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## Ethos Ltd. (Ethos)

Play on the shift towards luxury ; Initiate with Buy

Ethos is a big player in retailing premium & luxury watches. The demand for premium & luxury watches is expected to grow robustly at 12.5% CAGR between CY20-25 (Technopak Advisors).

Ethos retails 60+ watch brands, 7,000+ watches. Some of the brands it retails are Omega, Rolex, IWC, Rado, Tissot, Longines among others. Of these exclusive brands (sold only by Ethos) are 42. Ethos presently runs 60 stores in 23 cities. Ethos Offers omni-channel sales.

Ethos is a young company having started operations in 2003. It was promoted by KDDL, which in turn was promoted by a first-generation entrepreneur, Mr Yashovardhan Saboo.

We assign BUY rating with target price of Rs 1973 per share.

### Investment Rationale

- Is in the right place at the right time to capture the inflexion towards luxury goods:** India's GDP has touched \$3.75 tn and consumption has seen a shift towards luxury goods like never earlier. For e.g. in FY23, Mercedes Benz reported sales growth of 37% yoy.  
Air conditioners (AC), which were perceived as a luxury good are being consumed by the masses – AC sales are growing at 25% and AC industry veterans believe they are the cusp of an explosion. About 95% of the AC market is of first-time buyers and 65% is in tier 3, 4 and 5 cities.
- Is expanding distribution rapidly in the tier 2,3,4 cities, which are at the center of a consumption boom.**
- Sustained rise in the interest of younger (25-40 years) population in mechanical watches.** This is supported by the growing interest in the pre-owned (seconds) watch market.
- Promoters with a vision:** Promoters were able to identify a shift in consumption pattern towards high value products and launched Ethos.
- Is a well-run company:** 1) sales CAGR from FY19-23 is 15% - this is inspite of 2 COVID years i.e. FY20 & FY21. 2)Gross margins have improved 210bps to 31% over FY19-23. 3)EBITDA margin has improved 170bps to 14.5% over FY19-23.
- Valuations are not cheap, yet we believe there is room for upside:** Ethos trades at a FY25E P/E of 33.3x; given that i) Ethos is in a business where demand is yet at a nascent stage and that Ethos is a big player in such a market. ii) Ethos is the only organized player in the seconds market, a market, we believe is set to take off in a big way. We believe there is long term upside for the stock.

### Key Risks

- Titan, an existing player, gets very aggressive in its store expansion.
- Other stronger players enter the luxury watch market and spoil the economic dynamics of the industry.
- High working capital requirements: The working capital intensity of the Ethos is high because of the high levels of inventory (157 days in FY23). Given that Ethos is in a phase of growth with increasing store network and tying up with new brands, inventory levels are expected to remain elevated for 2-3 years.
- Absence of definite supply agreement with luxury brands.

Rating: Buy Upside/(Downside): 20.1%  
CMP: 1643 Target Price: 1973

### Market Data

Bloomberg:	ETHOSLTD:IN
52-week H/L (Rs):	1699 / 846
Mcap (Rs bn/USD bn):	38.3/0.47
Shares outstanding (mn):	23.34
Free float:	36.2%
Daily vol. (3mth Avg)	0.05 mn
Face Value (Rs):	10

Source: Bloomberg, EISEC Research

### Shareholding pattern

	Jun-23	Mar-23	Dec-22	Sep-22
Promoter	63.8	64.7	66.2	65.2
FIIs	6.5	7.3	7.5	7.6
DIIIs	10.5	9.8	9.3	7.5
Public/others	19.2	18.2	17.0	19.8

Source: BSE

### Price Performance (%)\*

YE Mar (R)	1M	3M	6M	12M
BSE 500	-0.5	3.7	16.2	8.7
Ethos	8.2	22.4	63.2	50.5

As on 5 September 2023

Source: Ace Equity, EISEC Research

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Y/E Mar (Rsmn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY21	3,866	-16%	397	10.3%	47	NA	2.0	3.0%	9.7%	818.7	96.5
FY22	5,773	49%	669	11.6%	234	399.7%	10.0	10.1%	14.1%	163.9	57.2
FY23	7,885	37%	1,144	14.5%	603	157.7%	25.8	9.6%	12.9%	63.6	33.3
FY24E	10,109	28%	1,496	14.8%	845	40.1%	36.2	12.1%	18.6%	45.4	25.0
FY25E	12,675	25%	1,901	15.0%	1,151	36.3%	49.3	14.7%	21.8%	33.3	19.7

Source: Company, EISEC Research Estimates

EISEC Research is also available on Bloomberg and Thomson Reuters

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# Background

## Business – a premium watch retailer

Ethos is a premium luxury watches retailer – all the watches it retails are premium, Swiss watches. Ethos’ understanding of luxury watches has its genesis in KDDL’s business of watch dials and watch hands for luxury watches.

So of the key points of Ethos’ watch business are :

### 1. Business Model

Ethos does an outright purchase of the watches. Brands determine the selling price of the watch. There is often a INR depreciation vis-a-vis the Swiss Franc. Till the time the brands take a price increase, Ethos takes a hit on its gross margin.

**Figure 1: Swiss Franc vs INR**



Source : XE.com

### 2. Brands that Ethos retails

Ethos Retail 60+ watch brands, 7,000+ watches. Of these exclusive brands (sold only by Ethos) are 42. Exclusive brands constitute 27% of sales. Exclusive brand arrangements are for 2,3,5 years depending on the brand.

### 3. High inventory days

Inventory days are consistently high (157 days in FY23). This happens because of

- i) bunching up some new store opening
- ii) when a new brand is signed on, Ethos has to start with a certain minimum number of watches.
- iii) There is a lag between that buy-in and the sell-out.

### 4. Average selling price

The average price of watches sold has been moving up – from Rs 73,000 in FY18 to Rs 1,60,000 in FY23 to the present price – an increase of 119%.

### 5. Number of stores

Ethos presently runs 60 stores in 23 cities.

## 6. Exclusive brand stores (EBO) operated by Ethos

Ethos runs 18 exclusive brand stores. These are:

**Figure 2: Exclusive brand stores run by Ethos**

Brand	No of EBOs	Cities
Girard Perrragaux	1	NCR
Hublot	1	Mumbai
Jaeger-LeCoultre	1	NCR
Omega	3	Chennai, Jaipur, Mumbai
Oris	1	Chennai
Panerai	1	NCR
Rado	6	Ahmedabad, Chandigarh, Jaipur, Lucknow, Delhi, Mumbai
Rolex	2	Bangalore, NCR
Seiko	1	Bangalore
Tissot	1	NCR

Source : company

## Seconds watches – a fast growing segment without competition so far

**Figure 3: Seconds watch market size (Rs mn)**

	CY 2000	CY2025E
Unorganised	350	2,000
Certified Pre owned watches (CPO)	150	7,000

Source : Company, Technopak Advisors

Ethos sells seconds watches i.e. used watches since 2019.

- The turnover from this business is Rs 560mn in FY23, up 67% yoy.
- Ethos enjoys slightly lower margins compared to the main business in this business. Yet ROCE is higher as it has to maintain far lesser inventory.
- The constraint to growth is scarcity of mechanical watch technicians. For this, Ethos has a very strong training program. It even deputed the technicians abroad to get specialized training from the brands.
- Ethos has trained 17 technicians over the last 12 months.
- Pre owned market is growing robustly, not just in India but worldwide (size of the market in India is at least Rs 1,000-1,500 mn).

### Ethos' winning combination in the seconds watches market

- Ethos is the only organised player in the seconds market.
- Ethos certifies the watch and offers a 2 year warranty.

### Watch repairs – a not for profit centre

Ethos offers repair services for watches sold by it. As at FY23 end, it generated Rs 60-70mn revenue from this business. It is not a profit centre for the company.

### 3D digital marketing and online billings

Many of watches on the website can be seen in 3D - they are available in augmented reality. Ethos is setting up its own studio to create content.

Ethos will soon have its own app. On its website for seconds watches, secondmovement.com everything has been created by Ethos' team.

### Competition

Given the shift towards luxury products in India, Ethos faces a lot of competition, mostly unorganised, though now Titan is getting more aggressive in the space.

#### Organised competition - Titan

Titan has addressed the market through its own brands Titan, Fastrack, Sonata, Raga, Nebula, Octane and Xylys. Additionally, it now has a focus on selling international brands. Some of the international brands sold by it are

- i) European watches like Emporio Armani, Skagen, Swarovski, Cerruti
- ii) American watches like Tommy Hillfiger, Guess, Fossil, Coach, Anne Klein
- iii) Swiss watches like Tissot, Movado.

They are building their retail network under various brands :

- i) Titan World with 636 stores with a presence in 313 towns. It also sells international watches
- ii) Helios with 207 stores with a presence in 78 towns. It also sells international watches.
- iii) Fastrack with 188 stores with a presence in 85 towns

#### Unorganised competition

There are boutiques which pose competition. For example, in Bandra there are 2 watch boutiques, Time Avenue and Watches of Switzerland which sell luxury watches. These boutiques focus on the high end. These boutiques are stand alone entities.

Some of the other bigger, though unorganised competition for Ethos is discussed below:

**Figure 4 : Unorganised competition**

Vertical specialists	Store location
Kapoor Watch	Delhi, Gurgaon, Noida
Johnson Watch	Delhi
Zimson	Coimbatore, Bengaluru, Chennai, Madurai, Salem, Trichy, Pondicherry
Kamal Watch	Hyderabad
Khimani Watch	Mumbai
Helvetica Boutique	Chennai, Bengaluru, Delhi, Hyderabad

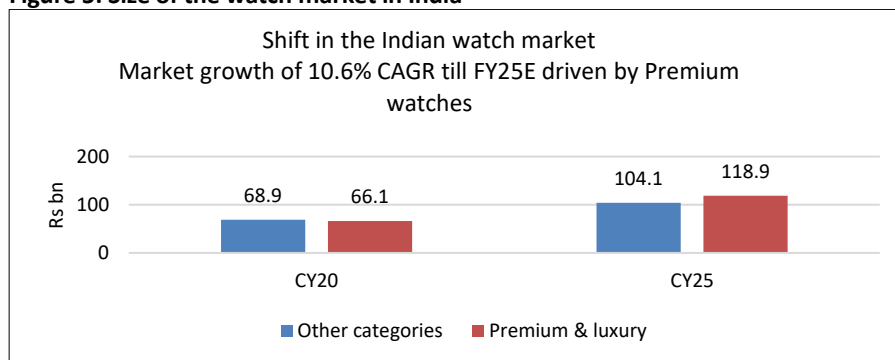
Source : Company, Technopak Advisors

#### Size of the Indian watch market

- Size : Rs 135 bn
  - Premium & Luxury : Rs 66 bn

Source : Technopak Advisors

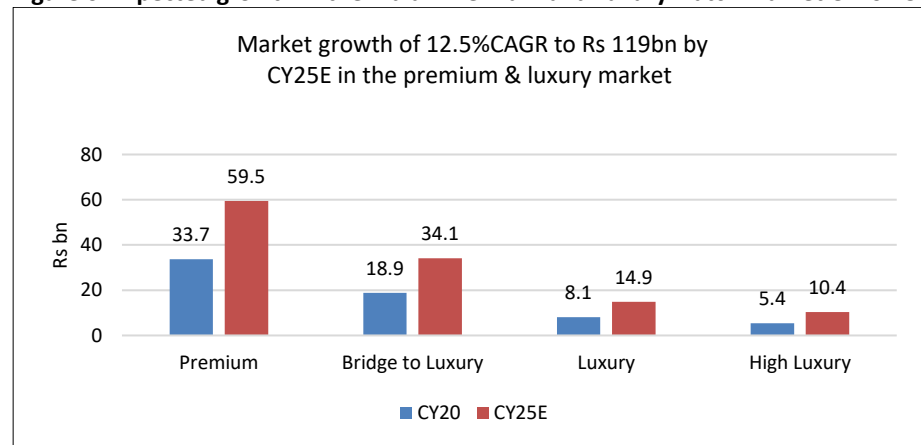
**Figure 5: Size of the watch market in India**



Source : Technopak Advisors Report, April 2022

## Expected growth in the Indian Premium and Luxury watch market CY20-25E

Figure 6: Expected growth in the Indian Premium and Luxury watch market CY20-25E



Source: Technopak Advisors Report, April, 2022

### Price Segmentation of the Indian Watch market

In the Rs. 13,500 crore Indian watch market,

- the mass and mid-segment watches i.e. the price segment below Rs. 5,000, account for 30% of the market
- the Fashion segment (Rs. 5,000 – Rs. 25,000) accounts for 21%.

The remaining 49% of the market comprises of the following segments :

- the Premium (Rs. 25,000 to 1,00,000),
- Bridge to Luxury (Rs. 1,00,000 to 2,50,000), and
- Luxury (Rs. 2,50,000 to 10,00,000),
- High Luxury (Rs. 10,00,000 and above).

### Diversification – as yet very small

#### 1. Premium luggage

Recently, Ethos has also got into retailing a premium luggage brand, Rimowa. Rimowa was founded in 1898 in Cologne, Germany. In 2018, LVMH acquired a 80% stake in the company. Rimowa is the global leader in premium luggage.

- The model is the same i.e. Ethos does an outright purchase and retails through its own stores.
- As of now, turnover from this business is nil as the mall where Rimowa has a shop i.e. Jio World Plaza is yet to open. Margins are expected to be same as the watches business.
- As of now, there is 1 store in fit-out stage. In the management's expectation, every Rimova boutique will yield Rs 120 mn, to Rs 150 mn in sales.

#### a. Repair center of Rimowa

This is the first and only one in India and has already started operations. Already there are immense inquiries for luggage repair.

#### 2. Premium jewelry

Recently, Ethos has also got into retailing a premium jewelry brand, Messika.

- The model is the same as in watches i.e. it does an outright purchase and retails through its own stores.
- As of now, turnover from this business is nil. The margins are expected to be the same as in the watches business.

## Promoter

### *Promoter is KDDL*

Ethos was promoted by KDDL in 2003. Ethos' promoter is KDDL, which makes watch dials. Ethos has benefitted from its promoter's ie KDDL's, longstanding relationships with luxury watch brands. Since 1983, KDDL undertook export of watch dials, thereby gaining valuable insights in the watch industry, which has been instrumental in building strong relationships with the brands Ethos retails.

### *KDDL was promoted by Mr. Yashovardhan Saboo*

KDDL was promoted by Mr. Yashovardhan Saboo in 1983.

Mr. Yashovardhan Saboo is B.A. and MBA from IIM, Ahmedabad. He has started/worked with:

- Director and later Managing Director of Groz-Beckert Saboo.
- In 1983, he set up Kamla Dials and Devices Limited (now KDDL Limited) as Managing Director of the Company.
- In 2003, he set up Ethos.
- In 2006, he set up Precision Stamping division, EIGEN Engineering at Bangalore.

He has been conferred with UdyogRatna Award from PHDCCI in 2005 for valuable contribution to the Economic development of Himachal Pradesh.

## About Ethos

### Shareholding

The details of the shareholding are indicated in the following table:

**Fig 8: Latest Shareholding**

Particulars	% Holding
Promoter Group	63.8
Mutual Funds / UTI	8.2
Financial Institutions / Banks	0.0
Insurance Companies	0.0
Alternate Investment Funds	2.3
Foreign Portfolio investors	6.5
Public	19.2
<b>Total Shareholding</b>	<b>100.0</b>

Source: BSE, EISEC Research

### Board of Directors

**Fig 9: Details of Board of Directors**

Name	Designation	Profile
<b>Mr Yashovardhan Saboo</b>	Managing Director	He is Chairman and Managing Director at KDDL Ltd. and Managing Director at Ethos Ltd. He is also on the board of Satva Jewellery & Design Ltd, Vardhan Properties & Investments Ltd, Kamla Tesio Dials Ltd and Mahen Distribution Ltd. Besides, he is the Chairman-Northern Region at CII. Mr. Saboo received an MBA from Indian Institute of Management and an undergraduate degree from St. Stephens College.
<b>Mr Anil Khanna</b>	Independent Director	Holds a degree in Bachelor of Arts (Economics, Mathematics) and is also a qualified CA from ICAI. He holds Diploma in information system audit and is Certified Forensic Accountant and Fraud Detector from ICAI.
<b>Mr Sundeep Kumar</b>	Independent Director	Holds a bachelor's degree in economics from Delhi University and MBA from IIM – Ahmedabad. Has rich experience in field of communication and general management. Has been heading Corporate Affairs and Communication of Dalmia Bharat also worked with Novartis Healthcare in the past.
<b>Mr Patrik Paul Hoffmann</b>	Non Independent Director	Educated from Business School of the Association of Commerce, Switzerland. Also completed Marketing Management, International Management, Sales Management, Marketing Research and Marketing Decision Making from Andrews University, USA. He has 30+ years of experience in the watch industry and has been at leadership positions with global watch brands and retailers.
<b>Mr Manoj Gupta</b>	Wholetime Director	Holds degree in BA from University of Punjab and has done advance diploma in tool and die making from Central scientific instruments organization, Indo-Swiss Training Centre. Prior to joining Ethos, worked with Titan Industries Ltd, was also associated with KDDL Ltd. Later was transferred to Ethos as VP Operations – Summit.
<b>Mr Chitranjan Agarwal</b>	Director	Holds a degree in Bachelor of Commerce from Government College, Chandigarh and LLB from University of Delhi. Qualified CA from ICAI and holds a valid Certificate of Practice and is practicing as an Independent CA since October 1990. Holds a Certificate in Corporate Social Responsibility and Certificate in Goods and Services Tax from ICAI. Holds Certificate on the Global Financial Crisis from Yale University.
<b>Mr Mohaimin Altaf</b>	Independent Director	Bachelor of Arts in Economics and Master of Business Administration from the Wharton School, University of Pennsylvania. Prior to joining Ethos, he worked as a Strategy and M & A Analyst with Morgan Stanley, New York.

Source: Company, EISEC Research



## Key management personnel

**Fig 10: Details of Management Personnel**

<b>Name</b>	<b>Designation</b>
<b>Mr Yashovardhan Saboo</b>	Managing Director
<b>Mr Pranav Saboo</b>	Chief Executive Officer
<b>Mr Ritesh Kumar Agarwal</b>	Chief Financial Officer
<b>Mr Manoj Subramaniam</b>	Chief Operations Officer
<b>Ms Juhi Chaturvedi</b>	Head of Merchandising

Source: Company, EISEC Research

## Why invest in Ethos?

**1. Is a large player in a market where most of the other players are small, mostly unorganised, though Titan is emerging as competition in the organised sector**

Ethos is a big player in a growing market and where most of the other players are unorganised and are much smaller with single or a few boutiques. In the organised sector Titan is emerging as a big player.

**2. Is the only organised player in the seconds (pre owned) watches market.**

**i) India is fast adopting luxury, yet India remains a price conscious market. We believe the seconds luxury watches will be a winner**

The seconds market is expected to touch Rs9bn in CY2025 (as per Technopak Advisors, Report April 2022). Of this market, the organised players are expected to get Rs 7bn.

This is up from a market size of Rs 0.5bn in CY2020.

In conclusion, the seconds market is likely to see stupendous growth in the next 2 years.

Ethos has already seen witnessed strong growth in the segment – FY 23 seconds revenues were Rs 560mn, up 67% yoy.

**ii) Has been able to connect all the dots for the seconds market**

**a. Uses Ethos stores**

In case of watches it wants to buy, the seller has to send details like i) brand ii) model iii) date of purchase iv) pictures of the watch it wants to sell to Ethos and Ethos quotes a tentative price. It collects the watch at an Ethos store gives the final price after its technicians have examined the watch. The final transaction takes place at an Ethos store.

In case of watches it wants to sell, the buyer can see the 3D images of the watch it wants to buy. The buyer has to deposit 25% of the value of the watch it wants to buy. The buyer can see the watch physically at an Ethos store. In case the buyer does not like the watch, the 25% deposit is returned to him.

**b. Has managed to get trained manpower in place**

The biggest hurdle for the seconds market taking off is a shortage of technicians, who can handle mechanical watches. Ethos has trained 17 technicians and sent them to the brands' offices to be trained.

**c. Ethos certifies the product and gives a 2 year warranty – this is a strong clincher**

**3. Is a well run company**

i) sales CAGR from FY19 is 15% - this is inspite of 2 COVID years i.e. FY20 & FY21.

ii)Gross margins have improved 210bps to 31% over FY19-23. iii)EBITDA margin has improved 170bps to 14.5% over FY19-23.

## Peer Comparison

Fig 11: Industry Comparison

Company Name	Net Sales (Rs. mn)			EBITDA (Rs. Mn.)			PAT (Rs. Mn.)			EBITDA Margin %			PAT Margin %		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Ethos	3,866	5,773	7,885	397	669	1,144	47	234	603	10.3%	11.6%	14.5%	1.2%	4.1%	7.6%
Shoppers Stop	17,589	26,275	40,221	540	3,780	6,953	-2,672	-724	1,160	3.1%	14.4%	17.3%	-15.2%	-2.8%	2.9%
Titan	2,16,440	2,87,990	4,05,750	19,100	33,410	48,790	9,740	21,980	32,740	8.8%	11.6%	22.5%	4.5%	7.6%	15.1%

Source: AceEquity, EISEC Research

Company Name	CAGR FY21-23			CAGR FY21-23			RoCE (%)			Dividend Payout		
	Mcap Rs bn	Revenue	EBITDA	PAT	EBITDA % (bps)	ROCE % (bps)	FY21	FY22	FY23	FY21	FY22	FY23
Ethos	38	43%	70%	259%	423.0	323	9.7%	14.1%	12.9%	0.0%	0.0%	0.0%
Shoppers Stop	79	51%	259%	NA	1421.6	NA	NA	3.8%	16.4%	0.0%	0.0%	0.0%
Titan	2,782	37%	60%	83%	1371.7	870	12.8%	24.0%	21.5%	37.0%	31.0%	21.0%

Source: AceEquity, EISEC Research

## Valuation

Ethos is one of the first of its kind luxury watch retailer in India in the organised sector. Titan, in the organised sector, is a sizeable player. Apart from that, there are several boutiques which retail luxury watches. The characteristics of this unorganised competition are :

1. The competition is usually a chain of 1-6 stores, thereby restricting their ability to offer variety – Ethos offers 7,000+ watches. It holds this inventory across its 60 stores – demand across its various stores is met by sharing this inventory across its various stores.
2. As these boutiques are chains of 1-6 stores, in order to maintain high gross margins, they offer watches which are very pricey, thus restricting their clientele.
3. Most do not offer seconds watches, a fast growing and profitable segment of the market.
4. That said, most do offer repair services.

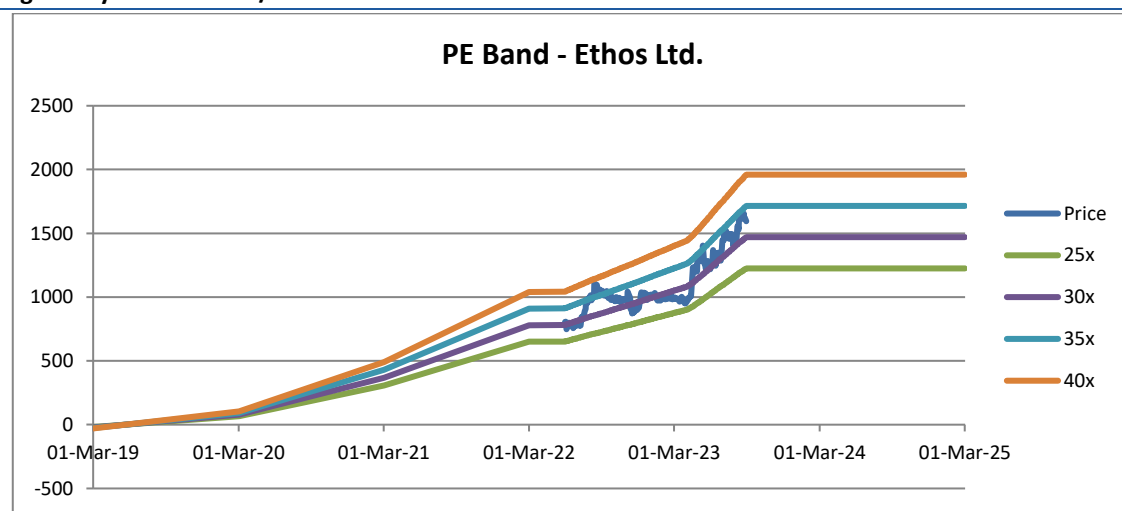
All these factors give Ethos a cutting edge over the unorganised competition.

Ethos is currently trading at P/E of 33.3x on FY25 basis. We value the stock based on P/E methodology and assign multiple of 40x (2-year forward) on FY25E PAT of Rs 1,151 mn to arrive at a target price of **Rs1973** per share, which is potential upside of 20.1% from current market price and recommend “Buy” on the stock.

Our reasons for taking a P/E expansion to 40x for FY25E earnings for the stock are :

- i) There is a shift towards premium products in the economy – we find this shift taking place in the FMCG sector, autos, home appliances, retailing industries among others. Ethos being a big player in retailing premium watches will benefit from this shift.
- ii) We believe the seconds market will take off in a big way, given the preference for luxury, even while the Indian mindset remains value conscious. Ethos is the only organised player to have got its act together in the seconds market. The seconds market is just a little less profitable than the main business and will enjoy higher ROCE as it has to maintain lesser inventory.

Fig 12: 2-year forward P/E chart



Source: AceEquity, Company, EIS Research

# Financials (Consolidated)

Income Statement	FY21	FY22	FY23	FY24E	FY25E
<b>YE March (Rs mn)</b>					
<b>Revenues</b>	<b>3,866</b>	<b>5,773</b>	<b>7,885</b>	<b>10,109</b>	<b>12,675</b>
% Growth	-15.6%	49.3%	36.6%	28.2%	25.4%
Raw Material Expenses	2,817	4,111	5,444	6,975	8,746
% of sales	72.9%	71.2%	69.0%	69.0%	69.0%
Staff	292	424	527	667	824
% of sales	7.6%	7.3%	6.7%	6.6%	6.5%
Other expenses	360	569	771	970	1,204
% of sales	9.3%	9.9%	9.8%	9.6%	9.5%
<b>EBITDA</b>	<b>397</b>	<b>669</b>	<b>1,144</b>	<b>1,496</b>	<b>1,901</b>
EBITDA Margin (%)	10.3%	11.6%	14.5%	14.8%	15.0%
Other Income	164	128	146	182	228
Depreciation & Amortization	325	315	346	391	433
<b>EBIT</b>	<b>237</b>	<b>482</b>	<b>944</b>	<b>1,287</b>	<b>1,697</b>
Finance cost	170	167	142	157	157
Extraordinary Items	0	0	0	0	0
Share Of Profits Of Associates	0	0	5	0	0
<b>PBT</b>	<b>66</b>	<b>315</b>	<b>807</b>	<b>1,130</b>	<b>1,539</b>
Tax-Total	20	81	204	285	388
<b>Reported PAT</b>	<b>47</b>	<b>234</b>	<b>603</b>	<b>845</b>	<b>1,151</b>
Minority Interest	0	0	0	0	0
<b>Adjusted PAT</b>	<b>47</b>	<b>234</b>	<b>603</b>	<b>845</b>	<b>1,151</b>
PAT Margin	1.2%	4.1%	7.6%	8.4%	9.1%
% Growth	NA	399.7%	157.7%	40.1%	36.3%

Source: Company, EISEC Research Estimates

Key Ratios	FY21	FY22	FY23	FY24E	FY25E
<b>YE March</b>					
<b>Growth Ratios (%)</b>					
Net Sales	-15.6%	49.3%	36.6%	28.2%	25.4%
EBITDA	-23.0%	68.4%	71.0%	30.8%	27.1%
Adjusted Net Profit	NA	399.7%	157.7%	40.1%	36.3%
<b>Margin Ratio (%)</b>					
EBITDA Margin	10.3%	11.6%	14.5%	14.8%	15.0%
PBT margins	1.7%	5.5%	10.2%	11.2%	12.1%
PAT Margin	1.2%	4.1%	7.6%	8.4%	9.1%
<b>Return Ratios</b>					
ROE	3.0%	10.1%	9.6%	12.1%	14.7%
ROCE	9.7%	14.1%	12.9%	18.6%	21.8%
ROIC	9.7%	14.1%	12.9%	18.6%	21.8%
<b>Turnover Ratios (days)</b>					
Net Block Turnover (x)	12.6	15.5	14.9	18.6	22.3
Inventory	186.7	158.0	157.3	157.0	157.0
Debtors	11.5	3.3	2.9	3.0	3.0
Creditors	68.0	52.8	44.7	53.0	53.0
Cash Conversion Cycle	130.3	108.5	115.5	107.0	107.0
<b>Solvency ratio (x)</b>					
Debt-equity	0.5	0.3	0.3	0.0	0.0
Net Debt-Equity	0.3	0.1	-0.7	-0.2	-0.2
Gross Debt/EBITDA	1.7	0.8	0.5	0.1	0.1
Current ratio	1.6	1.7	2.1	4.3	3.5
<b>Per share (Rs.)</b>					
Basic EPS (reported)	2.0	10.0	25.8	36.2	49.3
BV	66.7	99.3	270.6	298.8	336.1
CEPS	15.9	23.5	40.7	53.0	67.9
DPS	0.0	0.0	0.0	8.0	12.0
Dividend Payout (%)	0%	0%	0%	22%	24%
<b>Valuation</b>					
P/E	818.7	163.9	63.6	45.4	33.3
P/BV	24.6	16.6	6.1	5.5	4.9
EV/EBITDA	96.5	57.2	33.3	25.0	19.7
Dividend Yield (%)	0%	0%	0%	0%	1%

Source: Company, EISEC Research Estimates

Balance Sheet	FY21	FY22	FY23	FY24E	FY25E
<b>YE March (Rs mn)</b>					
Capital	182	191	233	233	233
Reserves & Surplus	1,374	2,126	6,081	6,740	7,611
<b>Shareholders' Funds</b>	<b>1,556</b>	<b>2,317</b>	<b>6,315</b>	<b>6,973</b>	<b>7,844</b>
Minority Interest	0	0	0	0	0
Total Loan Funds	171	276	71	71	71
Other Financial Liabilities	700	801	896	897	897
Provisions	14	14	19	19	19
Deferred tax liabilities	0	0	0	0	0
<b>Total Liabilities</b>	<b>2,440</b>	<b>3,408</b>	<b>7,302</b>	<b>7,960</b>	<b>8,832</b>
Property, Plant & Equipment	307	373	528	544	568
Capital WIP	38	0	40	40	40
Investment Property	793	916	1,035	1,138	1,252
Goodwill	0	0	0	0	0
Investments	8	16	0	0	0
Others	210	375	808	675	675
<b>Total Non Current Assets</b>	<b>1,355</b>	<b>1,679</b>	<b>2,411</b>	<b>2,395</b>	<b>2,534</b>
Inventories	1,978	2,499	3,399	4,348	5,452
Current Investments	0	0	0	0	0
Trade Receivables	122	52	62	83	104
Cash & Bank Balances	205	398	2,286	2,532	2,513
Other current Assets	261	415	638	639	639
<b>Total Current Assets</b>	<b>2,565</b>	<b>3,364</b>	<b>6,385</b>	<b>7,602</b>	<b>8,708</b>
Borrowing	349	318	9	50	50
Trade Payables	720	835	966	1,468	1,840
Others	411	482	520	519	519
<b>Total Current Liabilities</b>	<b>1,480</b>	<b>1,635</b>	<b>1,494</b>	<b>2,037</b>	<b>2,410</b>
<b>Net Current Assets</b>	<b>1,085</b>	<b>1,729</b>	<b>4,891</b>	<b>5,565</b>	<b>6,298</b>
<b>Total Assets</b>	<b>2,440</b>	<b>3,408</b>	<b>7,302</b>	<b>7,960</b>	<b>8,832</b>

Source: Company, EISEC Research Estimates

Cash Flow	FY21	FY22	FY23	FY24E	FY25E
<b>YE March (Rs mn)</b>					
<b>Operating profit before WC changes</b>	<b>562</b>	<b>797</b>	<b>1,295</b>	<b>1,678</b>	<b>2,129</b>
Changes in working capital	-82	-318	-1,185	-294	-752
<b>Cash flow from operations</b>	<b>460</b>	<b>398</b>	<b>-94</b>	<b>1,099</b>	<b>989</b>
Capex	-1	-66	-156	-15	-25
<b>Cash flow from investments</b>	<b>-9</b>	<b>-74</b>	<b>-140</b>	<b>-15</b>	<b>-25</b>
<b>Cash flow from financing</b>	<b>-344</b>	<b>-84</b>	<b>-613</b>	<b>-303</b>	<b>-438</b>
<b>Net change in cash</b>	<b>107</b>	<b>241</b>	<b>-847</b>	<b>781</b>	<b>527</b>

Source: Company, EISEC Research Estimates

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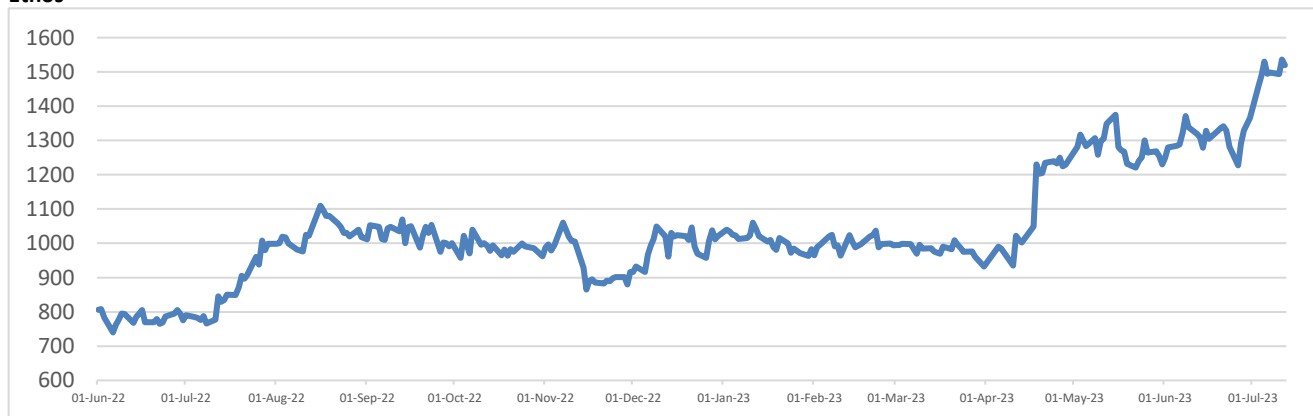
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**Ethos**



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Analyst holding in stock: Yes

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