ETHOS LIMITED

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Ref. no. : Ethos/Secretarial/2022-23/75

Dated: February 9, 2023

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 January 26, 2023 intimating the schedule of the conference call for Friday, February 3, 2023 at 5.30 p.m.

In this regard, we are enclosing herewith the transcript of the aforesaid conference call held inter alia to discuss un-audited financial results for the quarter and 9 (nine) months ended on December 31, 2022, 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.

Yours truly
For **Ethos Limited**

Anil Kumar
Digitally signed by Anil Kumar
Date: 2023.02.09 17:11:07 +05'30'

ETHOS LIMITED

Anil Kumar
Company Secretary & Compliance Officer
Membership no. F8023

Encl.: as above

"Ethos Limited
Q3 FY2023 Earnings Conference Call"

February 03, 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 3rd February 2023 will prevail

MANAGEMENT: **MR. YASHOVARDHAN SABOO – CHAIRMAN & MD – ETHOS LIMITED**
MR. PRANAV SABOO –CEO - ETHOS LIMITED
MR. RITESH AGRAWAL – CFO – ETHOS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2023 earnings conference call of Ethos Limited. 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 risks 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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Saboo – CEO – Ethos Limited. Thank you and over to you, Sir!

Pranav Saboo: Good evening everyone, and thank you for joining us on Ethos Limited Q3 FY2023 Earnings Conference Call. I hope everyone had a chance to view our financial results and presentation, which were recently posted on the company's website and stock exchanges. I am accompanied by our CFO, Mr. Ritesh Agrawal, and SGA, our Investor Relations Advisors on this call today.

It gives me great pleasure to report that we have experienced yet another good quarter. The quarter again confirms the rising potential of the premium and luxury watch category in India and the dominance of Ethos in this segment. We are pleased to report that our omnichannel platform which combines the effort of online and physical retail is making good progress. We are constantly working to improve our EBITDA margins by leveraging our operations and exclusive brands.

For Q3 FY2023, revenue from operations was up by 18% to Rs.229.7 Crores from Rs.195.3 Crores in Q3 FY2022. The company has recorded its highest ever quarterly EBITDA and PAT in Q3 FY2023 on the back of robust demand and focussed marketing initiative despite having spent an amount of Rs.2 Crores on GPHG which was a non-sales event to ensure India is put on the global map and additional foreign exchange fluctuation loss.

EBITDA for the quarter grew by 35% quarter-on-quarter to Rs.39.5 Crores in Q3 FY2023. Profit after tax for Q3 FY2023 was Rs.20.7 Crores as compared to Rs.12.1 Crores in Q3 FY2022. This grew by 71% on a quarter-on-quarter basis.

For the nine month FY2023 revenue stood at Rs.581 Crores which grew by 39% YoY basis. EBITDA for nine months FY2023 Rs.98.5 Crores as compared to Rs.56.4 Crores for the nine months FY2022. This grew by 74% YoY.

Profit after tax for nine months FY2023 stood at Rs.47 Crores with a profit after tax margins of 8% versus 3.6% last year. Inventory days as on 31st December stood at 153 days of sales. Gross debt was Rs.8.4 Crores as on 31st December. Cash and cash equivalent stood at Rs.253.33 Crores as on 31st December.

Before we go for the question and answer part of our discussions, allow me to state a few points. The overall performance of Swiss watch exports on a global scale reached an all-time high. The total value of exports reached the equivalent of 24.8 billion Swiss francs for the entire year of 2022, representing an increase of 11.4% compared to the value of exports in 2021.

The most important factor in expansion was the production of watches made out of precious metals. As per the world distribution of Swiss watch exports for India, Swiss watch exports surged from 156.8 million Swiss francs to 187.6 million Swiss francs in 2022 on a YoY basis while it stood at 97 million in 2020. The market for premium and luxury watches in India is expanding at a faster rate.

The vertical specialist MBO model-led retailing model is the most successful distribution channel for luxury and premium watches because it gives the owner of the brand access to a larger customer base. Expanding the market with this strategy results in lower overall costs. The process of buying a watch from Ethos is on par with or even superior to what customers get from other retailers around the world.The customers who shop with Ethos have a special trust in the company because they believe that the products we offer are authentic.

It will be supported by top class after sales service, with components sourced directly from the brands themselves. With this, we would like to bring attention to the fact that as of the nine months of FY2023, our repeat customer rate was 46%.

In the month of October GPHG event, which was a huge success when it comes to the distribution of new timepieces in India, we at Ethos are continuously in discussion with other watchmakers. The knowledge and understanding of the product that we have built up over the course of the year, which enables us to manage our customers in an appropriate manner is impeccable. We were able to propel these brands to new heights, opening new markets in India, by holding these events, we were trying to approach many brands all over the world and show them the expertise and the opportunities that are available at Ethos through which they can enter the Indian market.

Further, it gives us great pleasure to announce that we have entered into agreements with four prestigious brands namely Tutima, Trilobe, Speake-Marin, and Bell & Ross as we have declared to the stock market in the preceding weeks. These brands will be exclusively available at our Ethos watch boutiques located all over the country.

We aforementioned brands each dominated a specific subset of the market and attract a sizable customer base. In addition under our exclusive agreements, we will continue to add more brands. The continuation of our strategy to strengthen our presence in the luxury and high luxury watch segments resulted in an increase in our average selling price for the nine months of this year. Our average selling price for the nine months was Rs.1,57,000.

Additionally, during the duration of the quarter, we expanded our retail presence by opening two new stores one at Bangalore and the other in the city of Indore, bringing the total number of cities in which we operate to 18. We are still fully committed to achieving our goal of opening up 40 stores in the coming 24 months across a variety of cities including several new tier two, tier three and tier four cities.

Ethos has celebrated its 20th year of operations in January 2023. We at Ethos started our journey in 2003 and now we have over two decades of brand presence, retailing luxury watches throughout the Indian subcontinent. Also rising young population, rising per capita income, urbanization, and rising working women population will support to luxury retail watch business over the next decade.

With these comments, I thank you very much for joining this call and I open the floor for questions and answers.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.

Rahul Agarwal: Thank you so much for the opportunity. Good evening. Just a few questions firstly on the season obviously third quarter is generally the strongest. Just wanted to get your views on this, was it above or below your expectation? was it in line with how do you see the market shaping up? We are seeing some kind of weakness in affordable non-luxury consumer discretionary products in India in the third quarter obviously luxury seems like it has done better. Any thoughts on demand trends overall and your assessment on how was third quarter.

Pranav Saboo: Thank you for joining the call and appreciate your questions. We were not disappointed by the demand, but we were extremely disappointed by the supply. A lot of shipments got delayed and a lot of components that were to come in and help in service and pre-own did not come in therefore we were extremely disappointed by the supply situation because we could have done much better had that eased out. This was primarily due to the global supply chain being disrupted especially with China going through severe COVID led lockdowns. We have already seen this easing out in January and we believe that we see no signs of any slowdown and we see an amazing quarter up ahead as well. So at the moment, we feel we have shielded from what you are witnessing perhaps in the bridge or the slightly mass segment.

Rahul Agarwal: That brings the second question essentially on the outlook for both new watch business as well as CPO going into next year obviously topline will be well supported by new store openings, but any comments on what kind of growth would you look at because now base is pretty high and the second part of the same question is essentially on margins. Do you see this margin sustaining because my sense is you will add quite a bit of cost next year. So any thoughts on the outlook please.

Pranav Saboo: We take careful decisions ofopening new stores will be taken very carefully. We do not believe that we will, even due to the new stores we do not believe that our margins will suffer and in fact we will see a healthy growth in overall profit.

Rahul Agarwal: Any comment on the topline growth please next year.

Pranav Saboo: I believe that we will have very healthy growth in the next year, that is all I want to mention at the moment as we have had a healthy growth in these nine months we see healthy growth in the coming year.

Rahul Agarwal: Lastly on a bit of discussion on the store performance and the ageing there. My understanding is the margins are doing great at the company level 13.5% is a good achievement in India retail. Out of the 48 stores which were operational as of last quarter which is September, would you feel that any location is a drag and that needs to be looked at, how many stores would that be and how many stores would actually be doing like operating margins upwards of 15%, how would you look at ageing in your store profile any botheration there. Some color on that, please.

Pranav Saboo: Honestly I think there are only one or two stores out of all 50 stores that we feel as a drag and they were set up for a longer-term perspective. For example, if there is a mono brand boutique of an exclusive brand we knew that we would not be meeting a 15% in year one on that boutique. I believe we will reach that, we are not looking at any closure at the moment and we are pretty sure that all stores will be profitable in the next year.

Rahul Agarwal: Just to squeeze in one more. Any thoughts on CPO how did that do and the way ahead please.

Pranav Saboo: So as I mentioned there was a single digit growth this time in CPO that was primarily because we did not have supplies coming in of components that has eased out in January. In the next quarter, we see a 70% growth on a YoY basis in the quarter that we are in.We believe that in the next year, our growth will be 100% over this year.

Rahul Agarwal: Thank you so much for answering my questions and congratulations for completing two decades of Ethos brand in the country. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Vinayak Mohta from Stallion Asset. Please go ahead.

Vinayak Mohta: Hi Good evening everyone. I wanted to start by talking about the CPO side as you mentioned that you are at a single digit growth and previously you had mentioned that you will be doing around Rs 70 Crores in FY2023 so are we on track for that or did we miss it by some margin given Q3 was weak.

Pranav Saboo: We will likely miss that target because Q3 was weak but we will catch up in the quarter one of next year where we see our supplies are being restored. We are facing the biggest bottleneck for us right now till now was getting component supply and getting watch makers in place. We are now opening the largest service center as we speak it should be operational in the next four months to get in watch makers to be able to restore the watches. We see amazing demand that is happening and the positive thing is that we will be working on and that we have worked on is the fact that we are now moving onto a hybrid model which means that we do not necessarily pay for all the stock so it seems to a consignment model for a lot of the watches in fact in this quarter we will move to 30% of our sales coming from consignment sales. In the next year, we expect it to go up to 50% of the sales to come from the consignment sales and next to next year it will be nearly 85% of our sales coming from consignment. So return on capital will shoot up because the total amount of capital employed will be low. In the next year we do expect billings of over Rs 100 Crores coming in from CPO and this year we expect the number to be closer to Rs 55 Crores.

Vinayak Mohta: So I have one question around this CPO, the incentive for the watch owners to come and sell so wanted to understand this in two segments, one while I understand the incentive of the watch owners to come and buy from you. I am not able to get a hang about why would a person come and sell through you because everything that would follow through in the money part would be through a wide channel. So could you help me understand the taxation part, because my understanding is that before like five, seven, or ten years older watches they would have purchased it a lot in cash. So how will the taxation come and what incentivizes for them to come forward and sell it across through your channel all through wherein the payment is all done through legal sources.

Pranav Saboo: So I do not agree with the fact that everything was sold in cash a lot of it was sold as legal tenders and there is a large population of watches that exist that has been sold as legal tender. number one is that. Number two is the fact that even whether cash or otherwise Ethos will get you the best price for your watch, nobody else has the reach, the photography, and the premiumization capability of Ethos to be able to sell a watches, we sell a pre-owned watch. We will end up getting the best price because number one, we have access to the biggest customers.Our website on second movement has over a 100000 visitors every month. So if you sell a watch at Ethos you were likely to realize the price which is 30% or 40% better than what if you went to another place trying to sell your watch in India. So that is why I believe that people come to us to be able to sell the watches and we have seen a healthy supply line as well. In fact we are seeing it, it is one of the reasons that we have stopped paying upfront for all the watches, we are starting to take watches on consignment because we do not need to be able to commit the money upfront and we need to commit the money once the sale actually takes place.

Vinayak Mohta: How does the taxation work for the sellers in this case in the CPO front?

Pranav Saboo: Again it depends upon the age of the product if it is over a certain time period it goes into short-term otherwise it goes into long-term just as it would for other movable items.

Vinayak Mohta: Also moving onto the margin part, could you specify the levers that you pulled in increasing your margins because as I could see as a percentage of revenue your employee cost has gone down and your rental cost as a percentage has gone down as well. Now while I understand that as more and more sales happen from the same store that would be one level the second level could be that opening up the newer stores into tier two, tier three those lower level cities would incur a lower cost, but what kind of margin levels have you pulled and are we sustainable the 9% PAT margin that you have done, what would be the sustainable range that you would look at?

Pranav Saboo: I can only say that the margin is sustainable and will be increasing in the future that is what I would like to state at this point. I think there are several margin levers. Number one is the fact that, as we sell more exclusive brands we have a much higher margin because we get the entire distribution and retail margin number one, number two is as discount comes down that is another margin lever and then is operating leverage kicking in. I would say these are the three largest levers and I do believe that margins will increase in the future. The PAT margins will increase.

Vinayak Mohta: Generally the newer brand you continue to tie up with a lot of newer brands and a lot of brands are such which people might not have heard of or it would be new to them. So do you see sales happening for these new brands, how do we pickup in terms of sales is it strong or is it mixed depending on brand to brand how is the customer's reaction to these new brands coming in relative to the known ones for a longer period of time?

Pranav Saboo: What I would like to say on this is that, first of all it is a very good question. I want to say that every time we sign on a brand it is not for that quarter or next quarter. We are securing supply, we are securing our position for three years from now. I would like to give you the example of Moser. Moser was a brand that we started three years ago. At that time perhaps it was as not known and each watch is about Rs 35 lakhs. In the first year, we sold about 15 watches, in the next year we are likely to sell about a 120 watches of that at an average price point of Rs 30 lakhs each and with lesser than our average stock turn so I believe that brands do have a gestation period as you have mentioned but these brands will catch up they have a very strong product they dominate a subset of the industry and I do believe that we have traction by signing these all. We are ensuring that we are not just next quarter or two quarters but it is also a pipeline for the future in a very large mot that we achieve in the future.

Vinayak Mohta: Coming to the ASP breakup I can see that given your ASPs are increasing consistently Rs 157327 now so which means more of your watches are being sold towards the higher price range. So how much of it is a factor of product mix change and a factor of pricing increases my assumption would be maximum of it would be mix change instead of pricing increasing of those watches, but just wanted some clarity there.

Pranav Saboo: I think it is an equal mix at the movement because there is inflation around the world and there is price increase taking place, but you are right we are changing the mix as we get out of the price point below Rs.20000 and we concentrate on higher value watches as well. So yes it would be slightly skewed towards mix but inflation has played a role in the average selling price of the same product or the price of the same product rising as well.

Moderator: Thank you. The next question is from the line of Mythili Balakrishnan from Alchemy Capital Management Private Limited. Please go ahead.

Mythili Balakrishnan: Thank you for the opportunity. Just a question on the new store opening that we have sort of planned out. Just to get a sense of like how many locations and how many trends are we sort of finalize because I think the quality of real estate that you would see again would be superior to what is more normally available in the country.

Pranav Saboo: As I do want to say yes I think that there is retail space that is suitable for us in all the cities that we are looking at. We have made the high street successful as well so we are looking at both high street options and mall options. We have signed on quite a few locations, in the pipeline, we have quite a few locations that we have signed up in fact all the locations that are going to be opened in the next 12 months are already signed up that is what I can tell you right now that we are not facing any shortage or we are not facing too much shortage of real estate that is suitable for us.

Mythili Balakrishnan: I just wanted to get a sense on it as you open the stores could you just sort of help us understand what is the economics are sort of like in a breakeven in terms of how soon that they reach breakeven how soon that they start reaching maturity etc.

Pranav Saboo: I am going to hand that question over to the Managing Director, he just joined in I just got a flash that he just joined in he will be happy to answer that question along with the CFO.

Yashovardhan Saboo: Good afternoon, sorry I got a little bit late I had an unavoidable meeting with doctor, I am here again. So to answer that question typically our store breakeven within the first year and in fact our objectives are even more we would like them to sort of achieve a certain minimum ROCE within the first year and typically if the store does not achieve desired targets for two, two and a half years we then have to seriously look at that store, so on new stores our stores are getting to be profitable pretty soon, pretty quickly much earlier than the norms for the retail business especially for the luxury business. To tell you there is a Capex, which is typically about Rs 1.5 Crores there is stock which is about Rs 5 Crores so there is Rs 6 Crores to Rs 6.5 Crores and typically as I said the stores pay for themselves. They have a payback period which is less than three years with payback. In terms of margins, CFO will be able to take you through that.when you look at our financial there is a pretty much standard for standardized stores

Mythili Balakrishnan: I was just curious that see we have around 50 stores now and over the next two years if we are adding it at a very significant pace and if would there be some pressure especially at a PAT level and the ROC level for us.

Pranav Saboo: We do not see any pressure coming on because of these stores. Infact, that we believe that we will have very healthy growth in PAT over the next two years because these new stores in the past it has taken time to breakeven. We believe that our new stores will start breaking even in the profitable very, very quickly, just as an example we opened Indore in December in the month of January it is already profitable.

Mythili Balakrishnan: But at the PAT level then is there some impact on margins but not at an absolute PAT level but at least on the margin side we might see some pressure.

Pranav Saboo: We do not expect pressure on the margin side as well.

Mythili Balakrishnan: Thanks that is all from me.

Moderator: Thank you. The next question is from the line of Manish Poddar from Motilal Oswal AMC. Please go ahead.

Manish Poddar: I just have one question. So I believe you have signed a brand which was already retailing in India so just wanted to understand, let us say in terms of the process now which one is relatively easy, taking a brand that is already there in India or getting a brand up a fresh and the second part is are there most of the brands which you can just get premium model. Thanks.

Pranav Saboo: I do not think any of this. I do not think signing either brand, whether they exist here or otherwise is easy but of course it is more complicated, if the brand is already here. Bell & Ross was here with a lot of retailers. They have decided that they want to work exclusively with us and we are very excited about this. I do believe that there are a lot of brands that have not even entered India yet and I do believe that they will. When they do, when they have enough product. They have not entered because they do not have enough product. I believe the Indian market will be unavoidable and when they choose to come here they will choose to come with one partner and the obvious choice is Ethos so, I do believe that we have a lot of brands that we can sign on right now, we want to sign brands that will stay with us for a very long time that will have desire in the Indian market and I do not see a shortage of brands in the pipeline either you will be hearing about more announcements in the years to come.

Manish Poddar: If there is a brand which already present in India would you want to let us say, is there an x percentage that they are giving to the channel. Would you want to just let us say take a couple of percentage points off the grid and try to get them the network compared to let us say then available and individual or regional players is that a thought process which is there.

Pranav Saboo: What you mean to say is that, take a margin hit but from what we are existing retailers are getting but we can look at that case-to-case basis. All the decisions that at least I take are led by return on capital employed so if it is going to give us a greater than 25% return on capital employed I will be happy to take that decision.

Manish Poddar: Fair enough thanks.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global Financial Services. Please go ahead.

Devanshu Bansal: Thanks for the opportunity and congrats on a strong execution again. Sir, I have a few questions, one was that in Q4 wedding days are significantly higher versus the previous year and our category I understand is again of significant importance during such events or days. So can we expect that this Q4 is going to see different trends that will be historical Q4.

Yashovardhan Saboo: Devanshu you can go ahead with all your questions maybe and then we can answer all of them.

Devanshu Bansal: The second one was on the inventory days we pointed out about 153 days is this a quarterly phenomena or a seasonal phenomena and the bulk of the buying for the new season is going to get consummated in Q4 that was the second question. The third one is on China opening, so India as a country saw a good amount of Swiss imports, do you expect any challenge in terms of these imports getting diverted to China since that economy is now opening up and the last one is if you could provide the exclusive mix for this quarter.

Pranav Saboo: Our quarter four wedding days number of wedding days are higher we believe that quarter four will be a very good quarter. In terms of China will help us because as I mentioned, a lot of components, a lot of machinery come out of China and that will help us a lot in both the certified pre-owned as well as the new watches coming in. So we do not see any challenges in fact we were eagerly waiting for China to open up. Exclusive mix I believe that exclusive mix, I will let the CFO answer the questions on exclusive mix and the inventory but we do not necessarily have a buildup of inventory in quarter four except unless we open new stores or bring in new brands..

Ritesh Agrawal: Thanks Pranav. With respect to the exclusive mix it is in same line that we clocked 27% for the nine month period ended. In terms of inventory that you mentioned we have reduced the inventory earlier we used to report about 156 to 160 days this has been reduced by three days so it is not piled up but is reduced.

Devanshu Bansal: So my question was that only sir. So definitely there has been a reduction I was asking in Q4 this will increase. So do you expect these inventory levels to stay at Q4 end as well or Q4 end can see a slight increase in the inventory.

Ritesh Agrawal: We believe that inventory level would be in-between the line.As we mentioned earlier it is primarily the assortment that needs to be maintained and if someone walks in we need to show that particular stocks and available I think unless…

Yashovardhan Saboo: Ritesh let me just make a short comment on that. It is not possible to predict with that much certainty because as Pranav said. If a new store opens and there are stores that are still to open but that depends on the completion of the store and malls starting and so on, sometimes the availability of the product what time it will have customs clearance so if that happens in the last week of March certainly stock goes up and it will impact by one or two or three days. On the other hand, if it is planned and it does not happen, then the stock can go down so I think broadly the range will remain the same, I do not think there is going to be a systemic increase or a significant decrease in the stock in quarter four.

Devanshu Bansal: Thank you sir that is encouraging I have a couple of small questions one was if you call out the SSG for this quarter.

Ritesh Agrawal: SSG quarter 16% and nine months 31%.

Devanshu Bansal: The last question is while we have been exceeding expectations on most of the brands one small disappointment has been on the store opening front for the nine months so while our targets remain aggressive. If you could just highlight, as what have been the key challenges, is it all macro led or due to delay in the opening of malls and there is a bunch of stores that are bound to open in the next quarter or maybe Q1 of FY2024.

Yashovardhan Saboo: There are lot of stores that are bound to open. The delays have been due to essentially delays in malls or availability of the space, but I think at the end of the day for all of us opening of new stores is a means to an end and end is to have a very healthy topline growth and to have a very good bottom line and I think we have achieved that better than what expected even without the stores opening so in the end I am not really worried about stores gets delayed long as we achieved the growth targets that we have set which are very aggressive, but we have achieved them, exceeded them and the bottom line. I think we are fine that said new stores are going to open and therefore we can hope to continue the kind of amazing momentum that our management team has built up.

Devanshu Bansal: Thanks a lot this is really encouraging that is it from my side.

Moderator: Thank you. The next question is from the line of Varship Shah from Envision Capital. Please go ahead.

Varship Shah: How much is the capital employed in this CPO business, as we are achieving the model there we expect ROC to improve just trying to figure that.

Pranav Saboo: What I would like to say is that the monthly stock is far significantly lower and we will probably end the year with about Rs 9 Crores of stock in pre-owned and we do not see a significant rise even though we see a doubling of revenue in the next year because, as I mentioned, we are migrating to a hybrid model where we have consignment and paid up stock and in the future, we want to go towards a much greater percentage of consignment than paid up stock, so we will only buy a stock which we know we are confident to sell within 15 to 20 days of the watch going live on the website.

Varship Shah: Thank you sir.

Moderator: Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: Just wanted the inventory number as on nine months FY2023.

Yashovardhan Saboo: If you have other questions why do not you ask all of them so we can answer them all? Is it your only question?

Arpit Shah: No I have another few questions also if you could help me with the cash flow from operations for nine months FY2023 post the lease payment liability. So that is another two data points that I am looking out for.

Yashovardhan Saboo: Is there any third question.

Arpit Shah: Yes, I have a couple of more questions. Since you are distributing for a lot of exclusive brands would you be open to selling to third party retailers also or are you really exclusive selling in the Ethos outlets.

Yashovardhan Saboo: Any other questions.

Arpit Shah: Yes, and we are going to be almost double the network in the next couple of years, let us say going from 50 stores to let us say 90, 95 stores in the next two or three years so in any way you will be getting more bargaining power with a lot of brands which could help you to decrease the number of inventories that you are maintaining right now on a store level basis and just wanted to understand let us say if this year broadly we are closing around Rs 750 to Rs 780 Crores on the revenue front so any possibility that we could actually cross the Rs 1,000 Crores number by FY24 and from there onwards you could see 20%-25% kind of growth on the topline if you could just seeing a very accelerated store expansion going ahead. Those are all my questions.

Yashovardhan Saboo: Let me answer the last one. We have got pretty aggressive plans for growth, I am not going to be able to speculate on specific numbers but you have seen the growth this year and we believe that going forward the growth is going to remain robust. We have got the growth engines in terms of market expansion, brand expansion happening, so we are waiting to see how numbers are going to be panning out precisely. We do expect the robust growth to continue it is maybe a little bit too early to give specific numbers but of course our goal is to cross the Rs 1000 Crores mark sooner rather than later and yes of course increasing the network is going to help in doing that too, but you can expect to see pretty strong growth in the years to come next year and the following couple of years. As far as the increase in network and whether that is going to decrease the inventory, yes, but decrease in our inventory is not really our primary goal. We have seen that in the luxury business you need to carry a certain minimum inventory to have a proper selection of the products which is on par with the global selection available. If you want Indians to buy in India and not go abroad and buy we need to give them the same range in India that they would get in a Dubai or a Singapore or a London or Zurich, so there is a limit to how low you can go on the stock. In fact our stock levels in terms of number of days maybe comparable with among the best in international retailers of luxury watches so our goal is not to be able to cut down on inventory. Rather the increase of network will give us a more stronger relationship with the brands so we can get the products we want, the most sellable products and stuff like that, that is what our goal is going to be. So to be sure an increased network will give us a greater influence and bargaining power with the brand. You had a question about exclusive brands can you just repeat your question about exclusive brands.

Arpit Shah: Yes, since would we have a lot of exclusive brands would we be working to selling to third party retailer.

Yashovardhan Saboo: Our goal is really to be able to offer the highest level of ideality and experience to the customer and for the moment we really feel that the customer experience at Ethos is the best in the country and we would rather expand that and the brands are very happy with that as well. Our partner brands are saying look please go ahead, we need so many points of sale. We are very happy with the growth, so we do not see really an argument why we should actually go ahead and distribute the brands. That gives us not only these brands being exclusively available to Ethos, but also is a very powerful differentiator and mote for Ethos. So this is something that is assuring us of very rigorous and assured growth in the years to come. So I am not sure is we would change that, there are no sacrosanct rules over there but at the movement I do not think that is something that we are actively thinking about. Inventory number nine months FY2023 and the cash flow questions, I am going to leave that to the CFO I am not sure if you can answer them right away but otherwise please…

Arpit Shah: I have just one more question on the reinvestment side. Right now we are going to be reinvesting the IPO proceeds around the newer 40 stores so how confident are we on the ROC from some of the newer stores because these stores are going to be opened in smaller towns where your ASPs or volumes may not be as high as on the top eight cities of India. So how confident or what are the kind of risks you are seeing on the reinvestment side.

Yashovardhan Saboo: Very confident in one word. Very confident. Second please understand that the number that we are showing right now is not only Delhi and Bombay this is also an average of metro cities and others and just to tell you, Pranav mentioned that in an earlier point that some of our newer store which we have opened outside the metro stores, that these stores are profitable from day one with a higher ROCs than our current average. So I certainly not jump to the conclusion that there will be a downward pressure on ROC because of the new stores, we are opening in second tier cities, our projections actually lead us to believe with a lot of confidence that not only will we get a high growth, but we will also maintain or actually inch up on the ROC.

Arpit Shah: How would you rate January as a month because December we are hearing a lot slower for a lot of other retail companies and January picking up for the luxury…

Pranav Saboo: We had a great January, we had a great month.

Arpit Shah: Can you help me with the inventory of this year full number.

Ritesh Agrawal: We have Rs 322 Crores of inventory as at December.

Arpit Shah: The cash flow from operations post the liability number.

Ritesh Agrawal: So we have a positive cash flow cash generated from operations as at nine month December 2022.

Yashovardhan Saboo: You can connect offline this I am not sure if cash flow from operations I am not sure if that is the number that is being shared in public domains.

Ritesh Agrawal: No it is not, it will come only in March.

Arpit Shah: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Rajat Chandak from ICICI Prudential Mutual Fund. Please go ahead.

Rajat Chandak: Hi Sir, good evening and congratulations on a great set of numbers. I have two, three questions. One, is any comments on the rollout of the new segments which we have entered like jewellery where we have tied up with Messika and on the luggage front Rimowa. What are the plans there for the current year and maybe next year because we are still on the roll out phase that is one. Second I heard Pranav saying that some part of sales were lost for the quarter because of China lockdown is there any quantification which could be done and I am presuming these are not really lost for the year maybe in Q4 or if not in Q4 next year they would come back. So if at all any comments on that and third is in terms of the partnerships which we are having with so many new brands and especially exclusive partnerships. Just wanted to understand how we go about the curation process because in a store now you will have to showcase more number of brands so effectively more SKUs so what role us brand plays in that what is to be there at the store there is certain hit model which is kind of a thing any comments on those would be helpful so those are the three questions.

Yashovardhan Saboo: On the new products luggage Rimowa, we are now in the process of starting the fit out of the store at the Jio Plaza Mall coming up in Mumbai and we expect May, June is when the mall gets launched. Rimowa has plans to expand in India and we are discussing other locations and it could be a good expansion however we are very keen to see the result of the first store and how it comes up or it is a thing before they go on a rapid expansion. It is part of the LVMH group. It is open in the luxury business. People like to take one step at a time. Rimowa is coming to India for the first time however we see the store will have excellent profitably. The response already before we opened the store is great, there are a lot of people from our customer base calling and asking. So we have no doubt that Rimowa will be extremely successful. The jewellery business with Messika, is we opened the corner at our store in Mumbai and we are starting to get responses, but frankly on jewellery we still are in the phase of understanding the jewellery business, how it works, working out the marketing and so on. So in the jewellery business this is an early move for a long-term growth perspective and of course we will have nice number especially on the luggage business in the next fiscal and I think we will see a nice growth coming on but frankly, in the scale of operations where we are I do not think it is going to move the needle much for the next two years but going forward I think three, four years from now is when we will start to see these new product segments starting to make a difference. Over the next two years, I can say that watches and pre-owned watches is going to be the biggest mover. However these and as I said these products are our growth engines for the next phase of Ethos. Regarding the loss sales due to China lockdown it is on the supply side kind of constraints. It is difficult to quantify it, but and frankly once you lose a sale how do you really make out whether you are going to get it back or not. Of course, we try to get it back and we will certainly try in the next year to get it back so that way China opening up is a good thing because the supply chain really works out and even though many of the high-end brands do not buy too many Chinese products but one product is enough to block it right if they do not have packaging boxes you can get blocked. So that has happened in the past and now this is starting to ease out so we expect actually on the net, net the availability of watches to become better. We hope that some of the business that was lost will be made up in this quarter. This quarter is looking good as Pranav just mentioned January was a great month so again what sales that get loss, we automatically start working with a brand just to how we are going to make it up sometimes. We make it up sometimes, we make it up somewhere else. Our main focus always remains on the numbers for the quarter that we are projecting any which way we must equal them or improve on them and if it is not with brand A we are going to do it with brand B, if it is not in store X we start to do it in store Y and so on. So that is a very strong process. Your last question was actually the most interesting the curation process it is a very big process that our management team has put in, in terms of target segments, price segments, what is the mix of brand that we have, how many brands do we need in this profile of store, many of the brands today in the most the best known brand which are not exclusive with us they are supply constraint so it is not possible to get to meet targets of 20%-25% growth if the supply is constraint so that is one consideration which other brands can be add in those price points or in those profiles which can compensate the low growth which is part of the feature of some of these supply constraint brands. So there are lot of these sort of reasoning that go into targeting brands and then of course a lot depends in this business a lot depends on relationships the GPHG event that we had and you are very kind to also attend that event that is the kind of event that does wonders to put Ethos in India on the map. We have the sales in china is 20 times India so obviously the brand sort of look at China and they compare India is nothing compared to China. So when they see what we are doing at an event like GPHG they realize the potential of India and I think that works a lot so with that we are getting brands to get interested especially the brands that we want and so the curation process is workedon many, many levels what we want, which brand going to come in, the profile of Indian consumer, and the HNI consumer all of that goes into making the selection of the brand that we want to put in.

Rajat Chandak: I am sure brands would also be involved meaningfully in suggesting bestselling model's product offering so these have to be there etc. What roles do brands play?

Yashovardhan Saboo: Yes, of course so the brands very openly share what are the global best sellers, what is the core collection, most of the brands now realize that Ethos understands the Indian consumer far better than anybody else and themselves so they would like to talk about on what we feel, should be the core collections for India compared to their core collection for the global markets. Most of the time there is not much difference but sometimes there is the difference and then we usually agree on a point that, okay let us try it out if it works in India why not. So I think we have a very open and a symbiotic kind of relationship with brands, where it is that okay here is the global trend the Indian consumer is very connected to the global trend but not identical so that is the conscious about that and also the Indian consumer wants what is the most favored for the Indian market that is really the goal.

Pranav Saboo: I just wanted to add here the fact that, this year we will have 20 brands that will create for us Ethos specific additions, that aredesigned by Ethos and will be available only at Ethos which will be a great. I mean, they will do wonders in sales as well as for our overall visibility and that designed completely around what our customers like and the taste and preferences of our customers.

Rajat Chandak: Did you say that designed by us and like designed suggestions…

Pranav Saboo: Yes, designed by us in fact Louis Moinet has designed a full collection only for us, we are in talks with Rado a very leading brand that is not even an exclusive brand they are creating a specific time piece which we have designed, Breitling we are in touch with to be able to launch a product only for Ethos there are 18 other brands which are exclusive brands where we designed a product with our designer sitting here and they execute and bring the product to us. So that is how close we are now with these brands.

Rajat Chandak: Pretty interesting, and any comments on since we are having so many new brand, partners what kind of positive rub-off effect is as on other brands available at the stores right so, the new brand has come up the customer may look up for that but may end up buying another brand.

Pranav Saboo: If you want any of these brands you must come to Ethos and people more and more now go onto the website to research all their options and Ethos becomes a normal choice for that. We must look at what Ethos has as well while you are buying a watch that is what we want to, that is the position that we want to reach so the reason to do that is also that we make sure that, we control the market in the specific price points that we operate in, and it becomes much more difficult for other people to open multi-brand stores, because the brands are only with us and we do not distribute to third party retailers.

Rajat Chandak: So what I, understand is it may also have a positive rub off on other brands right a new brand comes up customer looks apart but at the time another brand so maybe another brand benefits but can it be measured, not measured or it is not measurable.

Pranav Saboo: No we do not have the measure right away but perhaps, we will circle back to you later on that.

Rajat Chandak: And one last question is it possible for you that a particular product or time piece you may not have in India with you, as a physical inventory but you can display it up on your website. You are an exclusive partner you can get it arranged if a customer is really keen on that.

Pranav Saboo: Yes, we do that already on our website. So on our website if you see a watch which says on special order it means that it will be ordered for you.

Rajat Chandak: Sure okay. That is all from my side. Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Yashovardhan Saboo: Well, so on behalf of all of us from Ethos, on this call let me thank all the analysts and all the participants in this call. Thank you very much for joining us and we now end the call. I also thanks to Pranav and Ritesh and our partners SGA for being on this call. Thank you very much everybody.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ethos Limited that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.