EFTA to come into place actually before we get into logistics. Those are given things that will happen. But will it dramatically change? I don't think so because even EFTA will come into place over 6 years, 6 to 7 years, right?

So it's -- the first benefit is both the brand and the retailer will start to make more money in India because already the products are very competitively priced, right? And now we are working on margins much lower than the rest of the world. The first benefit is of the duties. The SOR model will come once the duties come to zero because while there are still duties, it is not easy to send back products.

Manish Poddar: Two more questions.

Moderator: Sorry to interrupt. But I may request you to rejoin the question queue for follow-up.

Pranav Saboo: Let me just -- Manish, whatever was your last question, just ask it. But one quick point was that we are in discussions with how to bring in -- let's say, for example, Jacob is a brand that we do very well with is that how do we get more CARNAER into India. This is of the pieces above INR2 crores, INR3 crores. We don't need to invest in those pieces.

We can bring in display pieces that are here for 6 months, then they go back. You can't sell that exact piece because it's a CARNAER, but I can show that piece and get an order and a new piece will come in 10, 15 days later, just as it happens in the car industry, as it happens in a lot of high-value products, that is what we're going to be working a lot more towards.

Manish Poddar: Got it. If I can ask a second question, let's say, in terms of this full year in terms of overall sales, how much of it will be repeat versus new consumers?

Pranav Saboo: Manish, we'll have to get back on that. But from what we can track because a lot of things from our initial things, we see that about a little bit above 40% is repeat buying. Because below INR2 lakhs, sometimes cash is -- below INR2 lakhs, the law allows us to accept cash. So there, we are not able to always track.

Moderator: The next question is from the line of Samar Nagpal from Suranu Family Office.

Samar Nagpal: Congratulations on the opening of City of Time. So I had a couple of questions. Pranav, regarding our expansion. So we have been fairly dominant in North. But what about South wherein a lot of chains like chains are already present like ZIMSON, etcetera. So what is our strategy over there? I mean, in cities like Vijayawada, Chennai, there's a lot of buying power in Hyderabad. So how are we going to expand over there? Any strategy around that?

Pranav Saboo: I think we are very keen to expand our overall network. As I had mentioned that even this year, we are going to be increasing our boutique count from 73 to over 100. We will be exploring new cities. Even in the South, we will be going into new cities as more and more real estate is available. For example, in Chennai, we already have 4 boutiques already. We have Chennai in 4 boutiques.

We are going to be in the -- we have just signed a location for a very large flagship boutique in Chennai, which will open in a couple of years because the building has to also be developed, but that will be a landmark position. In all of these cities, we want to expand and take positions over the next 3, 4 years. Vijayawada, you mentioned Vijayawada.

My real estate and strategy team tells me that we are looking to be present there in the next year that we will already be present in the next year when the real estate that we've identified comes up. So all of these cities are on our map. Tier 2 cities are important to us, even a city -- Tier 2 city like Dehradun, for example, is profitable. And in its first year itself, it's breaking even and profitable and marginally profitable as we had expected. And second year onwards, it will be even more profitable. So Tier 2 cities are definitely on our radar.

Samar Nagpal: Sure. One thing more, I think on the CPO business, I know that a couple of years back, we used to speak about the potential this business has, and now it's growing upwards of 30%. So just wanted to understand that would it be a 30%, 40% kind of business or we can see some amount of acceleration over here, and we are just right now setting the operations in a good way or taking up the business, which is good enough for us. So how do we see this business on CPO?

Pranav Saboo: I think that can accelerate. I think that there are some roadblocks that we have to -- we are overcoming first. We need more service centers, and we need more capability in terms of being able to service the watches. Also, we don't accept watches without the correct paperwork.

That takes a little bit more time because you see after 2017 is when the population of watches, which were sold properly has increased because in 2017 is when cash was effective -- cash above INR2 lakhs was effectively disallowed, right? The advantage of that was that the population of watches is increasing, that is the watches that were properly bought in India that aren't smuggled into India or are here without paperwork.

So I think with time, it will continue to accelerate. We have only one boutique right now. Next year, we will be opening two more boutiques or at least one more boutique in Mumbai and then in Bangalore. So I do see acceleration taking place. But at this point of time, we are maintaining this 30% that we are looking at.

Samar Nagpal: Sure. And one final question, if time permits. Just one question. In terms of Favre Leuba, I think we have launched the brand. So in a network of 73 or 80 stores we have right now, how many stores would be having the brand or have we placed it everywhere? So what's the kind of assortment we have built in over there?

Pranav Saboo: I think that Favre Leuba will be spread across -- as a lot of the other brands, such as Rimowa, Frederique Constant, etcetera, with all -- it's similar to those brands and is present in about 40 or 45 locations at the moment.

Moderator: The next question is from the line of Ishpreet Kaur from Relax Capital.

Ishpreet Kaur: While we understand the reasons that you gave for the inventory increase that has happened, could you also help us understand the reduction in trade payables that we are seeing year-over-year since the last 3, 4 years?

Pranav Saboo: I will let the CFO answer. But I think as I mentioned that it will normalize, there were a couple of reasons for it. And there were a couple of reasons that were -- that are very specific. For example, we've had great success with ordering India edition pieces and pieces that are specific for our country. In those cases, we end up paying advance because those products are being only made for us.

In the future, we will -- that will not be the case because we've -- once we've successfully bought and implemented an India-specific strategy on products, creating products that are more specific to India strategies and brands see that, okay, they have the confidence that if they order, they will pick up, that will change in the future as well. But that's one of multiple reasons. I can let the CFO talk about other reasons.

Munish Gupta: Sure. Thanks, Pranav. In addition, there were some brand debit notes. Generally, we get every quarter or half yearly basis. This year, it was accumulated and padded up to the year-end. So that's why you see the reduction in the creditors.

Ishpreet Kaur: Right. Sure. Would it also be possible to share revenue from the Top 2 or 5, whatever number you can share brands in the watches that we sell?

Pranav Saboo: No, we don't share that.

Ishpreet Kaur: Okay. No problem. And just lastly, the longer-term vision that you mentioned of 10x revenue in 10 years, would you be able to just give a very broad thought as to how much could be the watches and how much could be the other premium space that you're looking to get into or is it too early to quantify anything?

Pranav Saboo: I think it's too early at this point of time to quantify that. as you know, that those are exploratory in nature right now. A lot of the brands that we are talking to, whether they will come, whether they will not come. But I do know for sure that we are committed to this 10x growth in 10 years. This was stated at the time of listing the company, and we have been walking that path and we'll continue to walk that path. I think that it's a little bit too early to give a segment-wise breakup of that.

Ishpreet Kaur: So largely, as of now, you think large part of it would still continue to be watches in that vision?

Pranav Saboo: Right now, it is.

Ishpreet Kaur: Okay. And anything apart from travel?

Moderator: Sorry to interrupt ma'am, I request you to rejoin the question queue for follow-up question. The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Pranav, I wanted to understand this encouraging pickup in gross margins, right? So this has come back to 31% after the long haul. So wanted to check on the sustainability of these margins that is one. And also, is there any benefit because of a lower cost sourcing in December, which got reflected in better realizations after the price hike earlier this year?

Pranav Saboo: No, I think that long term, there will be sustainability. I think 31% could have been much higher because we're in a volatile place where the rupee is because of whatever is happening in the world and global tariffs and flight -- flight of capital to safe havens such as the Swiss franc. The Swiss franc strengthened a bit, and we haven't passed on that price yet. We will start doing that now.

But overall, there is a structural change in us being able to sell better products in terms of sell with lower discounting, sell specific products better, whether they are India edition, et cetera. This has been a strategy that we have been working on. And I think in the long term, it will improve. I can't talk about the short term as in is it sustainable over one quarter, two quarter because there is -- there's too much fluctuation in the CHF INR at this moment, but I'm sure that, that will also stabilize. And I think that long-term we want our margins to increase.

Devanshu Bansal: Fair enough. Sir, just a small follow-up here. So you mentioned that the price hikes, which are typically taken in January have not been affected this time around so far. Is this the -- is this -- I mean did I understand it right?

Pranav Saboo: See, there was a price rise that was adjusting for the rupee to about -- if you dial back 1.5 years ago, the CHF INR was around INR91, INR92. Most brands adjusted it to INR96 in January, okay? Most brands. Some brands still didn't, most brands did. But in March, now it's moved to INR102, INR103, right, because at that time, the tariffs that kicked in on -- I think it was 2nd April that those -- the global tariffs or U.S.A.'s tariff started to roll that changed the outlook of currencies around the world.

And that moved from -- then from INR96 to INR103. Of course, that is a little bit volatile, and we don't want to take decisions based on 1 month or 1.5 months because there's too much volatility right now. I think brands will now start to take that decision over the next 20, 30 days.

And then we will see if the rupee is, for example, around INR102, then it will have to be adjusted again to INR102, right, but I think that my advice to brands has also been -- I cannot decide for the brands, but my advice to the brands has also been that let's wait for two months. Let's not take knee-jerk reaction.

Devanshu Bansal: One small bookkeeping question. There is some investment that is happening in Favre Leuba. So total, if you could just help us understand throughout the year in terms of equity investment, what can we expect to be going towards Silvercity brands?

Pranav Saboo: I don't -- we haven't yet decided what more will go up over there yet, but we don't see anything happening much this year.

Moderator: The next question is from the line of Udit Gajiwala from YES Securities.

Udit Gajiwala: Yes. Sir, once you mentioned on the gross margins, it could have been better. Would you like to throw some light how can we see EBITDA margins flowing for coming two years?

Pranav Saboo: I think it's to -- look, I want to talk more long term because there's -- I'm afraid to give an answer right now because of the volatile nature of multiple things at this point of time. You have EFTA deal that are taking place. You have -- at the same time, there is talk on -- the Swiss franc is very volatile. In essence, we believe that there is room to work with lower discounting. Our discounting in India is much higher than the rest of the world.

In exclusive brands as well, we can significantly reduce discount. Operational leverage will also start to kick in from a -- at an even deeper level. It's not at the same level, but at a deeper level, operational leverage will kick in. As we make more India-specific products, we now have -- we are -- our relationship with brands is becoming so deep that they are ready to create products only for us.

Of course, those things enjoy higher margins, and that's becoming a larger percentage of our business as well. So there are multiple strategies that we have. I'm afraid to give a number guidance on this because there's too much volatility right now in the world around us.

Moderator: The next question is from the line of Akshat Jain from Sixth Sense Ventures.

Akshat Jain: Sir, just wanted to understand that last year, our ASP per watch increased from around INR1,59,000 to INR1,90,000, which is like a roughly 20% jump. But the same jump in this year has been 7%. So what's the reason for the lower ASP rise?

Pranav Saboo: I think that we were -- as I had mentioned earlier, that we had done -- we had removed some brands on the lower price point from many of our boutiques. Once that cleanup is done, then we are focusing now -- we are in a stable position of where we want our brands to be. And we are focusing on a healthy mix of volume and value growth.

Akshat Jain: Okay. So this cleanup of lower end price brands was done like sometime late last year?

Pranav Saboo: Not late last year, it's been happening for a while. But yes, we've -- it may have been accelerated during that time or it may -- the effective implementation may be accelerated during that time period.

Moderator: The next question is from the line of Manish Poddar from Invesco Asset Management.

Manish Poddar: So just two questions. So one is in terms of any sense of our market share in India? How would that be stacking?

Pranav Saboo: In the segments that we operate with, we believe that it is about 35% to 40%.

Manish Poddar: In the last year, would that have increased or I'm just trying to get some sense in terms of allocations versus our sales, is that share improving?

Pranav Saboo: We have grown faster than all our competitors from our knowledge, yes.

Manish Poddar: Okay. And this is material, or this is marginal? Sorry, I'm just trying to harp on this one.

Pranav Saboo: It is much faster than our competitors. But I mean, market share jumping from, let's say, 35% to 45%, it's a long haul. It's not a very easy one. And also, there is one more thing, Manish, is that we want to concentrate on the profitable segment of market share, not just get market share, right? I'm very -- there are brands that we don't operate with because we don't believe that there is significant profit if you do business in a compliant manner, which is very core to what we do. So we want to focus on the compliant and the profitable part of the businesses.

Manish Poddar: Got it. And the last one is, let's say, there was this earlier thing that we wanted to do a rebranding for the Ethos network -- where are we in that? Have we taken an agency? Just if you could highlight the thoughts, that would be great.

Pranav Saboo: Yes, we have. We've been working on it for the last 6 months. We now have -- it is going a little bit slower than I would have liked in all transparency. We've gone through about 60, 70 versions of logos, but we have now finalized the logo that truly expresses where we want to go and has much higher usability, right, and can take -- can make, first of all, it can express our ambition much better.

It can make us look and feel more luxurious. It gives the impression to the customers that the correct impression that this is a luxury area that you're entering into. So you will see this across the entire spectrum of what we do, right, from the napkins that we have or the handbags that we have, the logo that how it's used on digital ads, for example. For example, in digital ads, it has to drive a higher click-through rate.

When you have a higher click-through rate on digital ads, it brings down the cost per click. As you know, that we spend a lot of our -- or most of our marketing money is spent digitally today. And that process is ongoing. We have now finalized -- of course, we've been working with this agency for the last 6 months. We finalized the logo, and now we are going to accelerate so that by the end of the year, we are in a position where we are implementing this.

Moderator: The next question is from the line of Samar Nagpal from Suranu Family Office.

Samar Nagpal: So Pranav, just in reference to what the earlier participant also asked about the ASP growth. So is it also that it has tapered off because we have a lot of stores coming in non-metros and therein, we would have an assortment of lower price point and the business mix from those stores would have also contributed. So is it fair to assume that?

Pranav Saboo: There would be a factor of that, yes. It is true that the number of stores that we are going to -- where we're going to be increasing the stores is going to focus a lot between INR1 lakh and INR4 lakhs and not necessarily at the higher price point. But that's not the majority of the reason because the other businesses have also increased in value.

The higher price point has also increased in value significantly. Obviously, the volume there doesn't increase in the same manner. However, it is true that by adding more stores that are in the price point between INR1 lakh and INR4 lakhs, the volume of that will go higher. And for that reason, it is a contributing factor, but the majority factor has been the removal of price points below INR25,000.

Samar Nagpal: Also on that aspect of expansion through franchisees, I think it brings a lot of problems while it solves the capital requirement at one step. But for a brand like for us at Ethos, is it fair to assume that we would still be predominantly coco-led expansion only would be there for us, company-owned stores only because the franchisee sometimes brings in a lot of problems for brands also. So just wanted some color on that?

Pranav Saboo: I think the only reason to look at it would be a faster rollout, right? As you said if -- are there cons of franchising? Yes, are there pros of franchising? Yes. When the pros are more than the cons is when we will enter into the -- enter into that sphere. Right now, it is not -- it is not actively in our -- we are actively looking at it. Have there been examples of multi-brand retail that have been franchised?

Yes, there are active examples of it. We are aware of the pros and cons. We are going to be taking on someone to look at it more carefully and then give us the entire picture and then we will come to a decision. In this year, we will not be rolling out or I don't see a rollout of franchising taking place very quickly. Let me just put it this way that I don't want to give a thing that we are actively looking into it or we are exploring the pros and cons of it. That's the stage we are at.

Moderator: The next question is from the line of Akhil Parekh from B&K Securities.

Akhil Parekh: Congratulations on the good set of numbers. Pranav, just one question from my side. What are the tangible levers for improvement in ROCE from the current levels of 14% to 15% that we have right now?

Pranav Saboo: Well, we are working on a lot of these things, right? The return on capital is when you -- one is to increase the profit, right? That is -- we are working on that through increased revenue and increased margin, right, increasing margin, increasing this through product mix, lowering discount. We are working on obviously increasing revenue as value and volume.

And in terms of where does our capital sit at the end of the day where we have to look and see in the balance sheet, where is it sitting and how do we improve that. Most of our capital lies either in -- it lies in capex, which is in the store fit-outs, right? And it lies in inventory. In both of those, we are now starting to look and dive into how we can improve our things over there with more store rollouts, for example, if we can go into more modular fit-outs and order more and thereby bring down per square footage, right, the cost of building out a store per square footage, that will tremendously help.

So we are building out a brand book going into more modular designing, ordering ahead of time, being able to standardize, etcetera. In inventory, I know my colleagues who are in charge of the merchandising department, they are working now to be able to bring in software to be able to help take better decision-making and be able to bring down the months of stock over there. So yes, those are the tangible levers that we are working on largely.

Akhil Parekh: And on the inventory part, right? I mean, as we continue to expand and the ASPs continue to be on a higher side, our inventory cost and working capital will continue to be -- continue to remain at elevated level next two years or three years' timeframe, we expect that to go meaningfully down and which hopefully can improve the ROCE?

Pranav Saboo: Is there a question or what's the question?

Akhil Parekh: No, I'm asking like the inventory days. Is there scope for inventory days to go meaningfully down from here on for next two to three years?

Pranav Saboo: I think, look, if you look internationally, we are at much lower levels. Whether we will be -- is there scope? Yes, but it's not an easy strategy to execute. We will be working on it. I don't want to give really forward-looking statements on whether it will go down meaningfully or not. But our intention is to drive it down, yes.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Pranav Saboo: Thank you all for your insightful questions and continued support. Should you require any further information or clarification, please feel free to contact SGA, our Investor Relations advisors. Thank you again, and we look forward to updating you on our progress in the future.

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