



“KDDL Limited
Q4 FY26 Earnings Conference Call”

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**MANAGEMENT: MR. YASHOVARDHAN SABOO – CHAIRMAN AND
MANAGING DIRECTOR – KDDL LIMITED
MR. SANJEEV MASOWN – CHIEF FINANCIAL OFFICER
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MR. PRANAV SABOO – MANAGING DIRECTOR AND
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Moderator:

Ladies and gentlemen, good day, and welcome to KDDL Limited Q4 and FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call.

These statements are not the guarantees of future performance, and involve risks and uncertainties that are difficult to predict. Should any restrictions during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yashovardhan Saboo, Chairman and Managing Director of KDDL Limited. Thank you, and over to you, sir.

Yashovardhan Saboo:

Thank you. Good afternoon, everyone. Thanks again for joining us on the KDDL Limited Q4 and FY26 Earnings Conference Call. I hope you've had the opportunity to review our financial results and investor presentation recently posted on the company's website and stock exchanges.

I'm joined today by our CFO and Executive Director, Mr. Sanjeev Masown; and SGA, our Investor Relations Advisors. I'm especially pleased that today Mr. Pranav Saboo, Managing Director and CEO of Ethos, is also with us.

Last year, after the end of FY25, which had seen a major correction over the previous year, we had promised you of a recovery in FY26. I'm very glad that despite the challenging business environment, we have done even better than expected with very good results, which I'm sure you have noted. It is in our nature in our DNA to be cautious in our promises, but aggressive enough performance. We've always been happy to deliver better-than-expected results.

As is known to all of us, the global economic environment during FY26 remained uncertain and volatile, and this is continuing even now. The global watch industry also operated in a challenging environment during the year, weak consumer demand in key luxury markets, particularly China and certain parts of Europe, continue to weigh on industry growth, while global brands remained cautious inventory planning and procurement decisions amid uncertain macroeconomic conditions.

Despite these near-term challenges, and I say they're near term because I'm very hopeful that things will change, we remain very confident about the outlook of our businesses. Global customers are increasingly prioritizing supply chain diversification, reliability, consistent quality standards and long-term strategic partnerships. This creates meaningful opportunities for companies like us with strong manufacturing capabilities, execution track record and trusted customer relationships.



At the same time, the domestic market environment in India continues to remain encouraging. Rising premiumization, increasing localisation opportunities, strengthening manufacturing ecosystem and healthy consumer demand are supporting growth across multiple segments.

About the watch components business, which is dials, hands and bracelets. Despite the difficulty in the international watch scenario, our watch component business, dials and hands, forged a recovery during the second half of FY26 after a quiet first half.

Even though Swiss watches continue to face headwinds in several markets, we expect H1 FY27, that is this year, to remain relatively stable for the export-oriented business, with growth being more visible during the second half of the year. We expect the domestic business to continue to remain robust, supported by healthy demand trends and increasing localization opportunities within India, which will show up in our growth numbers.

Our continuing growth in a subdued market speaks volumes for the strength of our performance and our capabilities. Over the last few quarters, we have intensified our customer diversification efforts beyond Switzerland. These customers operate at different price points compared to traditional Swiss luxury brands and represent a very good medium- to long-term potential for us. We believe the benefits from these efforts will become increasingly visible over the coming years.

The Bracelet division continues to deliver strong performance, driven by its export business, with deliveries being executed in line with the planned volumes. Bracelets are not covered under the Swissness criteria for Swiss watches, and this provides an advantage to manufacturing of our bracelets in India in the long run.

Based on current visibility, we expect the Bracelets business to continue delivering good revenue growth in this financial year and the next financial year, though margins may be moderated in the near term due to lower price points of newer customers, which are fueling growth.

Now to Eigen, the Precision Engineering division. FY26 has been an extremely successful year for the Precision Engineering business. Revenue grew by more than 35% year-on-year to around INR200 crores, supported by strong momentum across export markets and increasing customer confidence. We remain highly optimistic about the medium and long-term prospects of this business.

Export markets will continue to remain the primary focus area for high growth potential. Our strategy remains to deepen relationships with existing customers, adding new customers and expanding our capabilities selectively. We are undertaking further expansion in this division, with backward integration and process enhancement together with some capacity additions.

About the Packaging division, Ornapac, here also, we witnessed encouraging progress during FY26, with revenue growth growing by over 35% year-on-year. The growth in this business is primarily focused on the domestic needs of international brands, although we expect business to grow in all the segments that we are in.



Supplies to customers, international brands who are sourcing our packaging for the domestic market and the Indian market have already commenced, and the initial response has been very encouraging. While the business currently is showing a loss at its ramp-up stage, we expect the division to become profitable during the second half of the current financial year.

A few words about Ethos. As you know, Ethos declared its results a week ago, and they have been in the public domain. So I'm sure those of you who are interested will have gone through the numbers there. As I mentioned, we have Mr. Pranav Saboo, Managing Director and CEO, on this call, and I'm sure he would be pleased to take any questions that you may have with regard to Ethos.

I would like to add my comments that Ethos have done extremely well in FY26, once again after a record performance this year. And I'm sure this year, with strong growth in number of stores, sales profit and visibility.

Finally, about Silvercity Brands. As you know, this is a company in Switzerland that owns and operates the Favre-Leuba brand. I'm sure many of you have already seen the amazing market success of Favre-Leuba watches internationally, and the amazing stories of satisfied customers, including some top sellers who have chosen Favre-Leuba watches for their use and their collections.

During at the end of the year, Favre-Leuba was already present in over 20 countries, with more than 80 points of sales. Sales is much better than expected in the last fiscal, and most stores are actually short of stock, while we are ramping up production, but this takes time and effort to maintain the quality and the amazing watch pieces that are produced.

We expect to more than double the sales in FY27 and greatly expand our global footprint with exciting new product launches. All of this has been possible, only due to the outstanding and unique vision of the brand guardian, including Pranav and including Patrik Hoffmann, the CEO and Chairman of Silvercity Brands.

Our medium- and long-term vision for the brand remains very ambitious, and we hope that you will continue to enjoy the success stories and numbers from this brand in the quarters and years to come.

From an overall capital allocation perspective, we have planned capex of approximately INR50 crores across businesses during FY27. This includes both maintenance capex and growth-oriented investments aimed at strengthening capabilities, improving efficiencies and supporting long-term expansion opportunities across our businesses.

With this, I would now like to request Mr. Sanjeev Masown to take you through the financial performance of the company.

Sanjeev Masown:

Thank you, Mr. Saboo. Good afternoon, everyone. Now let me take you through the company's financial performance. Initially, I'll be sharing the standalone financial performance. Total



income for Q4FY26 stood at INR145.3 crores, and it grew by almost 42% Y-o-Y over the last year same period. And for the full year, the revenue was INR506 crores, and which grew by almost 31.9%. When I say INR506 crores, it includes only the operational income and not the non-operational income..

EBITDA for the Q4FY26 was at INR36.4 crores, and it grew by 87.6% Y-o-Y. While for the full year FY26, the EBITDA was INR116.9 crores, representing a growth of 32.2% Y-o-Y. EBITDA margin for Q4FY26 was ever highest at 25.1%, and for the full year, EBITDA is 23.1%. PAT for Q4FY26 stood at INR19.8 crores, with a PAT margin of 13.6%. And for the full year FY26, PAT stood at INR76.6 crores with a margin of 15.1%. During the year, the company invested approximately INR34 crores for the capex in the various divisions.

And now coming to the consolidated financial performance. Total income for the Q4FY26 was at almost INR585 crores, and it grew by almost 35.6% Y-o-Y. And for the full year FY26, the revenue was INR2,207.8 crores, and it grew by almost 30.3%. EBITDA for the Q4FY26 stood at INR95 crores, growing by 25.2% Y-o-Y. While for the full year, EBITDA was at INR363 crores, representing 18.3% growth over the previous year.

EBITDA margins for Q4FY26 at a consolidated level was 16.3% and for the full year, almost at a similar level of 16.4%. PAT for Q4FY26 was at INR34.5 crores with a PAT margin of 5.9%. And for the full year, PAT was at INR135.2 crores with a margin of 6.1%.

Now when we exclude Ethos in the consolidated financial results, the watch component business in the manufacturing reported revenue of almost INR240 crores as compared to INR200 crores in the previous year. So registering a growth of almost 20% Y-o-Y.

In the Precision Engineering business, the revenue during the year is INR200 crores compared to the previous year revenue of INR147 crores, reflecting a growth of 35% plus Y-o-Y. Ormapac, where the base is much lower, the last year revenue was around INR17 crores and during the current year, we reported INR23 crores, representing a growth of almost 37%. And with this, now, I open the floor for the questions and answers. You are free to ask the questions which you feel are relevant. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, the bracelet is a part of the watch component in that INR240 crores or should have a number separately?

Sanjeev Masson: No, the bracelet is separate. Not a part of the INR240 crores.

Pritesh Chheda: Okay. So, can you give the bracelet's revenue?

Sanjeev Masson: Around INR40 crores.



Pritesh Chheda: Okay. The other question is on the two capacities that you've put, one is for packaging and the other for bracelet, what kind of peak revenue is possible from those capacities?

Yashovardhan Saboo: Sorry, what do you mean by peak revenue? Pritesh, why don't you ask all your questions at one go so we can tackle them all?

Pritesh Chheda: No problem, sir. So, my second question is on the peak utilization of these 2 capacities of 2 businesses, bracelets and packaging, what can be the revenue on peak utilization? My other question is if you could share the outlook on the growth in precision components, what kind of visibility or backlog or growth that you see in precision, is the other question, sir.

Yashovardhan Saboo: Okay. So it's a little bit hard for us to sort of define what is the peak utilization because both capabilities and capacity in our kind of businesses, they expand incrementally. When a capability expands our capacity in terms of value also expands. So let us say I added 1 machine today. It gives me a new capability to make a slightly higher value bracelet or a different type of bracelet, which also adds to the value.

So it's hard to say that and add to that the fact that we are continuing to do the capex required for our better capability and quality and capacity enhancement, as I told you, both in packaging as well as in bracelets. So, it's hard to speak about what can be the turnover at peak utilization. I think what is important is to speak about what we expect the turnover or revenue to be from these businesses in the current year. And this brings me also to your second point as to how do we see the outlook for the Precision Engineering business -- for both the businesses.

Pritesh Chheda: Sir, you may want to give then the outlook for all the 3 Precision, Packaging and Bracelet, sir?

Yashovardhan Saboo: So for Bracelets and for Precision Engineering, we believe medium term to long term, we find it hard to predict as to what's going to happen in 1 quarter or 2 quarters. But in the medium and long term, both these businesses we believe they will grow at about 25% CAGR. The watch component business will probably grow a little bit less than that. But again, a lot depends on how the macroeconomic environment changes. It could well grow faster as well.

Pritesh Chheda: So just clarifying, 25% is for Precision, Packaging and Bracelets, all, right?

Yashovardhan Saboo: Yes.

Pritesh Chheda: Okay. Any color on the margins based on the product mix or any changes on the gross margin when one segment vis-a-vis the other?

Yashovardhan Saboo: It's very hard to say that. In today's environment, it's extremely hard to say that Pritesh, as you will know. We are facing very challenging environments in markets with our customers and so on. If we need to compromise margin a bit for strategically gaining market share and gaining new markets, we've always used that tool in our strategy kit.



We try to protect margins, but we also protect the growth of our business. So it's hard to predict which way it's going to go. You have seen the margins have remained stable. What we can say is that we do not expect any great change in the margin picture over this year.

Pritesh Chheda: So last 2, what's the size of Favre-Leuba brand now? And these capexes that you put every year, usually at what asset turn these capexes are put? And these are my last 2.

Yashovardhan Saboo: I'm not sure if we would like to share those numbers with you right now. Those are confidential numbers. But as I said, Favre-Leuba is doing excellently well. The results have been better than expected. We are selling more quantity than we expected. Stores have less than the stock they need, and we are doing everything possible to ramp up the supplies.

It takes a little bit time to ramp up with this quality and the kind of components that we use. But yes, We will see a very strong growth in numbers as well as the footprint of the brand globally.

Pritesh Chheda: An asset turn of the capex is -- annual capex that you do, let's say, this year, you said INR50 crores.

Yashovardhan Saboo: That's not a number that we can share, unfortunately, Pritesh.

Pritesh Chheda: okay, sir.

Yashovardhan Saboo: Thank you.

Pritesh Chheda: Thank you very much, sir. Thank you.

Moderator: Mr. Kunal your line has been unmuted. Please go ahead with the question.

Kunal: Yes. Hi. Very good afternoon sir and congratulations on amazing set of numbers. I have three questions. One, the first one is how much has been the volume growth versus value growth in this quarter --and also in the full year for the standalone division?

Yashovardhan Saboo: Which business are you talking about?

Kunal: The standalone business, which includes the watch component and Eigen.

Yashovardhan Saboo: Okay.

Kunal: Yes. The second question is the capex, INR50 crores, is for watch component, Eigen and Favre-Leuba, everything included? Or it's just for the standalone business that is watch component and Eigen and all of that.

And the third question is, in the bracelet division, which currently is about INR40 crores, how do we plan to grow at 25%. Currently, we have been doing steel bracelet. Are you going to diversify from steel to other materials also? Or is it going to be only steel bracelet? These are



my three questions. And one more, on the EBITDA margin as well, if you can throw some light on that.

Yashovardhan Saboo: So Kunal, first of all, volume in the manufacturing business is something that we actually don't really combine and take it up, because these businesses make a very diverse range of products. Hands are produced in millions, boxes are produced in thousands, dials are produced in lakhs...

Kunal: Sir, I am not asking the unit, I am asking in terms of percentage, how much has been so

Yashovardhan Saboo: I'm saying that because the volumes are so disparate, it doesn't make sense for us to combine them. Because today, we are making small quantity of very expensive products and it means more to larger quantities. So quantity is not something that we count really.

Maybe individual businesses at an operational level they may be doing, but on a financial level, we don't really sum up the volumes. So I'm not sure I can answer that question meaningfully at any time.

As far as the capex is concerned, the INR50 crores that I mentioned is in the standalone business. In our businesses, it includes bracelet, it includes watch components, it includes the precision engineering as well as packaging. So it's across that. It does not include investments made by subsidiary companies such as investment in brands, Favre-Leuba and so on.

And bracelets, –80% of the metal bracelets in the world are steel, right? So, while we are not ruling out going into other metals, but right now, there is a huge scope in development of steel bracelets. And there is a global need for that. and we are experiencing that need. So that's why we believe that a 20% to 25% growth in the bracelet division is quite evenly possible.

Kunal: Okay. And sir, any new customers outside Switzerland, can you give some flavor on which geographies are we targeting?

Yashovardhan Saboo: first of all, I want to say that Switzerland is still by far, the largest in terms of value.

Kunal: Correct.

Yashovardhan Saboo: So, it's like -- I don't want to give the impression that other countries are out there taking major market shares. But there are other countries where watch making is developing. And some of these countries, watchmaking was already there in the past, and it is seeing a revival. Germany has always been a strong sort of traditions of watchmaking, so it is reviving in Germany, reviving in France, what is a little known is that, watchmaking in the world actually originated in U.K. And U.K. is seeing a strong revival in watchmaking.



The U.S., which has some very well-known brands in the past, is seeing a revival. And of course, for us, we have not been present in the Japanese market. Everyone knows Japan's strength in watches. So we are seeing that also as a potential future market.

Moderator: Thank you. The next question from the line of Kanish Gupta from SM Family Office. Please go ahead.

Kanish Gupta: Yes. It's great to speak with you. My first question would be to Mr. Pranav. As post-IPO commentary in the conference call, He said about, 10x revenue in the next 10 years and I would like to hear on brief about that. And second question would be how do you think about onboarding ultra-high horology brands like Patek...

Yashovardhan Saboo: Sorry, ultra-high, sir your voice is echoing.

Kanish Gupta: Yes. I'm asking about onboarding ultra-high horology brands like Patek and AEP, given their preference for mono-brand retail?

Yashovardhan Saboo: Okay, any other questions, Ganesh?

Kanish Gupta: No, sir, those were the 2 questions.

Yashovardhan Saboo: Okay. Great. Pranav, would you like to answer them?

Pranav Saboo: As I had mentioned that we are at the time that we listed the company, we had mentioned our goal of growing 10x in 10 years. And I think that we are ahead of that vision, that requires us to give a 25.9% or 26% CAGR.

I think we've been delivering that through the good and the bad times, and I don't think that our vision has changed. I'm committed to delivering that vision. And I feel very confident that our teams have the resources, the partnerships and the energy to be able to deliver that vision on time.

We have crossed 100 boutiques this year. And I do believe that if things go well, we should be doubling our network of boutiques in the next 3 years. And we are executing as per our vision of the 10x in 10 years, given at the time of listing of the company.

Talking about ultra-high-end brands, our vision is to serve the Indian customers through whatever means or whatever routes or formats that serve the customer and the brand the best. Our job is to be able to create stakeholder value for everybody.

If a brand feels most comfortable in a mono-brand environment, which is an environment that is exclusive to them, then we will deliver on that as well. In our network, we have a lot of brands that have mono-brand boutiques, and we performed very well with them.



At the same time, we want to ensure that our business is not built on only upon supply-constrained brand. And we want to make sure that in our vision, supply doesn't become a constraining factor for our growth.

However, we have respect for all these brands that want to come in, and we believe that we will be able to represent many of them to the best of our ability and really be able to set benchmarks around the world.

Kanish Gupta: Sir, many congratulations on the century of boutiques, you hit with Ethos. And I want to know anything about the connection with Audemars and Patek particularly growing...

Yashovardhan Saboo: Thank you, Ganesh. Maybe you can come back later?

Pranav Saboo: Sir, I will not be able to answer in particular brand-wise connection.

Moderator: Thank you. The next question is from the line of Yash Sonthaliya from Edelweiss Public Alternatives. Please go ahead.

Yash Sonthaliya: Yes. So my questions are regarding KDDL majorly. So first of all, can you help me with a standalone revenue and EBITDA for Q4 and full year, adjusted for currency movements and impact of currency?

Second, I want to understand like our ambition or our goal of 25% CAGR in Eigen, can you give us some color about how we are aiming to do that by adding more customers or getting more wallet share of the customer or something else?

Third, a follow-up on the dials business, like in the PPT, you have given a growth number. And also, like we are saying if the headwinds on the industry from China and some other markets revised, we can have a better growth. So this 11%- 12% growth I want to understand, is it including that headwinds or if those headwinds go away, where can this growth can go?

And last on Favre-Leuba, like you said, we are expecting to double our sales. So can you give us some quantitative numbers like the new watches, which we sold on new plus old, and how much we are envisaging for next year in volume terms, if you can help me for that. Thanks.

Yashovardhan Saboo: So I'm going to let our CFO, answer about currency. I'm not sure if that's a number that we can easily share. But Eigen, actually, the answer is very simple. All of the things you mentioned, all of them, deepening and as I mentioned this in my short address as well, deepening existing customer relationships, new customers and new products and capabilities.

So the growth has come from these steps, and it will continue to come from this step. I want to point out that actually, our market share in the business of precision stamping is extremely small. So there's a huge headroom for growth. And so I believe all the 3 avenues will be used for the growth.



As far as dials is concerned, it's not only that. I mean, I always talk about dials and the watch components in general. And yes, if the environment in the global markets for expensive watches for our export the brand that we exposed to, if that improves, then we expect that the growth can go higher than 11% or 12%.

As far as Favre-Leuba is concerned, I'm not sure if we can share exact numbers, but as I told you, we have sold more than what we were projecting. And we expect to double the sales in the in this financial year.

Sanjeev Masown: What is actually the third question regarding the currency? I have not understood. What do you mean?

Yash Sonthaliya: So, I wanted to understand, adjusted for any gains or losses for currency, what is our revenue growth and EBITDA margin?

Sanjeev Masown: We do not calculate adjusted with the currency, especially at a console level, broadly, it gets even netted out because in KDDL, where the exports are there, we stand to gain. And in Ethos where main imports are there is a forex loss, so at the console level it gets netted off.

Yash Sonthaliya: Yes. Sorry. So, my question was more on standalone, like we have seen a huge jump in EBITDA margin. And my understanding is some part of it is because of currency

Sanjeev Masown: Yes. That has nothing to do only with this exclusively with this quarter. So over the full year, currency movements have been there. And we are mainly exporting to Switzerland and the CHF being a strong currency, we do stand to gain.

But I think going forward also it is expected to remain at similar levels or the strong level. And it's difficult to quantify that over INR1 or Swiss franc leading to how much of my EBITDA margin.

Yash Sonthaliya: Yes. Got it. Got it. Thank you. Thanks for answering all my questions.

Moderator: Thank you. The next question is from the line of Ajay Suriya from Niveshaay. Please go ahead.

Ajay Suriya: Thanks for the opportunity. Sir, my questions are primarily on the Precision Engineering business. Sir, we were to come up with the new capex in Bangalore, so wanted to ask it has that commission or will the commission in Q1?

And also the new capex, which we are talking about, if we can give the breakup line, is that to be more on the Precision Engineering business or on the Phase 2 of bracelet division which we were to maybe lower sometime after the success of our first phase, one.

Also, sir, second question is on the bracelet division, you mentioned that current revenue for this year is, I guess, if I heard it right, around INR40 crores, so maybe if you can help us understand the utilization level for bracelet division at this moment?



And how are we expecting that utilization to ramp up going forward? And on the customer front for the bracelet division, I guess it was just one customer who was driving this segment. So as we are winning any new customers or any progress on that, that will be a big help sir. Sir, third question is again the Precision Engineering...

Yashovardhan Saboo: So Ajay there are -- Ajay sorry, there are a lot of participants waiting. So maybe you can limit your questions to 2, please, and come back later.

Ajay Suriya: Sir, just last one if I can squeeze in. Sir, just on the Precision Engineering, I mean, majority of the revenue has been driven by a global OEM for which we were supplying the Busbar products.

So wanted to understand like is that like we are putting up this capex bagged by the orders maybe or confirm visibility from the OEMs or we have one new customer also on that, so maybe on that, if you can just add something.

Yashovardhan Saboo: So let me answer your questions on the bracelets. We are adding new customers. Capacity utilization on the capacity that was existing was about 75% to 80% this year. As I told you, we are continuously adding capacity, and it doesn't happen with one big jump. We are incrementally adding capability and capacity, all of which leads to our revenue growth.

So this will go up this year. And it will go up not only due to that, but also due to the addition of new customers. As far as Eigen is concerned, I will let Sanjeev answer that. And you had one question on capex? ...

Ajay Suriya: Yes. Yes.

Yashovardhan Saboo: Which also Sanjeev, I think Sanjeev is going to answer.

Sanjeev Masown: Yes. Hi Ajay, I think you asked a few questions regarding the capex.

Ajay Suriya: Yes.

Sanjeev Masown: Let me tell you, as far as the Eigen capex is concerned, which we started last year that is still under progress. Hopefully, in the next 3 to 4 months, its backward integration of some of the processes which we are planning to do through this capex will be commissioned, and we will start utilizing the facility.

Going forward, for the next year, when we have shared that approximately INR50 crores is planned to be invested in the capex, it is spread over all the businesses. But the major part will be for the Precision Engineering and the bracelet. And as we progress and based on the need and the development in the market, the investments will be done.

You also asked about something about the busbar and exports to the customer. So for us, I think you need to understand, Eigen as such is not a product selling company. For Eigen, it does not matter whether it's a busbar or some other component for some other applications, we continue to remain a capability selling company, and we will continue focusing into that.



So there are avenues -- there are opportunities into the different products and to the different segments. And that has been our strategy, and that will continue to remain our strategy for the going forward approach. So it does not matter whether we are supplying busbar tomorrow, the customer changes and something else comes up. We will keep selling our capability.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Sir, congratulations on very strong performance across both KDDL Standalone and Ethos as well and Ethos, specifically because the team has achieved the key milestone of 100 stores plus the format has been sort of delivering a significant growth of outperformance versus the other consumer names.

Just 3 questions from my end, sir, do we have anything significant demand elasticity to inflation as we are entering into that phase going into FY27. So based on your historical experience, do we have any evidence of maybe some growth impact due to higher inflation?

Second, on margins, I wanted to check, from a P&L perspective, last year, our store expansion was quite aggressive. So that impact of new store additions is already in the P&L now. So can we assume that the worst is behind us from a margin perspective, and incrementally from here on, we should see margins improving?

And thirdly, quite a commendable performance on working capital front, there is a sizable optimization that has happened in FY26. So I wanted to check if you could highlight a few key initiatives as well as whether we can expect a continued improvement on this front going ahead of them? So yes, these are my questions.

Yashovardhan Saboo: I'll let Pranav answer the questions on Ethos. As far as demand elasticity is concerned, you are talking about price elasticity. if inflation goes up, will demand suffer? We made to order products, right? So they are made specifically for customer-specific needs.

So it's not really going to be impacted if there is inflation and if some of this has to be passed on to the customer, it doesn't usually impact. But in the end, it also depends on how much is the overall general inflation, right? If there's overall inflation and uncertainty and demand globally let's say, growth globally dips, right, then everyone starts to make corrections in their stocking, in their inventory and their purchases.

So that is a different thing is where the global demand drops. We don't see that impacting us right now. Even last year was uncertain and quite heavily impacted year. We all know that. But we have seen the growth that has happened. And we believe that if things moderate from here on and stabilize, we will be pretty much on track.

So there is not that much of an issue if there is a little higher inflation on our demand. That's what I wanted to say. for the Ethos questions on margin and working capital, Pranav, will you take them, please?



Pranav Saboo:

Thanks for the questions. I think our focus, as you know, right now, will remain upon increasing our network because we believe that the opportunity in India is massive. And I believe that no one else is better equipped to take on this opportunity and deliver customer excellence as we are.

Our focus right now is a further acceleration on store openings. Yes, this has been the most accelerated development this year. So our costs getting baked in, yes. However, setting directionally, for us to be able to double the network in the next 3 years is my goal. Maybe it will take 4 years. My goal is to double the network in the next 3 years.

I do believe from a margin perspective, a little bit depends upon currency fluctuation. I think that if currencies stabilize, we are in a good position. And I think it's hard to say whether it's bottomed out or it's going to be better, etc.. Our focus is to keep making sure that it becomes better.

I know that if the Swiss franc or when the rupee stabilizes, the full price will be passed on and I don't see any impact on volumes type of luxury prices or price of luxury products is priced on. It's just that we do it every 6 months. And in luxury, we want to make sure that price, once a certain currency has reached a certain stage, we do it after we feel that fundamentally, it's there to stay. We don't want to be correcting our prices. So therefore, there's a time gap in it. Once it stabilizes, I do believe margins will become better.

Is there costs that are increasing in making sure our foundational layers are better? Yes, today, we want deeper relationships with our brands. For example, we have dedicated brand managers, etc. Those are the costs that have come in already. A little bit may come in.

As I had mentioned earlier in my interactions as well, we're going through this 3-year investment cycle, after which, it will start to pay off very, very well. This year, April was a fantastic month, in fact, one of our best months in terms of growth. And we are continuing to focus on growth over everything else at this point of time.

In terms of working capital, we are making massive investments into our merchandising team, into our processes and into strengthening our relationships much more with our brands so that they understand deeply what sells, what doesn't sell in India and to be able to create a product specifically for this market. We've gone from nearly 247 days of inventory to 221 days at cost, right? It is something that we're going to be focusing on.

I had announced that we are doing an AI lab, AI lab is an internal thing, to be able to help all our departments make better decisions, right, in terms of space, in terms of capability, and our biggest focus area will be on furthering better.

So we do expect that in mature stores, working capital will be looked at much more efficiently and will be looked at, at a much more granular level with the team sizes increasing and their KPIs being linked to it.



Moderator: Thank you. The next question is from the line of Pranjal Mukhija from GrowthSphere Ventures LLP. Please go ahead.

Pranjal Mukhija: Sir. Thank you for giving me this opportunity. I have a couple of questions. So firstly, on the bracelet side, maybe 2 to 2.5 years back, I got an opportunity to visit the plant. So around then, we are talking about that the current capacity of bracelets will be close to 70,000-75,000 units per year and will incrementally increase it to a much larger number, given the fact that a lot of the Chinese players -- I mean, the smaller players are also doing some 300,000 units capacity. can you just share some road map on how this capacity will increase here?

The second question on Eigen basically. Just wanted to understand, like now that we are further expanding the capacity here, if you could just provide the capacity before the addition and what would be the total capacity post the expansion?

And secondly, like you mentioned that we're also thinking of backward integrating here. So does that mean that you think of entering into forging costing, that kind of a setup? And one question on this, I wanted to understand, currently, in Eigen, what kind of metals are we dealing with? It's primarily steel or like some other metals also we're dealing with because of the other industries like aerospace and global consumer electronic industry and all. So these are my 2 questions, sir.

Yashovardhan Saboo: So second question. First, I'll just have a go at it. Sanjeev, you can supplement it. Again, it's hard to specify or calculate in terms of capacity. I know you want to plug in a number in your model over there. But if you remember seeing the Eigen factory or the bracelet factory when you saw both of them, there are many different products that are made. And how many products we can make really depends on what is the mix of orders that we get.

We can get orders, 3 orders for 1 million pieces or we can get 20 orders for much smaller numbers. So we don't know. So it's -- we don't really calculate quantity in terms of what is the changes of production or units of production. We tend to see it in terms of value. And as we have said that we expect value to grow at about 25% CAGR.

As far as the bracelet is concerned, you are right, 75,000 was the approximate kind of capacity. As I told you, we are at about 80%. It is true that China have larger plants. Many of the larger plants actually make a much lower quality. So that has to be taken into consideration.

This is a fact across businesses in every industry, the Chinese factories are larger than Indian factories, and it's not easy for Indian factories to match the scale of China. I'm not saying anything new. That's unfortunately a reality of manufacturing in India. However, our plan is to compete with China, not always on price, but on quality and producing and delivering the best value.

Our goal is not really to race with China on producing cheap parts, but to race with the best in the world on producing higher quality and delivering high value. So the expansion in bracelet,



I've already spoken about it earlier, so I'm not going to say that again okay? So, I hope that answers your questions, Pranjal.

Pranjal Mukhija: On the expansion front, in terms of what is the output actually, this is just a follow-up, like my question was not answered completely.

Yashovardhan Saboo: So as I told you, we tend to look at it's important that we understand that we look at our in terms of value. What is the value of production that we have given. Value I told you will grow by about 25%.

Pranjal Mukhija: Sir, not the sales part. If you could just provide like how much the production area has increased or the facility has increased and a little bit on the backward integration, but what exactly what are we thinking of doing in backward integration?

Sanjeev Masown: The backward integration is in our plating process, which we were getting it done outside. Now for further ensuring the quality and the consistency as well as the ramp-up of the volumes which are happening, we want to bring this process in-house. That's a backward integration of that.

And you asked about the earlier these revenues with which Saboo has already answered. And the capacity in terms of prices –because it is very difficult, we make parts, which are INR0.02 and we make part, which is INR200. Going forward, the only thing which has to be seen is what is the growth possible....

Pranjal Mukhija: Sir, in terms of size, if you could quantify, how big is the...

Sanjeev Masown: We cannot quantify.

Pranjal Mukhija: Okay.

Yashovardhan Saboo: And whenever we are visiting next time, we organize a factory visit, you are welcome to come there, and we can show you why it is difficult to quantify. It doesn't mean anything. If we were to say 5 million components, it doesn't mean anything.

Pranjal Mukhija: All right, sir. I understood. Thank you. Thank you for giving me this opportunity.

Moderator: Thank you. The next question is from the line of Sujal Jhanwar from Opportune Wealth Advisors Private Limited. Please go ahead.

Sujal Jhanwar: Sir, first question is on part of bracelet division, that if you are expanding and increasing the capacity, are we like on the bracelet part of division? Increasing the capacity or doing the backward integration?

And my second question is in the part of side like the Precision Engineering that in the part of how much capex you are doing for the Precision Engineering and this is for also backward integration, am I right?



Sanjeev Masown: Just a moment.. So I think you have not understood properly. The backward integration is being done in the Precision Engineering business, not in the bracelet.

Sujal Jhanwar: Okay.

Sanjeev Masown: So that is the rating process for the Precision Engineering business. As far as the bracelet business is concerned, there, we are planning the some capacity increase in line with the market requirements. But what more is your specific question regarding the bracelet?

Sujal Jhanwar: So for bracelet, Doing expansion in the bracelet division. So how much increment capacity are you building for the bracelet?

Yashovardhan Saboo: Again, you tend to look at it in terms of quantities. We tend to look at it in terms of value and capabilities. But if I were to say that, I think we are going to expand from the current or from the original level of about 75,000 over the next 12 months to about 110,000 to 120,000.

Sujal Jhanwar: Okay, sir. And sir, one last question on the part of overall revenue, part on the standalone KDDL. Is it more of volume growth or realization increment happen on the top line? That is my last question.

Sanjeev Masown: It's the same question with the different shades of the same and look for us, we are always concerned about the value growth. Whether it comes through a mix of the segment growth, whether it comes through the volume or whether it comes to the average realization, so neither we monitor nor we feel that's important to monitor.

Moderator: Thank you. The next question is from the line of Prateek from Bandhan AMC. Please go ahead.

Prateek: Sir, all my questions are related to Ethos. The first question is performance of new stores, which we have opened in the last year, which is around 25. How are they performing in terms of payback experience. That is question number one.

The second is a ASP on FY25 versus FY26 is kind of flat. So how should we think about that?

And lastly, on CHF cover obviously, look the CHF is now 122 versus it was 106 when you had at Analyst Meet. So how much have you covered for and what's the journey left?

Pranav Saboo: I didn't understand the last question.

Yashovardhan Saboo: How much of the CHF exposure do we cover?

Prateek: No, no. I think, sir that was not the question, the pricing. So essentially rupee, versus CHF was 106, now it's like 122. And obviously, we pass this increase in prices gradually. So how much have we passed on and how much is left to be passed on, which is hitting our gross margin?



Pranav Saboo:

Understood. Now, I got it. It's different for different brands, but I'll answer it. So the first question was on how's the experience on new stores. It is as per expected line. It is exactly what we thought it would be. We are monitoring this as you go into Tier 2 cities, it takes a little bit longer, but then costs are also lower.

So it is as per expectation. And year one of an accelerated expansion gives us the confidence to continue our acceleration. And as I announced that we will be opening many more stores this year in the next three years, we are signing on aggressively locations because we are confident on how well we are doing with these boutiques

Is it sometimes a mixed bag? Yes. But is it ever horribly wrong? No. Until now, we have not a single decision are we regretting. Some may take a little bit longer than the other. So a store like Srinagar may reach its year one goal or its annual running rate of year one. In six months, a city like Kanpur has already exceeded it in the first month. So, it's a good mix. None of them do we regret.

The second question was on -- I forgot the second question.

Yashovardhan Saboo:

ASP.

Pranav Saboo:

The ASP we are not focusing on ASP increase. That is not our focus. As we go into Tier 2 and Tier 3 cities, it is natural that volumes will increase faster because the kind of stocking we do over there is different. We were, in the first three years, after the listing, we had taken more luxury positions.

Our luxury expansion will be more calibrated because of the fact that we feel we are the ultra-luxury, because of the fact that we feel we are well exposed over there orwell entrenched over there. It's not that we've covered it. But the growth is on the ultra-ultra luxury where we're talking INR50 lakhs- INR1 crores, etc.

The growth on the price they are where the brands are more in the INR1.5 lakh to INR3.5 lakh, to INR4 lakh rupee price point that will be an aggressive rollout over there. And it's into Tier 2 where it matches better. Tier 2 customers, will they also order a INR1 crores Jacob or INR1 crores Watch once in a while? Yes, but we don't need to stock that over there. That can come in from our main network and we fill in from there.

We will also be launching a format. We believe that the threat from wearables is over, and that allows us a lot of expansion back in a price point between INR25,000 and INR2 lakhs. And that will be a new format that we are working on. It's very exciting, and it will further give us growth into the future.

Prateek:

As this new format is a part of your doubling guidance which you just gave?

Pranav Saboo:

It may not a very significant part, but it will be.



Definitely, we are going to be launching this year a new format over there, which is going to be very exciting, very different from what we have. But we had earlier believed that 10 years back or 7- 8 years ago when Apple Watch had launched, we had decided to go slow in that sector. We believe that threat is over and that there is a lot of expansion possibilities over there as well for us. Brands want to work with us over there. They are welcoming us over there. We've tied up contracts already. So there's a lot happening over there.

This is to specify on your question on ASP. I think for us, revenue growth and margin is important. Again, not so much the average selling price per watch. that's going to be an amalgamation. All verticals are essentially growing. Some may grow faster than the other, and therefore, you might see dipping over here or there. But you'll see very strong volume growth coming in as well.

Your last question on Swiss franc. I think averagely, there is a room for improvement of 7%,- 8% easily over there right now. We are definitely 7%- 8% below what we need to be right now in general. Now it takes time to pass it on for two reasons. One, it is not one brand that is deciding. It is 50 brands that is deciding. Everybody looks at the industry. It is comparative in nature, typically happens once in six months.

And secondly, nobody wants to be raising prices and dropping prices because that erodes customer confidence. And at no point of time do I want to erode customer confidence because there's a volatility in currency, whether it is 1- 2 or 3 years, we'd rather win over customer confidence. That's the difference that I would see. But yes, 7%- 8% will happen now dependeven if the Swiss Franc doesn't move anymore.

Prateek: Sir, when you say expected lines, would 12-month exit from the start of a store mean the breakeven? And the exit might maybe 12 months.

Yashovardhan Saboo: Can we move to other speaker because there are a lot of..

Pranav Saboo: yes, you are right. But we make a move on from that.

Moderator: Thank you. The next question comes from the line of Naman from Sanghavi Family Office. Please go ahead.

Naman: Hi. Thanks for taking my question. Most of the questions are answered. Very good set of numbers. I just wanted to understand that in our precision components business which of these sectors are witnessing the fastest growth of, the EV aerospace, defense, auto components? Could you give us some light on that part, or any visibility in these segments that we are getting for the next year?

Yashovardhan Saboo: Okay. You have a second question, Naman?

Naman: No. it was on electroplating, but that is got answered, right? So, we had already activated that part, correct?



Yashovardhan Saboo: So actually, the way we look at it and the way we are experiencing it, all these sectors that you name, they're actually very robust. So we have to decide where we are going to put most of our focus on. Obviously, EV, the energy storage, these are sectors where we've got momentum. We have relationships. There's a lot of scope to expand that. So that is growing. On electronics, again, there is a lot of momentum.

Our market share in some of these is very small. So as we actually get into the segment and we understand the needs of customers and we sort of tally our capabilities with that, it's like you are standing at the beach and looking at an ocean ahead of opportunities. Now which direction you want to lift, the ocean is large everywhere because compared to our size, the ocean is very large, right? So we have to decide which areas we want to focus on

And as I think we've spoken earlier also. Our focus, because of the momentum that we are getting, is in the EV, the energy storage and the electronic components. We have customers in other segments as well. And if opportunities come up, we will, of course, examine them. But the strongest growth we see are in the sectors I mentioned.

Moderator: Thank you. The next question is from the line of Shreyans from Svan Investments. Please go ahead.

Shreyans: Yes, sir. Two questions. One is on the Ethos. So when we're targeting 2x revenue stores in three years, all these stores are going to be COCO Or do you sort of look at the franchisee way of expanding stores because you spoke about getting into Tier 2 and below, right?

And my second question is when I look at the standalone P&L, sir. Last five years, our revenues would have doubled. But if I just look at the other opex bit, that has grown higher than your revenue CAGRs, right? So I'm just trying to understand, your majority of your portion of, revenues is exports. So you're earning in maybe dollars or CHF, but you're spending in INR. So, shouldn't there be some kind of operating leverage that sort of plays out?

And when I look at your -- the breakup of other opex, it's largely consumables and job work expenses. So just trying to understand, is this volume-specific pay that you give to your contractual labor number of volumes that they do? Or it's a fixed salary? Or how does that work? Because I was expecting some kind of leverage in that line item.

Yashovardhan Saboo: So I mean, obviously, leverage is a part of the business. You said, right, we earn in dollars, and we spend in rupees, but don't forget that the inflation in India, including wage and manpower cost inflation, is far higher than abroad, right? In Switzerland, I'm not sure if you're aware, but in Switzerland, the annual increment that a person gets usually is between 0.5% to 2%. In India, 10% to 11% is pretty much the norm.



So yes, there is operating leverage in that way. But should not overplay it, right? You can't really rely on that because costs in India escalate much faster, which is one reason why the Indian rupee keeps depreciating. I mean that's basic economics, which I'm sure you are familiar with.

As far as the arrangements on labor and contract, there are a mix of arrangements, right? Sometimes, it is dependent on volume. Sometimes it is a combination of volume and time. And in some skills, this can only be time. It cannot be volume. So it's really a combination of many things. And overall leverage comes from the way you approach the business. We don't see the -
- breaking it down into segments like that.

Sanjeev Masown:

I would like to add into that. look only in to the one side of that we earn in the dollars or in the foreign currency, but we do have a lot of import and a lot of expenditure for the market and the business promotion in the foreign currency. So to that extent, we have exposures into that.

And number two, in the last five years, the growth of the different business segments are varied. Watch component growth has been lower than the other businesses where the margins are different. So this is a mix of all those things where it is difficult to point out that only because we are in the currency and then accordingly, margins should improve. But overall, if you plot the last 4 to 5 years, the margins have been at a stable or it has been growing. Yes, there is always a possibility of growing more than what we have grown.

Shreyans:

Sir, my Ethos answer is yet pending, the first question.

Yashovardhan Saboo:

Yes, I can answer that quickly. We have not done anything other than COCO. We are not ruling out anything in the future, but at the moment, we are really focusing on company-owned, company operating stores.

Pranav Saboo:

Also, I said between between 3 years, I just want to make sure that we underline that.

Yashovardhan Saboo:

I can answer that. You know, it's hard to sort of get one quarter performance and try to judge anything by that. you have to look at years and you have to look at a slightly longer term. As I mentioned in my speech, we expect revenues grow 20% to 25%. We expect margins profile to remain within a closed band.

Again, it depends how the product changes in some segments where margins are higher but revenue growth is higher and margins are lower and revenue growth is higher and vice a versa. So it's hard to really take a thing based on one quarter. I wouldn't sort of prorated based on a quarter.

Shreyans:

So just a follow-up on that. In that case, if you could help us understand what drove margins in this quarter?

Shreyans:

6% increase in margins, if you could break it down in terms of operating leverage, better product mix, currency benefits so that we can sort of make some...



Sanjeev Masown: It's difficult to answer. There are different business segments, export domestic mix changing and the growth of the opportunities in the different segments. But more or less, we have already shared the indications of the revenue growth. The EBITDA margins and the overall margins will be in the same band. It's not going to change dramatically either upward or downward.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to Mr. Yashovardhan Saboo for closing comments.

Yashovardhan Saboo: Thank you, everyone. I hope we've been able to answer your questions to your satisfaction. If you need any further clarifications or want to know more, please contact SGA, our Investor Relations advisor. Thank you once again for being part of this call. And thanks, Sanjeev. Thanks, Pranav. Goodbye.

Moderator: Thank you. On behalf of KDDL Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.