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Dated: August 17, 2024

BSE Limited **Phiroze Jeejeebhoy Towers,** **Dalal Street, Mumbai – 400 001**	**National Stock Exchange of India Limited** **Exchange Plaza, C-1, Block G,** **Bandra Kurla Complex, Bandra,** **Mumbai - 400 051**
Scrip Code : 543532	**Trading symbol : ETHOSLTD**

ISIN : INE04TZ01018

Subject : Regulation 30 of the SEBI (LODR) Regulations, 2015 – Transcript of conference call

Dear Sir/Ma'am

Greetings from Ethos.

This is in furtherance to our letter dated August 2, 2024 intimating the schedule of the conference call for Wednesday, August 14, 2024 at 2:45 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, 2024, 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 Digitally signed by Anil Kumar Date: 2024.08.17 17:44:43 +05'30'

Anil Kumar
Company Secretary & Compliance Officer
Membership no. F8023

Encl.: as above

"Ethos Limited

Q1 FY '25 Earnings Conference Call"

August 14, 2024

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th August 2024 will prevail."

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

Moderator: Ladies and gentlemen, good day, and welcome to the Ethos Limited Q1 FY '25 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 the future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal for an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pranav Saboo, 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 Q1 FY '25 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.

Today, I am accompanied by our CFO, Mr. Munish Gupta; our Chief Operating Officer, Mr. Mukul Khanna; and SGA, our Investor Relations Advisors.

Let me give you an overview of our Q1 FY '25 performance. Revenue from operations is up by 18.8% to INR273.2 crores. EBITDA for the quarter grew by 28.7% Y-o-Y to INR49.7 crores. We continue to witness exclusive brand partnerships positive impact and operating leverage benefits stemming from a stable cost base. EBITDA margin stood at 17.8%. Profit after tax grew by 25.6% to INR22.8 crores.

Inventory days as on 30th June 2024 stood at 156 days. Cash and bank balance stood at INR329 crores as of 30th June 2024. Quantities above INR1 lakh grew by 2% and above INR2.5 lakhs by 9.5%. This was due to restrictions on the movement of cash above INR50,000 during the election period, which impacted sales between INR0.5 lakh to INR2 lakhs.

Now let me give you some color around our results. The last quarter posed some challenges for us reflected in our numbers, due to multiple factors. Firstly, the extreme heat wave led to more customer spending time outside India, extending the duration of the holidays and lesser walk-ins. Secondly, the national elections took place in the previous quarter, spanning almost 2 months, during which there were certain restrictions. There were also far less marriage dates in this quarter compared to the same quarter last year. Additionally, logistical challenges arose due to natural calamities and extreme weather in Switzerland in June, which impacted our committed sales.

During this period, we also took the opportunity to deploy and test our new ERP system. The full new ERP comes after 15 years of using the previous system. This new ERP allows for much better tech integration and API functionality, improved compliance, logs, decision-making capabilities, security, backup and continued upgrade capabilities. The deployment and testing took 3 days during which most boutiques were not operational for sales, and this time will utilize for training of the manpower for the future.

However, I am very glad to report that in July, all of the above issues came to rest, and I'm happy to report that it was a fantastic month for us with growth resurging. We achieved an approximately 28% growth back in July and a record margin in July these are based on approximate and unaudited numbers. However, the principle being that July has shown that we are back on track, and we are very happy with the way the company has bounced back. This should not be taken as any form of guidance for the quarter or the rest of the year.

Moving on to new boutique launches. We successfully opened 3 new boutiques in Kochi, Dehradun and Pune. We expect to launch 5 boutiques in the second quarter. Additionally, we signed two new brands, ID Genève and Singer Reimagined, for our watch business.

In our Lifestyle division, we have finalized the first Messika boutique at The Chanakya Mall, New Delhi, previously operating from a pop-up in a beta test phase. This proved to be very successful. And now the new boutique will become fully operational in January or February, marking our formal entry into the extremely lucrative international branded jewellery segment.

RIMOWA continues to impress us, and we are now in discussion with 7 or 8 other brands in the Lifestyle division and hope to onboard a few in the next year to continue growing our Lifestyle segment.

EFTA will be a game changer for us. As far as we understand, it will be implemented before 31st March of this financial year. We are currently discussing with some of the world's biggest watch brands that have not yet entered India. We believe they will likely adopt a one partner policy in India. We are confident that Ethos is the right partner with our high compliance standards, digital and physical reach, after-sales capability and our professional setup. We hope to welcome these large brands into Ethos in the next year.

Favre Leuba will showcase its new collection at Geneva Watch Days on August 29 to retailers and journalists from around the world. It is set to become an important brand also within Ethos with delivery starting by the end of the year.

Silvercity Brands under the guidance of Patrik Hoffmann has great plans, and we wish him the best of luck for the launch.

Finally, I'd like to inform you about our design as earlier, which we set up this year after helping brands create limited editions like the Raymond Weil Ganga, edition which came out last year, which generated INR10 crores, we established the design -- this year with 2 full-time designers. This year has been a huge success in this field with our limited editions receiving massive press and social recognition. We already have bookings worth INR70 crores for limited editions designed this year for India. Next year, we plan to bring even more brands under this program collaborating with group companies to supply components to our brands.

This is a testament to the trust brands place in us and the depth of our relationships. We are proud of these relationships and will always work to protect them.

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

Moderator: The question is from the line of Aradhana Jain from B&K Securities.

Aradhana Jain: My first question is that in the previous quarter, you had guided that you'll be opening 25 new stores in FY '25. However, we've just been managed to open 3 stores in 1Q and we plan to open another 5 in 2Q. So are we still sticking to the guidance of 25 stores for FY '25?

Pranav Saboo: I think that we are in line to get to between 20 and 25. We are still trying for 25. There are certain delays that are happening not due to our side, but due to some of the real estate not being finished on time. We do still believe that we are on track for March 31 as it looks between should be roughly 22 or 23 stores, 2 stores might get delayed, but we have a lot of launches coming up between -- in October and March, there's a lot of lineup for boutique launches.

Aradhana Jain: Also, sir, we had a revenue growth of 19%. But if you see our ASPs have grown by 25% year-on-year. So is it fair to assume that our growth has primarily been through ASP growth and volumes may decline?

Pranav Saboo: As I've explained in the past, one should look at the growth above INR1 lakh and not below because we are getting rid of price points below INR50,000 completely or below INR30,000 and INR40,000, we are not focusing over there. If you look at the price point above INR1 lakh, there has been growth. It's been a small growth. The challenge for this quarter was the fact that we had 2 months during which there was

during which there was model code of conduct in which people do not move with -- are not allowed to move between -- with more than INR50,000 in cash, while we are allowed to sell watches up to INR2 lakh in cash. So this affects all the cash sales, in general, it affected cash sales in the quarter. And that was a larger challenge for us in quantities. However, we will come back to our quantity growth in the future. Quantity growth, where cash sales are not allowed, has been very healthy at 9.5%.

Aradhana Jain: Understood, sir. Also in your opening remarks, you mentioned that you're confident that once EFTA comes into play, you will see some bit of opportunities from there. So could you throw some more light on that, in terms of opportunity and...

Pranav Saboo: Let's get all your questions and then because we need to give other people. I'll answer this question, but I think that it's important that we list on all the questions. Is there anything else on your mind?

Aradhana Jain: No, nothing else.

Pranav Saboo: EFTA is groundbreaking because it will reduce duties and, open up the Indian market and make it more competitive with the rest of the world. A lot of brands -- a lot of the largest 10 -- let's say, globally, the world's top 10 brands, many of them haven't entered India due to the high duty structure. That is set to change within discussions with all of these brands, and they're all interested in coming into India, and we're exploring opportunities with them. Today, a lot of people buy these 4 or 5 brands outside India, right? This will not be the case in the future because you will be able to buy them easily inside India, and we believe that Ethos will be the right partner for these brands, and that's what we're going to be pushing for.

Moderator: The next question is from the line of Vishal Panjwani from Emkay Global.

Devanshu Bansal: This is Devanshu, this side. Am I audible now?

Pranav Saboo: Yes.

Devanshu Bansal: Pranav, congratulations on a strong performance despite operating challenges during Q1. I have 2 broad questions. One is on the gross margin front, where we have seen some sort of a decline this quarter. I guess you mentioned that exclusive mix is slightly higher.

Pranav Saboo: No, no, it was because we had to give -- I'll tell you, it was -- look, we weren't marketing in the quarter because there was no point in doing marketing. So we were giving offers, customer offers, so better pricing, slightly greater discounts. Tlargely hat is what has led to the lower gross margin. I'm happy to tell you, in July, we've hit a record gross margin. So it's back on -- with the marketing has come back, business as usual from July.

Devanshu Bansal: Understood, Pranav. And secondly, slightly medium- to longer-term question. So incrementally, we are seeing more positive commentary from your side for other lifestyle brands. So while RIMOWA and Messika have been sort of 2 brands that we have communicated to investors. So incrementally, how was so far been the traction in RIMOWA? And if you could sort of suggest over the next few years, what could be the kind of revenue mix contribution from this lifestyle category overall to our overall revenues?

Pranav Saboo: Look, Devanshu, it's very early days right now in lifestyle, and luxury still works at a slower pace. What I can tell you is that the return on capital employed in RIMOWA, the sales per square foot, the EBITDA margins, they are extremely good. We want that in the next 5 years, we have at least 10 boutiques of RIMOWA alone. We want to bring in more brands. We are in discussion with these brands.

Brands take about 15 to 18 months before they sign on. These discussions started about 6 months ago, but there are multiple discussions have been happening now, right? I'm not at a liberty to give you these names at the moment because it wouldn't be right because none of these are finalized. All I can tell you is that we are looking to expand this. It's something that we want to work upon and we take it seriously.

Messika will start on January 1. We will have the first numbers of the boutique that is coming. Right now, as an example, I can give you is that we are doing roughly between INR1.5 crores to INR2 crores per month from a very small RIMOWA boutique in Mumbai, right? We believe that we can do much more with more space, and we will do 10 boutiques at least. So that's a multiplication that you can do.

That is what we are targeting with the single brand alone, right? With Messika, we will also be targeting numbers. I don't want to give you a number just yet. I want to go through that process of going through the first quarter and then giving you numbers. However, it's safe to say we will be targeting more brands and we will be looking at numbers that are scalable. Still too early to give you a 5-year or 3-year exact number or a guidance on where we will be.

Moderator: The next question is from the line of Sanidhya from Unicorn Assets.

Sanidhya: Sir, firstly, on the CHF U.S. conversion rate. So -- did we see any impact on that? And I just wanted to understand where the actual impact comes in? Whether it's on inventory, cost of goods sold or the take the price hikes or every selling price goes up? I just want to understand.

Pranav Saboo: No, CHF, we didn't see any major gain or loss. There's 2 -- there were INR2 lakhs -- advantages or disadvantage?

Munish Gupta: Loss.

Pranav Saboo: INR2 lakhs loss that was taken in the year. But just to explain to you what happened -- in the quarter, there is a reinstatement in the payment, right? Because if you -- if there's credit period, the credit period will be the amount that will be paid will be at the time of payment.

So that's a onetime thing. Of course, if you buy that are more expensive, then sometimes if you haven't taken the price increase because you can't do weekly price increases or monthly price increases. We like to do -- we like to wait at least half a year before and sometimes even a whole year before we pass on the price. So then there is lumpiness in that. And there might be a smaller or reduced margin for that time period. That's how the impact is felt.

Ultimately, it gets priced on, right? And when you price it on your current inventory, the cost or the margin on that increases. So it's set off.

Sanidhya: Sure. Sir, right now, if we see the prices are hovering somewhere between 100 and 96, 95, so let's say last quarter was 92 and we take it to 96 this quarter on an average basis. So what would be the real impact? So we have to pay at 96 when the realization comes? So likewise, we will also increase the selling price for those watches, right? So there is net-net.

Pranav Saboo: We have foreign exchange risk with not every brand. Certain brands have foreign exchange risk. There, we would feel the foreign exchange hit for some time until we increase the price.

Sanidhya: And what is the quantum in terms of overall sales for that?

Pranav Saboo: I don't have that number. I'm going to have to come back on that number right now. What I do is it would be about, roughly about -- in my opinion, it would be roughly about 50%. But going forward, by the way, we are in discussions to reduce this down over the next 2 years, we believe that the foreign exchange risk or gain will be reduced to less than 1/4 of our business.

Sanidhya: Any hedges that we do against this?

Pranav Saboo: No, we don't do hedges.

Sanidhya: Okay. And lastly, on the promoter holding, so it's been continuously reducing. If you see the Ethos side, it continuously increases when we see the KDDL side. So is it like this is the going trend because there are no dividends even in Ethos as well. And so -- I just wanted to understand.

Pranav Saboo: No question for KDDL because KDDL is a promoter. I think this question needs to be taken at the KDDL holding level.

Sanidhya: Okay. Just wanted to understand from Ethos level, what are we looking for dividend policy? I know that we are getting the cash flows in the inventory, but any time soon we are expecting dividends because...

Pranav Saboo: Dividend policy, we will get back to you. We will announce -- At the moment, we are -- we want to utilize our funds for growth. We see a very long-term future for the business. I have shared with in the past, my vision for the company over the next 10 years. And we want to attract investors who share this vision with us.

Moderator: We'll move on to the next question. The next question is from the line of Ankush Agrawal from Surge Capital.

Ankush Agrawal: Firstly, can you share the share of revenues from exclusive brands and the SSG for the quarter? Secondly, in terms of our discussions with the brands, both exclusive and non-exclusive. Can you share some updates on how the discussion is going on in terms of sharing the custom duty reduction that is going to happen by the end of this year?

Pranav Saboo: So the share is approximate -- house plan is roughly around 30%. And in terms of -- this is -- of our total revenues, including preowned, et cetera, where we don't calculate exclusive brands because that's a different vertical altogether. But it's roughly around 30%. We want to grow this number.

Secondly, in terms of duty, for 90% of our brands that we are exclusive with the entire benefit will flow to us. In -- about 10% of the exclusive brands, it will be shared. This has been premade or precooked into the contracts that we have been signing up till now.

Ankush Agrawal: And SSG for the quarter?

Munish Gupta: 12.3%.

Pranav Saboo: SSG is 12.3%.

Ankush Agrawal: Okay. And just a clarification on this custom duty. So you mentioned about the exclusive brand. In the case of nonexclusive brands, are we discussing for sharing it? Or is there something in the contract that is prepaid?

Pranav Saboo: We are discussing about sharing it over that.

Moderator: The next question is from the line of Gagan Deep from Nvest Analytics.

Gagan Deep: Sir, my question is regarding the revenue margin guidance for financial '25?

Pranav Saboo: We're not giving any guidance numbers like -- I think whatever guidances have been given are the ones that we are doing. We're not giving any more forward-looking guidance at the moment.

Moderator: The next question is from the line of Shalini Gupta from East India Securities.

Shalini Gupta: I have two questions. One is if you could just say what is the exact quantum of the second watches that you have done? Second is, sir, we are seeing that when the exclusive watches that you have -- that, I mean, the addition is coming down. So over like, say -- and where do you see your -- in light of this, where do you see your EBITDA margin and gross margin settling maybe 5 years from now?

Pranav Saboo: Thank you for the questions. Let's start with the pre-owned. The pre-owned is -- the billing is...

Munish Gupta: The billing is INR19.6 crores this quarter. It grew by 32%.

Pranav Saboo: So it's INR19.6 crores of pre-owned, which represented a growth of about 30% over the previous -- on a Y-o-Y basis, 31% on a Y-o-Y basis. Next is you spoke about how exclusive brands, and you spoke about 5 years where do we see the trend line going.

Look, we want to increase the exclusive brand portfolio, not in terms of number of brands per se, but in the percentage that we do over there. This will take -- I mean, it's not going to be big jumps every year, but there may be jumps that will come. We need to make changes to this. We need to create much more manpower on the new brands that takes time setting the school for this, high-cost school or whatever, it just needs much more attention, which we will be giving.

We believe that we will be able to take with marketing and with training, we will be able to take up the share of exclusive brands. I also believe that EFTA will help in increasing margins. We also believe that there is room for discount reduction to take place, especially in exclusive brands because the discount is to be higher than -- even though the gross margin is higher, it still -- it's achieved despite having higher discounts, and that will also come down as deal plans mature in India.

I do believe directionally, the margin will go up as we start to execute this strategy. Now what number that is? I don't want to give a number right now. But directionally, our way is that we want to work with these dealers to increase our margin.

Shalini Gupta: Yes. Sir, a follow-up question. You said that you did about INR20 crores of pre-owned watches business in this quarter. But this number, you should be far higher earlier. Like if I remember correctly, it was somewhere like INR50 crores something.

Pranav Saboo: That's for the year. That was for the year, this is for the quarter.

Shalini Gupta: So you see this number is going to inch up steadily to maybe like a substantial part of the sales because I think you have a niche in seconds watches. You don't have any competition. So I would think that your effort should be towards driving the seconds watches market because here you have no competition.

Pranav Saboo: So Shalini, I think that -- thank you for the suggestion. I also feel the same. However, there are challenges that are there on why we can only grow, let's say, 30% in a quarter and not grow, let's say, 100%. I'll explain those challenges to you. Number one is sourcing watches. And the number two is getting enough watchmakers could be able to open and certify the watch. We don't sell watches as in as well as conditions without opening and servicing the watch. We believe that our mission in second movement is to be the most credible place to buy and sell watches. Otherwise, anybody on WhatsApp can start a group and start selling and buying.

Actually, no one has a clue on what is inside that watch. When a watch comes to us, we open it, service it, and then sell it forward. There are 2 things in this. One is that you need to legally procure the watch, which basically is watches starting after 2017 because if a watch was acquired in cash, we don't buy that watch without a lot of -- I mean, there's affidavit that need to be given, et cetera. So there's a lot of compliance that comes in.

Now, with every year, the number of watches that are obviously sold in a compliant manner is increasing in India or the watches that we can procure are increasing in India. As that population increases, we will be able to keep up with the growth and grow at this pace or even accelerate from here. But until now, this has been the reason why we haven't been able to grow 100%.

Number two is training enough watchmakers to be able to open these watches, service these watches and give a warranty on these watches. So in this effort, our first service center is working on full capacity. We will be opening a second service center in South India in this quarter that will double our capacity.

We are bringing in a major agency from Switzerland to be able to train 16 master watchmakers every year starting next year to help in this business and, of course, the aftersales business as well. So these are the efforts and these are the underlying challenges that prevent us from, let's say, doubling the business.

Yes, it is true. Competition is lower in this, but we need to be sure that we don't get into a short-term deal, a getting tempted and doing business without opening checking the watch and certifying the watch fully, so that the customer at the end knows that Ethos, the name is the most credible name in watches and future luxury products.

Moderator: The next question is from the line of Shreya Jain from Niveshaay.

Shreya Jain: I wanted to know about the details of the Favre Leuba sale. Can you provide the details on that? How many pieces have been sold this quarter? And how are things improving in terms of acceptance? My other question was the global swiss watch export has been facing some issues in major geographies like U.S. and China. Is there any global slowdown with respect to luxury watches? Can India also face some slowdown in demand in the coming year due to this various geopolitical turbulences?

Pranav Saboo: Favre Leuba is only launching globally on 29th of August. We are showing that first collection which is coming up after the revival of the brand, right? Favre Leuba is the world's second oldest watch brand and has 287 years of history. It was an incredibly iconic brand. And the team at Silvercity has been working very hard to be able to bring these to turn around the company and bring these watches within 1 year or within a very short time frame to the market. So this will be the first time the collection will be showcased over here.

In India, we still have some of the incredible timepieces from the previous collection, but those are not available globally. So it's hard to give any numbers right now of Favre Leuba, particularly, at least inside Ethos, we will not be giving such numbers on public platforms anyway. We will be reporting the -- Silvercity will be reporting its numbers. But Silvercity has not started global sales yet. Global sales of Favre Leuba are expected to start with deliveries taken with first showcasing the collection to journalists and retailers from around the world on August 29, at Geneva Watch Days. Delivery starting in December and January.

Your question was, can India also face a slowdown. I mean, I think theoretically, anything is possible. I can't say on -- I don't want to predict on what the market in India will be or future will be in India. We are confident of our growth. July has been a record month for us. That's all I can -- that's all I will leave it at. We are not afraid. We are going to continue with our plans, but it would be sort of wrong of me to say can something often or can -- is there a 0.1% chance or is there a 10% chance, I can't really say that.

All I can say is, July was great. We didn't -- the only reason we saw a slowdown in -- or a lower-than-expected number was in April, May, June was because of the extended heat wave, the election restrictions, supply logistics, which was the major floods that took place in June due to which a large number of our shipments didn't come in and we lost sales because of that. And we finally took the opportunity to implement our ERP after 15 years of using the previous ERP due to which we had to take a 3-day shutdown.

Moderator: Our next question is from the line of Prerna Amana from Pinars Partnership.

Prerna Amana: Congratulations on a good set of numbers. Could you please give me the volume data or the number of watches it sold in this Q1 versus last Q1?

Pranav Saboo: I'll let the CFO answer that question.

Munish Gupta: So in April to June, we sold 13,245 watches. And in last year, April to June '23, we sold 14,070 watches. Apparently, it looks like there is a degrowth. But as Pranav mentioned that, above INR2.5 lakh grew by 9.5%.

Pranav Saboo: Above INR1 lakh grew by 2%, and this was also the price point between INR50,000 and INR2 lakhs was hit because of election and model code of conduct, which prevents the transportation or moving with cash about INR50,000.

Prerna Amana: Sir, just to get it right, about INR2.5 lakhs is 9%?

Munish Gupta: 9.5%.

Prerna Amana: 9.5%. And below INR2.5 lakh, what?

Pranav Saboo: So above INR1 lakh -- the data cut that we have at the moment is that above INR1 lakh, which is what we normally have been talking over the last 2 or 3 quarters has been 2%. We wanted to show above INR2.5 lakhs because at INR2.5 lakhs MRP, that's after discounts, you can't get -- you still can't use cash anymore over there. Because if the billing is above INR1,99,000, you have to use cheque or financial means like RTGS or whatever, that's where we have the maximum growth. The cash sales were impacted due to election restriction.

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

Ankush Agrawal: Sir, one thing I wanted to understand is on the gross margin front. So I think we have been seeing a slight reduction in gross margins for the last few quarters. Earlier 2 quarter it was some because of the higher exchange rate.

But this quarter, despite the fact that last 2 quarters, we have seen exchange rates reduced. And this quarter, we have seen a major uptick in, say, the share of higher luxury watches in sales. We have not seen any expansion in gross margins from -- though you mentioned some discounts and July has been the record month in terms of gross margin...

Pranav Saboo: There’s nothing more to be add over there. I think that, that question has been answered by you itself that -- we didn't do marketing, and we did -- we have offered instead.

Ankush Agrawal: But directionally, I wanted to understand is all the benefit of this increasing share of, say, higher and higher ASP, higher share of exclusive brands, which we have not seen a last 1-odd year. So would that start playing out...

Pranav Saboo: Higher ASP doesn't have higher margin. Higher ASP doesn't have higher margin. Exclusive brand have higher margin, not higher -- ASP doesn't have higher margins. That's not -- it's still the same. It's not -- I wish it won't, but that's not case.

Munish Gupta: And just to add on that, if you see the overall reduction in the margin, if you compare it with FY '24 or EBITDA last quarter, there is also a difference in some points. It's even less than 1%. So it's not a substantial number. And of course, some part will be covered in the rest of the year.

Ankush Agrawal: The second thing I wanted to ask was, I mean, last quarter, we made this comment that we are in discussion with one of the major lifestyle brand in terms of Ethos becoming a retail partner for them. So, has that discussion move forward? Or it was covered under your commentary that you're discussing with 7, 8 major lifestyle brands.

Pranav Saboo: Exactly under that. So these things take 15 months at least, right? And before, we are -- before contract is signed. Before contract signature, I don't want to talk about it. All I can tell you is that we are trying -- the reason I'm informing you is that -- we're taking the Lifestyle business seriously.

RIMOWA was the first step and the proof of concept for us that we can do well over there. Messika will be the second now with the proof of concept doing well in pop-up or a multi-brand format. We will now move to a full boutique format. And then we are in discussions with other brands to bring them in. What I would like to say is that the Lifestyle business is not going to be just a RIMOWA-led business or a Messika-led. We have ambition to go beyond.

Ankush Agrawal: And just for clarification, what comment are you making around INR1.5 crores to INR2 crores per month that you're making from a small store budget for RIMOWA or Messika?

Pranav Saboo: RIMOWA.

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

Akhil Parekh: I just have one question, a broader question on the business model. You have grown fantastically over the last 4, 5 years. But if I look at our operating cash flows, we continue to remain weak. And I understand part it has to do the kind of business model we have. So as our ASP continues to go up, our inventory cost will continue to move up and the working capital also rise. So are there any levers of improvement for operating cash flows? And if not, does that imply as we become bigger, I will have to be dependent on external capital raising to grow our rates.

Pranav Saboo: A very relevant question. I think that, of course, beyond a certain percentage of growth, you need external capital if you want to grow beyond a certain percentage of growth. We do not believe that is the case. The reason that today you see high- the number of deals not reducing- is not because of the same brands of the same store requiring money. Where the money is going right now is to put it into absolutely new brands. We believe that the next 10 years for India is going to see massive growth in this domain.

We want to be sure that we capture all the brands, right? All the brands may not be successful, right? And after 3 years, we will remove the brands from our portfolio that are not successful. But at this point of time, we want to make sure that every brand coming into the country first gets a chance with us. If it doesn't work, we will drop it. To drop it just means there is no obsolesce in these, right? You will just discount it a little bit more and then provide offers or sell it back to the brand.

Therefore, today, what we see is not necessarily how it will go in the future. If you look at other retailers around the world for watches, their months of stock is far lower than our months of stock. And ultimately, in a mature market, we will also get there. But right now, we would rather all on the side of using this money, making sure we block all the brands, testing what is working, and completely dominating the market on that side on everybody coming in. That's our plan right now.

Also, of course, with the number of stores that are opening right now, we have many openings in these last 2 years. And right now, you have to buy the stock ahead of time, right? So you're buying the stock ahead of time, it's lying in warehouse, it hasn't opened. But it's not going to be always like this. So there are a lot of levers that are in place that we will use to bring this under control at a later stage.

Moderator: Ladies and gentlemen, due to time constraints, this was the last question. I would now like to hand the conference over to the management for closing remarks.

Pranav Saboo: Thank you, all for -- thank you everyone. I hope we have answered all your questions satisfactorily. However, if you need any further clarification or want to know more about the company, please contact SGA team, our Investor Relations Advisor. Thank you.

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