

Concerns over high WC addressed; reiterate BUY

Retail ▶ Company Update ▶ May 17, 2025

CMP (Rs): 2,721 | TP (Rs): 3,500

We reiterate BUY on Ethos with revised TP of Rs3,500 (up ~6% on 3M rollover to Jun-26E; earnings/multiple unchanged). We stepped into Ethos's Q4 concall with apprehensions about the elevated working capital, growth prospects in the wake of a volatile stock market, and sustainability of gross margin (up by 180bps in Q4). However, we came out upbeat on the WC/capex increase being attributed to the upfront payment in sourcing of India-specific models and launch of flagship space *City of Times* (22,000sqft), housing seven boutiques that opened in May-25 and two to open in Q2. Also, growth outperformance sustains, with strong traction in Apr-25 and healthy pick-up expected in remaining Q1, following a soft May-25TD impacted by geopolitical tensions. While a volatile INR-CHF could impact Q1 gross margin, Ethos has now adopted a 50% hedging policy to mitigate adverse FX-related margin volatility. It reiterated its ambition to scale by 10x in 10 years, led by a multi-fold expansion of new watch retail, growing traction in its new lifestyle vertical (Rimowa), Dubai and India expansion to accelerate CPO growth, and promising optionality in its own brand *Favre Leuba*. The margin-accretive EFTA agreement is likely to be implemented by CY25-end. While an adverse GST ruling is a margin risk, Ethos is confident of gradually expanding margin with support from brands.

Ethos's expansion strategy centered around share gains and TAM expansion: To capture market share in Delhi-NCR, Ethos has launched an expensive luxury space—*City of Times* (a 22,000sqft space, housing nine boutiques). The chosen boutiques span the entire range of luxury price-points – from Tudor (Rolex) in the premium segment, Bell & Ross/Breitling in the BTL segment, to Panerai/GP/Ulysse in the luxury tier, and H-Moser in the high-luxury category. In addition to mono-brand EBOs, the space also features two multi-brand boutiques, offering over 50 brands across price points. Ethos is also expanding into metro cities like Chennai and tier1/2 cities like Vijayawada /Dehradun, to expand its footprint and gain market share in underpenetrated regions. As the company has seen strong traction in luxury travel with Rimowa, it plans opening more Rimowa stores and expanding its TAM with addition of other luxury lifestyle categories through exclusive partnerships like Messika. Ethos highlighted that unit metrics for Rimowa and Messika are comparable with its new watch retail stores. Overall, Ethos plans to cross the 100-store milestone in FY26 (up from 73 boutiques at FY25-end).

Pre-owned business poised for growth acceleration: The CPO (pre-owned) vertical is currently seeing ~30% growth, likely poised to accelerate with upcoming service centers in Bengaluru/Mumbai and gradual increase in supply of authenticated watches in India. Ethos is exploring the Dubai market too with local operations (Ficus Trading), to tap the India diaspora-driven retail opportunity (exclusive rights for *Favre Leuba*) and the booming pre-owned potential in the region. With presence of service centers for most luxury brands, the new subsidiary will also enable better after-sales support, which will help provide a differentiated customer experience in India.

Target Price – 12M	Mar-26
Change in TP (%)	6.1
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	28.6

Stock Data	ETHOSLTD IN
52-week High (Rs)	3,525
52-week Low (Rs)	1,964
Shares outstanding (mn)	24.5
Market-cap (Rs bn)	67
Market-cap (USD mn)	779
Net-debt, FY26E (Rs mn)	(1,857.1)
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	97.7
ADTV-3M (USD mn)	1.1
Free float (%)	36.0
Nifty-50	25,019.8
INR/USD	85.5

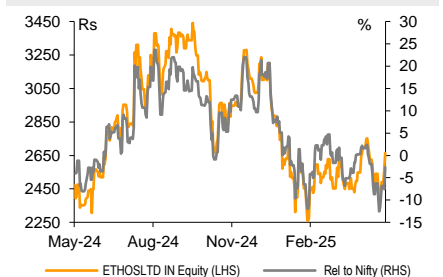
Shareholding, Mar-25

Promoters (%)	50.6
FPIs/MFs (%)	12.6/17.9

Price Performance

(%)	1M	3M	12M
Absolute	2.0	11.3	13.7
Rel. to Nifty	(4.4)	2.0	1.8

1-Year share price trend (Rs)



Ethos: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	9,990	12,516	15,827	20,077	25,058
EBITDA	1,517	1,901	2,527	3,445	4,507
Adj. PAT	833	963	1,212	1,663	2,230
Adj. EPS (Rs)	34.0	39.3	49.5	67.9	91.1
EBITDA margin (%)	15.2	15.2	16.0	17.2	18.0
EBITDA growth (%)	32.6	25.3	32.9	36.3	30.8
Adj. EPS growth (%)	31.8	15.6	25.9	37.2	34.1
RoE (%)	11.0	10.3	11.6	14.0	16.1
RoIC (%)	16.5	14.9	15.6	18.2	20.3
P/E (x)	80.0	69.2	55.0	40.1	29.9
EV/EBITDA (x)	41.7	33.3	25.0	18.4	14.0
P/B (x)	7.5	6.8	6.0	5.2	4.5
FCFF yield (%)	(0.1)	(1.4)	0.4	0.9	1.8

Source: Company, Emkay Research

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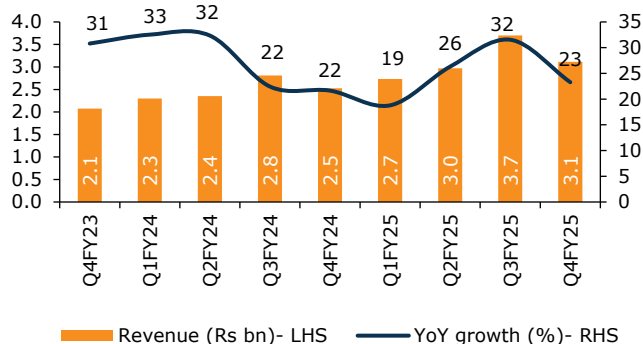
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Earnings call KTAs

- **Studying asset-light franchising opportunity:** While there are no immediate plans, Ethos is also studying the franchise opportunity and route for a faster and more asset-light expansion. The company believes that franchising comes with its own share of risks in terms of varied brand experience, execution, and dilution of certain level of control. Ethos highlighted that there is a visible opportunity, but it will launch only when the pros outweigh the cons.
- **Pursuing brand imaging to match or beat international luxury experience:** Ethos remains committed to scale by 10x in 10 years. It is actively working on rebranding of its positioning in terms of look, feel, and shopping experience. With focused efforts over the past six months, it has been able to zero down on its brand logo, which is expected to launch soon on digital platforms, and improve its RoI on digital marketing investments. Exclusive brands contributed ~30% mix in Q4; FY25 volume and realization grew by 15.5% and 7.4% respectively.

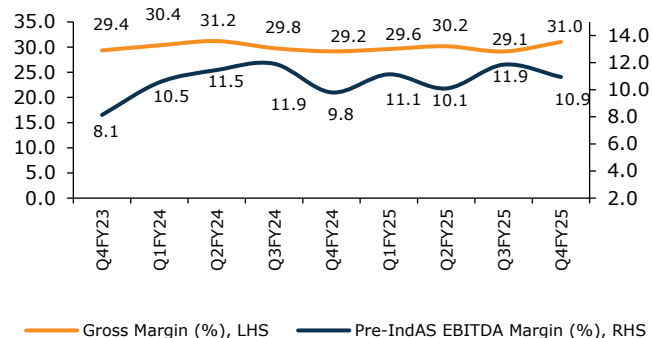
Story in charts

Exhibit 1: Topline grew 23%, largely led by volumes, as ASP was likely down ~3% in Q4.



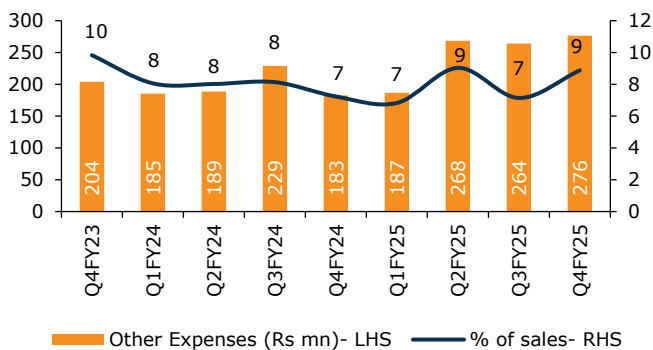
Source: Company, Emkay Research

Exhibit 2: Gross margin inched up by ~180bps, helped by correction in the pricing mismatch



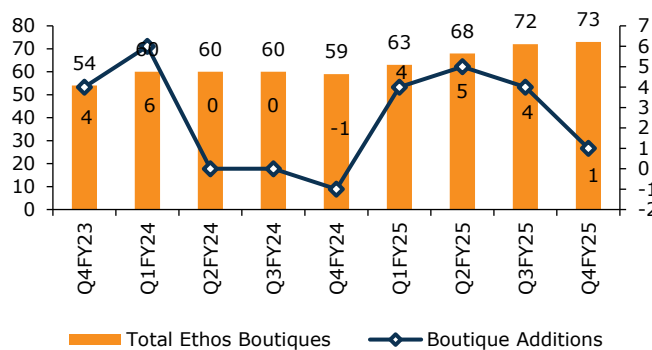
Source: Company, Emkay Research

Exhibit 3: Other expenses as a % of sales inched up, to ~9% (vs 7% in the previous year)



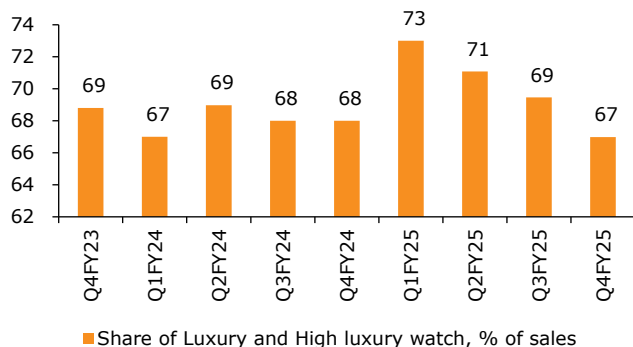
Source: Company, Emkay Research

Exhibit 4: Ethos added 1/14 stores in Q4/FY25; guidance to add 8 new stores by May-25



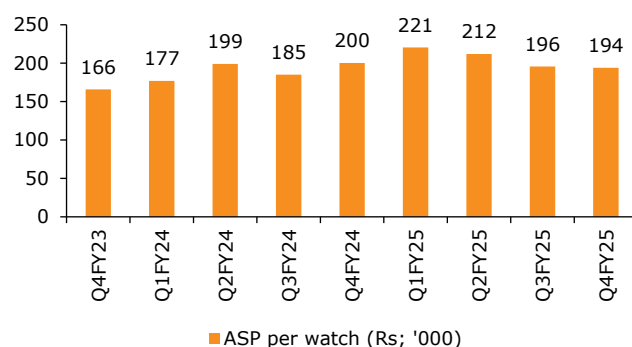
Source: Company, Emkay Research

Exhibit 5: Share of luxury and high luxury watches sales dipped to 67% YoY in Q4



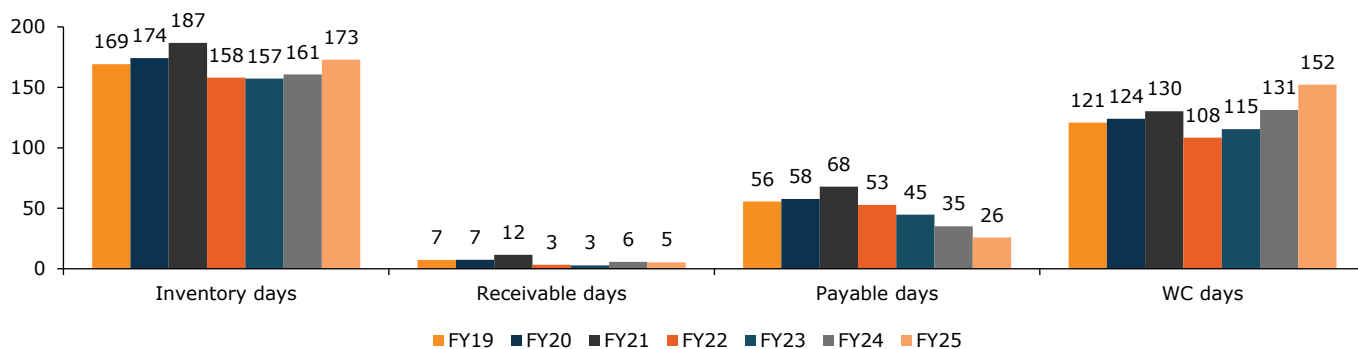
Source: Emkay Research

Exhibit 6: ASP likely decreased ~3% in Q4 due to a dip in share of luxury and high luxury watch sales



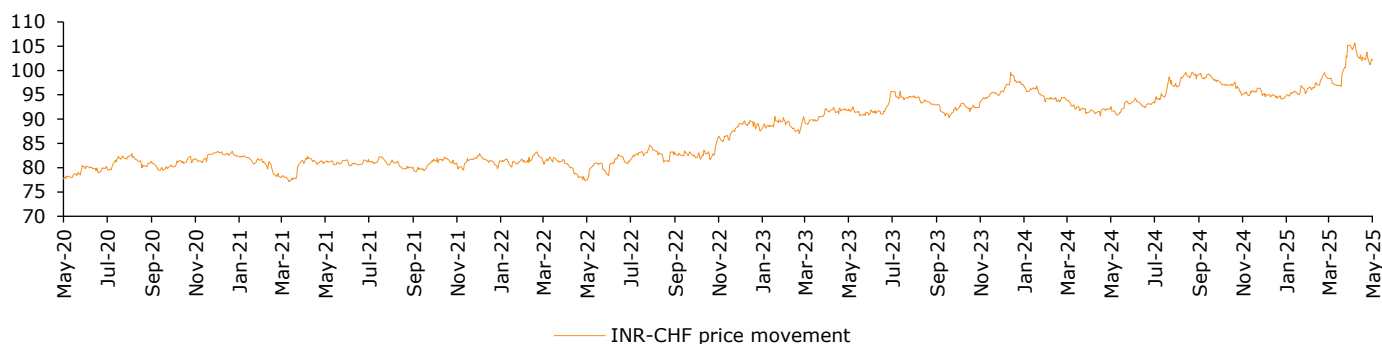
Source: Emkay Research

Exhibit 7: WC has increased by ~20 days, on likely inventory planning for eight new openings (up by 12 days) and reduction in payables (down by nine days)



Source: Company, Emkay Research

Exhibit 8: CY25YTD INR-CHF trends have been volatile, which can impact Q1 gross margin; Ethos has now adopted a 50% hedging policy to mitigate adverse FX-related margin volatility



Source: Company, Emkay Research

Exhibit 9: Swiss exports to India saw strong growth of ~15% in CY25TD, in CHF terms; Ethos has grown at ~23% in the comparable period

Swiss Watch Exports to India (CHF mn)	CY19	CY20	CY21	CY22	CY23	CY24	CY24TD	CY25TD	YoY (%)
January	10.9	11.4	10.3	10.7	13.9	13.6	13.6	19.7	44.9
February	14.2	12.0	12.4	12.6	15.7	20.7	20.7	21.7	4.8
March	14.5	3.4	14.3	13.7	18.4	20.1	20.1	20.9	4.0
April	11.3	0.0	10.9	14.0	14.7	17.2			
May	11.3	0.3	6.8	15.0	16.1	21.7			
June	10.0	4.9	5.0	15.2	19.7	19.5			
July	11.2	7.4	11.3	17.4	17.7	25.7			
August	10.3	7.9	12.9	14.2	17.1	24.8			
September	13.8	10.5	15.0	17.8	20.5	24.3			
October	12.4	12.4	21.6	23.0	22.3	29.9			
November	14.4	15.7	17.3	16.9	19.8	31.7			
December	11.7	12.9	19.0	17.3	22.8	22.7			
Total	146.1	98.8	156.8	187.8	218.7	271.9	54.4	62.3	14.5

Source: Federation of the Swiss Watch Industry, Emkay Research

Exhibit 10: Summary of quarterly results

Y/E, Mar (Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	FY24	FY25	Growth (%)
Revenue	2,525	2,732	2,971	3,699	3,113	23.3	-15.8	9,990	12,516	25.3
Expenditure	2,165	2,300	2,550	3,129	2,637	21.8	-15.7	8,473	10,616	25.3
Consumption of RM	1,789	1,923	2,075	2,621	2,147	20.0	-18.1	6,984	8,767	25.5
As a % of sales	71%	70%	70%	71%	69%			70%	70%	
Employee costs	194	190	207	243	213	10.0	-12.4	704	853	21.3
As a % of sales	8%	7%	7%	7%	7%			7%	7%	
Other expenditure	183	187	268	264	276	51.3	4.6	786	995	26.7
As a % of sales	8%	8%	11%	8%	10%			8%	8%	
EBITDA	360	433	422	570	476	32.3	-16.5	1,517	1,901	25.3
Depreciation	127	143	150	167	169	33.1	1.1	487	630	29.4
EBIT	233	290	272	403	307	31.9	-23.8	1,030	1,271	23.3
Other Income	84	64	61	57	60	-28.4	4.9	236	243	2.9
Interest	40	45	45	52	52	28.7	0.6	160	194	21.4
PBT	276	308	287	409	315	14.0	-22.9	1,106	1,319	19.2
Total Tax	67	79	74	111	74	10.3	-33.5	280	338	20.6
APAT	209	230	213	297	241	15.2	-18.9	826	981	18.8
Share of JV profit	-1	2	1	2	14	NA	450.5	-7	19	
Reported PAT	210	228	212	295	227	8.2	-22.9	833	963	15.6
Reported EPS (Rs)	8.6	9.3	8.7	12.0	9.3	8.2	-22.9	34.8	39.3	13.2
(%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (bps)	QoQ (bps)	FY24	FY25	Growth (bps)
Gross margin	29.2	29.6	30.2	29.1	31.0	190	190	30.1	30.0	-10
EBITDAM	14.2	15.8	14.2	15.4	15.3	100	-10	15.2	15.2	0
EBITM	9.2	10.6	9.1	10.9	9.9	60	-100	10.3	10.2	-20
PBTM	10.9	11.3	9.7	11.0	10.1	-80	-90	11.1	10.5	-50
PATM	8.3	8.4	7.2	8.0	7.7	-50	-30	8.3	7.8	-40
Effective Tax rate	24.3	25.5	25.7	27.2	23.5	-80	-370	25.3	25.6	30.0

Source: Company, Emkay Research

Exhibit 11: Peer Comparison

Company	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)*		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Titan Company	3,634	3,226	REDUCE	3,200	37.5	50.2	64.1	96.9	72.4	56.7	57.9	46.3	38.5
Varun Beverages	502	1,697	BUY	625	8.0	9.7	11.8	62.8	52.0	42.4	36.0	31.4	26.6
Ethos	2,726	67	BUY	3,500	39.3	49.5	67.9	69.3	55.0	40.1	34.0	25.5	18.7
Aditya Vision	424	55	ADD	450	8.2	9.8	12.7	51.6	43.2	33.4	27.5	22.6	17.9
Page Industries	47,830	533	REDUCE	37,550	653.7	699.6	821.4	73.2	68.4	58.2	47.0	43.5	37.2
ABFRL	278	339	ADD	270	-4.7	-1.2	-0.5	NA	NA	NA	18.7	13.8	11.3
Go Fashion	883	48	BUY	950	17.3	19.4	22.1	51.0	45.6	39.9	16.9	15.0	13.2
Jubilant FoodWorks	674	445	ADD	775	3.5	5.5	8.2	193.3	123.4	82.2	29.1	24.7	21.1
Devyani International	187	225	BUY	200	0.3	0.7	1.3	536.8	276.3	146.3	27.5	22.2	17.9
Westlife Foodworld	695	108	ADD	730	0.8	2.3	7.5	891.6	305.3	92.2	33.1	27.5	20.6
Sapphire Foods	331	106	BUY	370	0.6	2.0	3.6	552.2	166.1	91.1	21.9	17.9	14.3
Senco Gold	362	59	BUY	500	15.5	15.6	19.8	23.4	23.3	18.3	20.0	12.7	10.2
Metro Brands	1,178	321	BUY	1,300	14.8	17.9	21.5	79.4	66.0	54.8	42.1	35.3	29.9

Source: Company, Emkay Research; Note: *Post IndAS-116 EBITDA

Exhibit 12: Changes in estimates

(Rs mn)	FY26E			FY27E			FY28E		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	15,557	15,827	1.7	19,790	20,077	1.4	24,796	25,058	1.1
EBITDA*	1,913	1,864	-2.6	2,596	2,616	0.8	3,499	3,496	-0.1
EBITDA margin (%)	12.3	11.8	-50 bps	13.1	13.0	-10 bps	14.1	14.0	-20 bps
Net profit	1,209	1,212	0.3	1,619	1,663	2.7	2,196	2,230	1.6
EPS (Rs)	49.4	49.5	0.3	66.1	67.9	2.7	89.7	91.1	1.6

Source: Company, Emkay Research; *Pre-IndAS-116 EBITDA

Ethos: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	9,990	12,516	15,827	20,077	25,058
Revenue growth (%)	26.7	25.3	26.5	26.8	24.8
EBITDA	1,517	1,901	2,527	3,445	4,507
EBITDA growth (%)	32.6	25.3	32.9	36.3	30.8
Depreciation & Amortization	487	630	814	1,007	1,219
EBIT	1,030	1,271	1,713	2,438	3,288
EBIT growth (%)	29.2	23.3	34.8	42.3	34.9
Other operating income	-	-	-	-	-
Other income	236	243	210	150	125
Financial expense	160	194	247	305	367
PBT	1,106	1,319	1,677	2,283	3,046
Extraordinary items	0	0	0	0	0
Taxes	280	338	408	560	751
Minority interest	-	-	-	-	-
Income from JV/Associates	7	(19)	(56)	(60)	(65)
Reported PAT	833	963	1,212	1,663	2,230
PAT growth (%)	38.1	15.6	25.9	37.2	34.1
Adjusted PAT	833	963	1,212	1,663	2,230
Diluted EPS (Rs)	34.0	39.3	49.5	67.9	91.1
Diluted EPS growth (%)	31.8	15.6	25.9	37.2	34.1
DPS (Rs)	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0
EBITDA margin (%)	15.2	15.2	16.0	17.2	18.0
EBIT margin (%)	10.3	10.2	10.8	12.1	13.1
Effective tax rate (%)	25.3	25.6	24.4	24.5	24.7
NOPLAT (pre-IndAS)	769	945	1,296	1,839	2,477
Shares outstanding (mn)	24	24	24	24	24

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	245	245	245	245	245
Reserves & Surplus	8,595	9,577	10,789	12,452	14,682
Net worth	8,840	9,822	11,034	12,697	14,927
Minority interests	-	-	-	-	-
Non current liab. & prov.	1,293	2,773	3,536	4,092	4,523
Total debt	67	20	20	20	20
Total liabilities & equity	10,199	12,615	14,590	16,809	19,470
Net tangible fixed assets	727	1,284	1,571	1,894	2,228
Net intangible assets	411	416	414	407	394
Net ROU assets	1,254	2,605	3,136	3,536	3,796
Capital WIP	-	-	-	-	-
Goodwill	-	-	-	-	-
Investments [JV/Associates]	240	344	450	550	650
Cash & equivalents	3,455	2,200	1,877	1,627	1,753
Current assets (ex-cash)	5,081	6,640	8,456	10,726	13,387
Current Liab. & Prov.	960	888	1,301	1,925	2,746
NWC (ex-cash)	4,121	5,752	7,155	8,801	10,641
Total assets	10,199	12,615	14,590	16,809	19,470
Net debt	(3,388)	(2,181)	(1,857)	(1,607)	(1,733)
Capital employed	10,199	12,615	14,590	16,809	19,470
Invested capital	5,251	7,466	9,128	11,096	13,270
BVPS (Rs)	361.1	401.2	450.7	518.6	609.7
Net Debt/Equity (x)	(0.4)	(0.2)	(0.2)	(0.1)	(0.1)
Net Debt/EBITDA (x)	(2.2)	(1.1)	(0.7)	(0.5)	(0.4)
Interest coverage (x)	7.0	6.8	6.9	7.6	8.4
RoCE (%)	16.6	16.1	18.4	21.8	24.7

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	877	1,058	1,411	2,073	2,856
Others (non-cash items)	-	-	-	-	-
Taxes paid	(280)	(338)	(408)	(560)	(751)
Change in NWC	(1,007)	(1,635)	(1,308)	(1,646)	(1,840)
Operating cash flow	237	(90)	754	1,179	1,850
Capital expenditure	(297)	(766)	(504)	(630)	(713)
Acquisition of business	(219)	(104)	(106)	(100)	(100)
Interest & dividend income	236	243	210	150	125
Investing cash flow	(280)	(628)	(399)	(580)	(688)
Equity raised/(repaid)	1,750	0	0	0	0
Debt raised/(repaid)	(13)	(47)	-	0	0
Payment of lease liabilities	(458)	(496)	(663)	(829)	(1,011)
Interest paid	(9)	(12)	(15)	(20)	(25)
Dividend paid (incl tax)	0	0	0	0	0
Others	(58)	19	0	0	0
Financing cash flow	1,212	(536)	(678)	(849)	(1,036)
Net chg in Cash	1,168	(1,254)	(323)	(250)	126
OCF	237	(90)	754	1,179	1,850
Adj. OCF (w/o NWC chg.)	1,244	1,544	2,062	2,825	3,691
FCFF	(60)	(857)	250	549	1,137
FCFE	167	(626)	445	679	1,237
OCF/EBITDA (%)	15.6	(4.7)	29.8	34.2	41.1
FCFE/PAT (%)	20.0	(65.0)	36.7	40.8	55.5
FCFF/NOPLAT (%)	(7.8)	(90.6)	19.3	29.8	45.9

Source: Company, Emkay Research

Valuations and key ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	80.0	69.2	55.0	40.1	29.9
P/CE(x)	50.5	41.8	32.9	24.9	19.3
P/B (x)	7.5	6.8	6.0	5.2	4.5
EV/Sales (x)	6.3	5.1	4.0	3.1	2.5
EV/EBITDA (x)	41.7	33.3	25.0	18.4	14.0
EV/EBIT(x)	61.4	49.8	36.9	25.9	19.2
EV/IC (x)	12.0	8.5	6.9	5.7	4.8
FCFF yield (%)	(0.1)	(1.4)	0.4	0.9	1.8
FCFE yield (%)	0.3	(0.9)	0.7	1.0	1.9
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	8.3	7.7	7.7	8.3	8.9
Total asset turnover (x)	1.3	1.3	1.5	1.6	1.7
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	11.0	10.3	11.6	14.0	16.1
DuPont-RoIC					
NOPLAT margin (%)	7.7	7.6	8.2	9.2	9.9
IC turnover (x)	2.1	2.0	1.9	2.0	2.1
RoIC (%)	16.5	14.9	15.6	18.2	20.3
Operating metrics					
Core NWC days	150.6	167.7	165.0	160.0	155.0
Total NWC days	150.6	167.7	165.0	160.0	155.0
Fixed asset turnover	7.2	6.5	6.1	6.3	6.5
Opex-to-revenue (%)	14.9	14.8	14.3	14.0	13.7

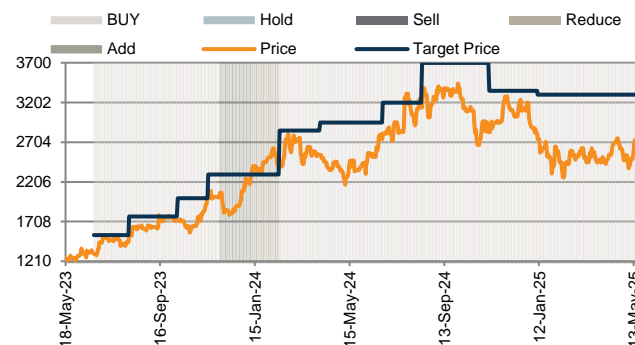
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
06-May-25	2,373	3,300	Buy	Devanshu Bansal
09-Apr-25	2,497	3,300	Buy	Devanshu Bansal
16-Feb-25	2,445	3,300	Buy	Devanshu Bansal
10-Jan-25	2,742	3,300	Buy	Devanshu Bansal
18-Dec-24	3,199	3,350	Buy	Devanshu Bansal
09-Nov-24	2,832	3,350	Buy	Devanshu Bansal
03-Oct-24	3,294	3,700	Buy	Devanshu Bansal
15-Aug-24	3,139	3,700	Buy	Devanshu Bansal
23-Jul-24	2,897	3,200	Buy	Devanshu Bansal
07-Jul-24	2,813	3,200	Buy	Devanshu Bansal
26-Jun-24	2,776	3,200	Buy	Devanshu Bansal
14-May-24	2,411	2,950	Buy	Devanshu Bansal
07-Apr-24	2,542	2,950	Buy	Devanshu Bansal
11-Mar-24	2,752	2,850	Buy	Devanshu Bansal
15-Feb-24	2,399	2,850	Buy	Devanshu Bansal
10-Jan-24	2,295	2,300	Reduce	Devanshu Bansal
30-Nov-23	2,019	2,300	Add	Devanshu Bansal
16-Nov-23	2,005	2,300	Buy	Devanshu Bansal
08-Oct-23	1,718	2,000	Buy	Devanshu Bansal
07-Aug-23	1,544	1,770	Buy	Devanshu Bansal
10-Jul-23	1,515	1,540	Buy	Devanshu Bansal
23-Jun-23	1,299	1,540	Buy	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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