

20 March 2025

India | Equity Research | Company Update

Kalyan Jewellers India

Consumer Staples & Discretionary

Ignore the noise. Business momentum is sustaining

Highlights from our interaction with management of Kalyan Jewellers (Kalyan) include: 1) Despite an increase in the gold price (up 15% QoQ) and higher competitive intensity, growth momentum remains strong in Q4 driven by a robust wedding season and consumer engagement. 2) Capital efficient / asset-light store addition pipeline remains strong for next two years with a target to add ~90 stores p.a. 3) Expect step-up in network expansion of Candere to cater to increasing demand for fast fashion jewellery among youth and jewellery gifting. The potential for Candere is huge with its small format store; it can be a major growth lever for Kalyan over long term. 4) As per management, the recent increase in GML interest rate is unsustainable and should normalise. 5) It aims to reduce debt by INR 4bn in FY26. Maintain **ADD** with a DCF-based revised TP of INR 520.

Growth momentum remains strong in Q4 despite surge in gold price

Current gold price is up 15% vs Q3 and this is the sixth consecutive quarter of gold price continuing to rise. Gold price is up 55% over the last two years. Such a steep increase in gold price is unprecedented; however, demand for gold jewellery remains strong driven by strong wedding-led demand. The company is confident of delivering strong SSSG in Q4. In 9MFY25, Kalyan outperformed industry by delivering 35% YoY revenue growth vs 20% for Titan. The growth momentum is also expected to remain strong in the Middle East, in our view. Going ahead, despite volatility in gold prices, we are confident of Kalyan delivering strong long-term performance on the back of aggressive store expansion, superior brand equity and execution (efficient supply chain).

Aggressive store addition momentum to sustain

A large part of Kalyan's growth is led by aggressive store addition with capital efficient / asset light – franchisee model. Based on our interactions with industry players, despite the change in franchisee agreement (working capital + capex investment by franchisee), demand for franchisee remains strong for next two years due to Kalyan's pan-India brand equity. Also, Kalyan is not a leading player (by number of stores) in any state, which provides headroom to expand store network over medium-to-long term. Kalyan added 24 new showrooms (+30% YoY) in Q3FY25 and 49 stores in 9MFY25 (net) in India. It plans to open 30 new showrooms of Kalyan in India and 15 new showrooms of Candere in Q4FY25. Overall, it plans to open ~80 new showrooms of Kalyan (implying retail expansion of ~40% in Kalyan in FY25, similar to FY24). Further, management plans to open 90 new stores of Kalyan (implied growth of 32%) (FOCO: 75 stores in non-South India and 15 stores across South India and international markets) and 80 Candere stores in India.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	1,85,483	2,49,210	3,17,955	3,92,899
EBITDA	13,127	15,778	21,479	25,912
EBITDA Margin (%)	7.1	6.3	6.8	6.6
Net Profit	5,973	8,031	12,480	16,195
EPS (INR)	5.8	7.8	12.1	15.7
EPS % Chg YoY	28.2	34.5	55.5	29.8
P/E (x)	78.3	58.3	37.5	28.9
EV/EBITDA (x)	37.4	30.8	21.6	16.9
RoCE (%)	10.7	12.4	15.8	16.2
RoE (%)	15.3	17.5	22.2	23.0

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Market Data

Market Cap (INR)	468bn
Market Cap (USD)	5,416mn
Bloomberg Code	KALYANKJ IN
Reuters Code	KALN BO
52-week Range (INR)	795 /336
Free Float (%)	37.0
ADTV-3M (mn) (USD)	110.6

Price Performance (%)	3m	6m	12m
Absolute	(38.9)	(36.0)	23.7
Relative to Sensex	(34.2)	(26.7)	18.9

ESG Score	2023	2024	Change
ESG score	64.4	NA	NA
Environment	35.6	NA	NA
Social	68.6	NA	NA
Governance	77.0	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

14-11-2024: [Q2FY25 results review](#)

02-08-2024: [Q1FY25 results review](#)

Expansion of Candere to add to growth levers

To cater increasing demand for daily wear - fast fashion jewellery among youth, Kalyan plans to step up store additions for Candere brand. Candere has opportunity for expansion with small format store and could become customer acquisition platform for Kalyan brand. Over the long term, Kalyan sees growth potential in four sub-segments of jewellery – wedding wear/ traditional (Kalyan brand), fast fashion/ small jewellery gifting (Candere brand), traditional staples and luxury jewellery.

Impact of increase in interest rates for GML

Interest rate on GML (gold metal loan) has increased driven by tightening global gold supply, increased demand in the US, and geopolitical uncertainties, which have led to a shift in gold flows and increased costs for jewellers. That said, this increase in interest rates is expected to be short term (a few months), as per management. Interest rate on GML has increased from 3.25% to 5% for Kalyan Jewellers effective Mar'25 (no impact before Mar'25) which will translate into increased interest cost of ~INR 15-20mn per month.

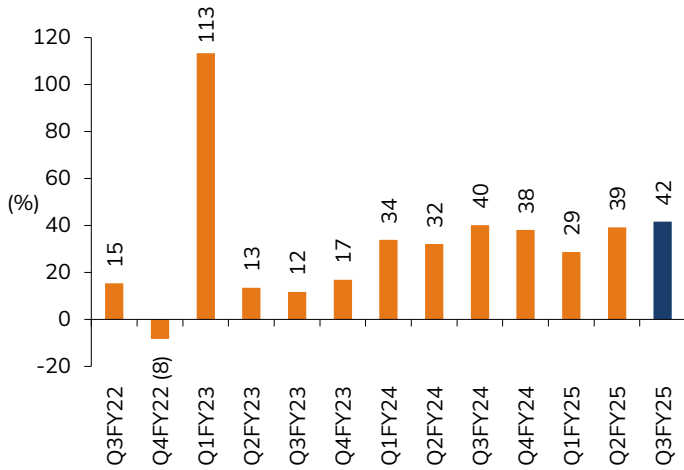
On track to strengthen its balance sheet

Kalyan is on track to reduce its debt by ~INR 4bn in FY26. It has debt of ~INR 32bn (including GML). Further, it is on track to lien release for its non-core assets over the next couple of years which management plans to sell to further strengthen its balance sheet. Strengthening of balance sheet will likely provide flexibility to the company and drive expansion across COCO and FOCO models.

Valuation and risks

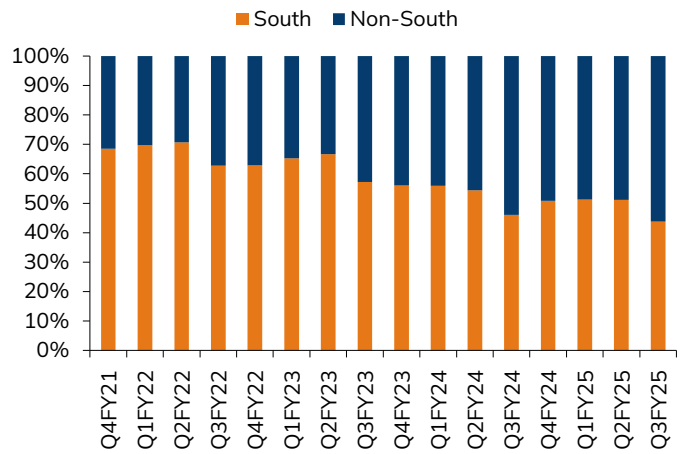
Our earnings estimates remain unchanged, modelling revenue / EBITDA / PAT CAGR of 28% / 25% / 39% over FY24-27E. We maintain **ADD** with DCF-based revised target price of INR 520. At our TP, the stock will trade at a multiple of 33x FY27E EPS. **Key risks:** Delay in showroom expansion and potentially higher competitive intensity in core South Indian markets.

Exhibit 1: Revenue growth (%) - Standalone



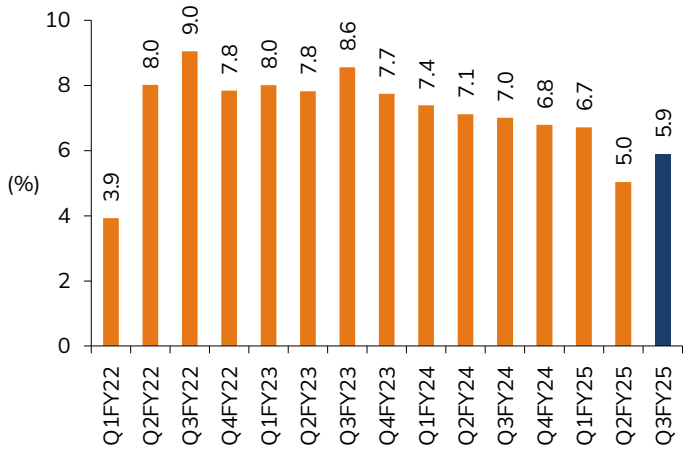
Source: Company data, I-Sec research

Exhibit 2: Revenue contribution



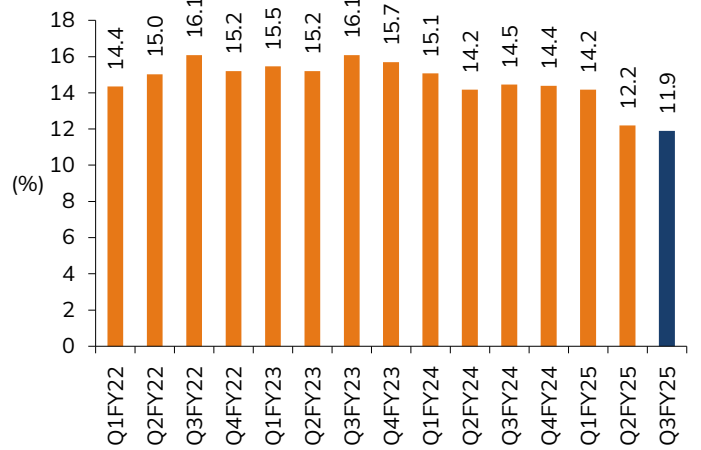
Source: Company data, I-Sec research

Exhibit 3: EBITDA margin (%) - Standalone



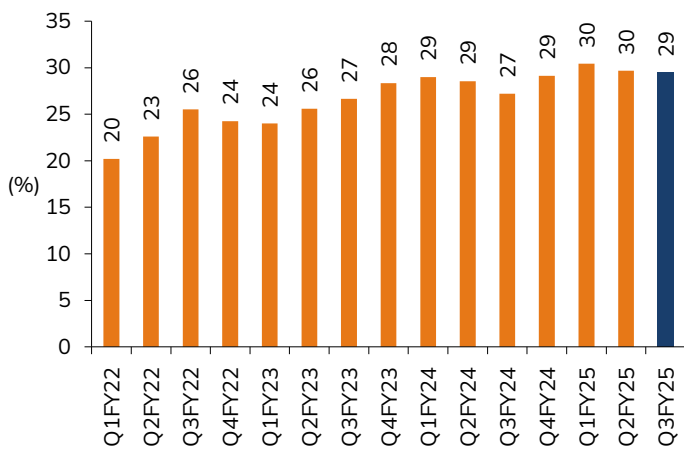
Source: Company data, I-Sec research

Exhibit 4: Gross margin (%) - Standalone



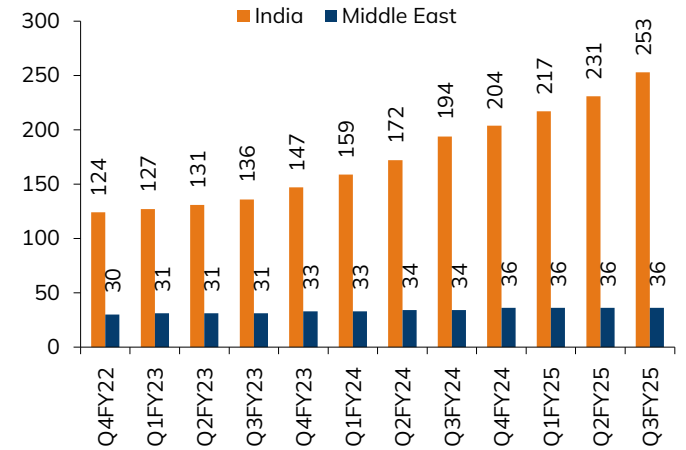
Source: Company data, I-Sec research

Exhibit 5: Studded share



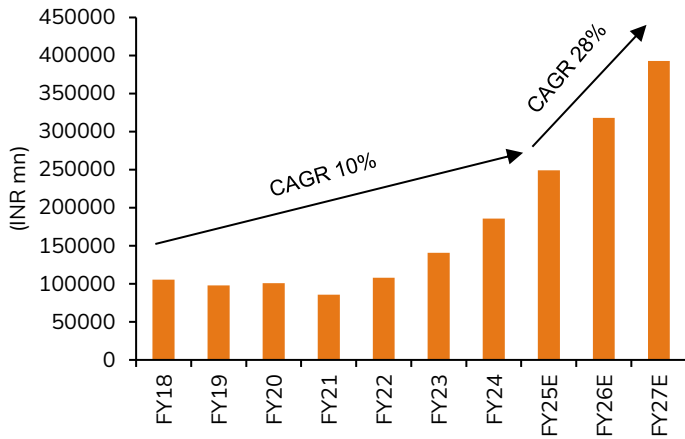
Source: Company data, I-Sec research

Exhibit 6: Store count (Kalyan Jewellers)



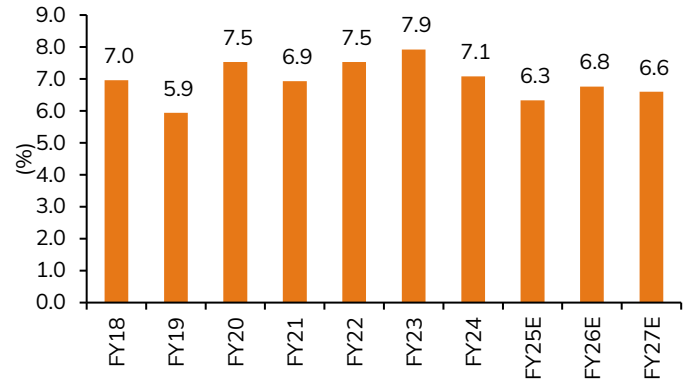
Source: Company data, I-Sec research

Exhibit 7: Revenue and growth rates



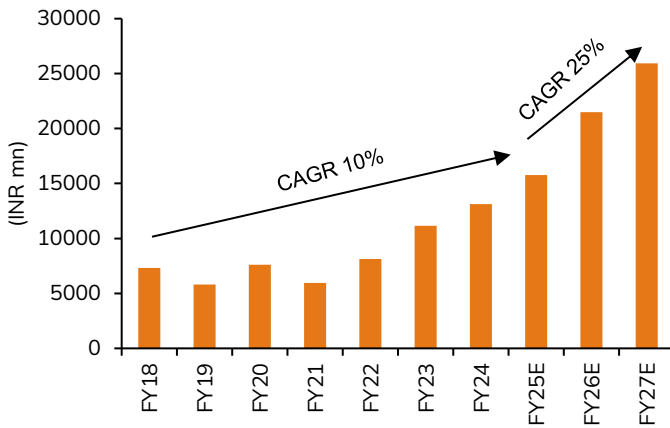
Source: Company data, I-Sec research

Exhibit 8: EBITDA margin



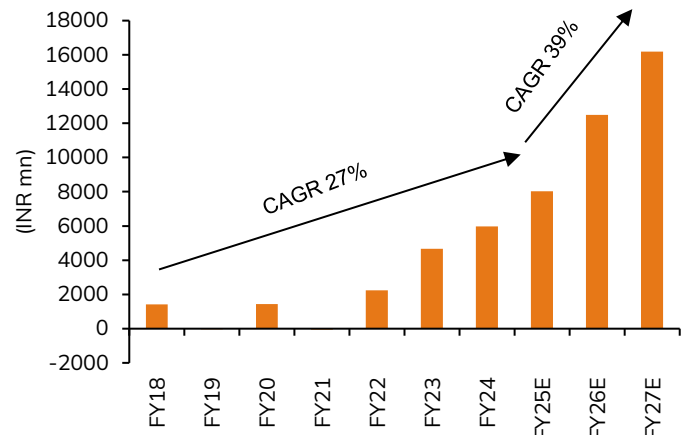
Source: Company data, I-Sec research

Exhibit 9: EBITDA and growth rates



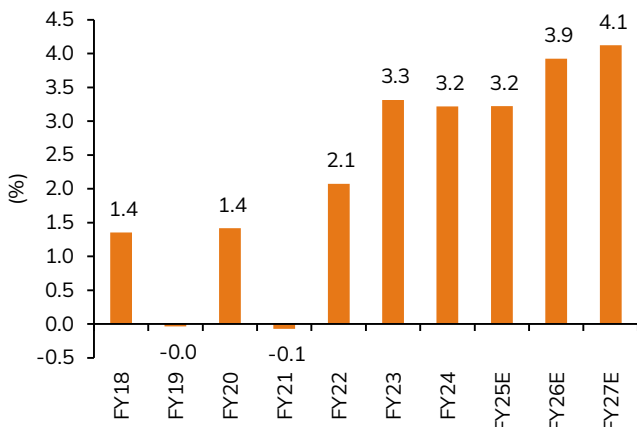
Source: Company data, I-Sec research

Exhibit 10: PAT and growth rates



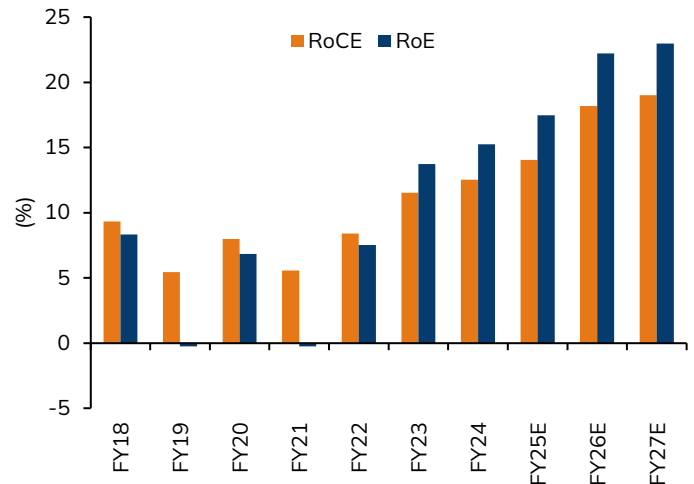
Source: Company data, I-Sec research

Exhibit 11: PAT margin



Source: Company data, I-Sec research

Exhibit 12: Return ratios



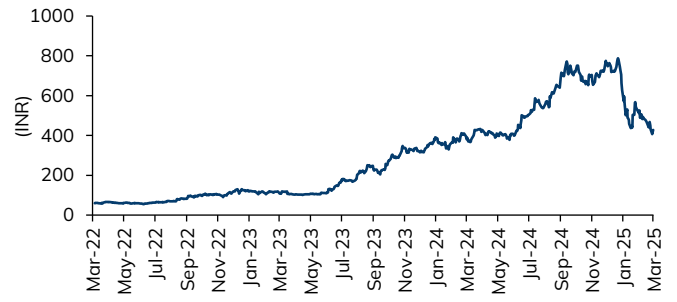
Source: Company data, I-Sec research

Exhibit 13: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	60.6	62.9	62.9
Institutional investors	32.9	29.5	29.9
MFs and others	9.9	11.7	11.8
FIs/Banks	0.6	0.9	1.8
FIIIs	22.4	16.9	16.4
Others	6.5	7.6	7.2

Source: Bloomberg

Exhibit 14: Price chart



Source: Bloomberg

Financial Summary

Exhibit 15: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	1,85,483	2,49,210	3,17,955	3,92,899
Operating Expenses	1,72,356	2,33,432	2,96,477	3,66,988
EBITDA	13,127	15,778	21,479	25,912
EBITDA Margin (%)	7.1	6.3	6.8	6.6
Depreciation & Amortization	2,743	3,224	3,416	3,566
EBIT	10,384	12,554	18,062	22,345
Interest expenditure	3,232	3,376	3,330	3,590
Other Non-operating Income	-	-	-	-
Recurring PBT	7,888	10,419	16,238	21,081
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,925	2,399	3,770	4,898
PAT	5,963	8,020	12,468	16,182
Less: Minority Interest	(11)	(11)	(12)	(12)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	5,963	8,020	12,468	16,182
Net Income (Adjusted)	5,973	8,031	12,480	16,195

Source Company data, I-Sec research

Exhibit 16: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	98,151	1,17,591	1,46,658	1,84,994
of which cash & cash eqv.	9,751	12,375	35,170	67,186
Total Current Liabilities & Provisions	40,980	55,405	71,114	88,400
Net Current Assets	57,171	62,186	75,544	96,594
Investments	611	611	611	611
Net Fixed Assets	10,904	10,232	8,348	6,464
ROU Assets	11,390	12,129	12,867	13,606
Capital Work-in-Progress	485	485	485	485
Total Intangible Assets	89	38	38	38
Long Term Loans & Advances	3,812	5,482	7,263	9,245
Deferred Tax assets	-	-	-	-
Total Assets	86,535	92,154	1,06,425	1,28,616
Liabilities				
Borrowings	33,173	30,625	32,269	38,106
Deferred Tax Liability	(662)	(662)	(662)	(662)
Provisions	456	602	761	933
Other Liabilities	-	-	-	-
Equity Share Capital	10,301	10,301	10,301	10,301
Reserves & Surplus	31,590	39,610	52,078	68,261
Total Net Worth	41,891	49,911	62,379	78,561
Minority Interest	(13)	(13)	(13)	(13)
Total Liabilities	86,535	92,154	1,06,425	1,28,616

Source Company data, I-Sec research

Exhibit 17: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	45,349	55,355	60,655	72,869
% growth (YOY)	34.1	26.5	37.4	39.5
EBITDA	3,062	3,760	3,272	4,388
Margin %	6.8	6.8	5.4	6.0
Other Income	288	222	260	313
Extraordinaries	-	-	-	-
Adjusted Net Profit	1,376	1,778	1,306	2,188

Source Company data, I-Sec research

Exhibit 18: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	13,228	9,859	24,507	29,127
Working Capital Changes	2,040	(2,832)	7,537	8,852
Capital Commitments	(2,182)	(1,312)	(26)	643
Free Cashflow	11,045	8,548	24,481	29,769
Other investing cashflow	803	-	-	-
Cashflow from Investing Activities	(1,379)	(1,312)	(26)	643
Issue of Share Capital	-	-	-	-
Interest Cost	(2,389)	(3,376)	(3,330)	(3,590)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(515)	-	-	-
Others	(5,909)	(2,548)	1,644	5,836
Cash flow from Financing Activities	(11,480)	(5,924)	(1,686)	2,247
Chg. in Cash & Bank balance	368	2,624	22,795	32,016
Closing cash & balance	10,119	14,999	57,965	99,202

Source Company data, I-Sec research

Exhibit 19: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	5.8	7.8	12.1	15.7
Adjusted EPS (Diluted)	5.8	7.8	12.1	15.7
Cash EPS	8.5	10.9	15.4	19.2
Dividend per share (DPS)	1.2	1.8	2.5	3.5
Book Value per share (BV)	40.7	48.5	60.6	76.3
Dividend Payout (%)	4.8	4.3	4.8	4.5
Growth (%)				
Net Sales	31.8	34.4	27.6	23.6
EBITDA	17.8	20.2	36.1	20.6
EPS (INR)	28.2	34.5	55.5	29.8
Valuation Ratios (x)				
P/E	78.3	58.3	37.5	28.9
P/CEPS	53.6	41.5	29.4	23.6
P/BV	11.2	9.4	7.5	5.9
EV / EBITDA	37.4	30.8	21.6	16.9
P / Sales	2.5	1.9	1.5	1.2
Dividend Yield (%)	0.3	0.4	0.6	0.8
Operating Ratios				
Gross Profit Margins (%)	14.6	13.0	12.8	12.2
EBITDA Margins (%)	7.1	6.3	6.8	6.6
Effective Tax Rate (%)	24.4	23.0	23.2	23.2
Net Profit Margins (%)	3.2	3.2	3.9	4.1
Net Debt / Equity (x)	2.3	2.6	2.9	3.1
Net Debt / EBITDA (x)	5.7	5.1	4.4	4.5
Fixed Asset Turnover (x)	10.9	12.5	14.5	16.7
Working Capital Days	183	162	129	107
Inventory Turnover Days	186	165	132	110
Receivables Days	7	7	7	6
Payables Days	44	44	43	43
Profitability Ratios				
RoCE (%)	10.7	12.4	15.8	16.2
RoE (%)	15.3	17.5	22.2	23.0
RoIC (%)	10.7	12.4	15.8	16.2

Source Company data, I-Sec research

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