May 29, 2025

Ethos Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Proposed Working capital	125.0	-	-
Fund based limits - others		110.0	[ICRA]A+ (Stable); Reaffirmed
Fixed Deposits	10.0	10.0	[ICRA]A+ (Stable); Reaffirmed
Long term -Unallocated limits	-	15.0	[ICRA]A+ (Stable); Reaffirmed
Total	**135.0**	**135.0**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation factors in ICRA's expectations that Ethos Limited (Ethos) will continue to maintain a satisfactory financial profile, led by a healthy YoY growth in its revenues and profit margins. Healthy demand in the luxury watches retail segment in India, increasing average selling prices, as well as the ongoing store network expansion augur well for the company's business prospects and are expected to strengthen the company's market position. Furthermore, the consistent increase in exclusive brand arrangements and growing traction in the new lifestyle vertical (Rimowa and Messika), along with the international expansion in Dubai will continue to support the company's margin profile. The company's credit metrics have remained comfortable with benefits accruing from the growing scale amid healthy demand from luxury and high-end luxury segments, regular fund raising and limited external debt on its books. ICRA expects Ethos' credit metrics to remain healthy, led by strong liquidity position and benefits accruing from its retail network expansion. The rating continues to favourably factor in Ethos' position as the largest organised luxury watch retailer in the country. The ratings are further supported by the expected pick-up in the performance of the parent company, KDDL Limited (KDDL), over the medium term.

The ratings, however, are constrained by the inherently working-capital intensive nature of the company's business. The company needs to maintain adequate inventory across various watch segments to maintain the brands' standard of displaying products to its customers. Inventory as of March 31, 2025 was elevated due to 14 new stores opened in FY2025 and in addition stock procured for eight new stores including a Messika store opened in May 2025. Nevertheless, ICRA notes that the company has done regular fund raising to support its incremental inventory requirements. Additionally, the company is exposed to forex fluctuation risk, as a substantial portion of its products is imported. Moreover, the company is exposed to competition from domestic players and international markets in the retail segment. Going forward, its ability to expand its store network while maintaining its margins and credit metrics will continue to remain a key monitorable.

The Stable outlook on the [ICRA]A+ rating reflects ICRA's expectation that Ethos will continue to witness a steady revenue growth and profitability, led by ramp-up of the newly launched stores, further opening of new stores and addition of new brands in its product profile. Despite the store expansion plans, Ethos' dependence on debt is expected to remain limited in the near-to-medium term, given the available cash and bank deposits and healthy cash flows.

Key rating drivers and their description

Credit strengths

Established market position in domestic watch retail segment – Ethos is the largest organised luxury watch retailing company in the country and operates currently through 73 stores spread across 26 cities in India. The company is involved in retailing more than 70 global premium luxury watch brands such as Omega, Rolex, Rado, Breitling, and Bvlgari, among others. Moreover, the company enjoys an exclusive distribution relationship with about 50 brands including Jacob & Co., H. Moser & Cie, Bovet, and Oris, etc. In a strategic move to capture market share in the Delhi-NCR region, Ethos has launched "The City of Time", Gurgaon spanning over 22,000 square feet features five exclusive brand boutiques and two multi-brand galleries with 50-plus independent brands, watchmaking zones, a cigar lounge and more. Two more exclusive brand boutiques will be opened by the next quarter to complete the City of Time rollout.

Healthy demand prospects and expanding network augur well for the company's revenue growth – The company witnessed a healthy YoY revenue growth of ~23% in FY2025 (revenues improved to Rs. 1,251 crore in FY2025 from Rs. 999 crore in FY2024), led by the buoyant demand, leading to healthy same store sales growth of existing stores (17.4% in FY2025 as compared to 16.1% in FY2024) and addition of new stores. Ethos added 10 stores in FY2024 and 14 stores in FY2025. The company has also opened eight stores in May 2025 (including Messika store). In addition, the company witnessed healthy traction in the high-end luxury segment, which resulted in a further increase in the average selling prices by 7% on a YOY basis. The share of revenues from the high-end luxury segment has been growing for the past couple of years. Further, its increasing portfolio of exclusive brand sales augurs well for further growth and profitability. Having witnessed strong traction in the luxury travel segment with Rimowa, the company plans to open additional Rimowa stores and expand its total addressable market by entering other luxury lifestyle categories. This includes a foray into the international branded jewellery business (Messika), which is expected to drive healthy growth going forward. The company has recently expanded its luxury offerings by foraying into the international branded jewellery business, which is expected to bring incremental growth, going forward. The company has benefitted from the first mover advantage in the pre-owned organised segment. Healthy demand in the near-to-medium term, coupled with the ongoing store network expansion and plans to foray into other luxury jewellery and fashion segments, augur well for the company's business prospects and are expected to strengthen its market position. The company's ability to expand its store network while maintaining its margins and credit metrics will remain critical, going forward.

Comfortable financial risk profile – With healthy revenue growth, profitability and regular equity funding, the company's overall financial risk profile has improved steadily in the last two-three years. The operating profit margins remained steady in FY2025 despite high manpower and rental costs incurred in the newly launched stores. This resulted in a comfortable gearing position of 0.3 times as on March 31, 2025 despite increasing leases. The coverage indicators also remained healthy in the absence of any major external debt reflecting in the interest coverage ratio of 9.8 times and total debt vis-à-vis the operating profit of 1.5 times, respectively. ICRA expects the company's financial profile to continue to remain comfortable, supported by healthy performance, debt metrics and strong liquidity position.

Credit challenges

Working capital intensive business – Ethos' business is inherently working-capital intensive in nature as it needs to maintain adequate inventory across various watch segments to maintain global standards of displaying products and thus offer a good customer buying experience. Moreover, the company needs to maintain healthy inventory for normal business operations to manage its supply chain. The company's working capital intensity increased to around 43% as on March 31, 2025 from around 39% as on March 31, 2024. With a growing footprint of 15 planned new store additions in the near term, along with increasing high-value and exclusive brand sales, the overall inventory requirement will remain sizeable. Nevertheless, ICRA notes that the company has raised funds on a regular basis to support its incremental inventory requirements.

Moderate exposure to forex risks – The company is a net importer and imports approximately 40% of its watches. The company receives periodic price revisions from brands and thus remains exposed to foreign currency fluctuation risk to an extent. Moreover, Ethos hedges almost 50% of the forex transaction through forward, which further mitigates the forex risks.

Competitive nature of industry; revenues and profitability remain vulnerable to economic slowdown – The company's performance is directly dependent on demand fluctuations, which mainly rely on discretionary consumer spending as well as overall market sentiments. Demand in the retail business also remains prone to the regulatory headwinds such as changes in Government policies regarding taxation. Further, the company is exposed to competition from domestic players and international markets in the retail watch business.

Environmental and Social Risks

Environmental considerations – The company is involved in retailing of watches and its products are of no concern to the environment and climate. Further, the company is spending a part of its earning on the corporate social responsibility causes throughout the year. The company has taken initiatives such as installation of LED lights and power saving equipment across the stores to reduce electricity consumption and ensures optimum use of air conditioner (AC) at all offices to reduce electricity consumption.

Social considerations – Ethos has moderate dependence on human capital and maintains healthy relationships with employee and ensures a safe work environment for disruption-free operations. The company conducts training sessions for all employees to upgrade their knowledge and skills from time to time. The company prohibits employment or engagement of children at workplace and expects that its vendors also follow the same.

Liquidity position: Strong

The company's liquidity position is **strong** on account of sufficient cash generation and available funds to address its capital expenditure (capex) and working capital requirements. The company's free cash levels stood at ~Rs. 220 crore as on March 31, 2025, which will be used towards store additions and working capital. Despite sizeable capex in the near term, the liquidity position is expected to remain strong in the near term. The company's working capital limit of Rs. 125 crore remains largely unutilised, which lends further comfort.

Rating sensitivities

Positive factors – A sustained improvement in Ethos' scale and earnings, while sustaining its liquidity position and debt coverage indicators, will be key triggers for a rating upgrade.

Negative factors – Pressure on the ratings could arise if there is a decline in scale of operations and deterioration of profit margins on a sustained basis. A significant deterioration in the company's credit metrics or liquidity position owing to any large debt-funded acquisition/investment could also trigger a rating downgrade. Further, sustained weakening in the credit profile of the parent, KDDL will also be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail
Parent/Group support	KDDL Limited holds a ~50.1% stake (~47.0% directly and ~3.0% indirectly through its subsidiary, Mahen Distribution Limited) in Ethos Limited (as on March 31, 2025).
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Ethos. The list of companies consolidated are shared in Annexure-II

About the company

Ethos Limited was incorporated in 2003 and is a material subsidiary of KDDL Limited. Ethos is involved in retailing luxury watches. It retails ~70 premium and luxury watch brands such as Omega, Jaeger LeCoultre, Panerai, Bvlgari, H. Moser & Cie, Rado, Longines, and Tissot. The company runs 73 retail stores across 26 cities in India, including cities such as New Delhi, Mumbai, Bengaluru, Hyderabad, Chennai and Kolkata. Ethos was listed on the stock exchanges in Q1 FY2023.

Key financial indicators (audited)

Ethos Consolidated	FY2024	FY2025
Operating income	999.6	1.251.6
PAT	83.3	98.2
OPBDIT/OI	15.9%	15.2%
PAT/OI	8.3%	7.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.9	1.5
Interest coverage (times)	7.2	9.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)				Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long term-others-fund based	Long Term	110.00	29-MAY-2025	[ICRA]A+ (Stable)	-	-	-	-	-	-
Long term-proposed-fund based	Long Term	-	-	-	24-MAY-2024	[ICRA]A+ (Stable)	10-AUG-2023	[ICRA]A (Stable)	-	-
			-	-	-	-	18-SEP-2023	[ICRA]A (Stable)	-	-
Long term-unallocated-unallocated	Long Term	15.00	29-MAY-2025	[ICRA]A+ (Stable)	-	-	-	-	-	-
Fixed deposit	Long Term	10.00	29-MAY-2025	[ICRA]A+ (Stable)	24-MAY-2024	[ICRA]A+ (Stable)	10-AUG-2023	[ICRA]A (Stable)	09-JUN-2022	[ICRA]BBB+ (Positive)

	Current rating (FY2026)				Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
			-	-	-	-	18-SEP-2023	[ICRA]A (Stable)	25-OCT-2022	[ICRA]A- (Stable)
Long term-cash credit-fund based	Long Term		-	-	-	-	-	-	09-JUN-2022	[ICRA]BBB + (Positive)
			-	-	-	-	-	-	25-OCT-2022	[ICRA]A- (Stable)*; withdrawn
Long term / short term-unallocated-unallocated	Long Term/Short Term		-	-	-	-	-	-	09-JUN-2022	[ICRA]BBB + (Positive)/[ICRA]A2
			-	-	-	-	-	-	25-OCT-2022	[ICRA]A- (Stable)/[I CRA]A2+ *; withdrawn
Long term-term loan-fund based	Long Term		-	-	-	-	-	-	09-JUN-2022	[ICRA]BBB + (Positive)
			-	-	-	-	-	-	25-OCT-2022	[ICRA]A- (Stable)*; withdrawn
Short term-others-non fund based	Short Term		-	-	-	-	-	-	09-JUN-2022	[ICRA]A2
			-	-	-	-	-	-	25-OCT-2022	[ICRA]A2+ *; withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fixed Deposits	Very Simple
Fund-based/Proposed Working Capitals	Simple
Fund based limits -others	Simple
Long term -Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Fixed deposits**	NA	NA	NA	10.00	[ICRA]A+(Stable)
NA	**Fund based limits -others**	NA	NA	NA	110.00	[ICRA]A+(Stable)
NA	**Long term - Unallocated limits**				15.00	[ICRA]A+(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Ethos Limited	Parent entity	Full consolidation
Cognition Digital LLP	99.99%	Full consolidation
Ethos Lifestyle Private Limited	100.00%	Full consolidation
Pasadena Retail Private Limited	50.00%	Full consolidation
Favre Leuba GmBH#	-	Equity Method
Silvercity Brands AG	-	Equity Method

Source: Company, #Favre Leuba GmBH is a wholly-owned subsidiary of Silvercity Brands AG

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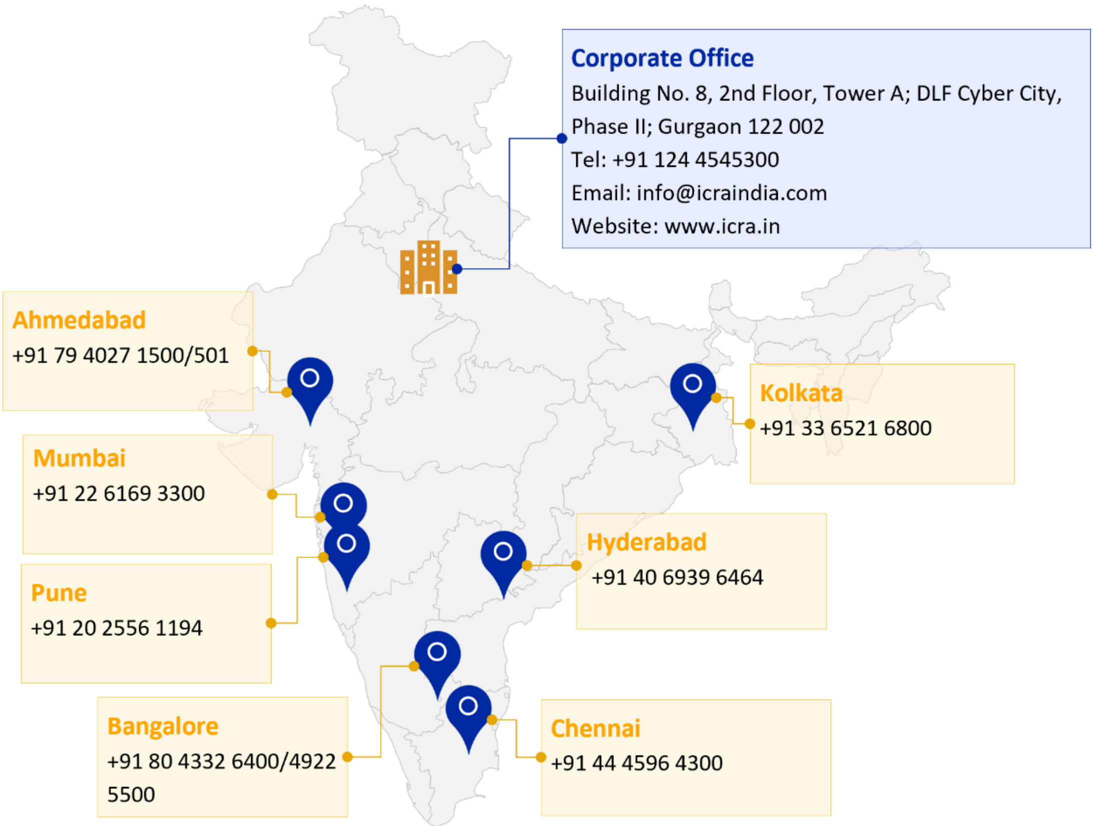

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