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ethos

WATCH  
BOUTIQUES

ETHOS LIMITED

Our Company was originally incorporated as 'Kamla Retail Limited' under the provisions of Companies Act, 1956, at Parwanoo, Himachal Pradesh, pursuant to the certificate of incorporation dated November 5, 2007, issued by the Assistant Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh. Subsequently, the name of our Company was changed to 'Ethos Limited' pursuant to a special resolution passed by the Shareholders of our Company on March 2, 2012, and a revised certificate of incorporation was issued by Registrar of Companies, Himachal Pradesh on March 5, 2012. For further details in relation to change in name and Registered Office of our Company, see "History and Certain Corporate Matters" on page 247 of the Red Herring Prospectus dated May 6, 2022 ("RHP").

Registered Office: Plot No. 3, Sector- III, Parwanoo, Himachal Pradesh -173 220; Telephone: + (91) 1792 232 462/233 402; Corporate Office: Kamla Centre, S.C.O. 88-89, Sector 8-C, Madhya Marg, Union Territory of Chandigarh-160 009; Telephone: + (91) 172 2548223/24  
Contact Person: Anil Kumar, Company Secretary and Compliance Officer; Telephone: + (91) 9780687553; E-mail: anil.dhiman@ethoswatches.com; Website: www.ethoswatches.com; Corporate Identity Number: U52300HP2007PLC030800

OUR PROMOTERS: YASHOVARDHAN SABOO; KDDL LIMITED AND MAHEN DISTRIBUTION LIMITED

INITIAL PUBLIC OFFERING OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF ETHOS LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) ("OFFER PRICE") AGGREGATING UP TO ₹ [●] LAKHS (THE "OFFER") COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹ 37,500 LAKHS\* (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 11,08,037 EQUITY SHARES AGGREGATING UP TO ₹ [●] LAKHS BY THE SELLING SHAREHOLDERS REFERRED TO IN ANNEXURE A. (THE "OFFER FOR SALE"). THE OFFER WOULD CONSTITUTE [●]%, OF OUR POST-OFFER PAID-UP EQUITY SHARE CAPITAL.

\*OUR COMPANY, IN CONSULTATION WITH THE BRLMS, HAS UNDERTAKEN A PRE-IPO PLACEMENT OF 3,02,663 EQUITY SHARES AGGREGATING TO ₹ 2,500 LAKHS ("PRE-IPO PLACEMENT"). THE SIZE OF THE FRESH ISSUE AS DISCLOSED IN THE DRAFT RED HERRING PROSPECTUS, AGGREGATING UP TO ₹ 40,000 LAKHS, HAS BEEN REDUCED BY ₹ 2,500 LAKHS PURSUANT TO THE PRE-IPO PLACEMENT, AND ACCORDINGLY, THE FRESH ISSUE IS OF UP TO ₹ 37,500 LAKHS. OUR COMPANY HAS INFORMED ALL THE PRE-IPO INVESTORS/BUYERS THAT THE OFFER MAY OR MAY NOT BE SUCCESSFUL AND THE EQUITY SHARES OF OUR COMPANY MAY OR MAY NOT GET LISTED.

QIB Category: Not more than 50% of the Offer   Retail Category: Not less than 35% of the Offer   Non-Institutional Category: Not less than 15% of the Offer			
PRICE BAND: ₹ 836 TO ₹ 878 PER EQUITY SHARE OF FACE VALUE OF ₹ 10 EACH			
THE FLOOR PRICE IS 83.60 TIMES THE FACE VALUE OF THE EQUITY SHARES AND THE CAP PRICE IS 87.80 TIMES THE FACE VALUE OF THE EQUITY SHARES			
BIDS CAN BE MADE FOR A MINIMUM OF 17 EQUITY SHARES AND IN MULTIPLES OF 17 EQUITY SHARES THEREAFTER			

Risks to Investors:

• Average cost of acquisition of Selling Shareholders:

Name of the Selling Shareholders	Type	Average cost of acquisition (In ₹) <sup>\$</sup>	Name of the Selling Shareholders	Type	Average cost of acquisition (In ₹) <sup>\$</sup>
Yashovardhan Saboo	Promoter	100.95	Nagarajan Subramanian	Director	99.09
KDDL Limited	Promoter	93.51	C. Raja Sekhar	Public	121.96
Mahen Distribution Limited	Promoter	36.38	Karan Singh Bhandari	Public	28.86
Saboo Ventures LLP	Promoter's	180.56	Harsh Vardhan Bhuwalka	Public	140.24
Anuradha Saboo	Promoter's Group	141.36	Anand Vardhan Bhuwalka	Public	140.24
Jai Vardhan Saboo	Promoter's Group	186.24	Shalini Bhuwalka	Public	140.24
VBL Innovations Private Limited	Promoter's Group	140.24	Manju Bhuwalka	Public	140.24
Anil Khanna	Director	130.80	\$ As certified by B K S & Co., Chartered Accountants pursuant to their certificate dated May 6, 2022		

• Details of Acquisition of all Equity Shares transacted in last five years, three years and one year:

Period	Weighted average cost of acquisition (in ₹ )	Cap Price is 'X' times the Weighted average cost of acquisition	Range of acquisition price: Lowest Price-Highest Price (In ₹ )	Period	Weighted average cost of acquisition (in ₹ )	Cap Price is 'X' times the Weighted average cost of acquisition	Range of acquisition price: Lowest Price-Highest Price (In ₹ )
Yashovardhan Saboo –Selling Shareholder- Promoter				Nagarajan Subramanian – Selling Shareholder			
Last 1 year	227.98	3.85	120.00 to 550.00	Last 3 year	141.07	6.22	120.00 to 550.00
Last 3 year	96.63	9.09	0.00 to 550.00	Last 5 year	130.80	6.71	120.00 to 550.00
Last 5 year	102.12	8.60	0.00 to 550.00	Anand Vardhan Bhuwalka – Selling Shareholder			
KDDL Limited – Selling Shareholder-Promoter				Last 1 year	181.29	4.84	120.00 to 550.00
Last 1 year	377.33	2.33	200.00 to 550.00	Last 3 year	152.12	5.77	120.00 to 550.00
Last 3 year	318.55	2.76	130.00 to 550.00	Last 5 year	135.19	6.49	110.00 to 550.00
Last 5 year	230.77	3.80	110.00 to 550.00	Manju Bhuwalka – Selling Shareholder			
Mahen Distribution Limited - Selling Shareholder - Promoter				Last 1 year	550.00	1.60	550.00 to 550.00
Last 1 year	Nil	Nil	Nil	Last 3 year	140.24	6.26	130.00 to 550.00
Last 3 year	Nil	Nil	Nil	Last 5 year	140.24	6.26	130.00 to 550.00
Last 5 year	Nil	Nil	Nil	Karan Singh Bhandari- Selling Shareholder			
Anuradha Saboo – Selling Shareholder- Member of the Promoter Group				Last 1 year	Nil	Nil	Nil
Last 1 year	550.00	1.60	550.00 to 550.00	Last 3 year	Nil	Nil	Nil
Last 3 year	157.12	5.59	130.00 to 550.00	Last 5 year	Nil	Nil	Nil
Last 5 year	141.36	6.21	130.00 to 550.00	Harshvardhan Bhuwalka – Selling Shareholder			
Jai Vardhan Saboo – Selling Shareholder- Member of the Promoter Group				Last 1 year	550.00	1.60	550.00 to 550.00
Last 1 year	196.96	4.46	120.00 to 550.00	Last 3 year	140.24	6.26	130.00 to 550.00
Last 3 year	186.24	4.71	120.00 to 550.00	Last 5 year	140.24	6.26	130.00 to 550.00
Last 5 year	186.24	4.71	120.00 to 550.00	Shalini Bhuwalka – Selling Shareholder			
Saboo Ventures LLP – Selling Shareholder- Member of the Promoter Group				Last 1 year	550.00	1.60	550.00 to 550.00
Last 1 year	249.14	3.52	200.00 to 550.00	Last 3 year	140.24	6.26	130.00 to 550.00
Last 3 year	249.28	3.52	200.00 to 550.00	Last 5 year	140.24	6.26	130.00 to 550.00
Last 5 year	180.58	4.86	128.00 to 550.00	Manju Bhuwalka – Selling Shareholder			
VBL Innovations Private Limited – Selling Shareholder-Member of the Promoter Group				Last 1 year	550.00	1.60	550.00 to 550.00
Last 1 year	550.00	1.60	550.00 to 550.00	Last 3 year	140.24	6.26	130.00 to 550.00
Last 3 year	140.24	6.26	130.00 to 550.00	Last 5 year	140.24	6.26	130.00 to 550.00
Last 5 year	140.24	6.26	130.00 to 550.00	C. Raja Sekhar – Selling Shareholder			
Anil Khanna – Selling Shareholder				Last 1 year	138.94	6.32	120.00 to 550.00
Last 1 year	130.80	6.71	120.00 to 550.00	Last 3 year	138.94	6.32	120.00 to 550.00
				Last 5 year	140.02	6.27	120.00 to 550.00

- Return on Net Worth for the Nine Months Period ended December 31, 2021 and Fiscal years 2021, 2020 and 2019 is 8.07% (not annualised), 3.72%, (0.89)% and 7.58% respectively.
- The Price/Earnings ratio based on basic and diluted EPS for Financial Year 2021 for the Issuer at the Cap Price is 276.10 times and 278.73 times respectively. There are no listed companies in India that are engaged in a business similar to that of the Company. Accordingly, it is not possible to provide an industry comparison in relation to the Company.
- The two BRLMs associated with the Offer have handled 1 (one) public issues in the past three years, out of which Nil issues closed below the issue price on listing date.

BRLMs	Total Issues managed by the BRLMs in the last 3 years	Issues closed below IPO Price on listing date
Emkay Global Financial Services Limited	1	Nil
InCred Capital Wealth Portfolio Managers Private Limited	Nil	Nil
Common issues of above BRLMs	Nil	Nil
Total	1	Nil

ANCHOR INVESTOR BIDDING DATE: TUESDAY, MAY 17, 2022.

BID/OFFER OPENS ON WEDNESDAY, MAY 18, 2022\*

BID/OFFER CLOSES ON FRIDAY, MAY 20, 2022\*\*

\*Our Company and Selling Shareholders may, in consultation with the Book Running Lead Managers, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date, that is on Tuesday, May 17, 2022.  
\*\*Our Company and Selling Shareholders may, in consultation with the Book Running Lead Managers, consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations.

BASIS FOR OFFER PRICE

The Offer Price will be determined by our Company and Selling Shareholders, in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below.  
The face value of the Equity Shares is ₹ 10 each and the Offer Price is 83.60 times the face value at the lower end of the Price Band and 87.80 times the face value at the higher end of the Price Band. Cap Price shall be minimum 105% of the Floor Price and shall not exceed 120% of the Floor Price. Bidders should read the below mentioned information along with "Our Business", "Risk Factors", "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 213, 39, 292 and 391 of the RHP, respectively, to have an informed view before making an investment decision.

Qualitative Factors

We believe that some of the qualitative factors which form the basis for computing the Offer Price are as follows:

1. Leading luxury watch Omnichannel retail player of India;
2. Access to a large base of luxury Customers;
3. Strong and long-standing relationships with luxury watch brands and luxury group and;
4. Leadership position in an attractive luxury watch market
5. Early mover advantage in certified pre-owned business
6. Founder-led company supported by a professional management team

For further details, see "Our Business – Competitive Strengths" on page 216 of the RHP.

Quantitative Factors

Certain information presented below, relating to our Company, is derived from the Restated Consolidated Summary Statements. For further details, see "Financial Statements" on page 292 of the RHP.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

1. Basic and Diluted Earnings Per Share at face value of ₹ 10:

Fiscal	Basic EPS (in ₹ )	Diluted EPS (In ₹ )	Weight
2018-19	5.22	5.22	1
2019-20	(0.75)	(0.75)	2
2020-21	3.18	3.15	3
Weighted Average	2.21	2.20	
Nine months period ended December 31, 2021*	8.74	8.74	-

\* Not Annualized

Notes:

1. Restated Basic and Diluted earnings / (loss) per Equity Share: Basic and diluted earnings per Equity Share are computed in accordance with Indian Accounting Standard 33 notified by under the Companies (Indian Accounting Standards) Rules of 2015 (as amended). Anti-dilutive shares are not considered in calculation for diluted EPS.
2. Weighted average is aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. {(EPS x Weight) for each year/period} / {Total of weights}.

2. Price/Earning ratio in relation to Price Band of ₹ 836 to ₹ 878 per Equity Share:

Particulars	P/E at the Floor Price (no. of times)	P/E at the Cap Price (no. of times)
Based on Basic EPS for Financial Year 2021	262.89	276.10
Based on Diluted EPS for Financial Year 2021	265.40	278.73

3. Industry Price/Earning ratio

There are no listed companies in India that engage in a business similar to that of our Company. Accordingly, it is not possible to provide an industry comparison in relation to our Company.

4. Return on Net Worth

Fiscal	RoNW(%)	Weight
2018-19	7.58%	1
2019-20	(0.89)%	2
2020-21	3.72%	3
Weighted Average	2.83%	
Nine months period ended December 31, 2021*	8.07%	

\* not annualised

Notes:

- 1) Net worth = Net worth is the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account, Deemed capital contribution, compulsory convertible preference shares, share application money pending allotment, shares options outstanding and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the Restated Consolidated Summary Statements, but does not include reserves created out of revaluation of assets, foreign currency translation reserve, capital reserve, write-back of depreciation and amalgamation. Return to be considered as profit or loss attributable to 'owners of the parent' and net worth should be considered as attributable to 'owners of the parent'
- 2) Return on net worth = Restated profit/(loss) attributable to equity shareholders of the parent divided by total equity attributable to equity holders of the parent.
- 3) Weighted average is aggregate of year-wise weighted RoNW divided by the aggregate of weights i.e. {(RoNW x Weight for each year} / {Total of weights}

5. Net Asset Value per Equity Share:

Fiscal/Period ended	NAV(in ₹ )
As on March 31, 2021	85.43
As on December 31, 2021	105.48
After the Completion of Offer	
(a) At Floor price	253.80
(b) At Cap price	256.13
Offer Price	[●]

Note: Net assets value per equity share (₹): Net assets at the end of the year/period divided by weighted average number of equity share outstanding during the year/ period.

6. Comparison of Accounting Ratios with Listed Industry Peers

There are no listed companies in India that engage in a business similar to that of our Company. Accordingly, it is not possible to provide an industry comparison in relation to our Company.

7. The Offer Price is [●] times the face value of the Equity Shares

The Offer Price is [●] times of the face value of the Equity Shares. The Offer Price of ₹ [●] has been determined by our Company and Selling Shareholders, in consultation with the BRLMs, on the basis of assessment of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

Investors should read the above mentioned information along with "Risk Factors", "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Other Financial Information" on pages 39, 213, 391 and 383 of the RHP, respectively, to have a more informed view.

The trading price of Equity Shares could decline due to factors mentioned in "Risk Factors" on page 39 of the RHP and you may lose all or part of your investments.

For further details, please see the chapter titled "BASIS FOR OFFER PRICE" beginning on page 144 of the RHP.

Continued on next page..