Growth Momentum Continues; Maintain BUY

Est. Vs. Actual for Q2FY27: Revenue – BEAT; EBITDA – MISS; PAT – INLINE

Changes in Estimates post Q2FY27

FY27E/FY28E: Revenue: -2%/-2%; **EBITDA:** -13%/-11%; **PAT:** -20%/-16%

Recommendation Rationale

- **Strong Revenue Momentum:** Ethos delivered robust revenue growth of 30% YoY in Q2FY27, driven by healthy SSSG of 15%, continued store expansion and a favourable premium product mix, reflected in an ASP of Rs 2.22 Lc. The company added two boutiques during the quarter and another in Q3FY27 till date, taking its network to 106 boutiques across 35 cities. Additionally, the onboarding of 27 new watch brands and 12 boutique additions further strengthened its portfolio and leadership position in the luxury watch retail segment.
- **Margin Performance:** Gross margin improved 23 bps YoY to 29%; however, EBITDA margin contracted 63 bps YoY, primarily due to higher operating expenses associated with aggressive store expansion, including a 46% YoY increase in employee costs. Additionally, the quarter included a one-off expense of Rs 5 Cr towards the GPHG Exhibition 2026 in Mumbai, which showcased 78 of the 84 nominated timepieces across 14 categories.
- **Expanding Reach Through New Retail Formats:** The company has introduced Hour Studio, an online retail format targeting the Rs 10,000-2 Lc watch segment to broaden its customer reach. Building on its online presence, the company plans to launch its first physical boutique this year, marking the next phase of expansion through differentiated retail formats.
- **Positive Growth Outlook:** Ethos remains well-positioned to sustain growth, supported by continued expansion of its luxury watch and lifestyle portfolio. The company plans to enter five new markets - Agra, Faridabad, Amritsar, Visakhapatnam, and Calicut - while deepening its presence in existing markets. Through Ethos Lifestyle, it is also selectively onboarding global brands and developing new retail concepts and proprietary IP to strengthen its luxury retail positioning. Going ahead, the focus on exclusive brand partnerships, enhanced customer experience, operational efficiencies, and disciplined store expansion is expected to support profitable growth and long-term value creation.

Sector Outlook: Positive

Company Outlook & Guidance: Despite near-term earnings sensitivity to currency movements, the company's structural growth drivers remain intact. **Accordingly, we maintain our BUY recommendation on the stock, with estimates cut for FY27/FY28.**

Current Valuation: 38xSep'28E EPS (Earlier Valuation: 38xJun'28E EPS)

Current TP: Rs 3,320/share (Earlier TP: Rs 3,360/share).

Recommendation: We maintain our **BUY** rating on the stock.

Financial Performance: Ethos delivered strong top-line performance despite a challenging environment, with revenue growth of 30% YoY, and SSSG stood at 15.3% in Q2FY27. EBITDA grew by 23.7% YoY to Rs 61 Cr, while EBITDA margin contracted by 63bps at 12.1% due to higher manpower cost and other expenses. The company's PAT grew by 23.4% to Rs 29 Cr YoY.

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	499	8.1	30.1	468	6.7
EBITDA	61	(1.7)	23.7	62	(2.0)
EBITDA Margin (%)	12.1	-120 bps	-63 bps	13.2	-107 bps
Net Profit	29	2.4	23.4	29	1.5
EPS (Rs)	11.0	2.4	12.9	10.8	1.5

Source: Company, Axis Securities Research

(CMP as of 12th November, 2026)

CMP (Rs)	2,853
Upside /Downside (%)	16%
High/Low (Rs)	3244/1921
Market cap (Cr)	7635
Avg. daily vol. (6m) Shrs'000.	63.7
No. of shares (Cr)	2.6

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	50.6	50.6	50.6
FIIs	10.9	11.3	8.9
MFs / UTI	20.2	20.3	22.1
Banks / FIs	0.0	0.0	0.0
Others	18.4	17.8	18.4

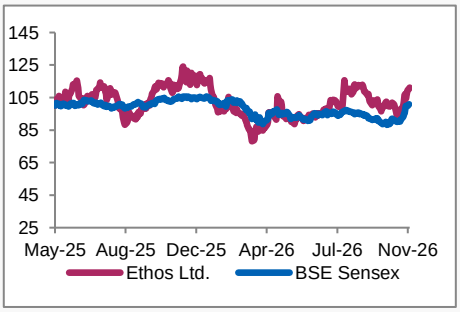
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	1,612	2,016	2,627
EBITDA	208	229	315
Net Profit	98	105	155
EPS, Rs	36.6	39.1	57.9
PER, x	78	73	49
EV/EBITDA, x	35	32	23
ROE, %	7	7	9

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-2%	-2%
EBITDA	-13%	-11%
PAT	-20%	-16%

Relative Performance



Source: Ace Equity, Axis Securities Research

Results Gallery

Q1FY27
Q4FY26
Q3FY26
Q2FY26

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Valuation & Outlook

Ethos remains well-positioned to sustain its growth trajectory, supported by strong demand in the premium and luxury watch segment, expansion into high-growth markets, and an increasing contribution from high-margin exclusive brands. Its diversification into adjacent categories, including Certified Pre-Owned (CPO) watches, lower-ticket watches through Hour Studio, and luxury lifestyle brands such as RIMOWA and Messika through Ethos Lifestyle, provides additional growth avenues while catering to a wider customer base. Further, an expanding retail footprint, portfolio premiumisation and potential improvements in margins and ROCE strengthen the long-term growth outlook. We expect Ethos to deliver a revenue CAGR of 28% and PAT CAGR of 17% over FY25-28E. Given strong earnings growth visibility and an improving return profile, **we maintain our BUY rating, valuing the stock at 38x Sep'28E EPS to arrive at a TP of Rs 3,320/share, implying an upside of 16% from the CMP.**

Key Risks to Our Estimates and TP

- Higher volatility in the currency exchange rate (CHF/INR)
- Slowdown in the luxury and premium segments.
- Slowdown in store expansion
- Increase in competitive intensity.
- Increase in GST on luxury goods.

Change in Estimates

	Old Est.		Revised Est.		% Revision	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	2,051	2,684	2,016	2,627	-2%	-2%
EBITDA	264	354	229	315	-13%	-11%
PAT	131	184	105	155	-20%	-16%
EPS	48.8	68.8	39.1	57.9	-20%	-16%

Source: Company, Axis Securities Research

Results Review

(Rs Cr)	Q2FY26	Q1FY27	Axis Est.	Q2FY27	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
Net Sales	**383**	**462**	**468**	**499**	**30.1**	**8.1**	**6.7**
Gross Profit	**111**	**136**	**137**	**146**	**31.2**	**7.4**	**6.4**
Gross Margin (%)	**29.0**	**29.4**	**29.3**	**29.2**	**23 bps**	**-17 bps**	**-6 bps**
Employee Expenses	28	37	34	41	46.1	11.2	19.8
Other Expenses	34	37	41	44	29.5	18.8	7.9
EBITDA	**49**	**62**	**62**	**61**	**23.7**	**(1.7)**	**(2.0)**
EBITDA Margin (%)	**12.8**	**13.3**	**13.2**	**12.1**	**-63 bps**	**-120 bps**	**-107 bps**
Other Inc	12	13	12	13	8.3	(6.1)	3.1
Interest	7	8	8	7	13.5	(7.3)	(11.7)
Depreciation	21	26	26	27	26.7	1.9	0.9
Share of profit from associates	(1)	(2)		0			
PBT	**32**	**39**	**39**	**39**	**24.2**	**0.7**	**0.8**
Tax	8	10	10	10	26.5	(4.0)	(1.1)
PAT	**24**	**29**	**29**	**29**	**23.4**	**2.4**	**1.5**
EPS	**9.7**	**10.7**	**10.8**	**11.0**	**12.9**	**2.4**	**1.5**

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY26	FY27E	FY28E	FY29E
Net sales	**1,612**	**2,016**	**2,627**	**3,616**
Growth, %	28.8	25.0	30.3	37.6
Total income	1,612	2,016	2,627	3,616
Raw material expenses	(1,145)	(1,443)	(1,847)	(2,438)
Employee expenses	(117)	(151)	(203)	(276)
Other Operating Expenses	(142)	(193)	(263)	(357)
EBITDA (Core)	**208**	**229**	**315**	**545**
Growth, %	9.3	10.1	37.5	73.2
Margin, %	12.9	11.3	12.0	15.1
Depreciation	(89)	(99)	(109)	(119)
EBIT	**118**	**130**	**206**	**426**
Growth, %	(6.9)	9.5	58.7	107.3
Margin, %	7.3	6.4	7.8	11.8
Interest paid	(27)	(33)	(39)	(47)
Other Income	46	44	42	40
Non-recurring Items	-	-	-	-
Pre-tax profit	**133**	**141**	**208**	**419**
Tax provided	(35)	(36)	(53)	(107)
Profit after tax	**98**	**105**	**155**	**312**
Growth, %	1.7	6.9	47.9	101.3
Net Profit (adjusted)	**98**	**105**	**155**	**312**
Unadj. shares (Cr)	2.7	2.7	2.7	2.7
Wtdavg shares (Cr)	2.7	2.7	2.7	2.7

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY26	FY27E	FY28E	FY29E
Cash & bank	662	653	630	640
Marketable securities at cost	-	-	-	-
Debtors	17	22	29	39
Inventory	695	870	1,133	1,560
Other current assets	114	114	114	114
Total current assets	1,489	1,658	1,906	2,353
Investments	38	38	38	38
Gross fixed assets	644	714	784	854
Less: Depreciation	(138)	(238)	(347)	(465)
Add: Capital WIP	-	-	-	-
Net fixed assets	505	476	437	388
Non-current assets	148	148	148	148
Total assets	**2,197**	**2,338**	**2,546**	**2,945**
Current liabilities	679	715	769	856
Provisions	5	5	5	5
Total current liabilities	684	720	774	861
Non-current liabilities	25	25	25	25
Total liabilities	709	745	799	886
Paid-up capital	27	27	27	27
Reserves & surplus	1,461	1,566	1,721	2,032
Shareholders' equity	1,488	1,593	1,747	2,059
Total equity & liabilities	**2,197**	**2,338**	**2,546**	**2,945**

Source: Company, Axis Securities Research

Cash Flow **(Rs Cr)**

Y/E Mar	FY26	FY27E	FY28E	FY29E
Profit Before Tax	**130.9**	**140.8**	**208.1**	**418.9**
Adjustments for:				
Depreciation and Amortisation Expenses	89.5	99.2	108.9	118.7
Write-off / loss on sale of property, plant & equipment	1.1			
Interest Paid	26.6	32.7	39.2	47.0
Effect of Exchange rates on the translation of operating cash flows	(1.3)			
Profit on the deletion of leased assets				
Rent Recession				
Loss / (Profit) on Sale of Assets				
Bad Debts Written Off				
Provision for Bad and Doubtful Debts	(3.4)			
Share of profit of the joint venture	4.6			
Share options lapsed				
Unrealised foreign exchange gain	0.2			
Rent waiver on lease liabilities	(0.1)			
Gain on termination of lease contracts.	(0.7)			
Allowance for doubtful debts/(written back)	0.9			
Allowance for doubtful advances/recoverable	0.1			
Interest received	(39.5)			
Advances/deposits / Bad debts written off	0.4			
Other				
Operating Profit Before Working Capital Changes	**209.1**	**272.6**	**356.2**	**584.6**
Adjustments for :				
(Increase) in loans	(0.0)			
(Increase) In other financial assets	(12.4)			
Trade receivables	0.4	(4.4)	(6.6)	(10.7)
Other financial assets	(39.8)			
(Increase) in inventories	(102.8)	(174.2)	(263.5)	(426.6)
Increase in provisions	4.2			
Trade Payables	54.9	35.6	53.9	87.2
Increase / (Decrease) in Non-Current Liabilities	4.1			
Increase / (Decrease) in Current Liabilities	14.0			
(Increase) / Decrease in Non-Current Assets				
(Increase) / Decrease in Current Assets				
Cash Flow Generated from Operations	**131.5**	**129.6**	**140.0**	**234.5**
Direct taxes paid	(41.9)	(36.0)	(53.3)	(107.2)
A) Net Cash Flow from Operating Activities	**89.6**	**93.6**	**86.7**	**127.2**
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of PPE and intangible assets	(71.3)	(70.0)	(70.0)	(70.0)
Proceeds from the sale of PPE and intangible assets	1.0			
Purchase of Investments	-			
Investment in bank deposits (having an original maturity of more than three months)	(426.3)			
Others				
Interest received	21.0			
Net Cash Used in Investing Activities	**(475.5)**	**(70.0)**	**(70.0)**	**(70.0)**
C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from the issue of equity share capital (including premium)	590.5			
Proceeds of Long-Term Borrowings (Net)	(0.1)			
Share issue expenses	(9.1)			
(Repayment) of LONG long-term borrowings				
Proceeds from/of other current borrowings (net)	(1.8)			
Repayments of other current borrowings (net)				
Payment of the principal portion of lease liabilities	(45.1)			
Proceeds from the repayment of current borrowings				
Interest paid on lease liabilities	(32.1)	-	-	-
Interest expense paid	(0.7)	(32.7)	(39.2)	(47.0)
Net Cash Used in Financing Activities	**501.5**	**(32.7)**	**(39.2)**	**(47.0)**
Net Increase/ (Decrease) in Cash and Cash Equivalents	115.6	(9.1)	(22.5)	10.2
Cash and cash equivalents as of 1st April	28.5	144.1	135.1	112.6
Cash and cash equivalents as of 31st March	144.1	135.1	112.6	122.8

Source: Company, Axis Securities Research

Ratio Analysis (%)

Y/E Mar	FY26	FY27E	FY28E	FY29E
Per Share data				
EPS (Rs)	36.6	39.1	57.9	116.5
Growth, %	(6.9)	6.9	47.9	101.3
FDEPS (Rs)	36.6	39.1	57.9	116.5
CEPS (Rs)	70.0	76.2	98.6	160.8
CFPS (Rs)	183.7	6.4	2.2	15.2
Return ratios				
Return on assets (%)	6.9	6.1	7.9	13.1
Return on equity (%)	6.6	6.6	8.9	15.1
Return on capital employed (%)	9.9	8.7	11.4	18.5
Turnover ratios				
Asset turnover (x)	1.9	2.0	2.2	2.6
Sales/Total assets (x)	0.9	0.9	1.1	1.3
Sales/Net FA (x)	4.8	4.1	5.8	8.8
Working capital/Sales (x)	0.1	0.1	0.2	0.2
Receivable days	4.0	4.0	4.0	4.0
Inventory days	157.5	157.5	157.5	157.5
Payable days	37.0	36.3	36.6	37.9
Working capital days	33.5	52.7	70.5	86.5
Liquidity ratios				
Current ratio (x)	2.2	2.3	2.5	2.7
Quick ratio (x)	1.2	1.1	1.0	0.9
Interest cover (x)	4.3	4.0	5.2	9.1
Total debt/Equity (%)	0.2	0.2	0.2	0.2
Valuation				
PER (x)	77.9	72.9	49.3	24.5
PEG (x) YoY growth	(11.3)	10.6	1.0	0.2
Price/Book (x)	5.1	4.8	4.4	3.7
EV/Net sales (x)	4.5	3.6	2.8	2.0
EV/EBITDA (x)	35.1	31.9	23.3	13.4
EV/EBIT (x)	61.7	56.4	35.6	17.2

Source: Company, Axis Securities Research

Ethos Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
17-Feb-25	BUY	3,070	Result Update
16-May-25	BUY	3,150	Result Update
18-Aug-25	BUY	3,090	Result Update
10-Nov-25	BUY	3,170	Result Update
09-Feb-26	BUY	3,020	Result Update
13-May-26	BUY	2,620	Result Update
04-Aug-26	BUY	3,360	Result Update
01-Oct-26	BUY	3,360	Company Update
13-Nov-26	BUY	3,320	Result Update

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.