

KDDL Limited

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Ref : KDDL/CS/2019-20/17

Date : 28th May, 2019

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra,
Mumbai - 400 051

BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001

Trading Symbol : KDDL

Scrip Code : 532054

Sub: Result Update Presentation

Dear Sir / Madam,

Please find enclosed Result Update Presentation for Q4 & FY19.

Kindly take the same on record.

Thanking you,

Yours truly

For KDDL Limited



Brahm Prakash Kumar
Company Secretary



KDDL Limited

&

ETHOS Limited

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WATCH BOUTIQUES

Result Update Presentation

May 2019

Q4 & FY19



Safe Harbor

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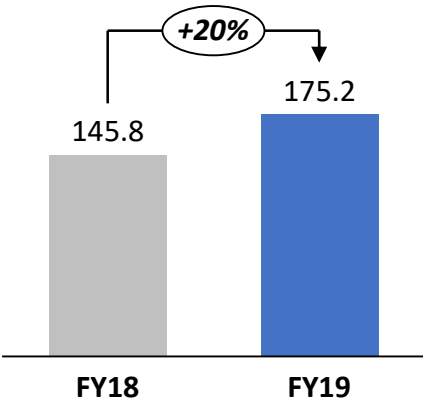
FY19 Performance Overview



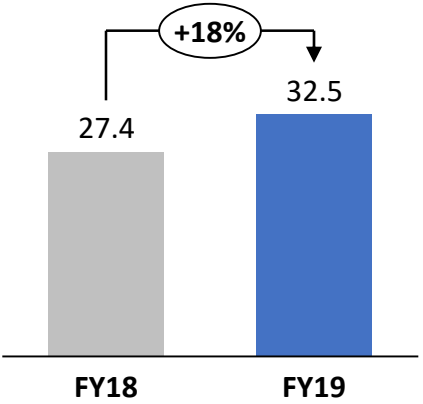
Business Momentum continues

Standalone Performance

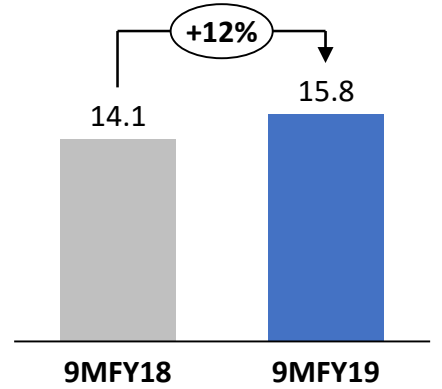
Revenue (Rs. Cr)



EBITDA (Rs. Cr)

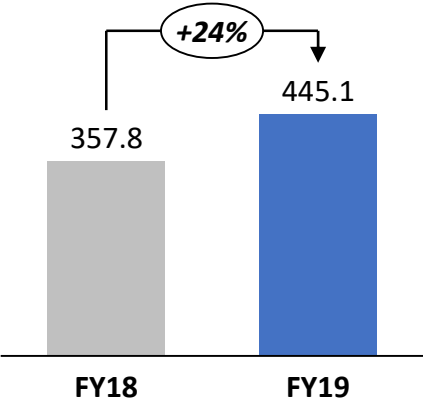


PAT (Rs. Cr)

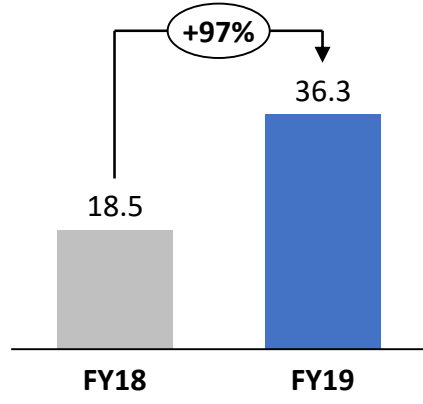


Ethos Performance (Consolidated)

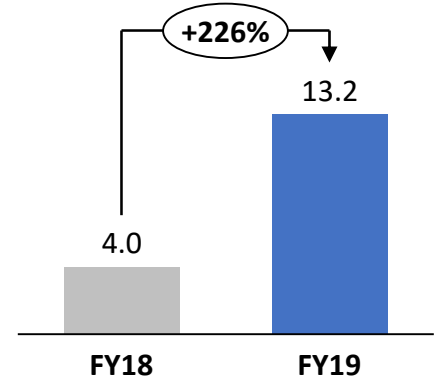
Revenue (Rs. Cr)



Normalized EBITDA (Rs. Cr)



PAT (Rs. Cr)

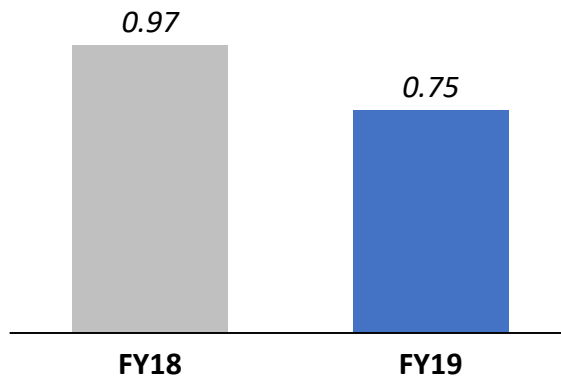




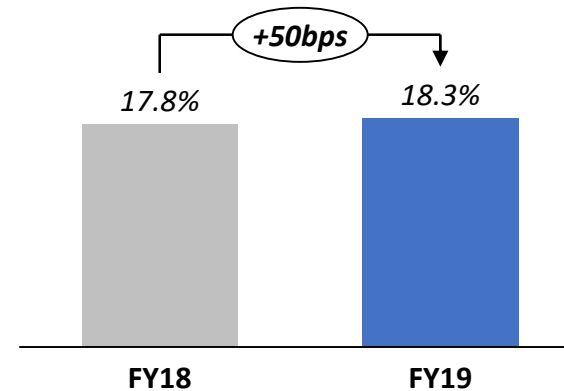
Performance Highlights

FY19 vs FY18 (Consolidated)

Debt/Equity



ROCE %



- Strong Performance in Watch Retailing Business; Billings growth of 22%, EBITDA margin at 7.6% and PAT growth of 226%
- Manufacturing Business in India grew 20% with stable EBITDA margins of 18.5%
- Acquired a Watch Hands company in Switzerland to focus on the Mid segment Watch Brands in Europe
- **Board of Directors have recommended a Final Dividend of Rs. 2.50 per equity share subject to approval of Shareholders at the ensuing AGM**



Standalone P&L

Rs. Crs	Standalone					
	Q4FY19	Q4FY18	YoY%	FY19	FY18	YoY%
Revenue	44.6	38.5	16%	175.2	145.8	20%
Cost of Goods Sold	13.5	8.7		44.6	33.7	
Gross Profit	31.1	29.8	4%	130.6	112.2	16%
Employee Expenses	10.7	11.6		49.1	42.7	
Other Expenses	11.7	11.4		49.1	42.1	
EBITDA	8.8	6.8	28%	32.5	27.4	18%
Margin (%)	19.6%	17.7%		18.5%	18.8%	
Other Income	0.9	1.2		3.9	4.8	
Interest	2.1	1.0		6.3	4.8	
Depreciation	2.0	1.8		7.8	7.4	
PBT	5.6	5.2	8%	22.3	20.0	12%
Tax	1.4	1.3		6.5	5.9	
PAT	4.2	3.9	8%	15.8	14.1	12%
Cash PAT	6.2	5.7	8%	23.5	21.5	10%



Consolidated P&L

Rs. Crs	Consolidated					
	Q4FY19	Q4FY18	YoY%	FY19	FY18	YoY%
Revenue	150.2	138.1	9%	624.2	501.8	24%
Cost of Goods Sold	82.5	81.9		360.9	301.9	
Gross Profit	67.8	56.2	20%	263.3	199.9	32%
Employee Expenses	24.7	18.2		86.4	66.6	
Other Expenses	28.9	24.9		111.5	89.0	
EBITDA	14.1	13.1	7%	65.5	44.2	48%
Margin (%)	9.4%	9.5%		10.5%	8.8%	
Other Income	-1.1	1.3		3.0	5.2	
Interest	4.2	2.8		14.9	12.0	
Depreciation	3.4	3.2		13.2	12.1	
PBT	5.4	8.4	-35%	40.3	25.2	60%
Tax	2.7	1.7		15.2	7.1	
PAT	2.7	6.7	-60%	25.1	18.2	38%
Minority Interest	0.3	0.5		3.0	1.1	
PAT After Minority Interest	2.4	6.2	-61%	22.1	17.1	29%

Commentary

- Consolidated Performance in Q4 was impacted on account of 2 factors
 - Loss of Rs. 1.2 crores in Digital Marketing subsidiary of Ethos Ltd namely Cognition
 - Loss of Rs. 2.0 crores in Estima AG, the swiss based watch hands manufacturing company acquired in Q4FY19
- Excluding losses at Cognition & Estima AG, Q4FY19 Consolidated EBITDA would have been Rs. 17.3 crs registering a growth of 32%



Balance Sheet

Rs. Crs	Consolidated		Standalone	
	Mar-19	Mar-18	Mar-19	Mar-18
Equity	235.0	161.7	167.1	130.3
(a) Equity share capital	11.7	11.0	11.7	11.0
(b) Other equity	179.1	121.0	155.4	119.3
Non Controlling Interest	44.2	29.7	-	-
Non-current liabilities	73.9	53.2	41.0	39.2
(a) Financial Liabilities				
(i) Borrowings	65.1	46.0	34.5	33.4
(ii) Other financial liabilities	0.1	0.1	0.1	0.1
(b) Provisions	4.6	3.4	2.2	1.9
(c) Deferred tax liability (net)	4.2	3.8	4.2	3.8
Current liabilities	207.4	215.2	54.6	68.2
(a) Financial Liabilities				
(i) Borrowings	62.0	63.6	7.4	22.6
(ii) Trade payables	82.6	86.3	15.7	15.0
(iii) Other financial liabilities	48.7	47.8	26.9	23.6
(b) Other current liabilities	9.1	12.5	2.8	2.8
(c) Provisions	0.7	0.8	0.6	0.8
(d) Current tax liabilities(net)	4.3	4.2	1.3	3.6
Total Liabilities	516.3	430.0	262.8	237.8
Non-current assets	184.1	140.4	185.2	160.6
(a) Property, plant and equipment	143.2	83.6	94.1	60.4
(b) Capital work-in-progress	6.8	24.2	2.4	23.6
(c) Other intangible assets	0.9	0.8	0.7	0.6
(c) Intangible assets under development	0.4	0.0	-	-
(e) Equity accounted investees	0.3	0.3	-	-
(f) Financial assets				
(i) Investments	0.5	0.5	79.7	67.6
(ii) Loans	12.4	10.6	2.2	1.7
(iii) Other financial assets	1.4	2.2	-	-
(g) Current Tax Asset	6.3	6.2	5.0	5.0
(h) Deferred tax assets (net)	6.3	5.0	-	-
(i) Other Non Current Assets	5.6	7.0	1.0	1.8
Current assets	332.2	289.6	77.6	77.2
(a) Inventories	240.0	201.2	30.7	27.1
(b) Financial assets				
(i) Trade receivables	30.4	32.6	23.7	28.6
(ii) Cash and cash equivalents	17.0	11.3	2.5	1.8
(iii) Other bank balances	6.1	6.7	6.1	6.7
(iv) Loans	4.8	4.4	1.8	1.8
(v) Other financial assets	2.5	0.4	5.0	0.9
(c) Other current assets	31.6	32.9	7.8	10.3
Total Assets	516.3	430.0	262.8	237.8



Manufacturing Business Overview



Introduction - Watch Dials and Hands Business

Watch Dials

- Commercial operations began in 1983
- Leading Global supplier of Watch Dial serving many well-known brands all over the world
- Manufacturing facilities located at Parwanoo & Derabassi, near Chandigarh in India
- Capability to manufacture dials with high & complex features

Watch Hands

- Commercial operations began in 1996
- Only supplier in India and one of 5 independent manufacturers globally; facilities located at Bengaluru
- Recently acquired Estima AG in Switzerland; to enhance presence in mid-priced segment European Brands

Value Proposition

- Deep Understanding of the Global Watch Industry
- Established relationships with Swiss Watch makers as well as Indian Watch makers
- Consistent Manufacturing on basis International Quality norms



Acquired “Estima AG” in Switzerland

About Estima AG

- Estima was established as a maker of watch hands in Switzerland in 1924
- It was a leading supplier to Swiss and other European watch brands in the mid-priced segment and enjoyed an excellent reputation
- However, over last 10 years, it was unable to keep up with market changes and lost market share leading to declining turnover and mounting losses

Strategic Rationale

- Estima was a competitor of the Company in the business of watch hands manufacturing
- Has a well established name, valuable production infrastructure and will be serve as a good platform to establish a foothold in Swiss watch component manufacturing
- Will help capture additional market share of customers in European market serviced by Estima



Acquisition of “Estima AG”

Deal Structure

- Acquiring 100% holding of Estima
- Cash – CHF 4,00,000 for 100 % Shares
- The cut-off date for acquisition by new management was 7th January, 2019

Financials

- Current Turnover : CHF 1.8 – 2.0 million



Introduction - Precision Engineering Business



Value Proposition

Eigen offers a full package of services, ranging from design and development to full scale production, providing customers with optimized supply chain solutions



Capabilities

We address various segments such as Electrical, Electronics, Automobile, Telecommunications, medical equipment, Aerospace, Consumer Durables etc

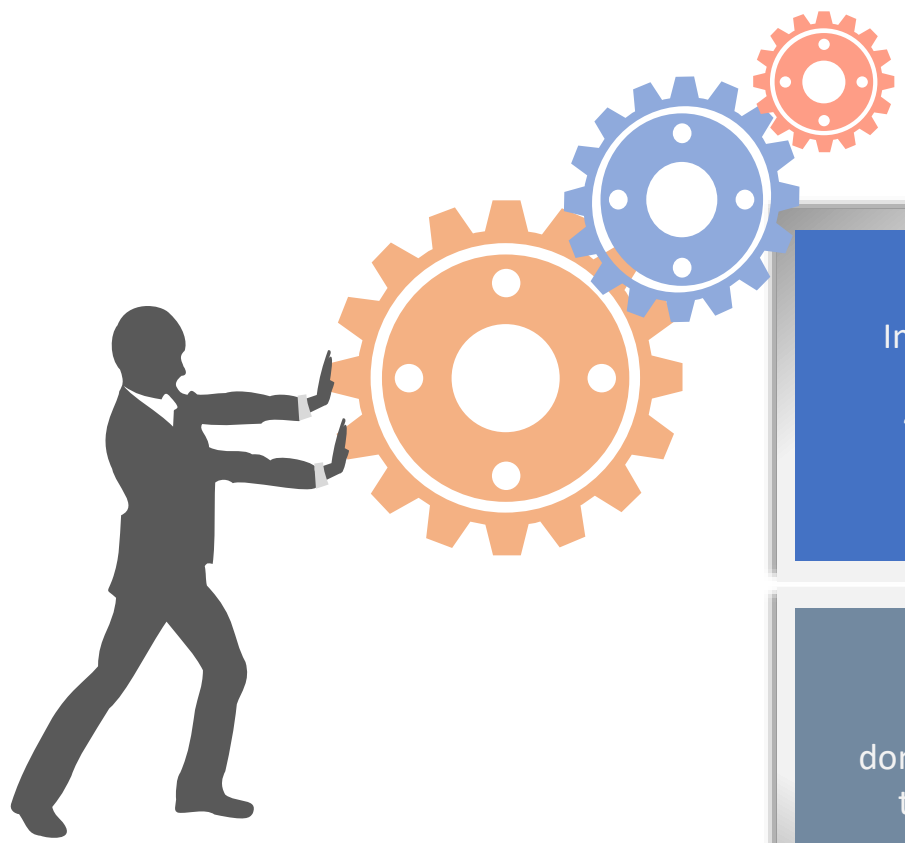


Customers

Enabling our customers to meet their design and production needs for over 12 years. We have some of the most well-known names in their industry as our esteemed customers



Precision Engineering Expansion



Investment
Invested Rs. 30 cr
over 2 years.
~2 acre land at
Bengaluru,
Karnataka

Production Capabilities
Injection Moulding,
Electroplating,
additional Stamping
capacity and Tool
Room upgrade

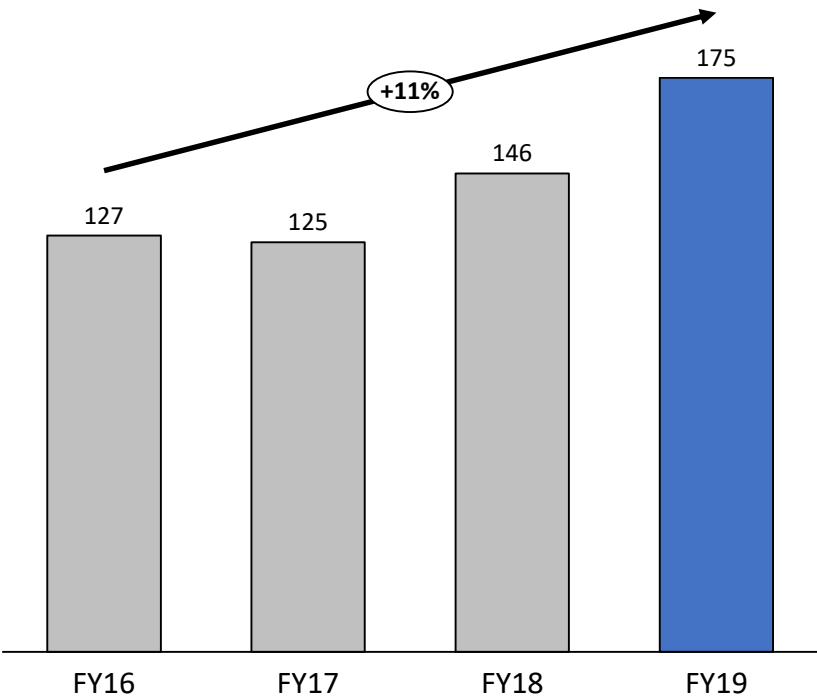
Margins
Strong RFQs
domestic & globally
to lead to high
margin

Clients
Automobiles,
Defence, Hitech
Engineering,
Aerospace,
Industrial
Components

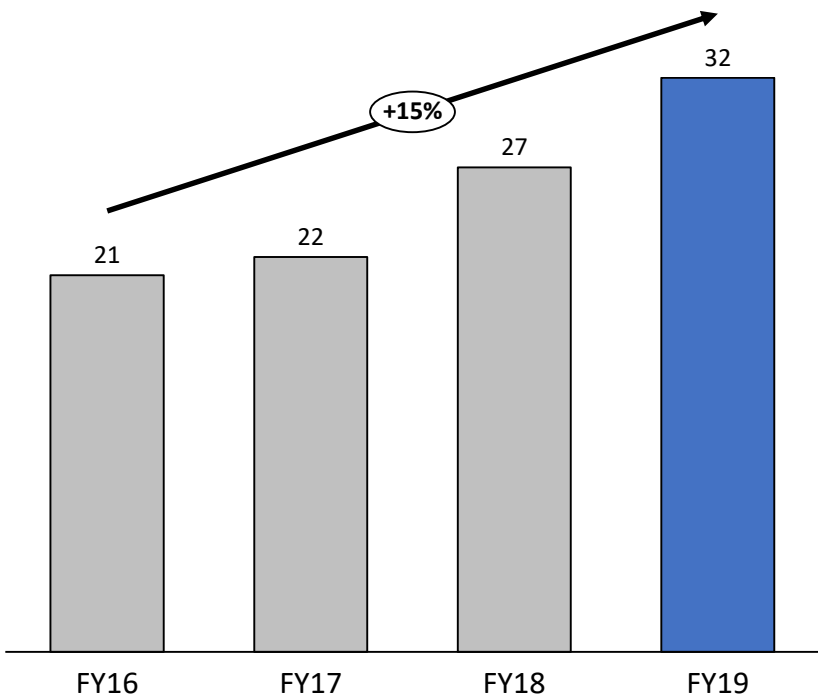


Stable Manufacturing Performance*

Revenue (Rs. Crs)



EBITDA (Rs. Crs)



*Excludes the Financial Performance of Estima AG, Switzerland

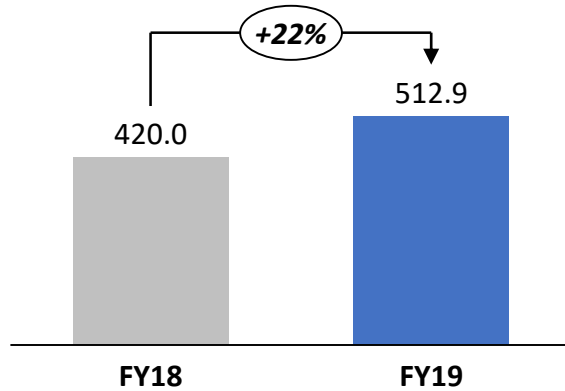


Ethos: FY19 Snapshot

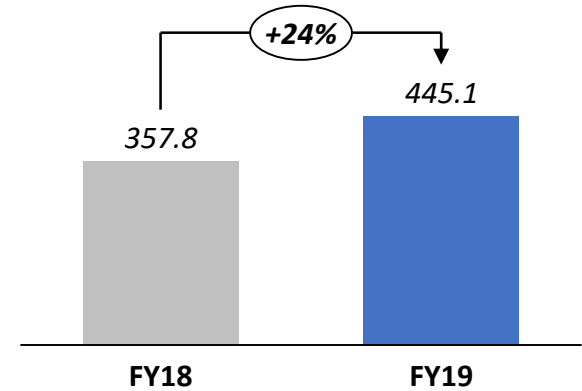
Record Performance in FY19

FY19 vs FY18 (Consolidated*)

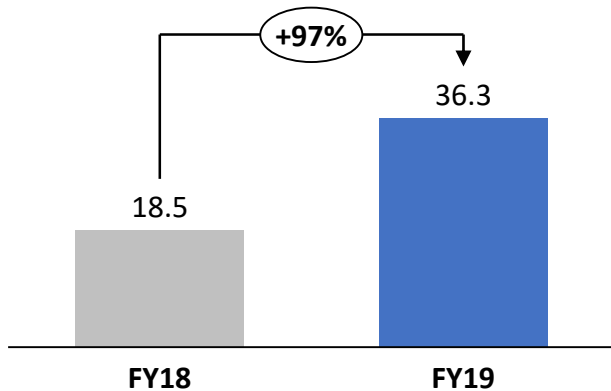
Billings (Rs. Cr)



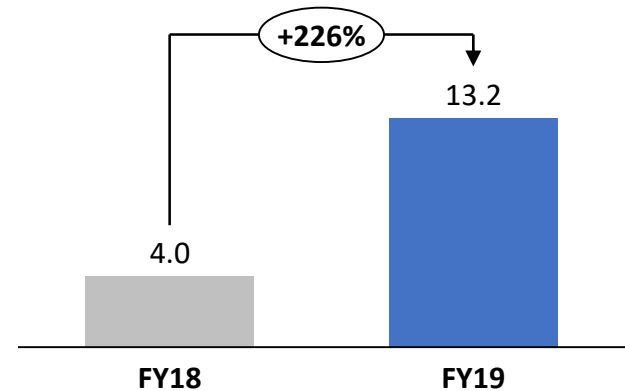
Revenue (Rs. Cr)



Normalized EBITDA (Rs. Cr)



PAT (Rs. Cr)

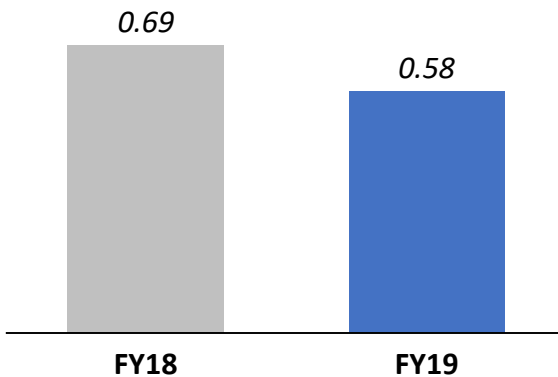


*Consolidated Financials include Watch Retailing Business and Digital Marketing business

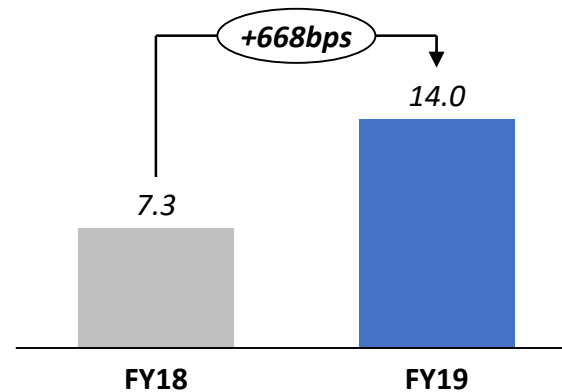
Record Performance in FY19

FY19 vs FY18 (Consolidated*)

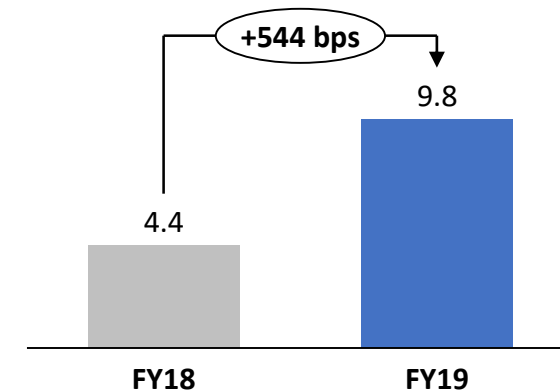
Debt/Equity



ROCE %



ROE %



- Reported Strong performance in FY19 on a high base of FY18. Benefits of scale and long term relationships with Watch Brands have helped to report record margins on Full year basis
- With operating leverage to further play out in coming quarters we expect improvement in Return ratios to continue
- **Robust Business model built; targeting to achieve 10% EBITDA margins over the next 2-3 years in Watch retailing business**

Consolidated Profit & Loss

Particulars (Rs. Crores)*	Q4FY19	Q4FY18	YoY %	FY19	FY18	YoY %
Revenue	102.9	97.4	6%	445.1	357.8	24%
Cost of Goods Sold	68.1	71.5		315.9	271.8	
Gross Profit	34.8	25.8	35%	129.2	86.1	50%
Employee Expenses	11.3	6.0		33.4	22.6	
Other Expenses	18.2	13.9		61.8	47.5	
Reported EBITDA	5.3	5.9	-11%	34.0	15.9	114%
Margin (%)	5.1%	6.1%		7.6%	4.5%	
Interest	2.0	1.5		7.7	6.6	
Depreciation	1.3	1.3		4.8	4.1	
PBT	2.0	3.1		21.5	5.3	
Tax	1.0	0.5		8.4	1.2	
PAT	0.9	2.6		13.2	4.0	
Cash PAT	2.3	3.9		18.0	8.1	

Consolidated Balance Sheet

Particulars (Rs. Crores)*	Mar-19	Mar-18
Shareholder's Fund	134	92
Share Capital	17	16
Other Equity	117	76
Non-current liabilities	16	13
Long Term borrowings	14	11
Long Term Provisions	2	1
Current liabilities	148	146
Short Term Borrowings	53	41
Trade Payables	67	77
Other Current liabilities	29	27
Short Term Provisions	0	0
Total Liabilities	299	250
Non-current assets	50	40
Fixed Assets	27	17
Long Term loans and Advances	11	10
Other Non Current Assets	6	7
Deferred Tax Asset	6	5
Current assets	249	210
Inventories	206	171
Trade Receivables	8	6
Cash and Bank Balances	9	7
Short Term Loans and Advances	4	4
Other Current Assets	22	21
Total Assets	299	250

Consolidated Performance Reconciliation

Particulars (Rs. Crores)	Q4FY19	Q4FY18	YoY %	FY19	FY18	YoY %	Commentary
Ethos Ltd - Watch Retailing Revenue	102.9	97.4	6%	443.4	357.8	24%	<ul style="list-style-type: none"> Standalone Watch Retailing EBITDA in Q4FY19 reported 9% increase on YoY basis with margin of 6.3% Consolidated EBITDA in Q4 was impacted by a loss of Rs. 1.2 crores in Digital Marketing subsidiary Cognition FY19 Standalone Watch Retailing EBITDA grew 92% on YoY basis to Rs. 30.5 crores with margin of 6.9% Watch Retailing PBT reported an increase 3.2% on YoY basis
Cognition - Digital Marketing Revenue	1.3	-		8.7	-		
Less: Inter company transactions	-1.3	-		-7.0	-		
Consolidated Revenue	102.9	97.4		445.1	357.8		
Ethos Ltd - Watch Retailing EBITDA	6.4	5.9	9%	30.5	15.9	92%	
Cognition - Digital Marketing EBITDA	-1.2	-		3.5	-		
Consolidated EBITDA	5.3	5.9		34.0	15.9		
Ethos Ltd - Watch Retailing PAT	1.7	2.6	-34%	11.0	4.0	172%	
Cognition - Digital Marketing PAT	-0.8	-		2.2	-		
Consolidated PAT	0.9	2.6		13.2	4.0		

Reconciliation to Consolidated Normalised EBITDA

Particulars (Rs. Crores)*	FY19	FY18
Revenue	445.1	357.8
Cost of Goods Sold	315.9	271.8
Employee Expenses	33.4	22.6
Other Expenses	59.5	45.0
Normalized EBITDA	36.3	18.5
Normalized EBITDA %	8.2%	5.2%
Forex Items	1.3	2.0
Credits written off	-	0.6
Provision for Legal case	1.0	-
Reported EBITDA #	34.0	15.9

Standalone Profit & Loss

Particulars (Rs. Crores)#	Q4FY19	Q4FY18	YoY %	FY19	FY18	YoY %
Revenue	102.9	97.4	6%	443.4	357.8	24%
Cost of Goods Sold	68.1	71.5		315.9	271.8	
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Reported EBITDA	6.4	5.9	9%	30.5	15.9	92%
Margin (%)	6.3%	6.1%		6.9%	4.5%	
Interest	1.9	1.5		7.6	6.6	
Depreciation	1.3	1.3		4.8	4.1	
PBT	3.2	3.1	3%	18.2	5.3	244%
Tax	1.5	0.5		7.2	1.2	
PAT	1.7	2.6		11.0	4.0	
Cash PAT	3.1	3.9		15.8	8.1	

Standalone Balance Sheet

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Other Current Assets	22	21
Total Assets	297	250

Largest Pan India retailer of Luxury Watches

Additions



Stores as of FY18
43



Panerai Boutique,
Chanakyapuri,
Delhi



Oris Boutique,
Palladium Mall,
Chennai



Multi Brand Boutique,
Palladium Mall,
Chennai



Rado Boutique,
Viviana Mall,
Thane



Stores as of FY19
47

With 47 pan India stores, Ethos offers the widest variety of Luxury watches in India

Fund Raise strengthens Balance Sheet



Rs. 29cr

**Ethos Limited raises
Rs. 29 crores equity
funds in FY19**



Rs. 480cr

**Funds raised at a pre
money valuation of
Rs. 480 crores**



72.53%

**Shareholding of
KDDL Ltd (directly
and indirectly) in
Ethos Ltd on fully
diluted basis**

Equity Funds will primarily be utilized towards New Store rollouts and working capital

New Initiatives in FY19

Repair and Service

Repair and services over 60 of the World's top Luxury watch Brands

Strap and Bracelet replacement

Servicing of Movements

Bracelet link removal and adjustment

Ultrasonic Cleaning

Pre-Owned Watches

Pre-Owned Watches has the **potential to expand the volume and customer base**

Ethos has the **expertise to check the authenticity** and to ensure that each time piece is in great condition for its new owner to enjoy

The prices we quote for each pre-owned watch is based on **a thorough assessment of its current market value, and its years of use.** This makes it a fair price

Financial consultancy Kepler Cheuvreux estimates the current **global market for pre-owned watches alone to be worth upward of USD \$15 billion annually**

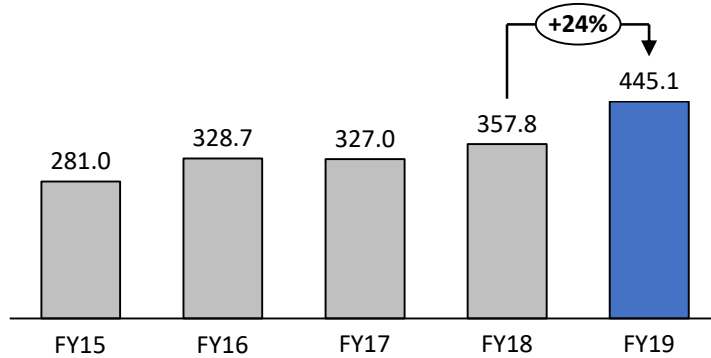
Ethos Watches is the #1 destination for Luxury Watch shoppers in India



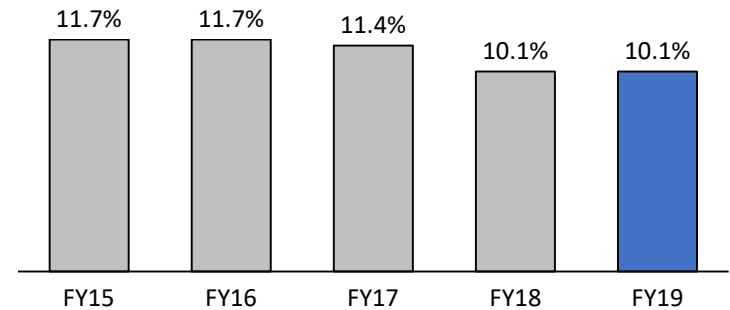
Operational Snapshot

Ethos - Performance Trend*

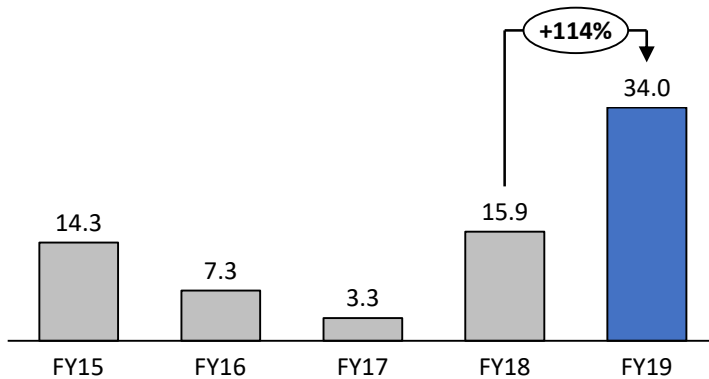
Revenue (Rs. Cr)



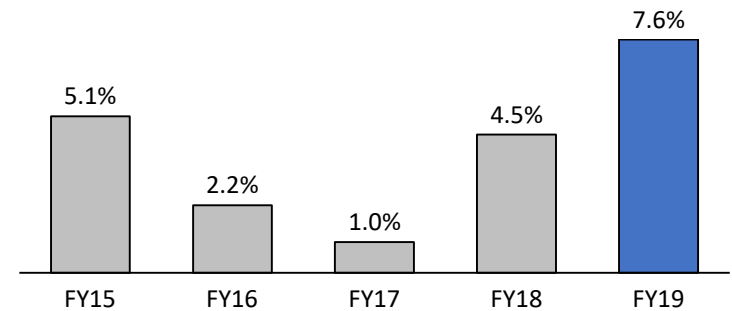
Front-end Rent & Manpower Cost as % of Revenue#



EBITDA (Rs. Cr)



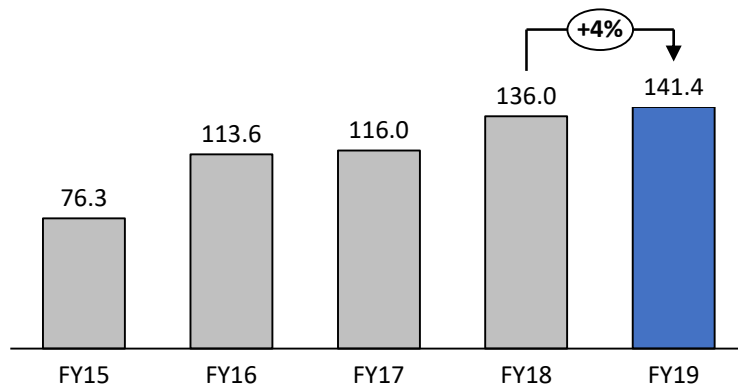
EBITDA Margin



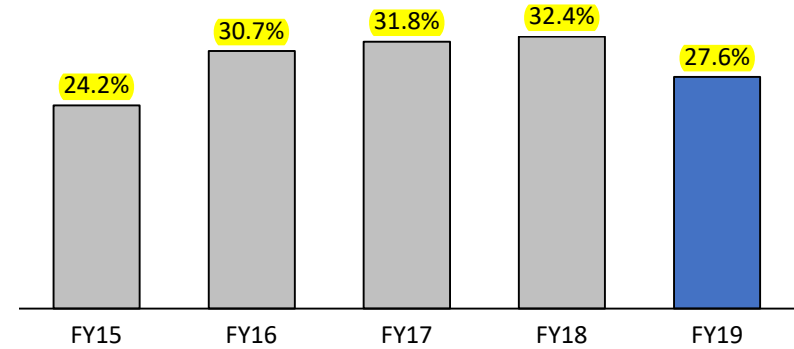
*FY18 and FY19 financials are as per IND AS

Ethos - Online Sales Trend

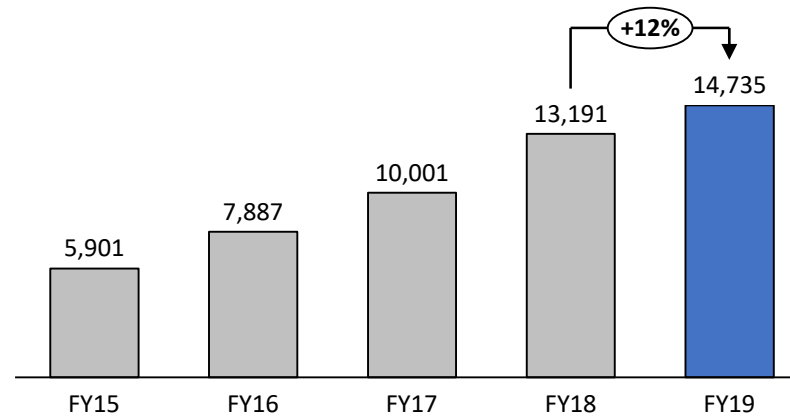
Online Billings (Rs. Cr)



Online Billing as % of Total Billing

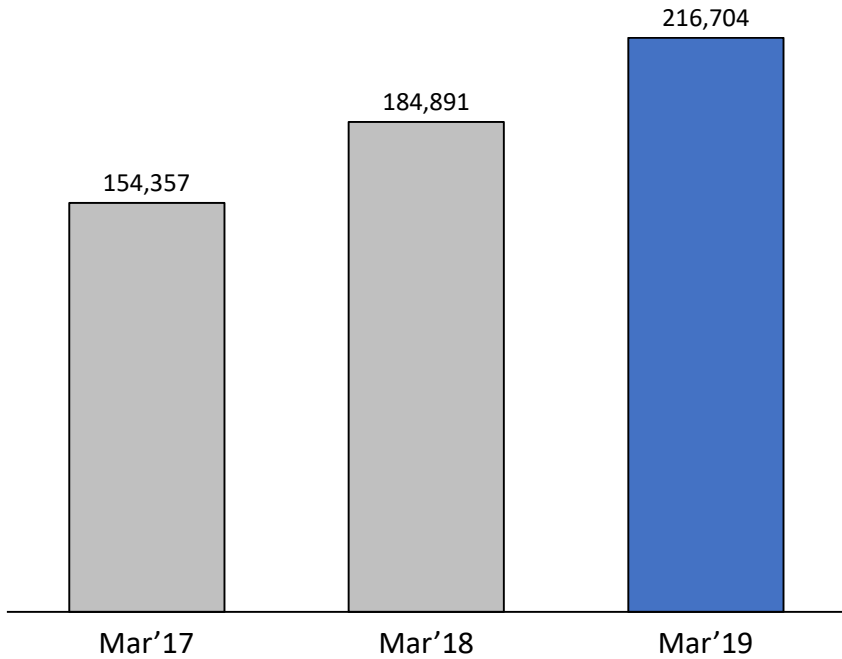


Visitors ('000)

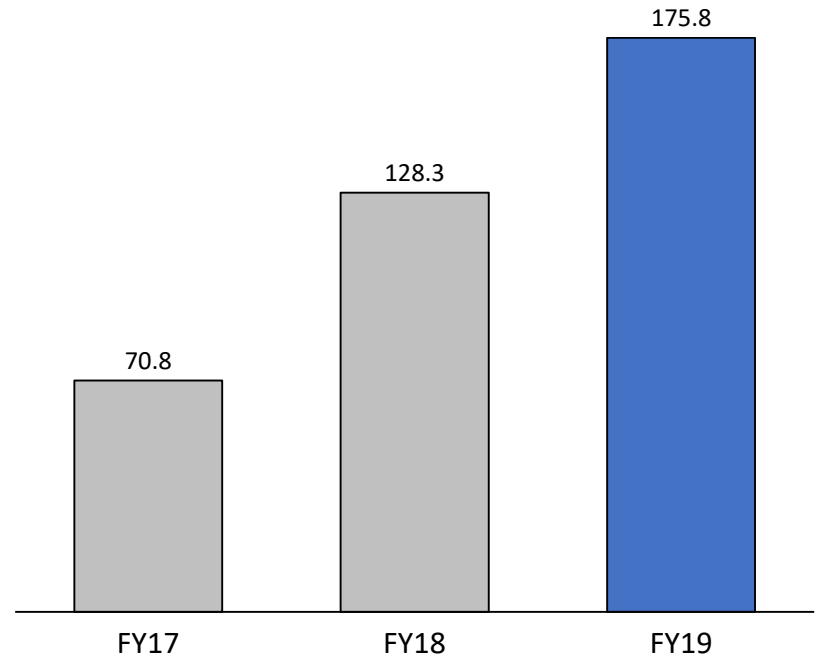


Ethos - Repeat Sales Trend

Club ECHO Member Base



Repeat Billings (Rs. Cr)





*Ethos is India's Largest
Luxury Watch Retailer*

Pan-India Presence with Offline Store Network



India's Largest retail chain of Luxury Watches with 47 stores

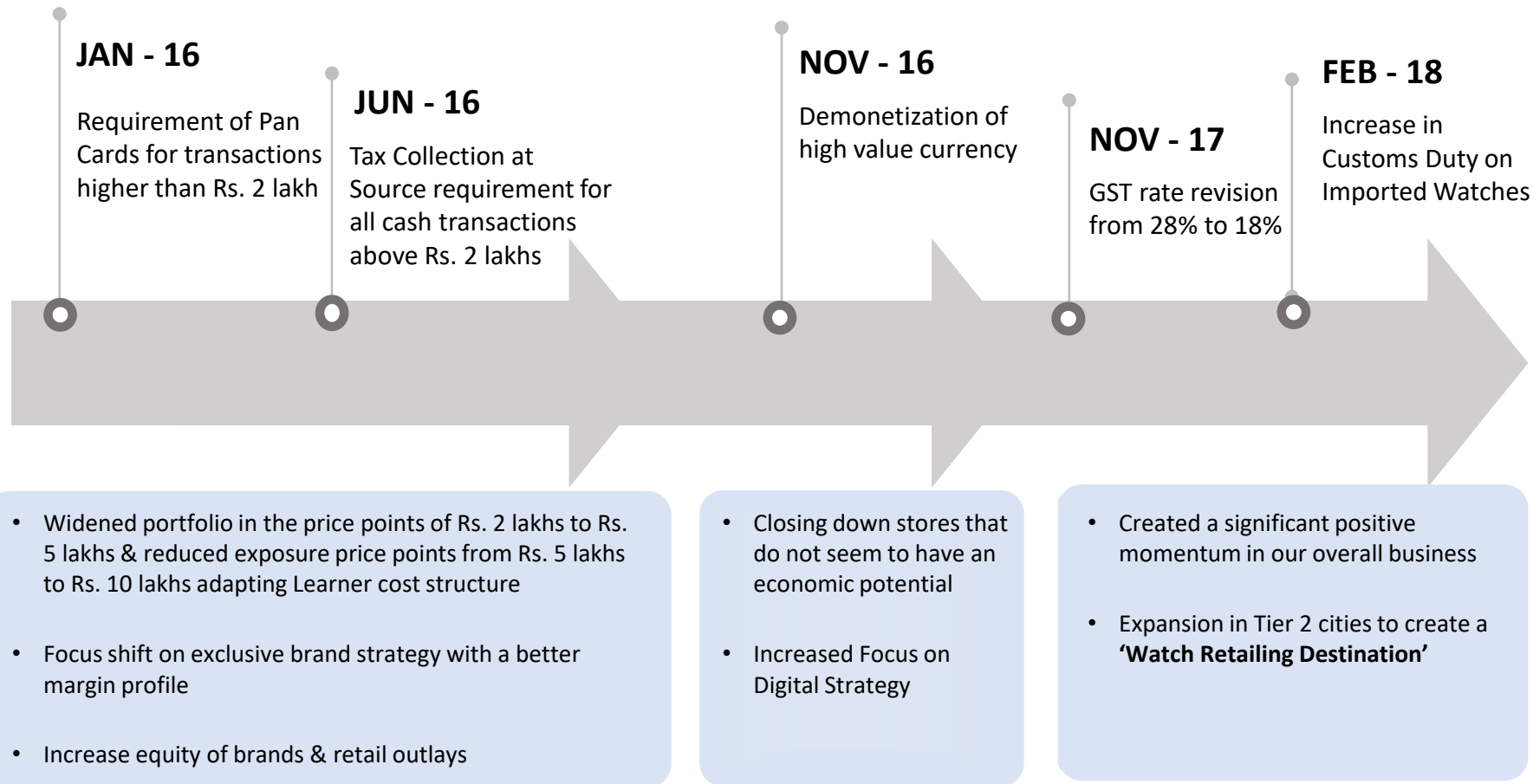
Presence across Metros, Tier I, Tier II cities

1 Duty Paid Retail Outlet at Domestic Terminals

2 Duty Free Retail Outlets at International Terminals

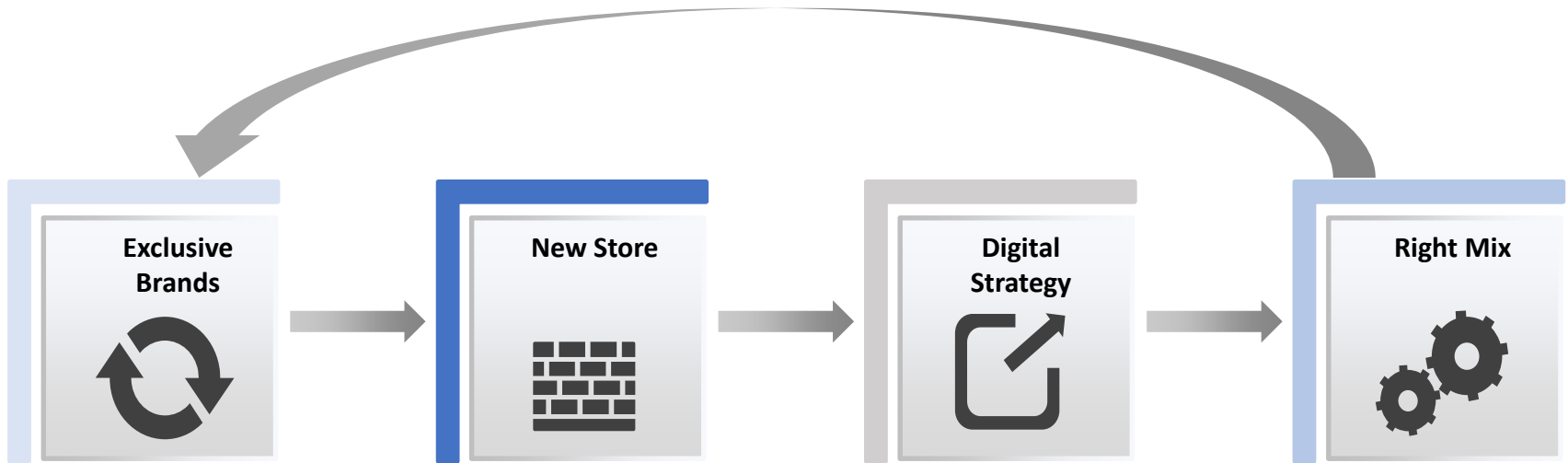
Store Selection Criteria :
Reputed /Pedigree Mall at Premium location where other Premium brands present and having better facility management

Regulatory Headwinds of the Past...



...led to strengthening Ethos Business Model with strategic approach, resulting in growth & improving profitability...

thus validating our Business Strategy



- Higher share of Business from Exclusive Brands

- Targeting to open new stores in Tier 2 cities
- Ethos stores will be a 1 stop destination for watches

- Leverage on our Digital platform to drive sales and customers
- Digital strategy to lead to cost optimization and margin growth

- Targeting to have a right mix of Brands at all price points leading to faster churn in Inventory and increasing profitability

Ethos is India's Preferred Destination for Luxury Watches.

Knowledge

Ethos has well trained Knowledgeable staff to ensure highest customer satisfaction and increasing repeat buying.



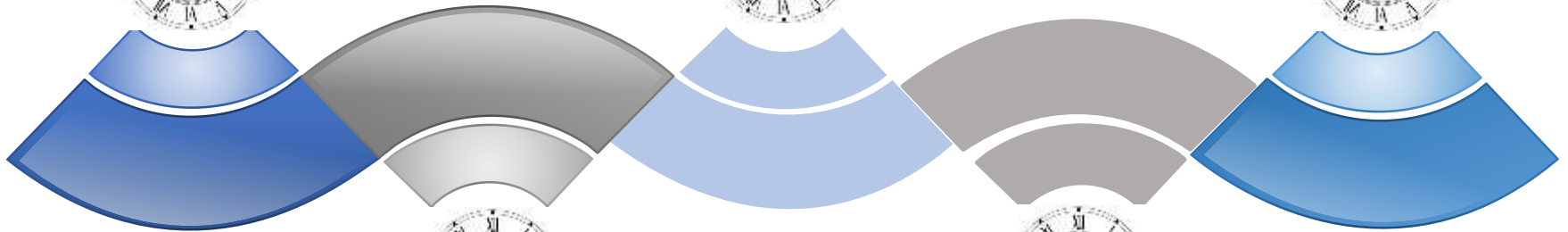
One-stop shop

Ethos' access to Swiss Watch Brands will make it a '1 Stop Shop' for Luxury Watches In India



Mind Share

Ethos to be synonymous with Luxury watches retailing in India thus gaining 'Customer Mind Share'



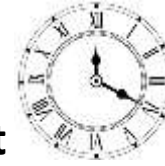
Online

Ethos makes Swiss Watches 'Available Online' in a confluence of Online-Offline model helping us to leverage the strength of Swiss Watch Brands and our wide Distribution Reach



Trust

Ethos DNA is all about Authenticity increasing the 'Trust factor' in a large Un-organized market.



With an Asset Light Model...

Improve Return On Capital Employed



**Operating Leverage
Playing Out**

Reduce Front-End Cost like Manpower and Rental expenses

**Maximize
Reach**

Expand catchment area of offline store, leading to higher revenue

Minimize Investment

**Focus on Online Presence &
Rationalize Store Presence**

and Continued Investments in Advertising...

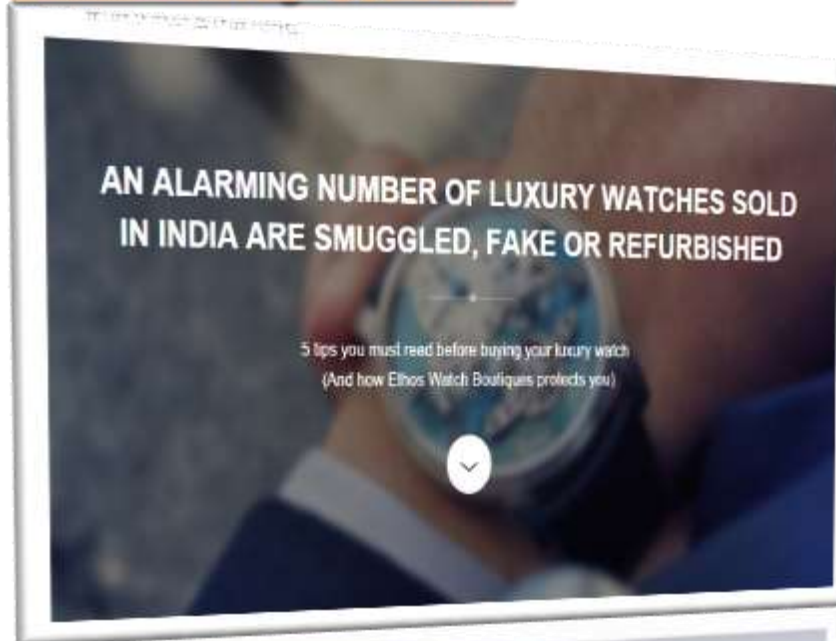
Print Ads in leading newspapers...



... with **ETHOS** co-branding

and TRUST CAMPAIGN across channels...

Online through website



Offline through Print



... to Educate consumers about Watches

... to Create Awareness about unscrupulous activities

... To Reinforce our "ETHOS"

Offering the best Watch Brands under one roof

NOMOS
GLASHÜTTE

GRAHAM
WATCHMAKERS SINCE 1695

TISSOT
Swiss Watches since 1853

FAVRE-LEUBA

VICTORINOX

ROLEX

ARMANI EXCHANGE

BAUME & MERCIER
MAISON D'HORLOGERIE GENEVE 1830

HUBLOT

BREITLING
1884

PANERAI

JAEGER-LECOULTRE

ORIS
Swiss Made Watches
Since 1904

FOSSIL

CARL F. BUCHERER

RAYMOND WEIL
GENEVE

FOSSIL
EST. USA

OMEGA

MOVADO

CORUM

MEISTERSINGER

RADO
SWITZERLAND

TAG Heuer

LONGINES

Daniel Wellington

BVLGARI

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