

**Growth Story Remains Intact; Maintain BUY**
**Est. Vs. Actual for Q1FY25:** Revenue – **BEAT**; EBITDA – **BEAT**; PAT – **BEAT**
**Changes in Estimates post Q1FY25**
**FY25E/FY26E – Revenue:** -1%/0%; **EBITDA:** -2%/0%; **PAT:** 2%/5%

**Recommendation Rationale**

- **Robust Results:** Ethos delivered robust results in Q1FY25 with ~19% YoY revenue growth and 12.3% SSSG, driven by strong demand in the higher price-point luxury segment (above Rs 2.5 Lc grew 9.5% YoY), resulting in its ASP increasing by 25% YoY to Rs 2.2 Lc. The management highlighted some challenges in Q1FY25, including extreme heatwaves (leading to extended holiday durations outside India and reduced footfall), restrictions on cash movement above Rs 0.5 Lc during elections, ERP implementation (causing a three-day store shutdown across the network), election-related restrictions, and shipment delays due to unfavourable weather conditions in Switzerland. However, the management noted strong growth (28%) and record-high margins in July and remains optimistic about future growth prospects, supported by new luxury watch additions and continued store expansion (targeting 22-23 stores in FY25).
- Ethos added 3 stores in Q1FY25 and 1 store in August 2025, taking the total store count to 66 stores across 26 cities as of August 2025. The company has guided to open 22-23 stores in FY25, with the majority of store openings planned for H2FY25. It plans to open 5 stores in Q2FY25.
- **The structural story remains strong:** [Ethos's promising future is underpinned by the company's robust and consistent performance over the last several quarters.](#) This will be driven by – 1) Continued strong demand in the premium and luxury watch space, 2) Rapid store expansion guidance, 3) Foray into the fast-growing CPO segment, 4) Increasing share of high-margin exclusive brands, 4) Increased sales of luxury and high luxury watches, which contributed 73% of revenue in Q1FY25, 5) Expanding exclusive brand portfolio with the addition of -ID Geneva and Singer Reimagined, 6) Diversification into fast-growing luxury segment – Luggage and Jewellery, and 7) Headroom for margin and ROCE expansion.

**Sector Outlook: Positive**
**Company Outlook & Guidance:** We have largely maintained our FY25/26E EPS estimates and increased our target multiple as the mid/long term outlook remains positive

**Current Valuation:** 45xSep-26 EPS (Earlier Valuation:40xFY26 EPS).

**Current TP:** Rs 3,600/share (Earlier TP: Rs 2,700/share).

**Recommendation:** We maintain our **BUY** rating on the stock

**Valuation & Outlook:** Ethos' promising future is underpinned by the company's robust and consistent performance over the last several quarters. This will be driven by – 1) Continued strong demand in the premium and luxury watch space, 2) Foray into the fast-growing CPO segment, 3) Increasing share of high-margin exclusive brands, 4) Diversification into fast-growing luxury segment – Luggage and Jewellery, and 5) Notable headroom for margin and ROCE expansion. Given the strong investment thesis outlined above, we anticipate the company to report robust Revenue CAGR growth of 33% and PAT growth of 40% over FY24-27E. Currently, at the CMP, the company is trading at 48x/33x its FY26/27E EPS. With improved visibility in earnings growth and a stronger return profile, the stock appears attractive within the Smallcap space. We maintain our BUY rating and value the company at 45x Sep-26 EPS to arrive at a TP of Rs 3,600/Share, implying an upside of 15% from the CMP.

**Key Financials (Consolidated)**

(Rs Cr)	Q1FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	273	8.2	18.8	265	3.3
EBITDA	43	20.3	27.6	38	15.2
EBITDA Margin (%)	15.8	159 bps	109 bps	14.2	163 bps
Net Profit	23	9.7	28.0	21	7.6
EPS (Rs)	9.4	9.6	21.1	8.7	8.1

Source: Company, Axis Research

(CMP as of 14<sup>th</sup> August 2024)

CMP (Rs)	3142
Upside /Downside (%)	15%
High/Low (Rs)	3376/1542
Market cap (Cr)	7693
Avg. daily vol. (6m)Shrs'000.	53.55
No. of shares (Cr)	2.4

**Shareholding (%)**

	Dec-23	Mar-24	Jun-24
Promoter	57.9	55.7	54.7
FIIs	10.4	11.3	11.2
MFs / UTI	9.9	10.9	11.9
Banks / FIs	0.0	0.0	0.0
Others	21.8	22.1	22.2

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	1,241	1,715	2,342
EBITDA	199	286	397
Net Profit	108	160	231
EPS, Rs	44.1	65.5	94.2
PER, x	71	48	33
EV/EBITDA, x	38	26	19
ROE, %	11	14	17

**Change in Estimates (%)**

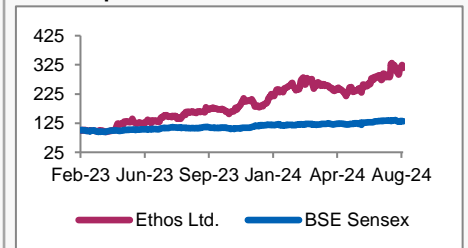
Y/E Mar	FY25E	FY26E
Sales	-1%	0%
EBITDA	-2%	0%
PAT	2%	5%

**ESG disclosure Score\*\***

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure Score	NA
Total ESG Disclosure Score	NA

Source: LSEG Workspace, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2023 disclosures

**Relative performance**


Source: Ace Equity, Axis Securities

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### Financial Performance:

- Ethos delivered robust results in Q1FY25, with revenue standing at Rs 273 Cr, reflecting ~19% YoY growth, and SSSG at 12.3%. EBITDA grew by ~28% YoY, while EBITDA margins improved by 109bps to 15.8%, driven by an increased share of the exclusive brand portfolio (30%), strong growth in high-end watches (sales above Rs 2.5 Lc grew by 9.5% YoY), and strong operating leverage. PAT stood at Rs 23 Cr, up 28% YoY, in line with EBITDA growth.

### Lifestyle Division:

- RIMOWA continues to show strong growth with solid operational metrics (ROCE, EBITDA). The management noted that despite smaller store sizes, RIMOWA stores achieve Rs 1.5-2 Cr in sales per month. Ethos plans to open 10 more RIMOWA stores over the next five years. After the trial period, Ethos will open its first Messika (Jewelry) store in New Delhi in January 2025. The management also mentioned that it is in discussions with several (7-8) brands to bring to India and expects to onboard a few of them next year.

### Other Concall Key Highlights

#### New Launches-

1) Ethos has launched three new boutiques in Kochi, Dehradun, and Pune in Q1FY25. The company plans to open 5 more boutiques in Q2FY25 with one already operational in Bengaluru.

2) Ethos has added two new luxury Swiss watch brands - **ID Geneva and Singer Reimagined**.

ID Geneva is the first "Impact Native" luxury watch brand, using locally sourced, traceable stainless steel from waste in the Jura region for its Circular 1 collection.

Singer Reimagined, on the other hand, an award-winning high-end watchmaker in Geneva, is part of the Singer Group, known for its bespoke Porsche 911 restorations and innovative designs.

**Volume growth** -The company has sold 13,245 watches in Q1FY25 down 6% YoY as 1) company continue to de-focus watches under Rs 50,000 and 2) watches between Rs 50,000 to Rs 2 Lc were impacted due to restriction of cash movement due to the election. However, sales of watches priced above Rs 2.5 Lc grew by 9.5% YoY.

**Favre Leuba:** the world's second-oldest watch brand will launch its first collection post-revival on August 29, 2024, in Geneva, with deliveries starting in December/January.

**Pre-owned watches:** The revenue from pre-owned watches stood at Rs 19.6 Cr; marking a 31% YoY in Q1FY25.

**EFTA Impact:** Ethos anticipates that the EFTA agreement, expected to be implemented by Mar'25, will reduce import duties and tariffs, allowing the company to introduce more brands to India and improve the margins.

### Key Risks to Our Estimates and TP

- Higher volatility in currency exchange rate (CHF/INR),
- Slowdown in the luxury & premium segments, and
- Increase in the competitive intensity.

### Change in Estimates

	Old Est.		Revised Est.		% Revision	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,249	1,712	1,241	1,715	-1%	0%
EBITDA	204	287	199	286	-2%	0%
PAT	106	153	108	160	2%	5%
EPS	44	63.9	44.1	65.5	2%	5%

Source: Company, Axis Securities

**Results Review**

(Rs Cr)	Q1FY24	Q4FY24	Axis Est.	Q1FY25	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
Net Sales	230	253	265	273	18.8	8.2	3.3
Gross Profit	70	74	80	81	15.9	9.9	0.8
Gross Margin (%)	30.4	29.2	30.4	29.6	-74 bps	46 bps	-74 bps
Employee Expenses	17	19	21	19	9.4	(2.0)	(8.8)
Other Expenses	19	18	22	19	0.6	2.1	(14.7)
EBITDA	34	36	38	43	27.6	20.3	15.2
EBITDA Margin (%)	14.7	14.2	14.2	15.8	109 bps	159 bps	163 bps
Oth. Inc	5	8	9	6	36.3	(24.1)	(27.7)
Interest	4	4	4	5	19.2	12.1	6.8
Depreciation	11	13	13	14	33.5	12.5	7.2
PBT	24	28	29	31	28.0	11.5	6.9
Tax	6	7	7	8	28.1	17.3	5.0
PAT	18	21	21	23	28.0	9.7	7.6
EPS	7.8	8.6	8.7	9.4	21.1	9.6	8.1

Source: Company, Axis Securities

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>999</b>	<b>1,241</b>	<b>1,715</b>	<b>2,342</b>
Growth, %	26.7	24.3	38.2	36.5
Total income	999	1,241	1,715	2,342
Raw material expenses	(698)	(859)	(1,185)	(1,618)
Employee expenses	(70)	(87)	(117)	(160)
Other Operating expenses	(79)	(97)	(127)	(167)
<b>EBITDA (Core)</b>	<b>152</b>	<b>199</b>	<b>286</b>	<b>397</b>
Growth, %	32.6	31.3	43.8	38.6
Margin, %	15.2	16.1	16.7	17.0
Depreciation	(49)	(59)	(70)	(80)
<b>EBIT</b>	<b>103</b>	<b>140</b>	<b>217</b>	<b>317</b>
Growth, %	29.2	35.8	54.8	46.2
Margin, %	10.3	11.3	12.6	13.5
Interest paid	(16)	(19)	(23)	(28)
Other Income	24	25	22	21
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>111</b>	<b>145</b>	<b>216</b>	<b>310</b>
Tax provided	(28)	(37)	(55)	(79)
<b>Profit after tax</b>	<b>83</b>	<b>108</b>	<b>160</b>	<b>231</b>
Growth, %	38.1	29.7	48.5	43.7
<b>Net Profit (adjusted)</b>	<b>83</b>	<b>108</b>	<b>160</b>	<b>231</b>
Unadj. shares (Cr)	2.4	2.4	2.4	2.4
Wtdavg shares (Cr)	2.4	2.4	2.4	2.4

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
Cash & bank	345	346	336	351
Marketable securities at cost	-	-	-	-
Debtors	16	19	27	37
Inventory	440	546	755	1,031
Other current assets	63	63	63	63
Total current assets	864	975	1,181	1,482
Investments	24	24	24	24
Gross fixed assets	314	394	464	534
Less: Depreciation	(78)	(137)	(207)	(287)
Add: Capital WIP	-	-	-	-
Net fixed assets	236	257	257	247
Non-current assets	33	33	33	33
<b>Total assets</b>	<b>1,169</b>	<b>1,300</b>	<b>1,506</b>	<b>1,797</b>
Current liabilities	258	281	327	387
Provisions	2	2	2	2
Total current liabilities	260	284	329	389
Non-current liabilities	24	24	24	24
Total liabilities	285	308	353	414
Paid-up capital	24	24	24	24
Reserves & surplus	859	968	1,128	1,359
Shareholders' equity	884	992	1,152	1,383
<b>Total equity &amp; liabilities</b>	<b>1,169</b>	<b>1,300</b>	<b>1,506</b>	<b>1,797</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
<b>Profit Before Tax</b>	<b>111.3</b>	<b>145.2</b>	<b>215.7</b>	<b>310.0</b>
Adjustments for :				
Depreciation and Amortization Expenses	48.7	59.3	69.9	80.4
Write off / loss on sale of property, plant & equipment				
Interest Paid	16.0	19.2	23.1	27.7
Effect of Exchange rates on translation of operating cash flows				
Profit on deletion of leased assets				
Rent Recession				
Loss / (Profit) on Sale of Assets				
Bad Debts Written Off				
Provision for Bad and Doubtful Deb				
Share of profit of joint venture				
Share options lapsed				
Unrealized foreign exchange gain				
Rent waiver on lease liabilities				
Gain on termination of lease contracts				
Allowance for doubtful debts/(written back)				
Allowance for doubtful advances/recoverable				
Interest received				
Advances/deposits / Bad debts written off				
Other Comprehensive Income (net of tax)	(23.7)			
<b>Operating Profit Before Working Capital Changes</b>	<b>152.3</b>	<b>223.8</b>	<b>308.6</b>	<b>418.1</b>
Adjustments for :				
(Increase) in loans	0.1			
(Increase) in other financial assets	(5.1)			
Trade receivables	(9.6)	(3.8)	(7.4)	(9.8)
Other financial assets	7.6			
(Increase) in inventories	(99.8)	(106.6)	(208.6)	(275.9)
Increase in provisions	1.1			
Trade Payables	0.9	23.3	45.5	60.2
Increase / (Decrease) in Non-Current Liabilities	10.2			
Increase / (Decrease) in Current Liabilities	1.0			
(Increase) / Decrease in Non-Current Assets				
(Increase) / Decrease in Current Assets				
<b>Cash Flow Generated from Operations</b>	<b>58.7</b>	<b>136.6</b>	<b>138.1</b>	<b>192.7</b>
Direct taxes paid	(27.9)	(37.2)	(55.2)	(79.4)
<b>A) Net Cash Flow from Operating Activities</b>	<b>30.8</b>	<b>99.5</b>	<b>82.9</b>	<b>113.3</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of PPE and intangible assets	(39.4)	(80.0)	(70.0)	(70.0)
Proceeds on the sale of PPE and intangible assets	7.9			
Purchase of Investments	(19.4)			
Investment in bank deposits (having original maturity of more than three months)	(83.7)			
Interest received	11.9			
<b>Net Cash Used in Investing Activities</b>	<b>(122.8)</b>	<b>(80.0)</b>	<b>(70.0)</b>	<b>(70.0)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from the issue of equity share capital (including premium)	175.0			
Proceeds of Long Term Borrowings (Net)	0.3			
Share issue expenses	(5.4)			
(Repayment) of LONG long-term borrowings	(1.1)			
Proceeds from/of other current borrowings (net)	(0.4)			
repayments of other current borrowings (net)				
Payment of the principal portion of lease liabilities	(28.1)			
proceeds from repayment of current borrowings				
Interest paid on lease liabilities	(15.1)	-	-	-
Interest expense paid	(0.4)	(19.2)	(23.1)	(27.7)
<b>Net Cash Used in Financing Activities</b>	<b>124.7</b>	<b>(19.2)</b>	<b>(23.1)</b>	<b>(27.7)</b>
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>	<b>32.7</b>	<b>0.2</b>	<b>(10.2)</b>	<b>15.6</b>
<b>Cash and cash equivalents as of 1st April</b>	<b>27.9</b>	<b>60.6</b>	<b>60.9</b>	<b>50.7</b>
<b>Cash and cash equivalents as of 31st March</b>	<b>60.6</b>	<b>60.9</b>	<b>50.7</b>	<b>66.3</b>

Source: Company, Axis Securities

**Ratio Analysis**

(%)

Y/E Mar	FY24A	FY25E	FY26E	FY27E
<b>Per Share data</b>				
EPS (INR)	34.0	44.1	65.5	94.2
Growth, %	28.1	29.7	48.5	43.7
FDEPS (INR)	34.0	44.1	65.5	94.2
CEPS (INR)	53.9	68.4	94.1	127.1
CFPS (INR)	4.5	22.7	15.4	26.4
<b>Return ratios</b>				
Return on assets (%)	9.7	10.3	13.1	15.6
Return on equity (%)	9.4	10.9	13.9	16.7
Return on capital employed (%)	12.7	13.2	16.7	19.9
<b>Turnover ratios</b>				
Asset turnover (x)	1.8	1.8	2.1	2.3
Sales/Total assets (x)	1.0	1.0	1.2	1.4
Sales/Net FA (x)	4.6	5.0	6.7	9.3
Working capital/Sales (x)	0.3	0.3	0.3	0.3
Receivable days	5.7	5.7	5.7	5.7
Inventory days	160.6	160.6	160.6	160.6
Payable days	41.3	41.8	42.1	42.2
Working capital days	95.3	102.3	110.3	115.9
<b>Liquidity ratios</b>				
Current ratio (x)	3.4	3.5	3.6	3.8
Quick ratio (x)	1.6	1.5	1.3	1.2
Interest cover (x)	6.4	7.3	9.4	11.4
Total debt/Equity (%)	0.2	0.1	0.1	0.1
<b>Valuation</b>				
PER (x)	92.3	71.1	47.9	33.3
PEG (x) - y-o-y growth	3.3	2.4	1.0	0.8
Price/Book (x)	8.7	7.7	6.7	5.6
EV/Net sales (x)	7.5	6.0	4.4	3.2
EV/EBITDA (x)	49.3	37.6	26.2	18.8
EV/EBIT (x)	72.6	53.5	34.6	23.6

Source: Company, Axis Securities

## Ethos Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
15-Jan-24	BUY	3,050	Initiating Coverage
15-Feb-24	BUY	3,100	Result Update
14-May-24	BUY	2,700	Result Update
16-Aug-24	BUY	3,600	Result Update

Source: Axis Securities Research

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Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
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Note: Returns stated in the rating scale are our internal benchmark.

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