



Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
3,273	3,600	10%

MARKET DATA

No. of Shares	2.3 Cr
Market Cap (Rs Cr)	Rs. 5734
52-week High / Low	3040/1200
BSE Code	543532
NSE Code	ETHOSLTD

Why Ethos Ltd ?

- ✓ **Encouraging Growth Opportunities**
- ✓ **Company-specific Triggers**

About the Company

Established in 2003, Ethos Ltd is a prominent player in India's luxury and premium watch retail industry. With a ~20% market share in the luxury segment and ~13% in the premium segment, it stands as one of the largest retailers in the country. As a subsidiary of KDDL, Ethos operates across 26 cities in India, boasting over 66 stores. The company has embraced an omnichannel approach, reaching customers through its websites (www.ethoswatches.com & www.secondmovement.com) and various social media platforms.

Investment Rationale

- A. Robust performance:** 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. Further, the management noted strong growth (28%) and record-high margins in July'24 and remains optimistic about future growth prospects, supported by new luxury watch additions and continued store expansion (targeting 22-23 stores in FY25).
- B. Structural growth trend in the Luxury space:** India is at the cusp of a luxury demand boom. The Luxury market in India is expected to expand 5x in the next decade as the number of affluent consumers in the country continues to multiply with higher aspiration and disposable incomes.
- C. Foraying into Certified Pre-Owned (CPO) segment:** The company is venturing into this field due to the scarcity of new luxury watches. We believe this is a positive move. CPO is an asset-light model, with lower capital expenditure and a shorter working capital cycle of 50-60 days compared to 140-150 days for new watches. As a result, it yields a higher ROCE of 20%+ versus 15-18% for new watches.
- D. Increasing share of high-margin exclusive brands in the portfolio** is expected to drive the overall margins profile, given that these brands command 2x gross margins (~35-40%) compared to non-exclusive brands. As of now, exclusive brands contribute ~ 30% to the sales, a figure that is projected to rise in the coming years.
- E. Diversifying into fast-growing other luxury segments such as Luggage (Rimowa) and Jewellery (Messika and Bvlgari):** Though the company is at a nascent stage in this segment, it is staging for future growth and it could be its next growth driver.
- F. Strong Outlook:** 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.
- G. Recommendation:** We recommend a BUY rating on the stock with a near-term TP of Rs 3,600/share, implying an upside of 10% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	EV/EBITDA (X)	ROE (%)	ROCE (%)
FY24	999	152	83	34	92.3	49.3	9.4	12.7
FY25E	1,241	199	108	44.1	71.1	37.6	10.9	13.2
FY26E	1,715	286	160	65.5	47.9	26.2	13.9	16.7
FY27E	2,342	397	231	94.2	33.3	18.8	16.7	19.9

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