ICRA

May 29, 2025

# KDDL Limited: Ratings reaffirmed; rated amount enhanced

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|---|---|---|
| Long-term- Fund-based/ Cash credit | 33.0 | 29.0 | [ICRA]A+(Stable); reaffirmed |
| Long-term Fund-based/term loan | 24.90 | 53.01 | [ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount |
| Short-term- Non-fund based | 31.50 | 37.00 | [ICRA]A1+; reaffirmed and assigned for enhanced amount |
| Fixed deposits | 15.00 | 15.00 | [ICRA]A+ (Stable); reaffirmed |
| Fund-based limits - Others | 0.00 | 3.00 | [ICRA]A+(Stable)/ [ICRA] A1+: assigned |
| Long-term unallocated | 2.28 | 10.00 | [ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount |
| **Total** | **106.68** | **147.01** | |

**Instrument details are provided in Annexure I*

## Rationale

The ratings reaffirmation reflects ICRA's opinion that KDDL Limited's (KDDL/ the company) operational and financial performances will remain healthy, supported by an expanding retail business and improvement in demand conditions in the manufacturing business, in addition to its strong liquidity position. The ratings favourably factor in KDDL's prominent market position in the watch components segment as a leading supplier of watch hands and dials, and established relationships with leading global luxury watch manufacturers. KDDL continues to benefit from its subsidiary Ethos Limited's (Ethos) position as the largest organised luxury watch retailer in the country. Ethos has continued to witness healthy sales traction across its store network with growing average realisations and healthy same store sales growth. The overall debt coverage metrics of the Group has remained comfortable, supported by healthy cash flows and limited external debt dependence with a large part of its planned expansion, primarily in the retail business, being funded through internal accruals and proceeds from the Qualified Institutional Placement of Rs. 175 crore done in FY2024. KDDL (along with its wholly-owned subsidiary, Mahen Distribution Limited) also diluted its stake in Ethos in FY2024 and FY2025, part of which have been utilised for buyback of shares of KDDL Limited and remaining portion would be utilised to fund new ventures of the Group in the medium term. The quantum of investments undertaken as well as the means of financing would be key monitorable factors.

ICRA notes the demand headwinds in the watch components segments due to slowdown in demand for Swiss watches from key consuming regions. This impacted the revenue growth and operating profit margins (OPM) of KDDL Limited (at the standalone level) in FY2025, partly offset by the healthy growth seen in the other business segments, including the precision engineering segment. As per the management, demand headwinds are expected to persist for another one to two quarters. Initial investments undertaken related to manpower, and rentals, among others for new stores launched by Ethos additionally impacted the OPMs at the consolidated level. The ratings are further constrained by susceptibility of the watch manufacturing segment to demand volatility in the global market in the luxury and high luxury segments. Additionally, the company is exposed to foreign exchange (forex) fluctuation risk for both its manufacturing as well as retail businesses. Moreover, the business remains working capital intensive, led by high inventory requirements in retail along with moderate inventory holding and receivables for the manufacturing segment. The company is exposed to competition from domestic players and international markets in the retail business and from other global manufacturers in the manufacturing segment. Also, its ability to expand its store network while maintaining its margins and debt metrics, remains a key rating sensitivity.

The Stable outlook on the long-term rating reflects ICRA's view that KDDL's revenue growth and OPM at the consolidated level will remain adequately supported by healthy order book position in the precision engineering segment as well as steady expansion in the store network and strong retail demand for luxury watches in the Indian market, partly offset by the slowdown in the exports of watch components. The company is expected to largely rely on existing cash and bank balances and internal accruals to support the capex plans, leading to comfortable debt coverage indicators.

## Key rating drivers and their description

### Credit Strengths

**Established market position** - KDDL has a prominent market position in manufacturing watch components, as a leading supplier of watch hands and dials, enjoying established relationships with leading luxury watch manufacturers in the world like Swatch, Tag Heuer, Gucci, and Breitling, among others. Further, its subsidiary, Ethos, is the largest organised luxury watch retailing company in the country and the only organised Indian player in the certified pre-owned watch segment and operates from 73 stores spread across 26 cities in India (as of May 2025).

**Healthy demand across precision manufacturing and luxury watch retail segment in India** – At the consolidated level, KDDL's revenues have grown at a healthy rate of 18% during FY2025, on a consolidated basis. In the luxury watches retail segment housed under Ethos, the company witnessed healthy revenue growth of ~25% in FY2025. The company's healthy traction in the high luxury watches segment, led to further increase in the average selling prices. The share of revenues from the high luxury segment has been growing since the past couple of years. Further, its increasing portfolio of exclusive brand sales, coupled with 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. A healthy demand environment of the precision engineering segment is also expected to support the revenue growth, going forward.

**Comfortable financial risk profile and strong liquidity position** – The healthy revenue growth and profit margins, regular equity funding and stake sale of Ethos Limited, have improved the Group's overall financial risk profile steadily in the last two-three years. At a consolidated level, KDDL posted operating margin of 15.8% and net profit margin of 8.6% in FY2025, supported by healthy growth in the economies of scale in the retail segment, despite reporting modest growth in revenues and lower profitability at the standalone level. Further, the company's liquidity position improved with equity raise (through QIP) at Ethos in FY2024 and KDDL's and Mahen Distribution Limited's (a wholly-owned subsidiary of the company) stake sale in Ethos in FY2024 and FY2025. This led to cash and liquid investments of more than Rs. 500 crore as on March 31, 2025, part of which would be utilised to fund new ventures of the Group in the medium term. Moreover, the gearing remained steady at 0.3 times as on March 31, 2025. The coverage indicators also remained healthy in the absence of any major external debt reflecting in the interest coverage and DSCR of 8.3 times and 2.6 times, respectively. In the absence of any major debt-raising plans, the company's coverage metrics are expected to remain healthy, supported by steady growth and profitability.

### Credit Challenges

**Demand headwinds in key addressable export markets of watch component segment** – The watch component manufacturing segment is witnessing demand headwinds due to slowdown in demand for Swiss watches from key consuming regions. This impacted the revenue growth and operating profit margins (OPM) of KDDL Limited (at the standalone level) in FY2025, partly offset by the healthy growth seen in the other business segments, including the precision engineering segment. As per the management, demand headwinds are expected to persist for another one to two quarters. ICRA expects the watch component segment to gradually improve H2 FY026 onwards.

**High working capital requirements** - The company's working capital intensity increased to ~39% in FY2025 from ~30% in FY2024 and is expected to remain high, largely driven by the high inventory levels required at the Ethos' stores, which are expanding at a healthy pace. The manufacturing segment also has raw material and work-in-progress (WIP) stocking requirements and a moderate receivable period, given the contribution of exports to its sales. While the inventory requirements are expected to increase, the funding for the same will be through unutilised QIP proceeds, internal accruals and working capital debt. With Ethos expected to increase its footprint across the country, along with increasing high-value and exclusive brand sales, the overall inventory requirement will remain high.

**Exposed to forex risks** - In the manufacturing segment, the company is exposed to forex fluctuations as it is a net exporter and is highly dependent on the Swiss market. However, the retailing business is a net importer with approximately 40% of its watches being imported. The company, thus, remains exposed to foreign currency fluctuation risk. ICRA notes that the company receives periodic price revisions from brands and that it practices natural hedging to a certain extent. However, there are receivables, which remain unhedged as well, which are prone to variations in foreign currency. Moreover, Ethos hedges almost 50% of the forex transaction through forward contracts, which further mitigates the forex risks.

## Environmental and Social Risks

**Environmental considerations** - The company manufactures watch hands and dials and is involved in retailing of watches, which do not harm the environment or is of any concern to the climate. Further, the company spends a part of its earnings on the corporate social responsibility causes throughout the year. The company has taken some energy saving initiatives such as installation of LED lights and power saving equipment across the stores to reduce electricity consumption.

**Social** - KDDL has high dependence on human capital as requirement of skilled craftsmen and manpower is critical to its operations. Retaining human capital, maintaining healthy employee relationships and a safe work environment remain essential for disruption-free operations. The company conducts training sessions for all employees to upgrade their knowledge and skills periodically. The company prohibits employment or engagement of child labour and expects that its vendors also follow the same.

## Liquidity – Strong

KDDL's liquidity position is **strong** on account of the cushion available in its working capital limit and sufficient cash generation from its business to manage its working capital requirements and debt repayments. The company's free cash levels (at consolidated level) grew significantly to about Rs. 517 crore on March 31, 2025 with strong liquid balances at Ethos Limited of Rs. 220 crore (largely accumulated from QIP funds raised for the purpose of setting up new stores) and sizeable cash balance at MDL (money raised through stake sale for funding new ventures of about Rs. 227 crore). A large portion of the cash balances at MDL would be utilised to fund new ventures of the Group in the medium term. While the company has incurred partial debt-funded capex to enhance manufacturing capacity across the watch and precision engineering segment at KDDL Limited of around Rs. 40 crore in FY2025, the repayments are modest at Rs. 3.6 crore in FY2026 and Rs. 9 crore in FY2027 compared to the internal accruals and free cash available. Despite capex plans of Ethos Limited, the liquidity position of the Group is expected to remain strong in the near term. Ethos also has negligible utilisation of working capital limits of Rs. 125 crore in the last 12-month period ended December 2024.

## Rating sensitivities

**Positive factors** – The ratings could be upgraded, if the company demonstrates significant improvement in its scale and earnings in addition to sustaining its robust debt metrics and strong liquidity position

**Negative factors –** Negative pressure on the ratings could emerge if there is a decline in scale of operation or earnings, leading to pressure on its debt metrics. Further, delayed ramp of new stores impacting the overall profitability metrics or stretch in working capital cycle and pressure on liquidity may also warrant a rating review. Sustained weakening in Debt/OPBIDTA to more than 1.5 times might also lead to a rating downgrade.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | [Corporate Credit Rating Methodology](#)<br>[Retail](#) |
| **Parent/Group support** | Not Applicable |
| **Consolidation/Standalone** | For arriving at the ratings, ICRA has considered the consolidated financials of KDDL. The list of companies consolidated is given in Annexure-II. |

## About the company

Incorporated in 1981, KDDL manufactures watch components like dials, hands and bracelets as well as precision engineering goods under the brand name, Eigen. The company is a leading supplier of high-quality dials, hands and bracelets to watch manufacturers in India and Switzerland. KDDL is present in Switzerland through its subsidiaries, Pylania SA and Estima AG, involved in trading and manufacturing dials and hands for Swiss watch companies, respectively. KDDL's subsidiary, Ethos, was incorporated in 2003. The company is engaged in retailing luxury watches in India. It retails various premium and luxury watch brands such as Omega, Jaeger LeCoultre, Panerai, Bvlgari, H. Moser & Cie, Rado, Longines, and Tissot, among others. The company runs 73 retail stores across 25 cities in India (as on May 5, 2025), including New Delhi, Mumbai, Bengaluru, Hyderabad, Chennai and Kolkata.

### Key financial indicators (audited, consolidated)

| KDDL Consolidated | FY2024 | FY2025 |
|---|---|---|
| **Operating income** | 1,396.5 | 1,647.9 |
| **PAT** | 136.7 | 142.0 |
| **OPBDIT/OI** | 18.7% | 15.8% |
| **PAT/OI** | 9.8% | 8.6% |
| **Total outside liabilities/Tangible net worth (times)** | 0.4 | 0.5 |
| **Total debt/OPBDIT (times)** | 1.0 | 1.7 |
| **Interest coverage (times)** | 7.9 | 8.3 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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 (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-cash credit-fund based** | Long-term | 29.00 | 29-MAY-2025 | [ICRA]A+ (Stable) | 24-MAY-2024 | [ICRA]A + (Stable) | 10-AUG-2023 | [ICRA]A (Stable) | 09-JUN-2022 | [ICRA]BBB + (Positive) |
| | | | - | - | - | - | - | - | 25-OCT-2022 | [ICRA]A- (Stable) |
| | | | - | - | - | - | - | - | 22-NOV-2022 | [ICRA]A- (Stable) |
| **Long term / short term-others-fund based** | Long Tem/Short Term | 3.00 | 29-MAY-2025 | [ICRA]A+ (Stable)/[ICRA]A1+ | - | - | - | - | - | - |
| **Long term-term loan-fund based** | Long Term | 53.01 | 29-MAY-2025 | [ICRA]A+ (Stable) | 24-MAY-2024 | [ICRA]A + (Stable) | 10-AUG-2023 | [ICRA]A (Stable) | 09-JUN-2022 | [ICRA]BBB + (Positive) |
| | | | - | - | - | - | - | - | 25-OCT-2022 | [ICRA]A- (Stable) |
| | | | - | - | - | - | - | - | 22-NOV-2022 | [ICRA]A- (Stable) |
| **Long term-unallocated-unallocated** | Long Term | 10.00 | 29-MAY-2025 | [ICRA]A+ (Stable) | 24-MAY-2024 | [ICRA]A + (Stable) | 10-AUG-2023 | [ICRA]A (Stable) | 22-NOV-2022 | [ICRA]A- (Stable) |
| **Short term-others-non fund based** | Short Term | 37.00 | 29-MAY-2025 | [ICRA]A1+ | 24-MAY-2024 | [ICRA]A 1+ | 10-AUG-2023 | [ICRA]A 1 | 09-JUN-2022 | [ICRA]A2 |
| | | | - | - | - | - | - | - | 25-OCT-2022 | [ICRA]A2+ |
| | | | - | - | - | - | - | - | 22-NOV-2022 | [ICRA]A2+ |
| **Fixed deposit** | Long Term | 15.00 | 29-MAY-2025 | [ICRA]A+ (Stable) | 24-MAY-2024 | [ICRA]A + (Stable) | 10-AUG-2023 | [ICRA]A (Stable) | 09-JUN-2022 | [ICRA]BBB + (Positive) |
| | | | - | - | - | - | - | - | 25-OCT-2022 | [ICRA]A- (Stable) |
| | | | - | - | - | - | - | - | 22-NOV-2022 | [ICRA]A- (Stable) |
| **Short term-cash credit-fund based** | Short Term | | - | - | - | - | - | - | 09-JUN-2022 | [ICRA]A2 |
| | | | - | - | - | - | - | - | 25-OCT-2022 | [ICRA]A2+ |

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| Long-term fund-based – Cash Credit | Simple |
| Long-term fund-based – Term Loans | Simple |

| | |
|---|---|
| Non-fund Based | Very Simple |
| Fixed Deposits | Very Simple |
| Unallocated Limits | Not applicable |
| Fund based limits -others | Simple |

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 | Fund -based/Cash Credit | NA | NA | NA | 29.00 | [ICRA]A+(Stable) |
| NA | Fund-based/Term loan | 2018 | NA | FY2027 | 53.01 | [ICRA]A+(Stable) |
| NA | Non-fund Based | NA | NA | NA | 37.00 | [ICRA]A1+ |
| NA | Fixed deposits | NA | NA | NA | 15.00 | [ICRA]A+(Stable) |
| NA | Fund based limits - others | NA | NA | NA | 3.00 | [ICRA]A+(Stable)/ [ICRA] A1+ |
| NA | Unallocated Limits | NA | NA | NA | 10.00 | [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 |
|---|---|---|
| KDDL Limited | | Full consolidation |
| Ethos Limited* | 50.1% | Full consolidation |
| Pylania SA | 100.00% | Full consolidation |
| Kamla International Holdings AG | 100.00% | Full consolidation |
| Mahen Distribution Limited | 100.00% | Full consolidation |
| Kamla Tesio Dials Limited | 99.99% | Full consolidation |
| Cognition Digital LLP | 99.99% | Full consolidation |
| Pasadena Retail Private Limited | 50.00% | Equity Method |
| Ethos Lifestyle Private Limited (Formerly RF Brands Private Limited)# | 100.00% | Full consolidation |
| Estima AG | 100.00% | Full consolidation |
| Favre Leuba GmBH | 93.07% | Full consolidation |
| Silvercity Brands AG | 93.07% | Full consolidation |

*Source: Company,* direct and indirect ownership, #effective from March 05, 2025*

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## ABOUT ICRA LIMITED

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