RESULT REVIEW

BUY
TP: Rs 662 | ⮝ 21%

BLUESTONE JEWELLERY & LIFESTYLE

| Retail - Jewellery | 24 April 2026

Strong growth, margins normalise sequentially

- **Strong YoY growth (47.7%). Margin expansion sustains, but QoQ decline signals normalisation from peak levels**
- **Healthy SSSG (~34%) and repeat-led demand underpin growth. Mix and operating leverage remain key to margin trajectory**
- **Maintain BUY on improving operating leverage story; TP raise to Rs 662 per share**

Lavita Lasrado
Research Analyst
research@bobcaps.in

Strong YoY margin expansion; sequential normalisation: BLUESTON reported a strong YoY performance with revenue (47.7% YoY / -9.0% QoQ), driven by continued store expansion (23.6% YoY) and healthy SSG (34%). EBITDA margins expanded 1,259 bps YoY to 18.5%, supported by gross margin expansion (520 bps YoY) and lower other expenses (-610 bps YoY). However, margins declined by 376 bps QoQ, reflecting normalisation post a strong Q3 and operating deleverage on sequential revenue moderation. PAT margin stood at 4.6% (1,569 bps YoY) but declined sequentially (-462 bps QoQ) due to lower operating leverage and a continued drag from depreciation and interest costs.

Key Concall KTAs: Q4FY26 commentary indicated steady underlying demand, with SSG of 34% reflecting normalisation post gold price volatility vs any sharp rebound, supported by its design-led portfolio and omni-channel model. Margin expansion remains driven by operating leverage. The company plans to maintain A&P at ~6% of sales, with a gradual shift towards brand-building expenses. Store expansion remains calibrated at ~20% annually, alongside a gradual move away from FOCO. ESOP costs are largely front-loaded and expected to decline from FY27. While inventory remains elevated due to gold price-led MTM impact, underlying efficiency is stable, with normalisation expected. Net debt reduced to Rs 4.85 bn (vs Rs 8.8 bn in FY25), supporting continued expansion. The company reported inventory gain of Rs 509.4 mn in Q4FY26 and Rs 1,805.8 mn in FY26.

Maintain BUY: We believe BLUESTON remains well positioned for sustained growth, on the back of steady underlying demand, improving store cohort maturity, and a scalable omni-channel model. It's ability to recalibrate product portfolio in response to gold price volatility, along with emerging operating leverage, reinforces confidence in its execution capabilities, although margin stability will remain a key monitorable. We maintain BUY valuing the stock at 25x EV/EBITDA rolling forward to Mar'28EPS with a revised TP of Rs 662 with an upside of 21%.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BLUESTON IN/Rs 546
Market cap	US$ 882.0mn
Free float	84%
3M ADV	US$ 2.8mn
52wk high/low	Rs 793/Rs 400
Promoter/FPI/DII	16%/35%/32%

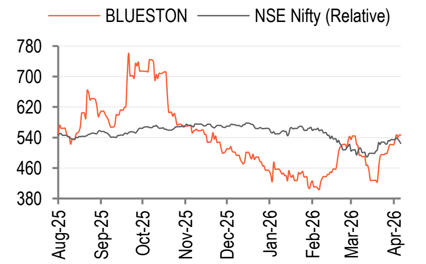
Source: NSE | Price as of 24 Apr 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	24,364	30,870	38,872
EBITDA (Rs mn)	3,895	3,972	5,944
Adj. net profit (Rs mn)	204	151	1,293
Adj. EPS (Rs)	1.3	1.0	8.5
Adj. ROAE (%)	1.5	0.8	6.9
Adj. P/E (x)	407.7	549.7	64.3
EV/EBITDA (x)	23.1	21.4	13.8
Adj. EPS growth (%)	(118.1)	(25.8)	755.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance – Consolidated

Particulars	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)
Total operating income	6,815	4,613	47.7	7,486	(9.0)	24,364	17,700	37.7
Raw-Material expense	3,831	2,833	35.2	4,091	(6.3)	13,930	10,985	26.8
Gross Profit	2,984	1,780	67.6	3,396	(12.1)	10,434	6,715	55.4
Employee expense	741	561	32.0	734	1.0	2,824	2,026	39.4
Other expense	985	948	3.9	999	(1.4)	3,715	3,938	(5.7)
EBITDA	1,257	270	365.0	1,663	(24.4)	3,895	751	418.6
D&A	558	449	24.2	540	3.2	2,099	1,475	42.3
EBIT	700	(178)	(492.1)	1,123	(37.7)	1,796	(724)	(348.1)
Interest cost	525	545	(3.6)	526	(0.1)	2,104	2,075	1.4
Non-operating expense/(income)	(151)	(230)	(34.4)	(108)	40.1	(496)	(600)	(17.4)
PBT	325	(493)	(166.0)	705	(53.8)	187	(2,199)	(108.5)
Tax	0	0	-	0	-	0	0	-
Reported PAT	325	(493)	(166.0)	705	(53.8)	187	(2,199)	(108.5)
As % of net revenues			**chg (bps)**		**chg (bps)**			**chg (bps)**
Gross margin	43.8	38.6	520	45.4	(158)	42.8	37.9	489
Employee cost	10.9	12.2	(129)	9.8	107	11.6	11.4	15
Other cost	14.5	20.6	(610)	13.3	111	15.2	22.2	(700)
EBITDA margin	18.5	5.9	1,259	22.2	(376)	16.0	4.2	1,174
Tax rate	-	-	0	-	0	-	-	0
APAT margin	4.6	(11.1)	1569	9.2	(462)	0.5	(12.5)	1,307

Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Demand:** Management indicated that demand remained resilient, with SSSG of ~34% reflecting a normalisation after the gold price-led disruption in Q2-Q3, rather than an exceptional spike. Growth was broad-based across months and cohorts, aided by a design-led portfolio and omni-channel model, with repeat customers contributing meaningfully.

- **Margin:** Margin expansion remains driven by the operating leverage from scale and cost discipline, despite mix-related headwinds from lower studded share. Management emphasised that YoY is the right way to assess margins given the fixed cost structure and seasonality, while sequential fluctuations are largely driven by revenue volatility and gold price movements.

- **Strategic Measure:** The company recalibrated its entry-level portfolio to address gold price-led affordability gaps, leveraging its vertically integrated model. Additionally, management plans to maintain A&P at ~6% of sales, with a gradual shift towards brand-building spends as scale improves, supporting long-term growth and customer acquisition.

- **Store Expansion:** Management reiterated a calibrated expansion strategy, targeting ~20% annual store additions, while highlighting significant headroom in a large and under-penetrated market. The company also indicated a gradual reduction in FOCO, with a shift towards company-owned stores over FY27-28.

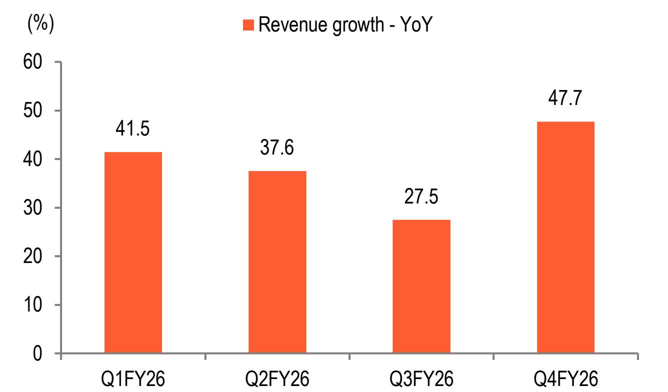
- **ESOP:** ESOP costs are largely front-loaded, with a significant portion (Rs 930 mn) already recognised in FY26. Management expects a material decline in ESOP charges from FY27 onwards, which should support the reported profitability, with limited incremental dilution given a small unallocated pool.

- **Inventory:** Elevated inventory levels and lower inventory turns in FY26 were primarily driven by gold price-led MTM impact vs underlying inefficiencies. Adjusted for this, inventory productivity remains stable, with mature stores operating at higher turns (1.7-1.9x). Normalisation is expected as gold prices stabilise, although inventory intensity stays structurally higher given the vertical integration and ongoing expansion.

- **Net Debt:** The company's net debt position has improved from Rs 8.8 bn in FY25 to Rs 4.85 bn in FY26.

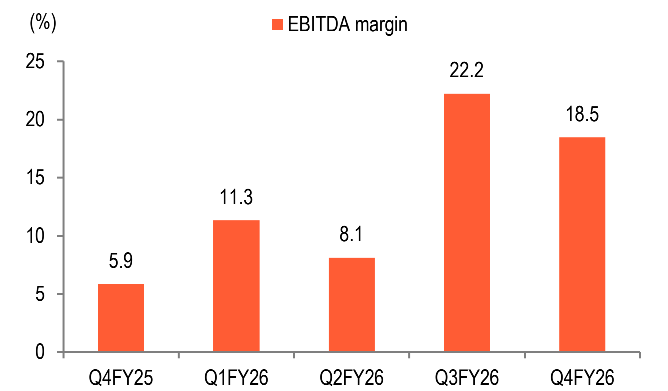
- **MTM Inventory Gain:** The company reported inventory gains of Rs 509.4 mn in Q4FY26 and Rs 1,805.8 mn in FY26.

Fig 2 – Revenue grew by 47.7% YoY in Q4FY26, on maturing stores



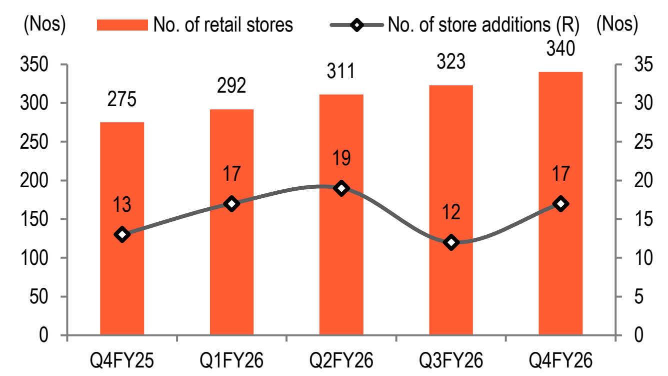
Source: Company, BOBCAPS Research

Fig 3 – EBITDA margin rose on YoY basis in Q4FY26, due to the benefit of operating leverage



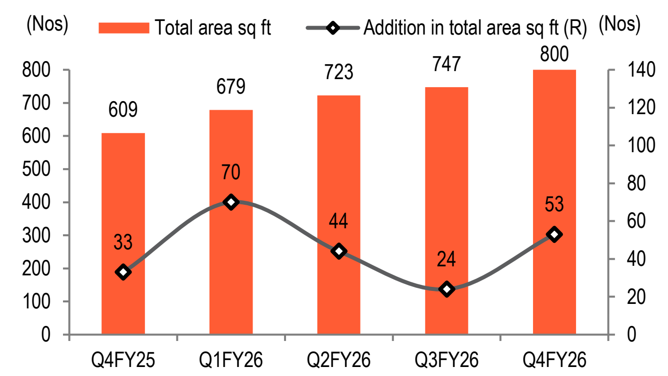
Source: Company, BOBCAPS Research

Fig 4 – BLUESTON has added 17 stores in Q4FY26; total 340 stores till date



Source: Company, BOBCAPS Research

Fig 5 – Steady expansion in store area



Source: Company, BOBCAPS Research

Valuation Methodology

We believe BLUESTON remains well positioned for sustained growth, supported by a steady underlying demand, improving store cohort maturity, and a scalable omni-channel model. The company's ability to recalibrate its product portfolio in response to the gold price volatility, along with emerging operating leverage, reinforces confidence in its execution capabilities, although margin stability will remain a key monitorable. We have marginally revised our revenue/EBITDA estimates for FY27E/28E by -3.2%/-2.6% and -11.6%/-5.1%, respectively. We estimate Revenue/EBITDA CAGR to be 26%/24% over FY26-28E respectively. We maintain BUY with a revised TP of Rs 662, basis 25x EV/EBITDA (unchanged) for Mar'28 with an upside of 21%.

Fig 6 – Revised Estimates

Change in Estimates	New		Old		Change (%)	
Consolidated (Rs bn)	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Total operating income	30.9	38.9	31.9	39.9	(3.2)	(2.6)
EBITDA	4.0	5.9	4.5	6.3	(11.6)	(5.1)
EBITDA Margin	12.9	15.3	14.1	15.7	(122)	(40)
Adjusted PAT	0.2	1.3	0.0	0.9	(556.3)	37.0
EPS (Rs)	1.0	8.5	(0.2)	6.2	(553.6)	36.2

Source: Company, BOBCAPS Research

Key Risks

- Steep increase in gold price volatility and regulatory risks would be a key downside risk
- Slower-than-expected ramp-up in new stores and cohort productivity could delay the operating leverage and margin normalisation

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**17,700**	**24,364**	**30,870**	**38,872**	**46,967**
EBITDA	751	3,895	3,972	5,944	7,571
Depreciation	1,475	2,099	2,425	2,825	3,775
EBIT	(724)	1,796	1,547	3,120	3,796
Net interest inc./(exp.)	(2,075)	(2,104)	(1,765)	(2,019)	(2,075)
Other inc./(exp.)	600	496	424	496	520
Exceptional items	0	0	0	0	0
EBT	(2,199)	187	206	1,596	2,241
Income taxes	0	0	0	248	547
Extraordinary items	19	56	0	0	0
Min. int./Inc. from assoc.	2	17	(54)	(54)	(54)
Reported net profit	**(2,217)**	**148**	**151**	**1,293**	**1,639**
Adjustments	19	56	0	0	0
Adjusted net profit	**(2,197)**	**204**	**151**	**1,293**	**1,639**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	1,647	1,604	2,032	2,559	3,092
Other current liabilities	6,156	11,347	11,347	11,347	11,347
Provisions	28	37	47	59	71
Debt funds	7,286	7,443	10,443	10,443	7,443
Other liabilities	7,231	8,301	8,301	8,301	8,301
Equity capital	30	15	15	15	15
Reserves & surplus	8,771	17,855	18,006	19,299	20,938
Shareholders' fund	8,840	17,893	18,044	19,337	20,977
Total liab. and equities	**35,323**	**49,610**	**55,351**	**61,183**	**64,368**
Cash and cash eq.	2,377	5,553	16,104	20,968	24,901
Accounts receivables	56	75	96	120	145
Inventories	16,525	26,718	23,313	26,081	27,532
Other current assets	2,339	3,265	3,265	3,265	3,265
Investments	186	0	0	0	86
Net fixed assets	2,660	2,662	1,238	(587)	(2,811)
CWIP	(6)	(7)	(7)	(7)	(7)
Intangible assets	738	858	858	858	858
Deferred tax assets, net	117	99	99	99	99
Other assets	3,639	2,499	2,499	2,499	2,499
Total assets	**35,323**	**49,610**	**55,351**	**61,183**	**64,368**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**(871)**	**653**	**8,219**	**3,938**	**6,612**
Capital expenditures	(5,641)	(3,287)	(1,000)	(1,000)	(1,550)
Change in investments	(86)	56	0	0	0
Other investing cash flows	(19)	(56)	(54)	(54)	(54)
Cash flow from investing	**(5,746)**	**(3,287)**	**(1,054)**	**(1,054)**	**(1,604)**
Equities issued/Others	18	(144)	0	0	0
Debt raised/repaid	2,423	(860)	5,152	4,000	1,000
Interest expenses	(2,075)	(2,104)	(1,765)	(2,019)	(2,075)
Dividends paid	0	0	0	0	0
Other financing cash flows	7,566	8,935	0	0	0
Cash flow from financing	**7,931**	**5,826**	**3,386**	**1,981**	**(1,075)**
Chg in cash & cash eq.	**1,314**	**3,192**	**10,551**	**4,864**	**3,933**
Closing cash & cash eq.	**2,377**	**5,553**	**16,104**	**20,968**	**24,901**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	(7.5)	1.0	1.0	8.5	10.8
Adjusted EPS	(7.4)	1.3	1.0	8.5	10.8
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	30.6	118.3	119.3	127.8	138.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	5.2	3.7	2.8	2.1	1.7
EV/EBITDA	121.6	23.1	21.4	13.8	10.6
Adjusted P/E	(73.7)	407.7	549.7	64.3	50.7
P/BV	17.9	4.6	4.6	4.3	3.9

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	99.9	108.9	73.6	81.0	73.1
Interest burden (PBT/EBIT)	303.8	10.4	13.3	51.2	59.0
EBIT margin (EBIT/Revenue)	(4.1)	7.4	5.0	8.0	8.1
Asset turnover (Rev./Avg TA)	50.1	49.1	55.8	63.5	73.0
Leverage (Avg TA/Avg Equity)	4.0	2.8	3.1	3.2	3.1
Adjusted ROAE	(24.9)	1.1	0.8	6.7	7.8

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	39.8	37.7	26.7	25.9	20.8
EBITDA	41.6	418.6	2.0	49.7	27.4
Adjusted EPS	45.3	(118.1)	(25.8)	755.1	26.7
Profitability & Return ratios (%)					
EBITDA margin	4.2	16.0	12.9	15.3	16.1
EBIT margin	(4.1)	7.4	5.0	8.0	8.1
Adjusted profit margin	(12.4)	0.8	0.5	3.3	3.5
Adjusted ROAE	(35.6)	1.5	0.8	6.9	8.1
ROCE	(0.8)	9.0	6.9	12.1	15.2
Working capital days (days)					
Receivables	1	1	1	1	1
Inventory	341	400	276	245	214
Payables	34	24	24	24	24
Ratios (x)					
Gross asset turnover	6.8	5.4	5.1	5.5	5.8
Current ratio	1.6	1.9	2.0	2.3	2.8
Net interest coverage ratio	(0.3)	0.9	0.9	1.5	1.8
Adjusted debt/equity	1.0	0.3	0.0	(0.1)	(0.2)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr.Manoj Pawar
Email ID: head-customercare@bobcaps.in; Phone no: 0+91-22-69417333

Brand Name: **BOBCAPS**
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Note: Recommendation structure changed with effect from 21 June 2021

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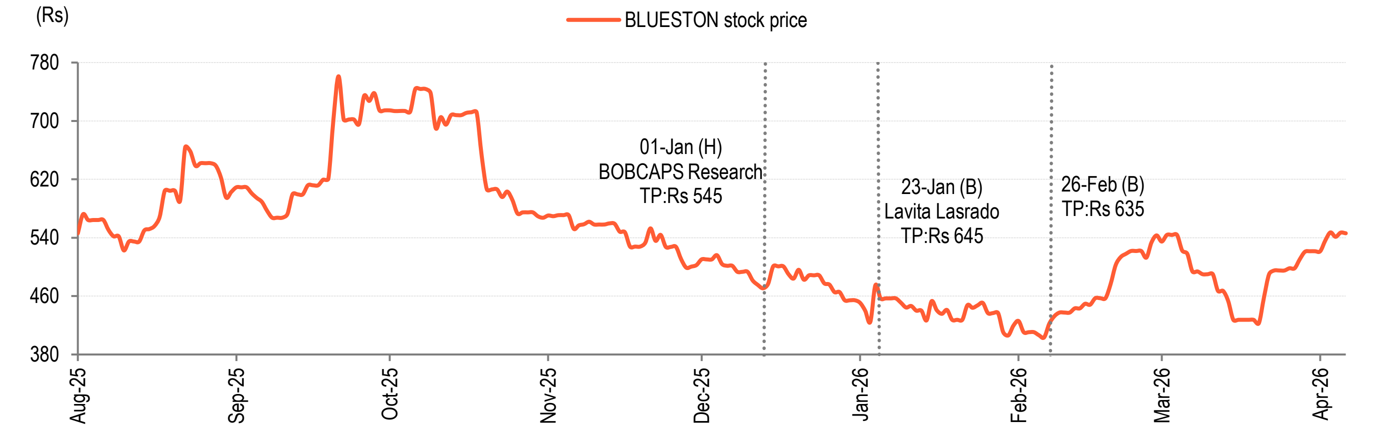
Ratings and Target Price (3-year history): BLUESTONE JEWELLERY & LIFESTYLE (BLUESTON IN)



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