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Dated: November 12, 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 October 23, 2024 intimating the schedule of the conference call for Friday, November 8, 2024 at 4:00 p.m. IST.

In this regard, we are enclosing herewith the transcript of the aforesaid conference call, held inter alia to discuss operational and financial performance of the Company for the quarter and half year ended September 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: 2024.11.12 09:54:06 +05'30'

Anil Kumar
Company Secretary and Compliance Officer
Membership no. F8023

Encl.: as above

"Ethos Limited
Q2 & H1 FY25
Earnings Conference Call"

November 08, 2024

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8th November 2024 will prevail."

MANAGEMENT: **MR. PRANAV SABOO – MD & CEO**
MR. MUNISH GUPTA – CFO
MR. MUKUL KHANNA – COO
SGA – INVESTOR RELATION ADVISORS

Moderator: Ladies and Gentlemen good day and welcome to the Q2 and H1 FY25 Earnings Conference Call of Ethos Limited.

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.

As a reminder all participants' 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 – MD and CEO, Ethos Limited. Thank you and over to you sir.

Pranav Saboo: Good evening, everyone. Thank you for joining us on the Ethos Limited Q2 and H1 FY25 earnings conference call. I hope everyone had a chance to view our financial results and investor presentation which were recently posted on the Company's website and stock exchanges. I am accompanied by our CFO; Mr. Munish Gupta, our COO; Mr. Mukul Khanna and SGA; our Investor Relations Advisor.

Let me start directly with our "Performance":

For Q2 FY25 versus Q2FY24,

Rrevenue from operations is up 26.3% to Rs. 297.1 crores in Q2 FY25 as compared to Rs. 235.2 crores in Q2 FY24. Revenue from exclusive brands stood at 31% of the total revenue in Q2 FY25. Billing of CPO stood at Rs 23 crores in Q2 FY25.

EBITDA for the quarter grew by 16.1% year-on-year to Rs. 48.2 crores in Q2 FY25 as compared to Rs. 41.5 crores in Q2 FY24. EBITDA margin stood at 15.9% in Q2 FY25.

PAT grew by 14% to Rs. 21.2 crores in Q2 FY25 as compared to Rs. 18.6 crores in Q2 FY24. PAT margin stood at 7%.

For H1 FY25 versus H1 FY24:

Revenue from operations is up by 22.6% to Rs. 570.4 crores in H1 FY25 as compared to Rs. 465.2 crores in H1 FY24.

EBITDA grew by 22.2% year-on-year to Rs. 98 crores in H1 FY25 as compared to Rs. 80 crores in H1 FY24. EBITDA margin stood at 16.8% in H1 FY25 as compared to 16.9% in H1 FY24. EBITDA margin impacted due to an additional cost in H1 FY25 attributable to the following

FOREX fluctuation, increased manpower for new store additions, rental for new stores which are in the nascent stages of sales.

PAT grew by 19.9% to Rs. 44 crores in H1 FY25 as compared to Rs. 36.7 crores in H1 FY24.

Inventory days, as on 30th September stood at 177 days. Cash and bank balance stood at Rs. 271.4 crores as of 30th September 2024. Our ASP for H1 FY25 stood at Rs. 2,15,952 as compared to Rs 1.87 lakhs in H1 FY24. Share of luxury and high luxury watches for H1 FY25 stood at an all-time high.

The first half of FY25 was marked by several challenges; starting with the extreme heatwaves that led to more customers spending time outside of India extending their holidays. The general election resulted in slower cash movements, heavy rainfall in certain areas, fewer walk-ins, and a decline in weddings, which were key challenges that were faced. Logistical challenges also arose due to natural calamities and extreme weather in Switzerland in June. The 'shradh' period was also a mismatch in Quarter 2. All of these factors significantly impacted our business activities. Despite these obstacles we achieved revenue growth of 22.6% in H1FY25 reaching Rs. 570.4 crores compared to H1 FY24. Our overall volume increased by 17% in Q2 FY25 and 5% in H1 FY25 on a YOY basis. Our average selling price rose to Rs 2.16 lakhs from Rs. 1.87 lakhs in the first half.

Further we are optimistic about the 3rd Quarter which includes major festive events and an increase in weddings. Traditionally, this period brings a surge in consumer spendings and early signs are already encouraging. In October we had a record month with a 47% year-on-year growth. Looking ahead we are confident that the festive season and heightened wedding activities in Quarter 3 paired with our continuous efforts in operational excellence and customer engagement will drive robust results. Additionally, our same store growth for the first half of FY25 demonstrates strong progress, reaching 15.5% in H1 FY25.

Let's now discuss some factors around Quarter 2:

It is also worth noting that the 'shradh' period, which typically affects business activities, occurred in Quarter 2 this year as compared to Quarter 3. This improvement signals the effectiveness of our strategies and lays strong foundation for the growth. During the quarter we experienced significant fluctuations in foreign exchange particularly with the INR against the CHF. This movement had a notable impact on our financial results resulting in a FOREX loss of approximately Rs 4.65 crores. Excluding the FOREX fluctuation our actual EBITDA for Q2 would be Rs 52.9 crores with a growth of 27.4% YOY and for H1 it would be Rs 102.7 crores with a growth of 28.1% YOY and margins of 17.5% and 17.6% respectively. Similarly, PAT would have grown by 32.7% to INR 24.7 crores in the quarter.

Also, this performance has come in despite a far greater number of renovations taking place in Quarter 2 than normal. The number of boutiques under full renovation represents 20% of our business. We had accelerated the renovations in preparations for many large brands that want to enter India in the next year and the coming years. At the beginning of the year, we announced our plan to add 20 new stores by FY25. We are pleased to report that from April 2024 to present time, we have successfully opened 12 stores with a total capital outlay of Rs. 35 crores.

Looking ahead we are actively working on adding 13 more stores before the end of FY25. This expansion aligns with our growth strategy and commitment to increasing our market presence. Each new store is carefully selected based on market potential and consumer demand, ensuring that we continue to meet the needs of our clients effectively.

We are excited about the opportunities these expansions will bring and remain dedicated to delivering quality service in every location that we open. Regarding our brand partnerships, we are pleased to announce that since April 2024, we have signed exclusive agreements with three more brands which are ID Geneve, Singer Reimagined and Hautlence. These partnerships reflect our commitment to curating diverse luxury watch brands and bringing these luxury watch brands to India that resonate with our customers and enhance our product offerings.

Ethos has become the preferred partner for many international brands looking to establish a foothold in India, reflecting our dedication to quality, reliability and market expertise. Our team proactively communicates with these brands to cultivate solid partnerships and strategically expand our portfolio. Through these collaborations, we aim to bring a broader selection of world-class luxury brands to our valued clientele and enhancing the diversity and sophistication of our offerings. We look forward to sharing more details about these upcoming partnerships in the near future. We are delighted to announce that our progress on our inaugural Messika Jewellery Boutique at Chanakya Mall, Delhi, is well underway. Currently in the setup phase, the boutique is on track to open its doors by January or February of 2025. This new boutique promises a refined and immersive experience, highlighting Messika's exceptional craftsmanship and exquisite design collection.

We are excited also to hear about the successful global launch of Favre Leuba in Geneva on August 29th, 2024. Ethos has entered into the long-term exclusive agreement with Favre Leuba for India, and we will be proud to bring the brand into our brand portfolio. In our pre-owned segment, the certified pre-owned business, which is Second Movement, it has experienced a 25% year-on-year growth, reaching billings of Rs. 43 crores in H1 FY25. As a part of our strategy, we are focusing on acquiring more high value watches on a consignment basis and receiving a tremendous response. Customers increasingly recognize the value of purchasing from an organized and trusted source. We are actively working to expand this segment and we anticipate good traction moving forward. Thank you and now I open the floor to 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 Devanshu Bansal from Emkay Global.

Devanshu Bansal: Pranav, there has been a recommendation of this potential increase in GST by a group of ministers. The decision though seemingly hard to understand for several reasons. But my first set of questions is to better understand few things here. So currently my checks are suggesting that India pricing is currently 5% to 7% cheaper versus global destinations, partly because the Swiss franc has appreciated versus the INR and the corresponding MRP increases are yet to be revised. So, what is the extent of price increase that we are expecting at the start of next calendar year basis the revision to say 99 or whatever the current conversion rate is there?

Pranav Saboo: Do you want to ask your second question as well?

Devanshu Bansal: I understand it is a difficult projection as of now. But typically, what is the elasticity of demand to such price increases, in case there is a historical precedent to this? And thirdly brands also have significant benefits from this free trade agreement that India has sort of signed. So, is there any willingness to sort of partially allocate some of those savings to keep the India pricing comparable in case this GST increase sort of actually fructify?

Pranav Saboo: They're all sort of related questions so let me try and answer as much as I can. First of all, currently the India pricing is a little bit lower. It's become a little bit lower because of the exchange rate and traditionally also India has always been priced aggressively. However, even in brands that are priced a little bit higher, we don't see much of a challenge right now in terms of sales coming through. But right now, price increase will happen if and when it happens will happen on two accounts. One is if there is further FOREX movement then that will be priced on. But that will always be happening, if the FOREX moves ultimately the price will adjust to the foreign exchange. If foreign exchange is stable and the GST increases, the revenue neutral price increase is likely to be 8%. I don't think that brands will take a full 8% increase in price if that comes. I don't think it's required as well. Anyways the consumer offers now in India are much higher than the rest of the world. It can be lowered. I don't see a major impact in our sales up to $50,000. Apart from $50,000, we will also have options that we are discussing with the brands. Should the GST come in, now, will the EFTA benefits be passed on? Of course they will be passed on. Everybody wants to take in India very seriously right now. Everyone is very bullish about the India market. I don't think the GST is a big dampener if it comes. And again, I want to highlight, this is the fact that we are in discussion with the right representatives of the government to also give our views on how it can be beneficial for the country to have a lower tax rate as it will increase tax revenues in the future if and when it comes. I don't want to discuss more on this matter because it's not really out yet. It's just a group of ministers that have passed it on. Let's see if and when it comes.

Devanshu Bansal: I just want to check currently our inventory that what levels of CHF to INR conversion?

Pranav Saboo: It's a lot of different brands, right. So, there's no one fixed rate as such because it's a basket of 60 brands. So, I don't have that answer in a ready format. But realistically you can go on the websites and see, it's roughly just 1 or 2 maybe 3% or 4% lower on average. This is I am just giving an average figure. There are many brands that are higher as well that don't even need that increase because the margin is already coming up higher than what is required.

Devanshu Bansal: Second just I wanted to also sort of understand, we have so far till October I guess opened 12 stores on a gross basis?

Pranav Saboo: That is correct.

Devanshu Bansal: So, the inventory and CAPEX together is about Rs 135-odd crores. So that amounts to about Rs 11 crores if my calculation is right. So, is it like some of these investments have been made in existing stores, or this Rs 135 crores is entirely for these 12 new stores?

Pranav Saboo: No, it's also the inclusion of new brands that were signed on in the last year going into more brands, like a brand like Ulysse Nardin which we signed last year would have been only two stores is going into new existing stores as a new brand we've launched with Tudor now. Tudor we are going to be with more points of sale. So that's going to be more points of sale that will open up that means more brands coming into existing points of sale. So, it's not all into new stores.

Moderator: The next question is from the line of Yash from Stallion Asset.

Yash: So just on the initial commentary I wanted to confirm that you see in October month you saw 47% growth Y-on-Y?

Pranav Saboo: That is correct.

Yash: It seems that you have a good momentum already and how do you feel November and December will go through? Are you seeing more demand?

Pranav Saboo: I don't want to give those comments right now. I don't want to go into a monthly thing. All I can say is October was great. We feel confident about the future.

Yash: And so just again on the GST, the tax hike that we've had. What are the comments from the brand owner's perspective? I just wanted to check. You said something about up to 8% price hike. I wanted to get some clarification on that.

Pranav Saboo: I think the comment from brands is that India will remain a focus for the future, and we have to figure out a way on this GST increase. The 8.5% is that if you want to remain at the same revenue, net-off taxes, you need to take an 8.5% price increase. But you don't need to necessarily take an 8.5% price increase. It can be a 5% price increase and a 3.5% decrease in discount or 3.5% borne by the brand. So, there are many combinations that are available. At this point of time, this is all hypothetical talk. So, I am not entertaining too much talk on this because when it happens, if it happens then we will see and we will find a way. I remain confident of the ability of our management to be able to steer the company through this without changing our 10 year vision.

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

Ankush Agarwal: Firstly, I want to understand a bit about this FOREX impact. So can you explain this Rs 4.65 Cr that we have booked in Q2, where it's sitting exactly? Is it in other expenses or mostly in the cost of goods?

Pranav Saboo: It'll be in cost of goods and vendor margin that you will see the impact.

Munish Gupta: So Ankush just to update on that, there are two parts, one is where we have got the credit so it's getting settled in July to September period. And secondly whatever payment we made during this quarter. So Rs 2.34 cr is in exchange fluctuation and the balance is in the cost of goods sold.

Ankush Agarwal: So two point something that you said, it is in other expenses, right?

Munish Gupta: Yes, that's correct.

Ankush Agarwal: Just one more clarification over here. The other expense bit has increased Q-on-Q from say about Rs 31.5 Cr to Rs 39 Cr. So, what explains this sharp jump? I mean some bit of it is obviously rent but other than that was there something else during this quarter?

Munish Gupta: So Ankush as Pranav mentioned in the earning call, this year we have added 12 boutiques. As of these boutiques are at advanced, we have just opened. The revenue will pick up over the period. So, there is additional expenses on account of manpower and rental.

Ankush Agarwal: The next question I want to ask Pranav is, do you think that the benefit of EFTA and custom duty cut would flow into higher margins in H2 or do you think a more realistic outcome would be that we would see benefit of the same flowing into gross margins from next year onwards?

Pranav Saboo: EFTA hasn't yet started, so EFTA will start in the next year. It's not going to start this year.

Ankush Agarwal: So next year is when we would see that first impact.

Pranav Saboo: That’s correct.

Moderator: The next question is from the line of Vinamra Hirawat from JM Financial.

Vinamra Hirawat: You have guided for 13 more stores to be opened before the end of the year. Looking to FY26 and beyond, now that we have stores in most of the large cities, multiple stores in some cities. Are we still seeing the same type of 20-25 store openings as we expect to see in FY25?

Pranav Saboo: The opportunity definitely exists for that, there's a lot more that goes into, it's not just the location and the potential. We have to have enough manpower. The brands have to be tied in because they're multi brand stores. Each store takes in 20 brands. It takes time to bring it in. But is there an opportunity in the next 5 years to open 20 stores a year, yes.

Vinamra Hirawat: I had a question on market share. Is there any data you have as to what’s the market share of Ethos in the luxury watch market in India and how?

Pranav Saboo: I have no factual data on this.

Vinamra Hirawat: And how are we insulating ourselves from new or unorganized luxury watch sellers?

Pranav Saboo: I think we are authorized and they are not authorized. That's the first one. And I think the difference is in several things. I don't want to go into the difference between unauthorized, I think our customers come to us because we are authorized.

Vinamra Hirawat: Unorganized luxury watch sellers or new authorized watch sellers in the country.

Pranav Saboo: I am going to ask Mukul, our Chief Operating Officer to be able to answer that question. He can do a better job than I can for that answer.

Mukul Khanna: I think there are multiple differences between organized and unorganised players. I think our strength lies in :- a) they have to get in terms of giving a customer single experience across the country, so he can walk into any of our stores with any of the brands we represent and get servicing done across the country; b)we are also able to sell a large variety of brands which we stock which nobody else has got in the country; c) we've got a very potent and significant marketing muscle which operates only if you have got scale that works to our advantage. We've got 250k nearly Instagram followers, we get around 60k business through a website. All of those help in terms of building out our entire differentiation with us. Beyond that we've got our entire customer service team. We've got a concierge service, so a bunch of differentiators which play towards why customer chooses Ethos as its first and primary choice when it comes to buying a luxury watch.

Moderator: The next question is from the line of Kalpit Narvekar from EFG Asset Management.

Kalpit Narvekar: I guess it's partly answered but just to get some color on this. So essentially the duties that the government is talking about from 18% to 28% which is a 10% kind of an impact. So just on two points. One is from a demand elasticity perspective, which refers to the people who buy luxury watches, etc. Does it really impact you if you cannot straight-up pass through these hikes from a demand elasticity perspective? And the second thing is that there was potential margin expansion from this Swiss duty cuts right over the medium term. But seems like at least a part of that margin expansion could be reversed because of this GST hike. So, what are your thoughts on these two?

Pranav Saboo: On the GST matter, I think it's better that we comment if and when it happens. I think the elasticity and inelasticity of luxury products is well known. I don't want to comment on what will happen, what could happen, if and when. When it happens, we will see what happens. I know the strength of our management lies in its resilience and we have always been able to work through regulatory changes and add value for all our stakeholders. I think we are in discussion with the regulators, with the government and when and if it happens, we will talk about it then. In terms of EFTA, the EFTA is a groundbreaking agreement. It will reduce customs duty and it will impact our bottom line in a positive manner. It will open up the market for Switzerland.

And I do not believe that our vision will change for our long-term goals will change due to any of the changes that perhaps may be spoken about.

Kalpit Narvekar: And one more question from my side. So, you spoke about like October being very strong, is it like +40% or something? So, are you seeing this growth driven by more from SSG pickup? Has the SSG picked up, and do you expect that to continue in the second half and FY26 like SSG picked up potentially?

Pranav Saboo: I think that all I want to say is that October was a great month. We grew by 47%, H1 it was 15%. The volumes are fantastic. The mix of growth, the quality of growth is fantastic. I am happy with the direction that we are taking. I don't want to go into what will happen in November and December and Jan. I've already mentioned what's happened in the past. That's the best way to leave it over there.

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

Harsh Shah: So, Pranav just wanted to know the progress on Rimowa and where do we see probably this vertical growing in let's say over the next 3 to 5 years there? Also, in this space of this luxury lifestyle detailing we have Rimowa and Messika and if you could talk about the progress or the steps you are taking to kind of ensure or to get more brands. So as in what is the process and how long is the gestation period or the negotiations with the brand and what kind of segments are we focusing on going ahead let's say 3 to 5 years? So, your comments on that as well.

Pranav Saboo: Rimowa as you know, we're just about celebrating one year of us opening the boutique. It's been a fabulous experience. It's the first time that we did a boutique outside watches. It's one of our most profitable boutiques. We are going to be expanding that business. In my opinion over the next 5 years, we are going to at least target an 8X to 10X increase in the business of just Rimowa itself. We have more brands in the luxury luggage category also coming in, in the future. Perhaps they're not as well known as Rimowa, but in the next quarter we will also announce a few of those. In terms of Messika as you know we had no boutique. It was a part of one store, one watch boutique that we did as little pop up inside it. We had incredible results, very encouraging. And that's when we've decided to go into a full boutique. The full boutique launch will take place in February. I am sure it will be a flying success, and we hope to open 8 to 10 boutiques more of Messika in the next 5 years. This requires us to create the first proof of concept and then our real estate team needs to work very closely with the team in Paris to ensure that they have the right locations and that both Messika and Ethos also feel comfortable in opening these boutiques. But I am confident that our entry into the international jewelry sector which will happen in February, will be a flying success and will open several doors for us in the future. As you know the size of the jewelry business is significant and it's something that we want to take small but calculated and yet steady steps into. Talking about other brands, we are discussing large marquee brands. I will be traveling in this quarter again in Europe to have further discussions. These brands typically have 12 to 15 monthss, let's say gestation period before open boutiques. Those discussions have now started. They are into the high luxury segment, both fashion and accessories. They're some of the greatest brands that have been built in luxury. I do not want to take names into it but it is something that we are working towards building it up. Whether it will happen when it will happen, we don't know yet. I don't want to give any firm dates until we have contracts signed. All I can say is that we are working steadily towards bringing marquee brands into India and our view has been that we know the luxury customer, we know the luxury brands, we know the stakeholders in luxury, and we believe we can do a fine job in bringing luxury brands and serving the aspiration of the Indian customer.

Harsh Shah: So just a follow up there Pranav, basically in terms of team, right now that probably we are expanding in this luxury lifestyle and retailers as well as apart from watches in Rimowa, Messika and other brands as well. How do you think about developing a team there separately because again we are incubation phase, talking to many brands there. So how is that in place there?

Pranav Saboo: I think look any diversification whether it is even though it is connected with a luxury theme, it requires of course—to do a good job it requires—the best team and I am sure we will be able to integrate and add to our existing team to be able to build that structure out. Of course, we are thinking about how we are going to structure this in terms of manpower, in terms of reporting etc. But I think those are internal discussions, and we will be able to solve it. We will be able to solve for it just as we have for Rimowa and Messika. As more brands continue to come in, we will continue to strengthen both the HR structure and all the infrastructure around it to be able to ensure that we make the lifestyle division a flying success.

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

Manish Poddar: I just had two questions. First one was, how is the traction for Favre Leuba and just what is the go-to market plan now with this? Are there certain benchmarks or let's say timelines one should think X number of stores by the end of this year? Just in terms of going to market, how is the initial acceptance or reactions?

Pranav Saboo: So, Favre Leuba hasn't launched in India yet. Favre Leuba was launched globally. The Silver City team informed me that it was a flying success in Geneva. They said that they have interest from around the world. The manufacturing is taking place. Remember that in Geneva it was a product showcase. So we were showing the or the Silver City and the Favre Leuba team was showing the watches to media and to potential partners worldwide. These potential partnerships are taking place as we speak. The launch in India will be in January. On 10th of January there will be a launch at the Swiss embassy. On 11th of January is another launch at the Formula One circuit celebrating motor cars and the association of Favre Leuba with it. And we have from 12th of January onwards the Favre Leuba watches will be available across 40 boutiques in India along with a strong digital marketing campaign which will start at that time.

Manish Poddar: So, Pranav, any sense on how is the broader acceptance or let's say I am not sure if the pricing which was shown at the Geneva show. I am just trying to think about how the product acceptance and pricing of the product being accepted just in terms of the brand and channel partnership, any thoughts on that?

Pranav Saboo: I mean what like what I can tell you is that there's already pre-orders which is for January taking place. We already have pre orders of more than 100,000 Swiss francs already at zero discounts. There is retail acceptance, and from around the world retailers are accepting it. There is the common theme is great value for money, great designs, great heritage and I feel confident that the Silver City and the Favre Leuba team in Switzerland will do a very good job of establishing the brand. It's why we are proud to be taking the brand into Ethos as well.

Manish Poddar: So, have you started keeping jewelry in the Ethos store also? Just some clarity I thought.

Pranav Saboo: It was a pop-up that we did to do a dipstick and check how it's performing. We did that with Messika in one of our boutiques and we did it with Bvlgari in our boutique in Hyderabad. So, it's only two boutiques that we tried it in.

Manish Poddar: How was the feedback?

Pranav Saboo: Very good. But we will go into boutiques. We want to focus on to jewelry through a jewelry boutique. Later in the future we may return to that. But right now, it is that we want to establish boutiques first.

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

Akhil Parekh: My first question is on the return on capital employed as we expand more into Tier-II cities. I believe the sales throughput won't be similar to what we see in Tier-I cities basically. So, is there a differential between the return on capital employed at the stores in Tier-I versus Tier-II cities?

Pranav Saboo: We don't really see too much of a difference right now. The capital requirements and the expenses are lower in Tier-II cities. But so is the sale is also taking time. So, it's hard to say right now. But ultimately, I believe it will equalize and roughly be the same.

Akhil Parekh: And second and last question again on the stores opening in Tier-II cities. Like how do we ensure the quality of servicing remains consistent as we expand further into Tier-II cities? What are some of the steps possibly which company is taking to maintain the service quality?

Pranav Saboo: Mukul, the chief operating officer will take this question.

Mukul Khanna: The first thing which we are doing is obviously all of them are run by company personnel. Each and every new employee goes through a 15 day intensive training program, post which we've got a certification program. We've got four levels of certification which happen over the employee’s tenure in the company. So, this is something which all our frontline members go through. Besides that, we've got standardized templates for our stores in terms of the way the look and feel is, we have got central teams which manage that. We have got central call centers to manage any customer complaints. So, all in all this ensures that we have got a standardized experience for our customer.

Moderator: The next question is from the line of Sourav Mondal from RK Advisory.

Sourav Mondal: My question is on second hand segment. So, what is the growth in this quarter and if you brief about sharing the revenue of the second-hand segment in the revenue.

Pranav Saboo: We had the numbers for H1. For the YTD number is 33.6% growth in the pre-owned sector

Munish Gupta: So, in April to September first half of the year, the overall revenue touched Rs. 43 crores or billing of Rs 43 Cr against Rs 32 crores in the same year-on-year basis. The overall growth is 33%. And as Pranav mentioned in the call, it's picking up very well and we foresee 20% growth in the projected year and the remaining year.

Sourav Mondal: So, my next question is the median selling price close to average selling price or it is lower? And another one if you give some color on the management expected SSG for next 2-3 years.

Pranav Saboo: As I mentioned our SSG has been 15.5% in the last 6 months. Our goal is to increase our overall revenue, and our overall business will be 10times in 10 years. I think it will be a healthy mix of same store growth and new store addition.

Sourav Mondal: I asked about median selling price, so is it close to average selling price or is it lower?

Pranav Saboo: I don't have that piece of data right now. I think we will have to circle back to that. I know our average selling price has been Rs 2.15 lakhs. I don't have the median right now but it's going to be lower.

Munish Gupta: So average selling price grew from Rs 1.87 lakh to Rs 2.16 lakh in H1.

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

Ankush Agarwal: Just a clarification. So, we added 5 stores during the quarter and did we close any stores this quarter or the 2 stores close in October?

Pranav Saboo: How many store additions was that?

Ankush Agarwal: You have 5 stores in Q2.

Pranav Saboo: We've added 12 stores in H1.

Ankush Agarwal: I was trying to understand the store count as of Q2 end.

Munish Gupta: So last year we closed at 62 stores and in Q1 we added 3 stores Q2, 5 store. So the total store is 70 and out of which 2 stores were closed in Q2 and as of now the total store count is 72. In October we opened 4 stores.

Pranav Saboo: And the 2 that are shut down they're not shut down. They have been combined. Three stores have been combined into one store. So therefore, the store count will come down but the overall revenue will increase in this case. We are combining three different boutiques into one boutique in a location, this is under renovation right now.

Moderator: We will move on to the next question and that will be our last question from the line of Yash from Stallion Asset.

Yash: Just one question, so irrespective of the fact that we get the tax hike or not, we will be able to maintain our gross margins at 30%.

Pranav Saboo: Irrespective of what?

Yash: Of the GST price hike. I mean you said that it's still uncertain. I mean we don't know how it's going to play out. But I just wanted to understand if the gross margins of your company can be maintained at 30%.

Pranav Saboo: I do believe that. Again, as I mentioned I don't want to go into something that is when and if it happens, I am sure our management will make sure that our 10-year vision doesn't change. I can't comment about what will happen in a quarter or two quarter. Overall, yes, I think we will be able to maintain and grow those margins.

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

Pranav Saboo: Thank you everyone for your time today. I trust we've addressed all your questions thoroughly. Moving forward we will be hosting our earnings conferences half yearly. Should you need any additional information or clarification about the company, please contact the SGA team, our Investor Relation Advisors. Thank you very much for being on the call today.

Moderator: Thank you, members of the management team. 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.