



# KDDL Limited

*Investor Presentation*

*April 2014*

*India's largest retailer of luxury watches*

ēthos  
WATCH BOUTIQUE

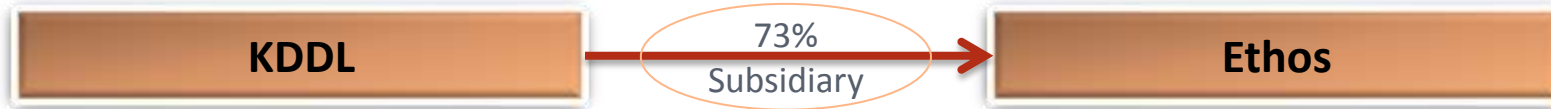
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# Business Overview



- **Leading supplier of high quality watch components for international brands in Switzerland & India**
- **Manufacturing facilities**
  - Watch Dial - 3 manufacturing plants with capacity of over 4.5 mn pieces per annum
  - Watch Hands - 2 manufacturing plants with capacity of 47 mn pieces per annum
- **EIGEN : Precision Stamping Division**
  - Offers high precision press component and tooling solutions
  - Wide range of engineering applications

- **India's largest retail chain of luxury watch studios**
- **Authorized retailer of over 60 luxury watch brands through**
  - 45 premium watch boutiques across Country
  - Online marketing - effective use of large social network and business development platforms
- **Distinct retail formats addressing various market segments**
  - Luxury & Prestige
  - Exclusive boutiques
  - Airport boutiques

# Experienced Management Team



## **Mr. Yashovardhan Saboo – Chief Executive Officer**

- Set up KDDL in 1983 & led the company to attain market leadership in India, successfully exporting to Switzerland and Hong Kong
- Founding Member of All India Federation of Horological Industries (AIFHI)
- Alumnus of IIM-A, with more than 30 yrs of experience in watch industry

## **Mr. Sanjeev Masown - CFO, KDDL**

- M.Com & Cost and Management Accountant (CMA), with more than 23 years of experience across industries

## **Mr. C. Raja Sekhar - CFO, Ethos**

- B.E.(Mechanical) with MBA in Finance
- With more than 15 yrs of experience in watch industry, in manufacturing and retail areas

## **Mr. Dinesh Agrawal - COO, KDDL**

- Mechanical Engineer with more than 38 years of experience
- Part of management team since 1983

## **Mr. P. Rajendran - Operations Head [Ethos]**

- MBA in Marketing, with more than 26 years experience in retail, has held national level leadership roles at various MNCs

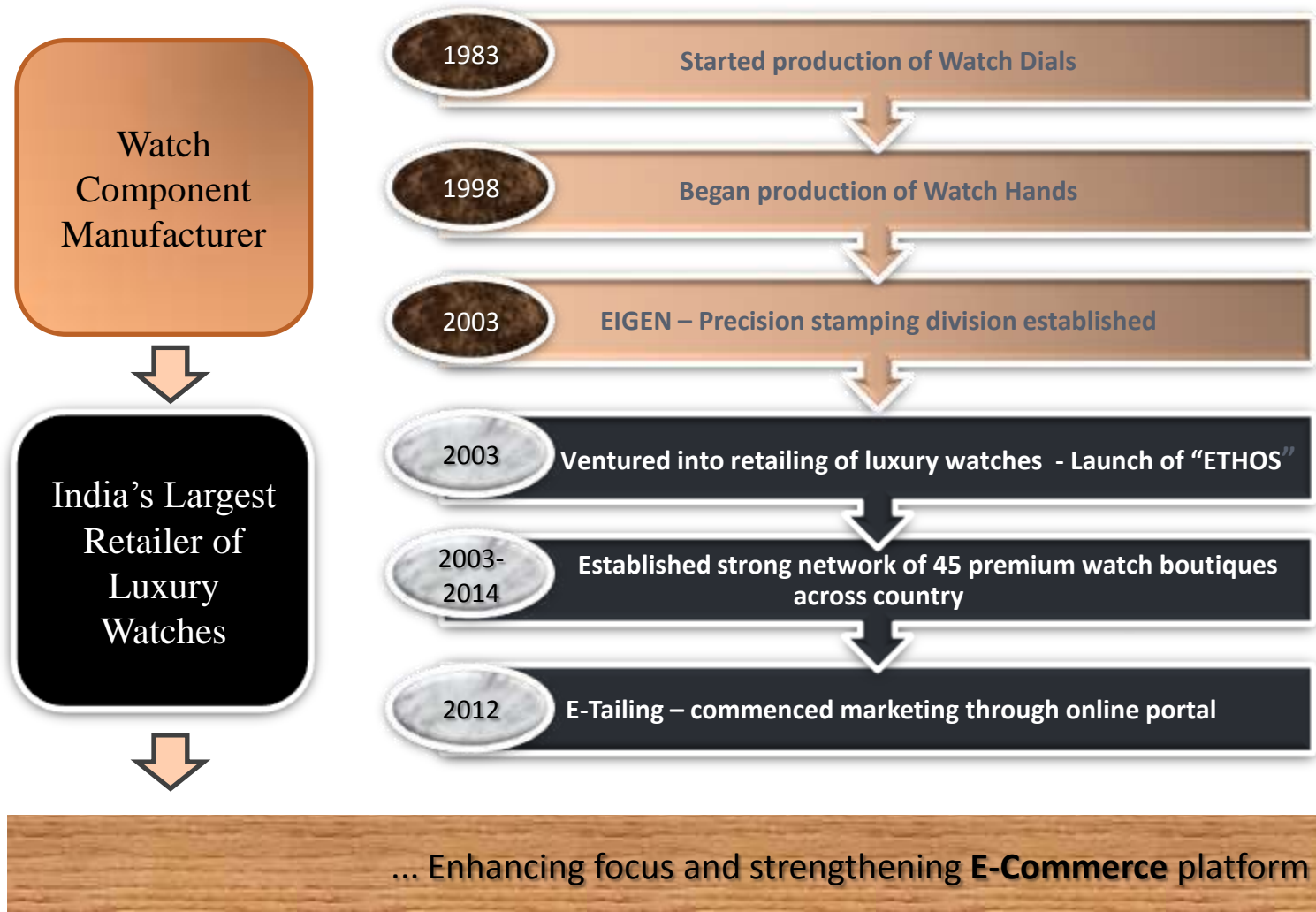
## **Mr. Gregor Fiala - CMO, KDDL**

- MBA with experience of 20 years across industries, with 7 yrs as Managing Director of an MNC in India

## **Mr. Manoj Gupta - Operations Head [Summit]**

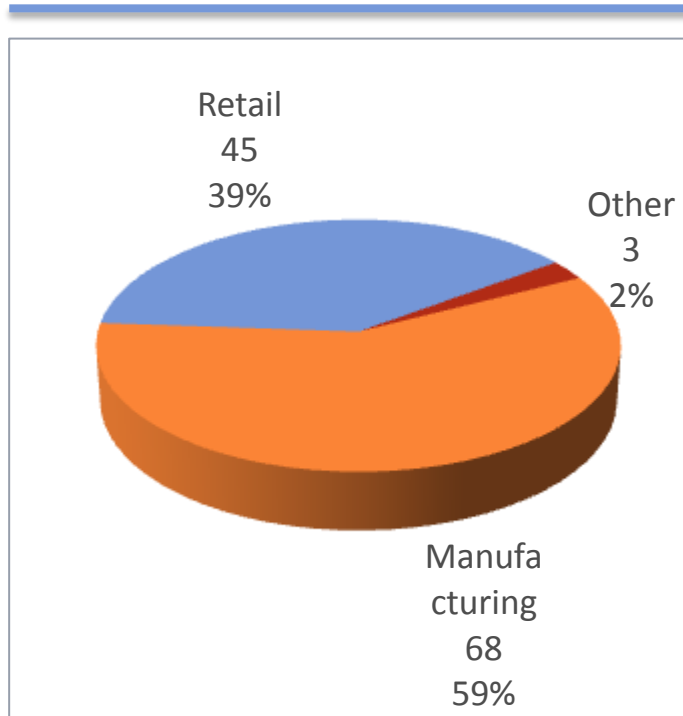
- More than 20 years of experience, leading marketing & sales teams in international watch markets

# Evolution ...

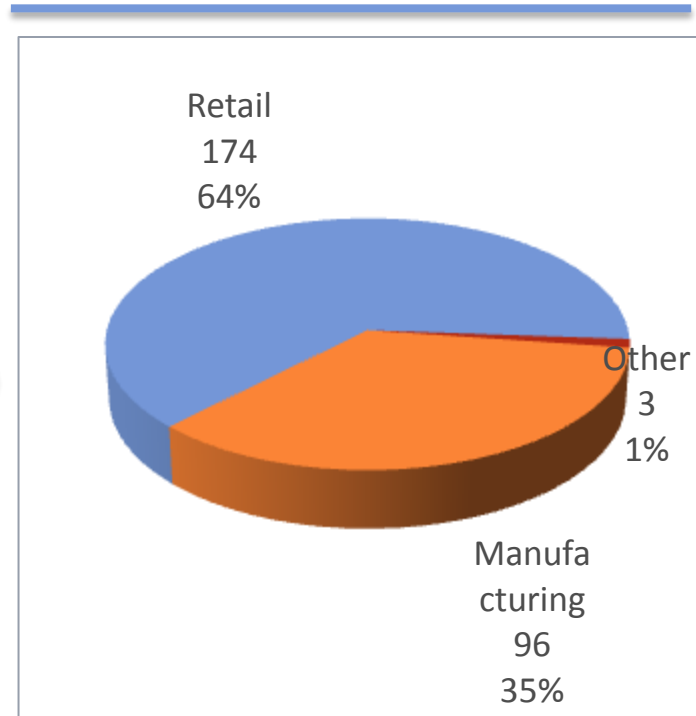


# Retail... Growing Consistently at a faster pace

Revenue FY 2009  
Rs. 116 Crs



Revenue FY 2013  
Rs. 272 Crs





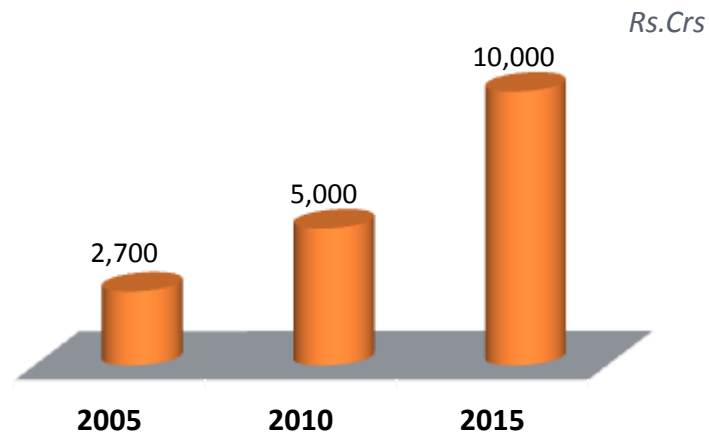
*India's largest retailer of luxury watches*

**Ethos**

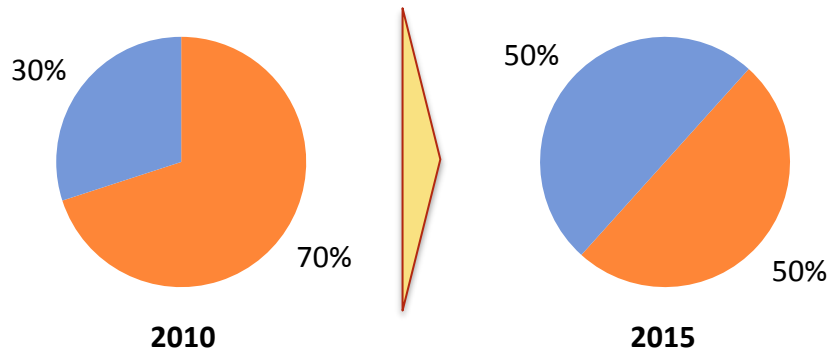


# Luxury watch market growing rapidly in India...

- Indian watch market is expected to grow from Rs. 5,000 crore in 2010 to Rs 10,000 crore in 2015
  - 15% CAGR over five years



- Premium watch segment expected to grow at 22-25%
  - Value share of premium watches expected to increase from 30% in 2010 to 50% by 2015





# Ethos ... well positioned to capture growth

- India's largest retail chain for luxury Swiss watches in organized sector
- Distinct retail formats targeting distinct customers in middle to high income group
- Wide product offerings range from Rs.5,000 to Rs.20,00,000
- Pan India retail network spread across 13 cities with 45 stores
- Broad range of top luxury watch brands including the largest Swiss groups viz., Swatch, Richemont, Rolex, LVMH



# With well spread market coverage...

	Prestige “Showcasing Success”	Luxury “The Rich & Famous”
Target Audience	Professional, Entrepreneur showcasing their early career success	HNIs, Industrialist, Professionals, Celebrities
Market Size	Rs. 1,500 Crores expected to grow @ 20% CAGR	Rs. 600 Crores expected to grow @ 30% CAGR
Price Range	Rs. 5,000 – Rs. 2,00,000	Rs. 2,00,000 & above
ETHOS Presence # Stores	37 Stores in Mumbai, Delhi, Bengaluru, Hyderabad, Chandigarh, Ludhiana, Ahmedabad, Bhopal, Pune, Nagpur, Gurgaon	8 Stores in Mumbai, Delhi, Bengaluru, Chandigarh
Store Location	Malls, Airport duty free & Domestic terminals	

# Airport Boutiques – Emerging Alternatives

- 1st Watch retail store to foray into airport retail in 2009
- Established presence at Bengaluru, Mumbai, Delhi, Hyderabad & Ahmedabad Airports
  - 5 Duty free retail outlets
  - 4 Duty paid retail outlets
- Airport Retail emerging as “Alternative Destination” for luxury retail in India
- Growing demand on account of:
  - Need for quality retail space
  - Increase in domestic and international passenger traffic & time spent in airport



# Through our specialized network...



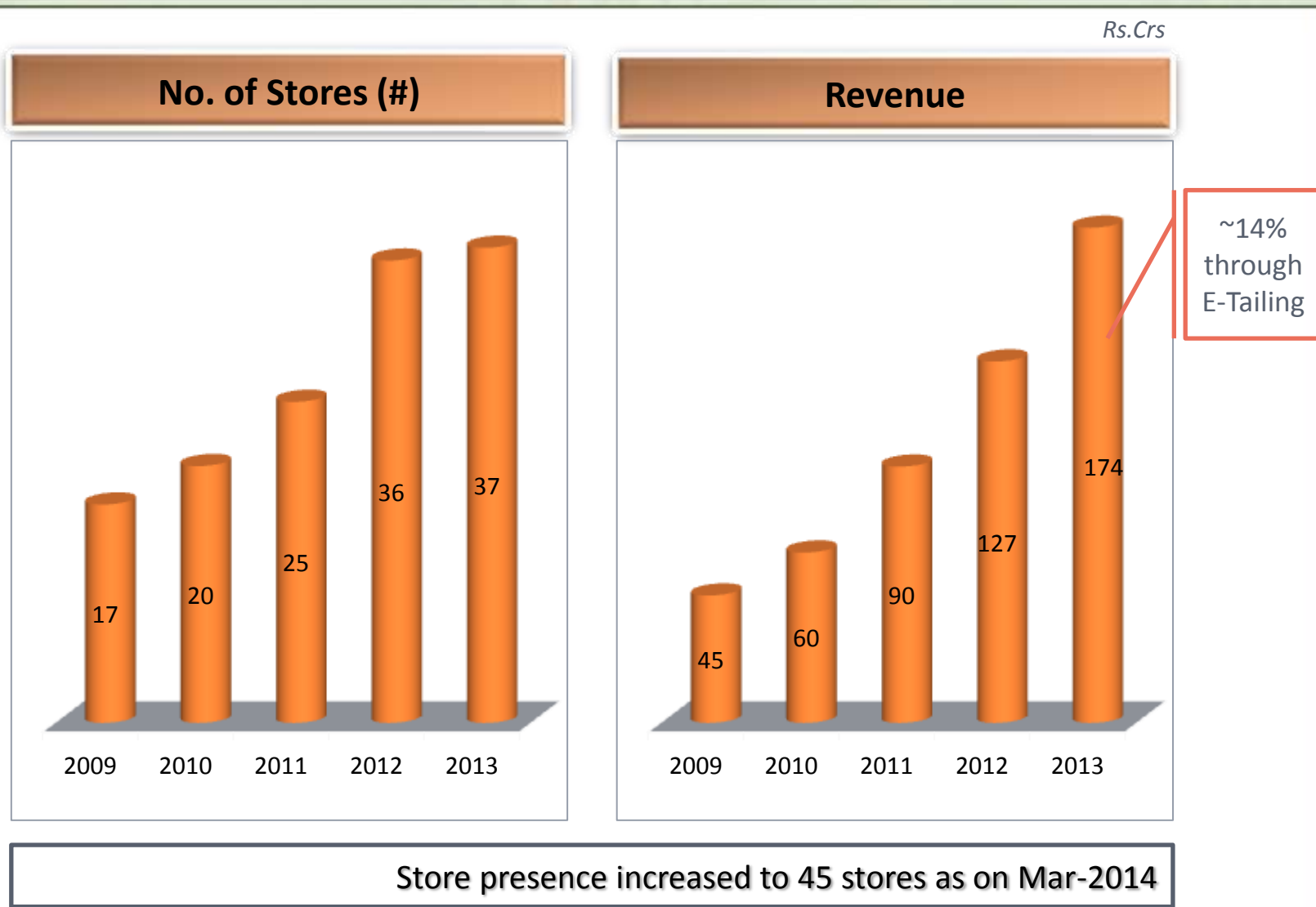
- 45 Stores presence across India
- Presence in Metros, Tier I & Tier II cities
- Store selection preference :  
Reputed /pedigree Mall with good facility management at premium location with other luxury brands being present
- 9 Airport stores at duty free zone & domestic terminal at Bengaluru, Delhi, Mumbai, Hyderabad & Ahmedabad

# Wide range of brand offerings



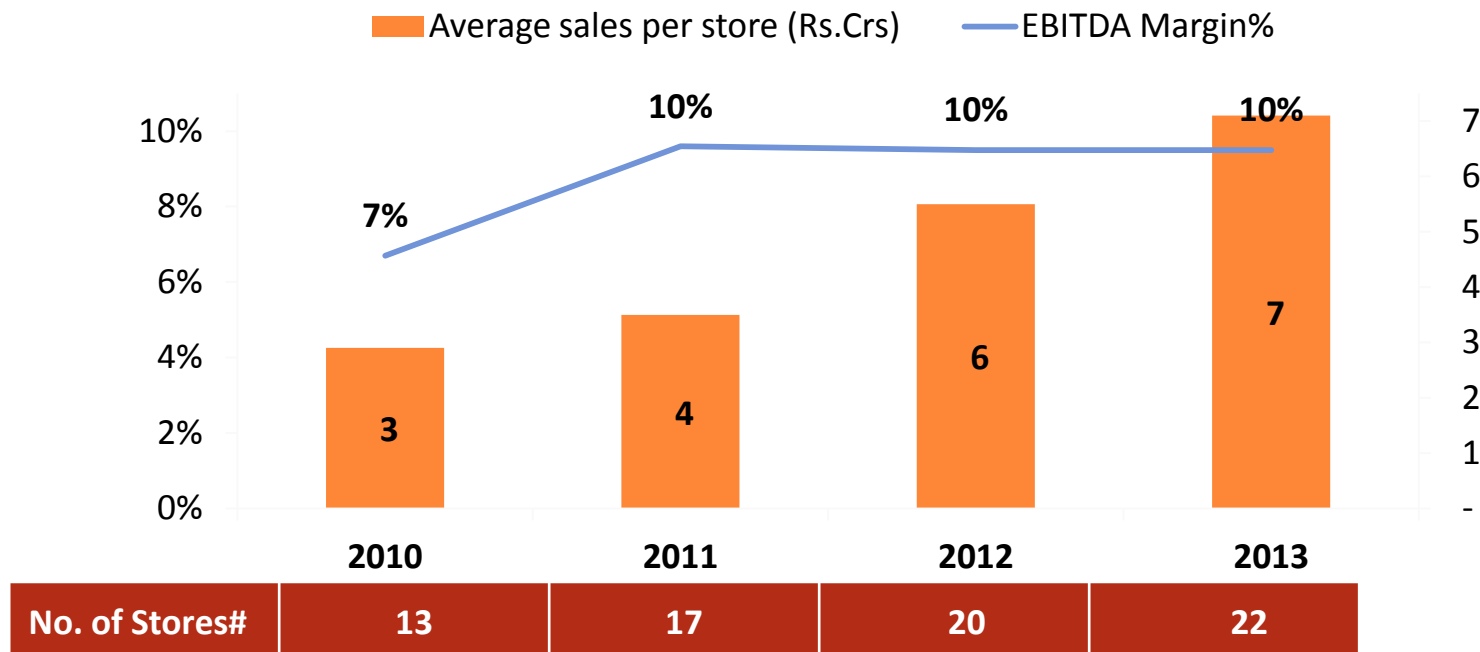


# Achieved over “3x” Revenue growth in last 5 years





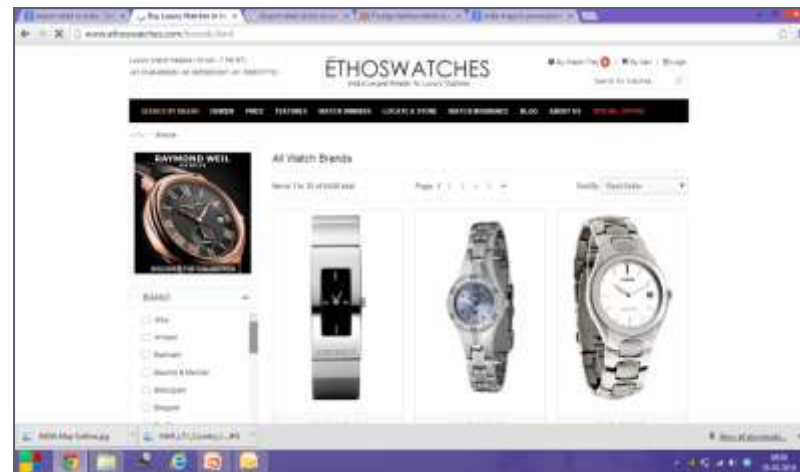
# Mature stores growing profitably...



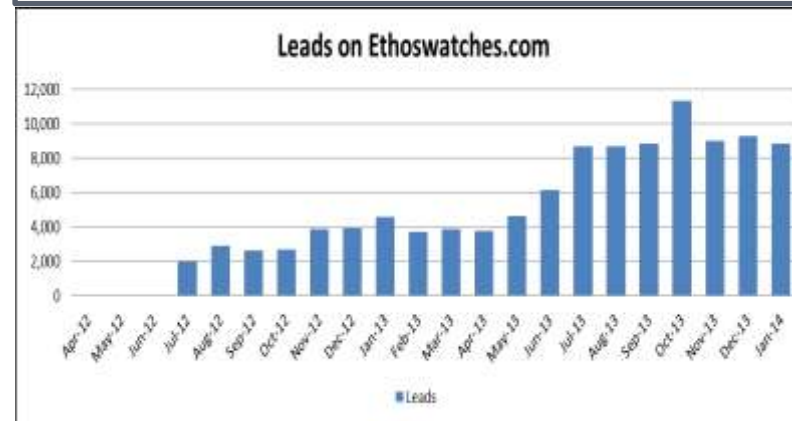
*Average sales per store growing at CAGR of 35% over last 3 years, alongwith EBITDA margins being maintained as revenue levels rise*

## E-Commerce : “CLICK & BRICK” model...

- Established online presence with launch of web portal [www.ethoswatches.com](http://www.ethoswatches.com) in April 2012
- Amongst Asia's most visited websites for multi brand retail
- Online / Internet presence enables better & larger accessibility to customer
- Asset light way to expand reach into geographies & spaces
- 17 % of online lead generated are converted into sales



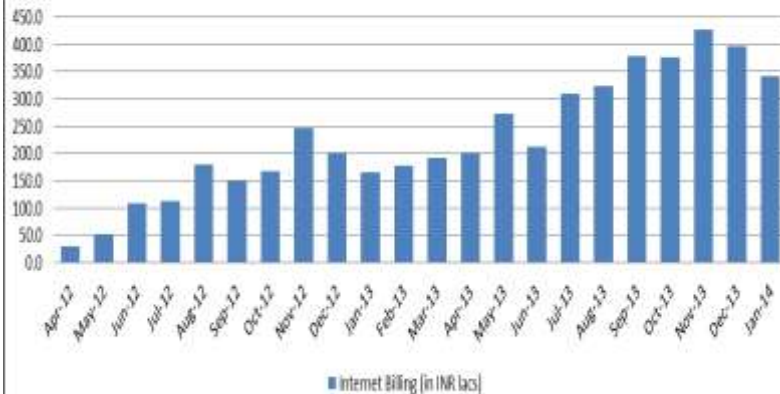
## Monthly Online Lead Generation



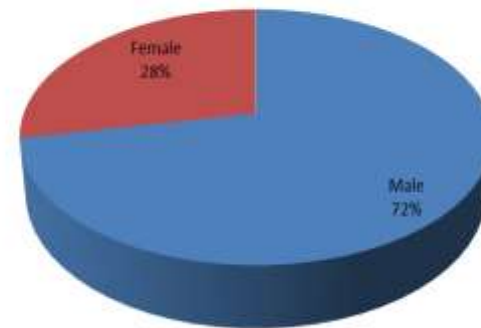
## Seamless transition from online lead generation to offline sale

# E-Commerce : ... Gaining momentum

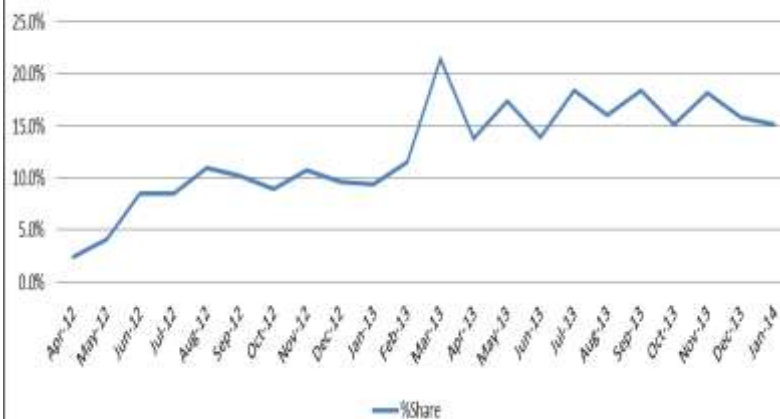
Internet Billing (in INR lacs)



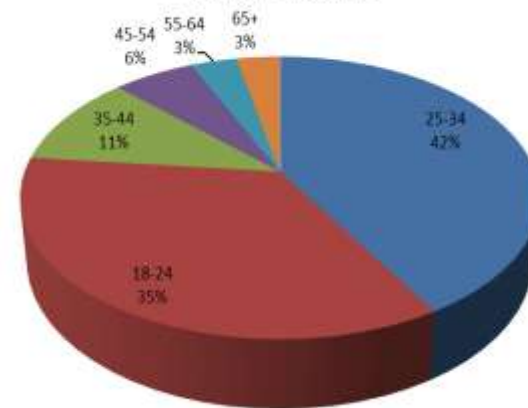
Visitors by Gender



Billing Contribution by Ethoswatches.com



Visitors by Age



# Ethos Growth Strategy



## **Sustaining Growth in Revenue**

- Enhancing geographical reach through opening of new stores and strengthening of on-line presence
- Addition of new brands in portfolio
- Improve revenue per store by Corporate tie-up, Offering loyalty program
- Setting up service vertical

## **Strengthening Margin**

- Higher revenue per store brings economy of scale
- Strengthening online platform to improve geographical reach
- Increasing share of “House Brands” with higher margin
- Reducing discounts offered

## **Reduce Working Capital by Better Operational Control**

- Merchandising – Accurate assessment, centralized processing & volume based ordering for superior negotiation
- Stocking – right product in right market for right client
- ERP system for real time inventory management

*Watch Component*

# Manufacturing



# Dials

- **Leading global supplier of Watch Dials serving many well-known brands all over the world**
- **Manufacturing facilities located at Parwanoo & Derabasi, near Chandigarh**
  - Manufacturing capacity of 4.5 mn pieces per annum
- **More than 30 years of experience in dial manufacturing**
- **Capability to manufacture dials with high & complex features**
- **Clientele includes leading Swiss & Indian watch manufacturers**





# Hands

- **Leading global supplier of high precision Watch Hands**
  - Only supplier in India and one of 5 independent manufacturers globally
- **Manufacturing facilities located at Bengaluru**
  - Manufacturing capacity of 47 mn pieces per annum
- **Capability to manufacture hands with strict dimensional control**
  - Product reliability with series of physical and chemical test
- **Clientele distributed across Switzerland, India and Hong Kong**



# EIGEN - Precision Engineering

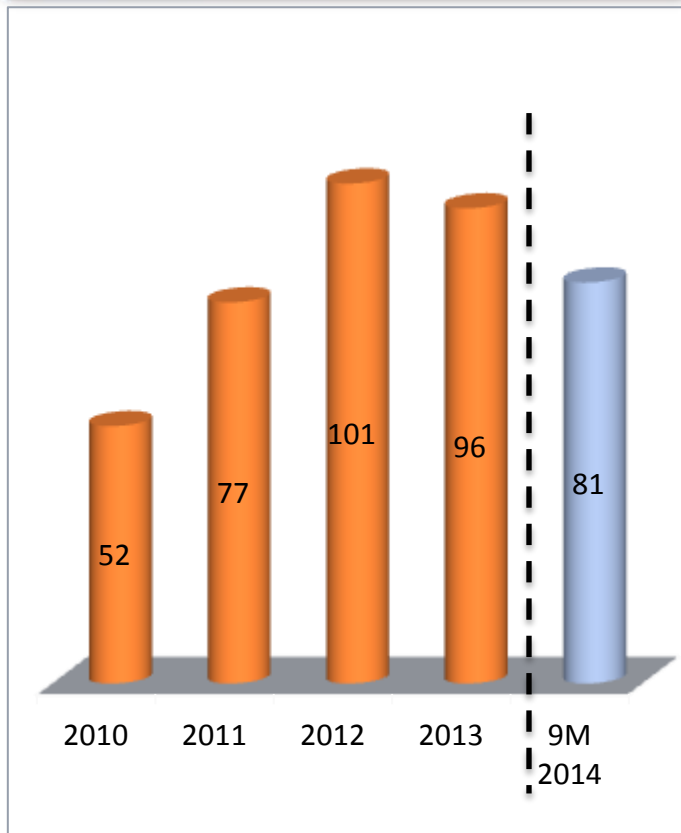
- **Manufacturer of high precision stamping parts & precision progressive tools**
- **Manufacturing facility located at Bangalore**
- **Offers total solution for production of stamp part from product concept to mass production, meeting quality demand of consistency & accuracy in miniature stamped parts with intricate profiles**
  - ISO " 2001 and TS 1649 Certified.
- **Addresses market for products in Electrical, Electronics, Automobile, Tele-communications, Medical equipments, Aerospace, Consumer durables industries**
  - Executed many prestigious orders in domestic as well as in global market



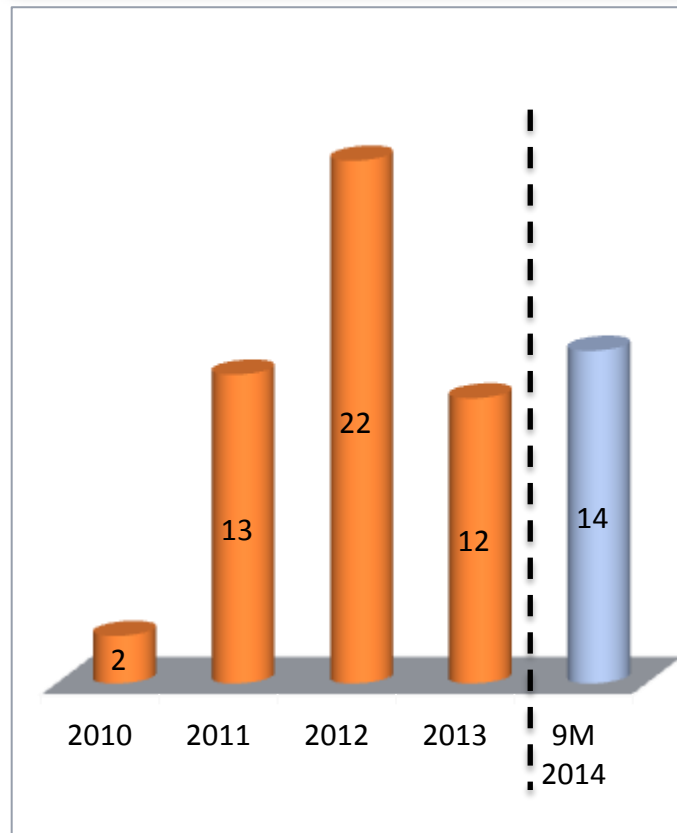
# Consistent performance

Rs.Crs

## Revenue



## EBITDA



*Consolidated*

# Financial Highlights



# Profitability Highlights

Rs.Crs	FY13	FY12	FY11
<b>Revenue</b>	<b>272</b>	<b>233</b>	<b>176</b>
Raw Material	152	116	86
Employee Expenses	48	44	35
Other Expenses	54	45	34
<b>EBITDA</b>	<b>18</b>	<b>28</b>	<b>21</b>
<i>EBITDA Margin</i>	<b>6.7%</b>	<b>12.1%</b>	<b>12.0%</b>
Other Income	1	2	1
Interest & Finance Charges	13	11	9
Depreciation	9	7	6
PBT	(3)	12	7
Tax	0	5	2
<b>PAT</b>	<b>(3)</b>	<b>7</b>	<b>4</b>
<i>PAT Margin</i>	<b>(1.0%)</b>	<b>3.1%</b>	<b>2.5%</b>

# Balance Sheet

Rs. Crs	Mar-13	Mar-12	Mar-11
<b>Shareholder's fund</b>	<b>44</b>	<b>48</b>	<b>42</b>
Share capital	9	9	8
Reserves & surplus	34	39	34
<b>Minority interest</b>	<b>18</b>	<b>8</b>	<b>6</b>
<b>Non-current liabilities</b>	<b>50</b>	<b>45</b>	<b>28</b>
Long term borrowings	39	35	21
Deferred tax liabilities	4	4	4
Long term provisions	6	6	3
<b>Current liabilities</b>	<b>134</b>	<b>127</b>	<b>92</b>
Short term borrowings	56	53	44
Trade payables	48	40	29
Other current liabilities	30	34	19
<b>Total Liabilities</b>	<b>245</b>	<b>227</b>	<b>168</b>
<b>Non-current assets</b>	<b>95</b>	<b>92</b>	<b>70</b>
Fixed assets	77	76	55
Other non-current assets	1	1	2
Long-term loans and advances	17	15	13
<b>Current assets</b>	<b>150</b>	<b>135</b>	<b>98</b>
Inventories	114	97	71
Trade receivables	17	20	17
Cash and bank balances	8	7	5
Short-term loans and advances	11	11	5
<b>Total Assets</b>	<b>245</b>	<b>227</b>	<b>168</b>



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