

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

Ethos Limited

18th May, 2022

ēthos
WATCH BOUTIQUES





Date: 18-May-2022

Details of the Issue

Price Band	₹ 836 - ₹878
Issue Size	₹ 472.3 Cr
Face Value	₹ 10
Bid Lot	17
Listing on	BSE, NSE
Post Issue Mcap.	Rs. 2050 Cr
Investment Range	Rs.14,212 - 14,926

Important Indicative Dates (2022)

Opening	18-May
Closing	20-May
Basis of Allotment	25-May
Refund Initiation	26-May
Credit to Demat	27-May
Listing Date	30-May

Lead Managers

Emkay Global , Incred Capital

No of shares

Fresh Issue of Shares	5,377,998,963
Offer for Sales	1,108,037
Total No of Shares	5,379,107,000

Offer Details

Offer Size	Rs.472 Cr.
Fresh Issue	Rs. 375 Cr (79.4%)
OFS	Rs 97.3 Cr (20.6%)

Type	No of Shares (Mn)	Rs In Cr		% of Issue
		Lower	Upper	
QIB	2689	233	236	50%
NIB	806	70.1	70.8	15%
Retail	1882	163	165	35%
Total	5379	467.6	472.3	100%

Type	Pre-Issue		Post-Issue	
	No. Shares (k)	% of Total	No. of Shares (k)	% of Total
Promoter	14790	77.5%	13965	59.8%
Promoter Group	666.2	3.4%	430	1.84%
Public	3621	18.9%	8953	38.5%
Total	19,078	100%	23349	100%

Source: RHP data, GEPL Research

Company Profile

Ethos Limited (“Ethos”) was incorporated on November 5, 2007 and promoted by KDDL Limited, being one of the promoters of the company. Ethos is India’s largest luxury and premium watch retail player having 13% share of the total retail sales in premium and luxury segment and a share of 20% when seen in exclusively luxury segment in the financial year 2020.

Business Highlights & Products

With a Pan India presence, Ethos has made its presence across cities and regions through a network of stores and boutiques. Its 50 stores are spread across 17 cities. Ethos Summit exclusively houses bridge to luxury, Luxury & High Luxury Brands, while Ethos Stores house the premium & fashion range as well.

Ethos has also opened Boutiques in partnership with prominent market leading brands like Rolex. Ethos has an increased focus on customer experience through consultation with watch experts, prompt customer service, loyalty points, guides & research on various watches and brands, service & repair through Ethos Watch Care

Premium Watch Manufacturing

In addition to their premium and luxury watch retail, Ethos also undertake retail of certified pre-owned luxury watches under ‘Certified Pre-Owned’ (“CPO”) luxury watch lounge located at New Delhi. They started their preowned luxury watch retail business in Fiscal 2019. CPO is a destination for selling and buying pre-owned luxury watches under technical expert supervision providing a 360- degree physical inspection and verification of watches and certified with a 2 year warranty. The market for previously owned or “pre-owned” watches has become the best place to purchase after assessing the value of a watch over time and provide liquidity to watch owners who want to trade in their watch for a new one. Club Echo is the loyalty program of Ethos with registered members, and annually 35% business comes from repeat buyers registered with the program.

Company’s Promoter

Ethos’s promoter, KDDL Limited, is listed on the BSE and the NSE. Subsequently, the retail business of KDDL was hived off into a Company under the name and style of Kamla Retail Limited in 2008 and it was renamed as Ethos Limited in 2012, in order to consolidate the business of luxury watch retail under one umbrella for better management and focused approach.

Utilization of IPO Proceeds

The issue of Rs 469 cr includes Rs 94 cr offer for sale and balance Rs 375 cr fresh issue which would be used for (a) pre-payment of certain borrowings (b) funding working capital requirements (c) establishing new stores and renovation of certain existing stores

Board of Directors

It board of directors include Yashovardhan Saboo who is the Managing Director of the company since incorporation of the company. He is the promoter of the company and has vast experience of working in manufacturing and retail industry. He is also the promoter in KDDL Ltd.

Key Managerial Post

It includes Pranav Shankar Saboo whos is the Chief Executive Officer of the company. He is associated with the company since January 31, 2015. He is also the founder and on the board of Dream Digital Technology Ltd. Ritesh Kumar Agrawal is the Chief Financial Officer of the company. He joined the Company on August 17, 2021. He has 17 years of experience in finance. He has previously been associated with Spencer’s Retail Ltd, Baxter Pharmaceuticals Pvt Ltd, Intertek India Pvt Ltd and PricewaterhouseCoopers Pvt Ltd.



Companies Competitive Strength

- Access to a large base of luxury Customers
- Leading luxury watch Omni-channel retail player of India
- Strategically located and well invested store network with attractive in-store experience
- Strong and long-standing relationships with luxury watch brands.
- Leadership position in an attractive luxury watch market.
- Founder-led company supported by a professional management team

Key Strategies Implemented by Company

- Leveraging the luxury watch retail business and access to luxury customers to expand into other luxury verticals.
- Expanding the physical store network and increasing market share
- Growing the certified pre-owned luxury watch retail business.
- Increasing the watch brands portfolio
- Drive Sales and gather data through Technological Innovations

Financial Snapshot

Particulars	As of 31 Dec -21	2021	2020	2019
Equity Share Capital	18.7	18.2	18.2	16.9
Reserves	179.2	137.4	131.6	113.5
Net worth as stated	198.04	155.6	149.85	130.39
Revenue from Operations	418.6	386.6	457.8	443.5
EBITDA as stated	56.3	56.4	54.4	58.3
Profit Before Tax	21.6	8.10	1.99	16.4
Net Profit for the period	15.9	5.79	-1.33	9.89
Net Profit (%) as stated	3.82%	1.50%	-0.29%	2.23%
EPS (₹)	8.74	3.15	-0.75	5.22
RoNW (%)	8.07%	3.72%	-0.89%	7.58%
Net Asset Value (₹)	105.4	85.4	82.28	77.4

Valuations and Recommendation:

- Ethos Ltd annualized earnings comes at Rs 21.4 Cr which bring a earnings multiple of 99(x) on its PAT
- There are no listed companies in India that engage in a business similar to that of Company. Accordingly, it is not possible to provide an industry comparison.
- The IPO is Fully priced, Hence listing pop could be a challenge at current valuation levels.
- We Recommend “SUBSCRIBE FOR LONG TERM AND AVOID FOR LISTING POP UP ” for the issue.

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Notes

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