JM FINANCIAL

# Kalyan Jewellers India

## Tailwinds, franchise strategy add carats to growth

Asset light mode of store expansion | Moats built earlier will drive future growth | Initiate 'BUY' with TP of INR 700

# Kalyan Jewellers

## Tailwinds, franchise strategy add carats to growth

Kalyan Jewellers was founded by T S Kalyanaraman – who has over 45 years of retail experience with 25 years in the jewellery industry – in 1993 with one showroom in Thrissur. By FY25, it had 278 stores in India. It entered the Middle East in 2014 and operates 36 showrooms in the region (Mar-27), and 1 store in the US. Kalyan also sells jewellery through its omni platform Candere at www.candere.com and operates 73 Candere showrooms in India.

Kalyan has transitioned from being a South-focused player to a pan-India player led by its established strong brand image, hyperlocal approach to serve all geographies, and right product mix. This has helped the company to increase its PBT margin to 4.4% in FY25 vs. 2.2% in FY18 as studded mix (margin accretive) is higher in the non-South region. The new franchise model of expansion has resulted in faster rollout of stores as the investment in inventory and capex for the store is done by the franchise partner, making it highly capital efficient for the company. This will lead to contraction in EBITDA margin due to margin sharing with the franchise partner but will lead to expansion in PBT margin to 5% by FY28. We expect Revenue/EBITDA/PAT CAGR of 25%/23%/31% over FY25-28E.

We initiate on the stock with a BUY rating and a target price of INR 700, based on 45x Jun'27 EPS (Pre Ind AS). We have assigned a lower P/E multiple of 45x to Kalyan vs. 57x to Titan, owing to better margin profile and higher return ratios generated by Titan vs. Kalyan. The stock still trades at a discount of 10-40% to other discretionary players despite having higher expected Revenue/PAT CAGR over FY25-28E. We believe that its continuing robust performance makes it a positive outlier in the discretionary space, which will eventually lead to a re-rating.

**Huge unorganised market providing large growth opportunity:** The Indian jewellery market was worth INR 6.4trln in FY24, with an organised share of 38%. The organised segment is expected to witness higher growth of 20% over FY24-28E (vs. 16% for the overall market) led by better quality, improved pricing transparency, consolidation in the industry, etc. Increased gold prices during the last 2-3 years have led to higher inventory gains for unorganised players, which, we believe, may not persist going forward. We believe Kalyan Jewellers with its strong brand presence is well placed to capture market share.

**Moats built earlier will drive future growth:** Kalyan has developed strong moats over the years like (1) development of the brand 'Kalyan Jewellers' on the core values of trust, transparency and effective marketing, (2) hyperlocal approach to cater to different geographical needs of consumers, (3) unique 'My Kalyan' model to acquire customers from regions with no store presence (~15% of FY24 revenue), and (4) right product mix. Its steps towards good governance like appointment of best-in-class auditors and sale of non-core assets to reduce debt will help to build confidence among investors.

**Asset-light mode of store expansion:** Kalyan is on an expansion spree since it shifted its expansion strategy to franchise mode as the model is highly capital efficient considering the investment in store inventory and capex in done by the franchise partner, helping in faster rollout of stores. It added 74 (net) stores in India in FY25 and aims to add 85-90 stores every year over FY26-28E. We believe Kalyan has ample scope of expansion as it needs 5-6 years of similar pace of expansion to be on par with Tanishq in terms of stores.

**Financial performance:** We expect Revenue/EBITDA/PAT (Pre Ind AS 116) CAGR of 25%/23%/31% over FY25-28E. EBITDA CAGR during the period is lower vs. sales CAGR due to increasing saliency of franchise stores in the overall mix. Benefits of this will be realised at the PBT level as Kalyan will benefit from (i) better operating leverage led by accelerated revenue growth, and (ii) lower capital requirement to add stores, resulting in lower interest cost and improved return ratios over FY25-28E.

| Recommendation and Price Target | |
|---|---|
| Current Reco. | BUY |
| Current Price Target (12M) | 700 |
| Upside/(Downside) | 19.4% |

| Key Data – KALYANKJ IN | |
|---|---|
| Current Market Price * | INR586 |
| Market cap (bn) * | INR604.4/US$7.0 |
| Free Float | 35% |
| Shares in issue (mn) | 1,030.1 |
| Diluted share (mn) | 1,030.1 |
| 3-mon avg daily val (mn) | INR2,436.3/US$28.3 |
| 52-week range | 795/399 |
| Sensex/Nifty | 82,253/25,082 |
| INR/US$ | 86.0 |

| Price Performance | | | |
|---|---|---|---|
| % | 1M | 6M | 12M |
| Absolute | 12.9 | -1.8 | 15.9 |
| Relative* | 11.3 | -8.4 | 13.7 |

*To the BSE Sensex

| Financial Summary (INR mn) | | | | | |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 1,84,726 | 2,49,727 | 3,20,248 | 4,02,573 | 4,92,115 |
| Sales Growth (%) | 31.7 | 35.2 | 28.2 | 25.7 | 22.2 |
| EBITDA | 12,791 | 16,410 | 20,587 | 25,341 | 30,039 |
| EBITDA Margin (%) | 6.9 | 6.6 | 6.4 | 6.3 | 6.1 |
| Adjusted Net Profit | 5,965 | 7,148 | 11,321 | 15,124 | 18,400 |
| Diluted EPS (INR) | 5.8 | 6.9 | 11.0 | 14.7 | 17.9 |
| Diluted EPS Growth (%) | 37.7 | 19.8 | 58.4 | 33.6 | 21.7 |
| ROIC (%) | 12.0 | 14.2 | 17.8 | 22.8 | 25.1 |
| ROE (%) | 15.2 | 15.9 | 21.4 | 23.5 | 23.4 |
| P/E (x) | 101.2 | 84.4 | 53.3 | 39.9 | 32.8 |
| P/B (x) | 14.4 | 12.6 | 10.4 | 8.5 | 7.0 |
| EV/EBITDA (x) | 49.0 | 38.2 | 29.8 | 23.7 | 19.8 |
| Dividend Yield (%) | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 |

Source: Company data, JM Financial. Note: Valuations as of **14/Jul/2025**



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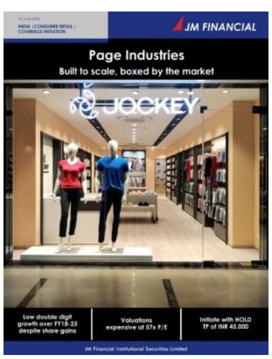
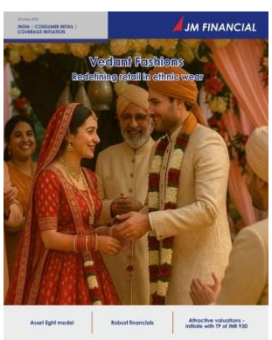
Kalyan Jewellers was set up in 1993 by T S Kalyanaraman with one jewellery showroom in Thrissur. By FY25, the company had 278 stores in India. It entered the Middle East in 2014 and currently operates 36 showrooms in the region; it also has 1 store in the US. Kalyan also sells jewellery through its omni platform Candere and operates 73 Candere showrooms in India. Company is focusing on asset light mode of store expansion and is targeting to add 85-90 stores/year in India over FY26-28E. This along with moats in operating the business will help it to clock robust Revenue/EBITDA/PAT (Pre Ind AS 116) CAGR of 25%/23%/31% over FY25-28E.

## RECENT REPORTS




Page Industries




Vedant Fashions (Manyavar)

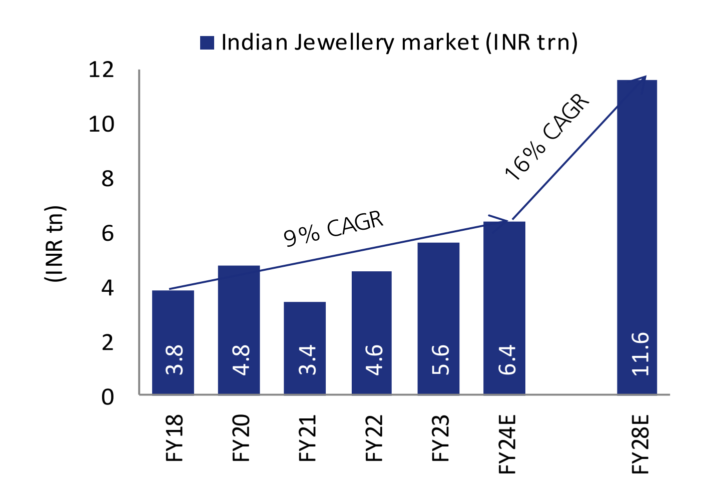

Baazar Style Retail


Consumer Retail: Stepping it up


Campus Activewear

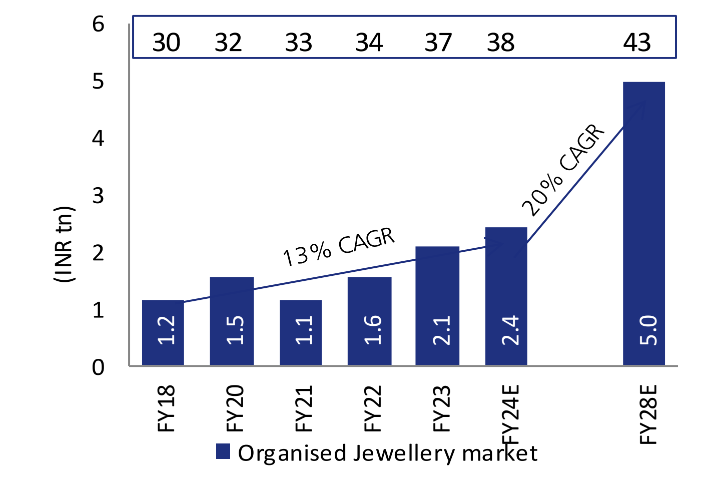
# Focus Charts

Exhibit 1. Indian jewellery market expected to grow at 16% CAGR…



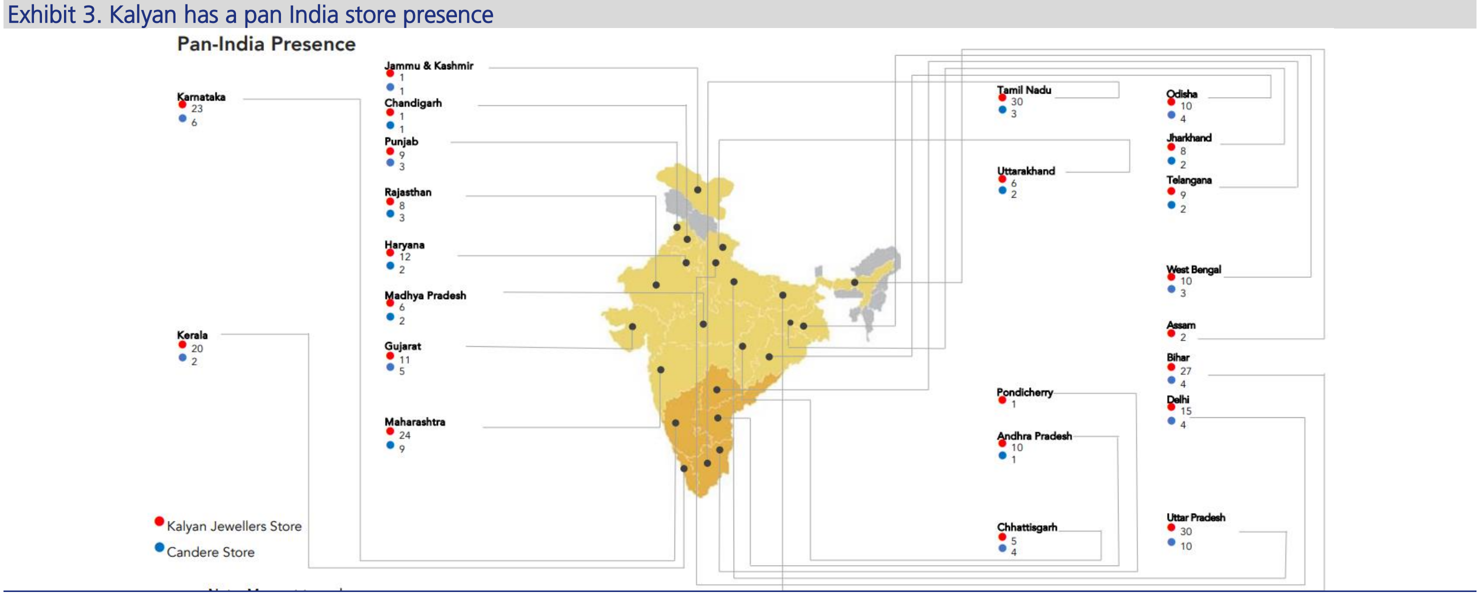

Source: PNG RHP, JM Financial

Exhibit 2. …with organised share increasing to 43% by FY28E



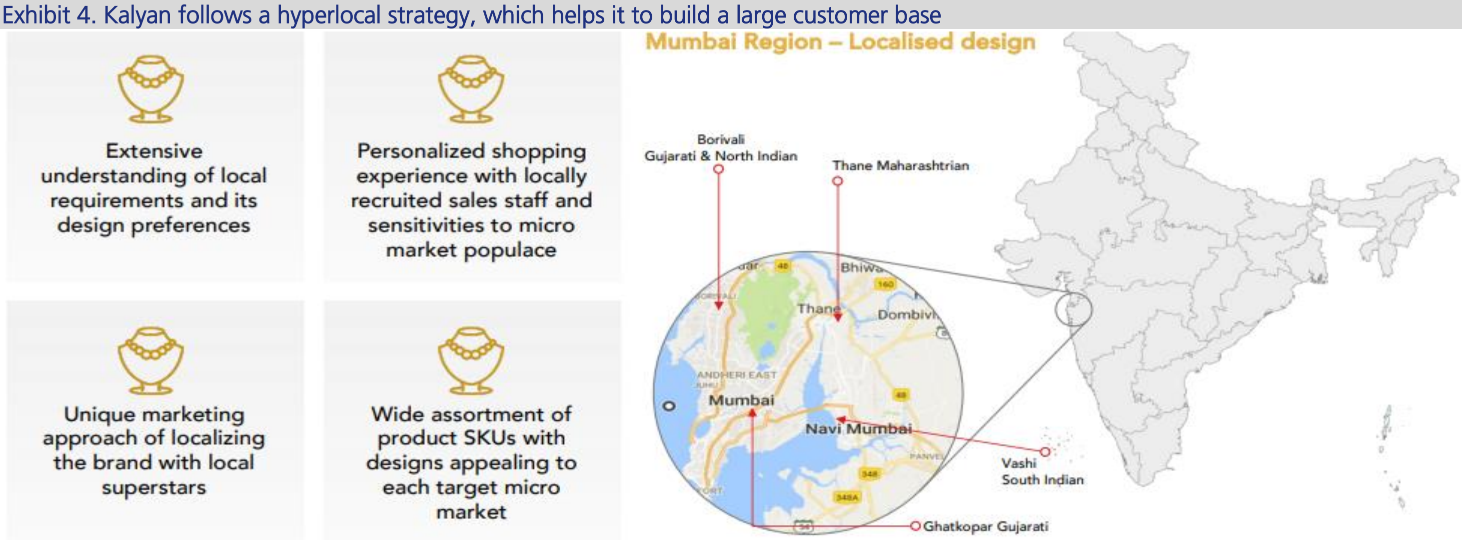

Source: PNG RHP, JM Financial; Note: Figures in box represent organised share

Exhibit 3. Kalyan has a pan India store presence



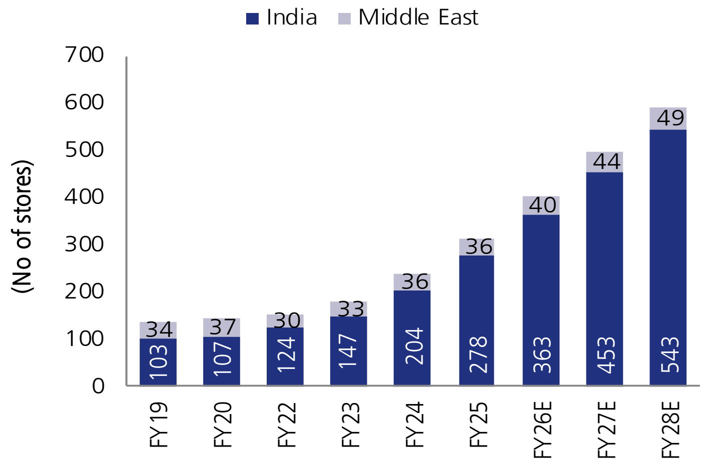

Source: Company, JM Financial

Exhibit 4. Kalyan follows a hyperlocal strategy, which helps it to build a large customer base



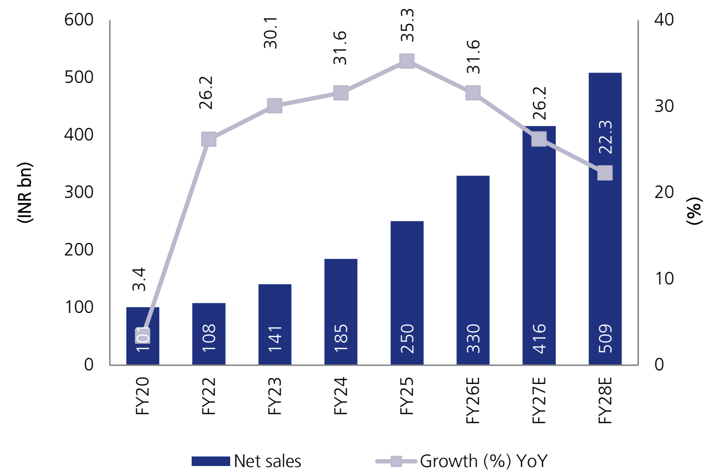

Source: Company, JM Financial

Exhibit 5. To add 85-90 stores/year over FY26-28E in India



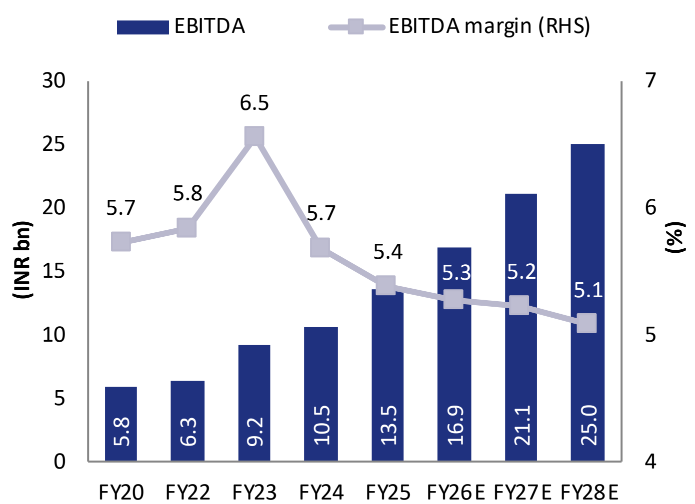

Source: Company, JM Financial

Exhibit 6. We expect 25% revenue CAGR over FY25-28E



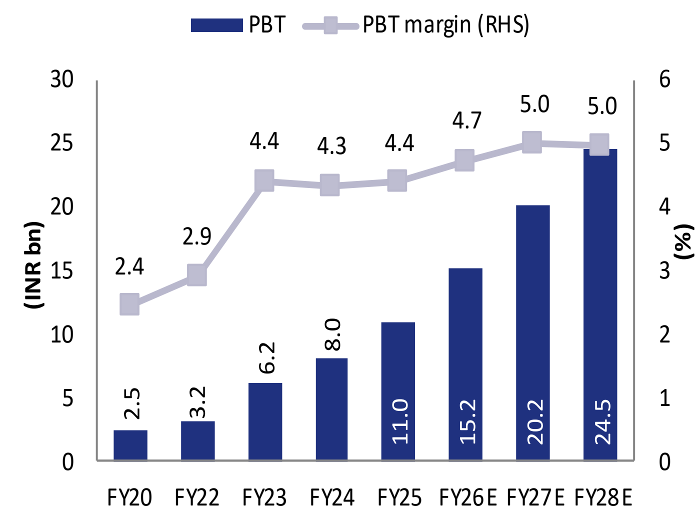

Source: Company, JM Financial

Exhibit 7. EBITDA margin contraction on rising share of franchisees



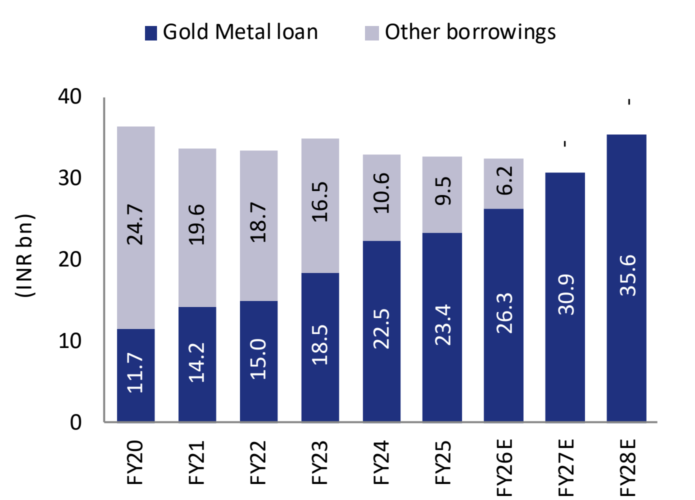

Source: Company, JM Financial

Exhibit 8. PBT margin to expand to 5% by FY28



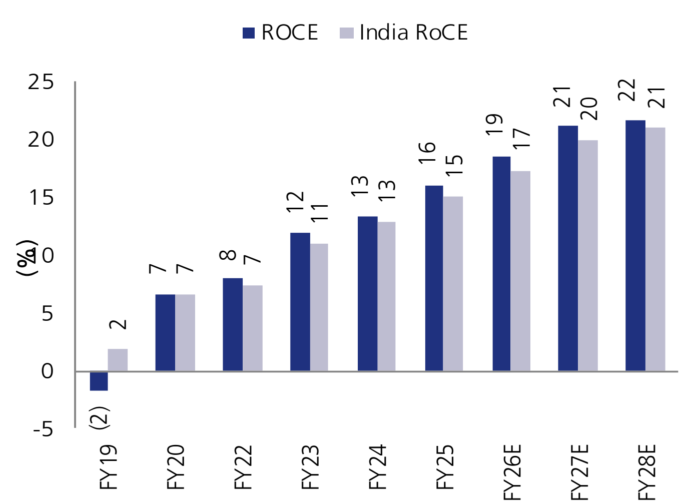

Source: Company, JM Financial

Exhibit 9. Expect full repayment of non-GML loan by FY27




Source: Company, JM Financial

Exhibit 10. Return ratios to improve owing to better profitability




Source: Company, JM Financial

# Investment Thesis

## Large unorganised market; huge growth opportunity

The Indian jewellery market grew at a CAGR of 9% over FY18-24 to INR 6.4trln. The organised segment grew at a higher CAGR of 13% over this period, and it is expected to grow at 20% over FY24-28E (higher vs. market growth of 16%), increasing the organised segment's share from 38% in FY24 to 43% by FY28. This will be led by improved pricing transparency, better quality, higher service expectation, increased promotional campaigns and some impact of consolidation in the industry due to increased regulatory frameworks. The surge in gold prices post Covid owing to recovery in the economic scenario and increasing uncertainties due to the Russia-Ukraine conflict led to higher inventory gains for unorganised jewellers, resulting in higher competitive intensity in the market. We believe that stable growth in gold prices, going forward, led by the stabilising macro-economic situation will be more favourable for organised players and Kalyan, being the 4th largest player in the Indian jewellery market, seems well placed to capture the market share during this shift from the unorganised to the organised segment.

## Moats built earlier will help drive future growth

Kalyan has, over the past several years, developed several moats like (1) development of the brand 'Kalyan Jewellers' on the core values of trust and transparency and effective marketing, (2) hyperlocal approach to cater to different geographical needs of consumers, (3) unique 'My Kalyan' model to acquire customers from regions with no store presence (15% of FY24 revenue), and (4) right product mix to address the large market. Kalyan, after Titan and Malabar, has been able to become a pan-India player due to its hyperlocal designs and strong nationwide brand presence. It appointed Grant Thornton, which is one of the best in the industry, as its auditor and sold an aircraft (non-core asset) to reduce debt. These steps depict good governance and build confidence among investors.

## Franchise-based store expansion to aid robust revenue acceleration

Kalyan earlier used to add 16-17 stores on COCO basis due to the constraint of high working capital needed to add a new store, resulting in slower pace of expansion. With the current FOCO model of expansion, it added 74 (net) stores in India in FY25 and targets to add 85-90 stores every year over FY26-28E. This model is capital efficient for the company, considering the investment in store inventory in done by the franchise partner, which helps in faster rollout of stores. Strong return ratios for both the franchise partner and Kalyan ensure a long runway for the partnership. It also operates an omni channel network via Candere and has 73 showrooms currently; it targets to add 80 showrooms in FY26. Kalyan operated 278 Kalyan stores in India and 37 stores outside India as on 31st Mar'25. With the current pace of expansion, Kalyan still needs 5-6 years to catch up with Tanishq in terms of stores (considering addition of 35-40 stores by Tanishq every year), indicating ample scope of expansion.

## Robust 25%/23%/31% Sales/EBITDA/PAT CAGR over FY25-28E

Kalyan's franchise-led expansion spree is the major reason for its robust performance. We expect the company to continue with its expansion strategy and grow at a sales/EBITDA/PAT CAGR of 25%/23%/31% over FY25-28E. EBITDA CAGR is lower vs. sales CAGR due to contraction in EBITDA margin to 5.1% in FY28 vs. 5.4% in FY25. EBITDA margin is expected to dilute, led by increasing saliency of franchise stores in the overall mix. However, the benefit will be realised at the PBT level as the company will gain from (1) operating leverage benefits led by accelerated revenue growth, and (2) lower capital requirement, which will lead to much lower interest cost. We expect PAT CAGR of 31% over FY25-28E. Return ratios are expected to improve from 18%/13% levels of RoE/RoIC to 24%/23% by FY28. We bake in cumulative OCF/FCFF of ~INR 55.8bn/51bn over FY26-28E.

## Valuations attractive: Initiate with BUY and TP of INR 700

We initiate coverage on Kalyan Jewellers with a BUY rating and a target price of INR 700, valuing the company at ~45x EPS (pre Ind AS 116) Jun'27. The stock is currently trading at 40x EPS (Pre Ind AS) Mar'27, which is ~24% lower vs. its peer Titan. We have assigned a lower P/E multiple of 45x to Kalyan vs. 57x to Titan as Titan has a better margin profile and generates higher return ratios vs. Kalyan. The stock still trades at a discount of 10-40% to other discretionary companies like Avenue Supermarts, Metro Brands, Campus, etc. on P/E basis, despite having higher expected Revenue/PAT CAGR over FY25-28E.

On a consolidated basis, we expect Revenue/EBITDA/PAT CAGR of 25%/23%/31% over FY25-28E led by addition of 278 stores over the period. We expect RoE/ RoIC to improve to ~24%/23% by FY28 vs. 18%/13% respectively in FY25 led by improvement in profitability and franchise model of expansion, resulting in lower capital allocation.

Kalyan has shown robust growth of 26%+ YoY in Revenue and PAT over the last 8 quarters. We believe that this sustained performance has made the company a positive outlier in the discretionary space and will eventually result in re-rating of the stock.

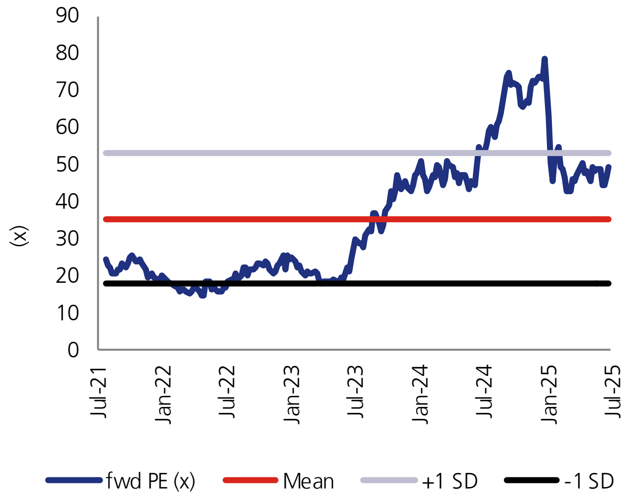
Exhibit 11. Comparative valuation table

| | | Mcap | CMP | TP | Upside | JM EPS (INR) | | | CAGR (FY25-28) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sector/ Co | Rating | (USD bn) | (INR) | (INR) | (%) | FY26E | FY27E | FY28E | Revenue | EBITDA | EPS |
| Retail | | | | | | | | | | | |
| Titan Inds | BUY | 34.9 | 3,406 | 3,725 | 9 | 52 | 65 | 79 | 15% | 24% | 28% |
| Avenue Supermarts | HOLD | 30.1 | 4,013 | 3,880 | -3 | 49 | 57 | 68 | 17% | 17% | 16% |
| Page Industries | HOLD | 6.3 | 48,744 | 45,000 | -8 | 726 | 817 | 939 | 11% | 12% | 13% |
| Metro Brands Ltd | BUY | 3.7 | 1,181 | 1,400 | 19 | 19 | 24 | 29 | 19% | 25% | 25% |
| Vedant Fashions | BUY | 2.2 | 790 | 930 | 18 | 18 | 21 | 23 | 12% | 12% | 12% |
| Kalyan Jewellers | BUY | 7.0 | 586 | 700 | 19 | 11 | 15 | 18 | 25% | 23% | 31% |
| Campus Activewear | BUY | 1.0 | 289 | 340 | 18 | 6 | 7 | 8 | 13% | 21% | 28% |
| Bata India | HOLD | 1.8 | 1,237 | 1,275 | 3 | 23 | 30 | 37 | 8% | 24% | 21% |
| ABFRL | HOLD | 1.1 | 77 | 90 | 17 | -2 | 0 | 1 | 13% | NM | NM |
| Go Fashion | BUY | 0.6 | 893 | 1,000 | 12 | 23 | 26 | 29 | 12% | 11% | 14% |
| Style Baazar | BUY | 0.2 | 288 | 400 | 39 | 9 | 14 | 19 | 25% | 36% | 54% |
| Restaurant Brands | HOLD | 0.6 | 82 | 86 | 5 | 0 | 0 | 1 | 16% | 29% | NM |
| Westlife Food | BUY | 1.4 | 792 | 800 | 1 | 8 | 14 | 20 | 16% | 40% | 77% |
| Devyani International | BUY | 2.4 | 169 | 192 | 13 | 1 | 2 | 3 | 18% | 35% | 72% |
| Sapphire Foods India | BUY | 1.2 | 331 | 365 | 10 | 3 | 4 | 6 | 16% | 28% | 51% |

| | | PE (x) | | | EV/EBITDA (x) | | | RoCE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Sector/ Co | Rating | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Retail | | | | | | | | | | |
| Titan Inds | BUY | 65 | 52 | 43 | 44 | 36 | 30 | 29 | 33 | 35 |
| Avenue Supermarts | HOLD | 83 | 70 | 59 | 55 | 46 | 39 | 17 | 18 | 19 |
| Page Industries | HOLD | 67 | 60 | 52 | 49 | 44 | 38 | 69 | 65 | 62 |
| Metro Brands Ltd | BUY | 61 | 49 | 41 | 47 | 37 | 31 | 31 | 33 | 33 |
| Vedant Fashions | BUY | 43 | 38 | 34 | 35 | 31 | 27 | 27 | 27 | 27 |
| Kalyan Jewellers | BUY | 53 | 40 | 33 | 36 | 29 | 24 | 19 | 21 | 22 |
| Campus Activewear | BUY | 52 | 43 | 36 | 33 | 28 | 23 | 18 | 19 | 19 |
| Bata India | HOLD | 55 | 41 | 33 | 33 | 26 | 21 | 19 | 25 | 29 |
| ABFRL | HOLD | NM | NM | NM | NM | 29 | 15 | -5 | -1 | 1 |
| Go Fashion | BUY | 39 | 34 | 30 | 28 | 25 | 22 | 13 | 13 | 12 |
| Style Baazar | BUY | 31 | 21 | 15 | 16 | 12 | 9 | 13 | 19 | 25 |
| Restaurant Brands | HOLD | NM | NM | NM | 33 | 26 | 21 | -0 | -0 | 1 |
| Westlife Food | BUY | 99 | 58 | 40 | 44 | 30 | 22 | 12 | 20 | 25 |
| Devyani International | BUY | 161 | 79 | 49 | 37 | 26 | 19 | 5 | 12 | 18 |
| Sapphire Foods India | BUY | 123 | 75 | 55 | 32 | 23 | 19 | 4 | 7 | 9 |

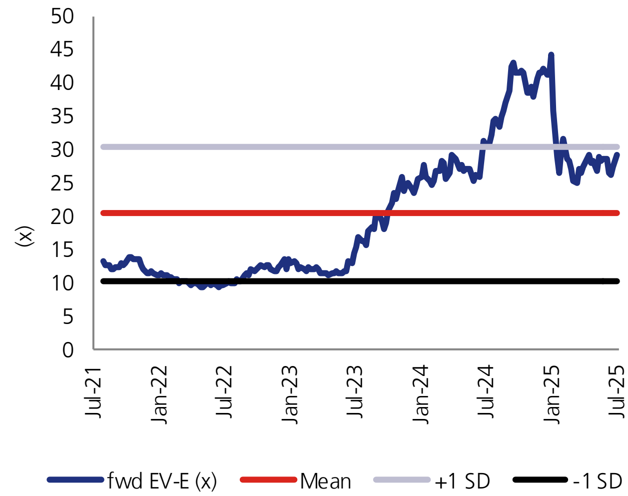
Source: Company, JM Financial

Exhibit 12. 1 year forward P/E




Source: Bloomberg

Exhibit 13. 1 year forward EV/EBITDA




Source: Bloomberg

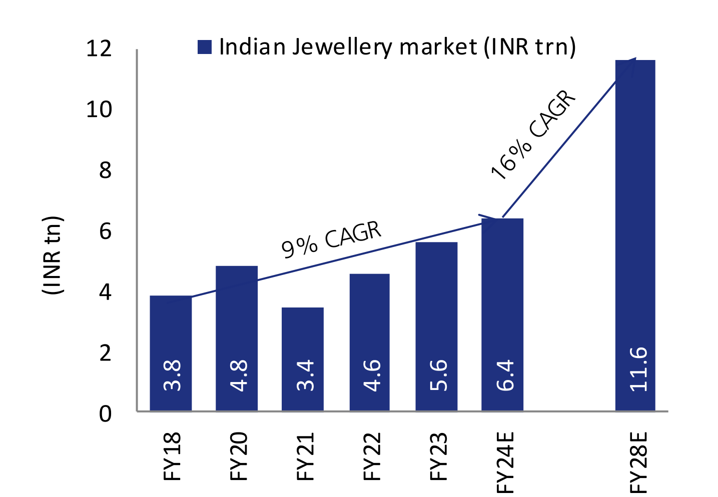
## Large unorganised market; huge growth opportunity

**The Indian jewellery market grew at a CAGR of 9% over FY18-24 to INR 6.4trln. During that time, the organised segment grew at a higher CAGR of 13%, and it is expected to grow at 20% over FY24-28E (higher vs. market growth of 16%) resulting in an increase in organised share from 38% in FY24 to 43% by FY28. This will be led by improved pricing transparency, better quality, higher service expectation, increased promotional campaigns and some impact of consolidation in the industry due to increased regulatory frameworks. The surge in gold prices post Covid owing to recovery in the economic scenario and increasing uncertainties due to the Russia-Ukraine conflict resulting in higher inventory gains for unorganised jewellers, which lifted competitive intensity in the market. We believe that stable growth in gold prices, going forward, led by the stabilising macro-economic situation will be more favourable for organised players and Kalyan, being the 4th largest player in the Indian jewellery market, seems well placed to capture market share in this shift from the unorganised to the organised segment.**

The Indian Jewellery market grew at a CAGR of 9% over FY18-24 to INR 6.4trln and is expected to grow at 16% CAGR over FY24-28E to INR 11.6trln. The organised segment grew at a higher CAGR of 13% over FY18-24 to INR 2.4trln by FY24 (38% share of the overall market) and is expected to grow at ~20% CAGR over FY24-28E to INR 5trln.

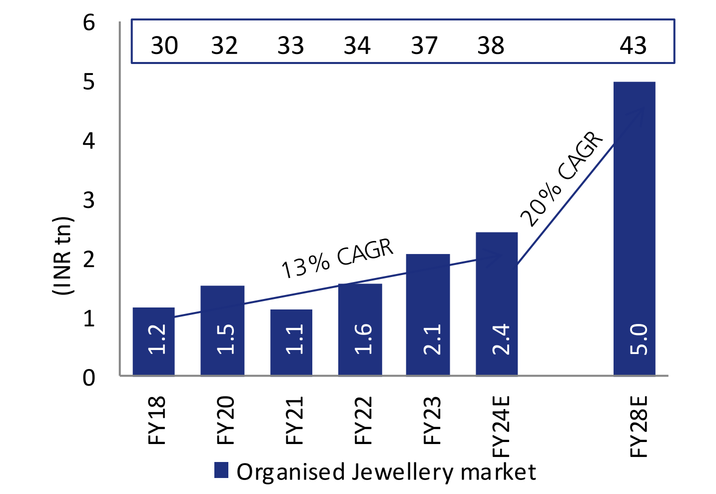
The industry has witnessed a gradual shift towards organised players led by demand-side factors like (1) Pricing transparency and product quality, (2) Urbanisation and migration, (3) Service expectations and (4) Impact of promotional campaigns and sustained brand-building efforts. The industry is witnessing consolidation due to regulatory factors as well, like (1) Demonetisation, (2) Implementation of GST, (3) Reduction of custom duty from 15% to 6%, (4) Mandatory PAN requirement for transactions above INR 0.2mn and (5) Covid-led impact.

Exhibit 14. Jewellery market to grow at 16% CAGR over FY24-28E




Source: PN Gadgil Jewellers DRHP, JM Financial; Conversion rate is 1US$=INR 80

Exhibit 15. Organised players to grow at 20% CAGR over FY24-28E




Source: PN Gadgil Jewellers DRHP, JM Financial; Note: Box contains the share of organized players in the segment

A majority of the organised players gained market share over FY19-24 with Malabar, Titan and GRT leading the pack with gain of ~410/300/210bps. Kalyan, the 4th largest jewellery player in India, gained ~40bps market share over the same period.

### Exhibit 16. Malabar, Titan and GRT remain the market leaders and have gained market share over FY19-24

| Particular | Revenue - INR bn | | | | Market Share (%) | | Change |
|---|---|---|---|---|---|---|---|
| | FY19 | FY22 | FY23 | FY24 | FY19 | FY24 | (bps) |
| Malabar Gold & Diamond | 135 | 314 | 396 | 482 | 3.4% | 7.5% | 412 |
| Titan (Jewellery) | 164 | 255 | 359 | 455 | 4.1% | 7.1% | 297 |
| GRT* | 122 | 190 | 258 | 360 | 3.1% | 5.6% | 255 |
| Kalyan | 98 | 108 | 141 | 185 | 2.5% | 2.9% | 42 |
| Lalitha Jewellers* | 78 | 82 | 134 | 168 | 2.0% | 2.6% | 66 |
| Joyalukkas* | 81 | 103 | 145 | 167 | 2.0% | 2.6% | 56 |
| PN Gadgil & Sons | 20 | 57 | 101 | 84 | 0.5% | 1.3% | 81 |
| Khazana | 43 | 64 | 81 | 89 | 1.1% | 1.4% | 31 |
| PNG Jewellers | 23 | 25 | 44 | 61 | 0.6% | 0.9% | 37 |
| Emerald* | 41 | 47 | 58 | 67 | 1.0% | 1.0% | 3 |
| Senco | 25 | 35 | 41 | 52 | 0.6% | 0.8% | 19 |
| Thangamayil Jewellers | 14 | 22 | 32 | 38 | 0.4% | 0.6% | 24 |
| TBZ | 18 | 18 | 24 | 23 | 0.5% | 0.4% | -9 |
| DP Abhushan | 8 | 17 | 20 | 23 | 0.2% | 0.4% | 16 |
| Waman Hari Pethe Sons | 6 | 7 | 8 | 9 | 0.1% | 0.1% | -1 |
| Motisons | 2 | 3 | 4 | 4 | 0.1% | 0.1% | 1 |
| PC Jewellers | 87 | 16 | 25 | 6 | 2.2% | 0.1% | -209 |
| Other organised players | 259 | 134 | 167 | 160 | 6.5% | 2.5% | -400 |
| **Total Estimated Organised Market** | **1,223** | **1,497** | **2,037** | **2,434** | **31%** | **38%** | |
| **Total Market** | **3,977** | **4,456** | **5,553** | **6,414** | | | |
| **Organised market %** | **31%** | **34%** | **37%** | **38%** | | | |

Source: Company, JM Financial; Note*: FY24 figures are estimated

### Exhibit 17. Post Covid, gold demand in volume/value grew at 11%/24% CAGR over FY21-25

| Year | Demand (Tonnes) | | | | Demand (value, USD mn) | | | |
|---|---|---|---|---|---|---|---|---|
| | Jewellery | Total bar and coin invest | Total | Growth (YoY%) | Jewellery | Total bar and coin invest | Total | Growth (YoY%) |
| **FY11** | 670 | 362 | **1,031** | **39%** | 1,300 | 702 | **2,002** | **53%** |
| **FY12** | 568 | 320 | **888** | **-14%** | 1,441 | 804 | **2,245** | **12%** |
| **FY13** | 592 | 345 | **937** | **6%** | 1,788 | 1,044 | **2,832** | **26%** |
| **FY14** | 596 | 293 | **890** | **-5%** | 1,730 | 841 | **2,571** | **-9%** |
| **FY15** | 655 | 203 | **858** | **-4%** | 1,792 | 557 | **2,349** | **-9%** |
| **FY16** | 591 | 182 | **774** | **-10%** | 1,554 | 480 | **2,034** | **-13%** |
| **FY17** | 548 | 171 | **720** | **-7%** | 1,629 | 507 | **2,136** | **5%** |
| **FY18** | 597 | 165 | **762** | **6%** | 1,747 | 482 | **2,229** | **4%** |
| **FY19** | 604 | 164 | **768** | **1%** | 1,881 | 510 | **2,391** | **7%** |
| **FY20** | 493 | 140 | **633** | **-18%** | 1,785 | 513 | **2,298** | **-4%** |
| **FY21** | 369 | 142 | **510** | **-19%** | 1,785 | 688 | **2,473** | **8%** |
| **FY22** | 579 | 188 | **767** | **50%** | 2,772 | 905 | **3,677** | **49%** |
| **FY23** | 598 | 167 | **765** | **0%** | 3,128 | 876 | **4,004** | **9%** |
| **FY24** | 579 | 194 | **774** | **1%** | 3,497 | 1,176 | **4,674** | **17%** |
| **FY25** | 539 | 243 | **782** | **1%** | 4,037 | 1,828 | **5,865** | **25%** |

Source: Company, JM Financial

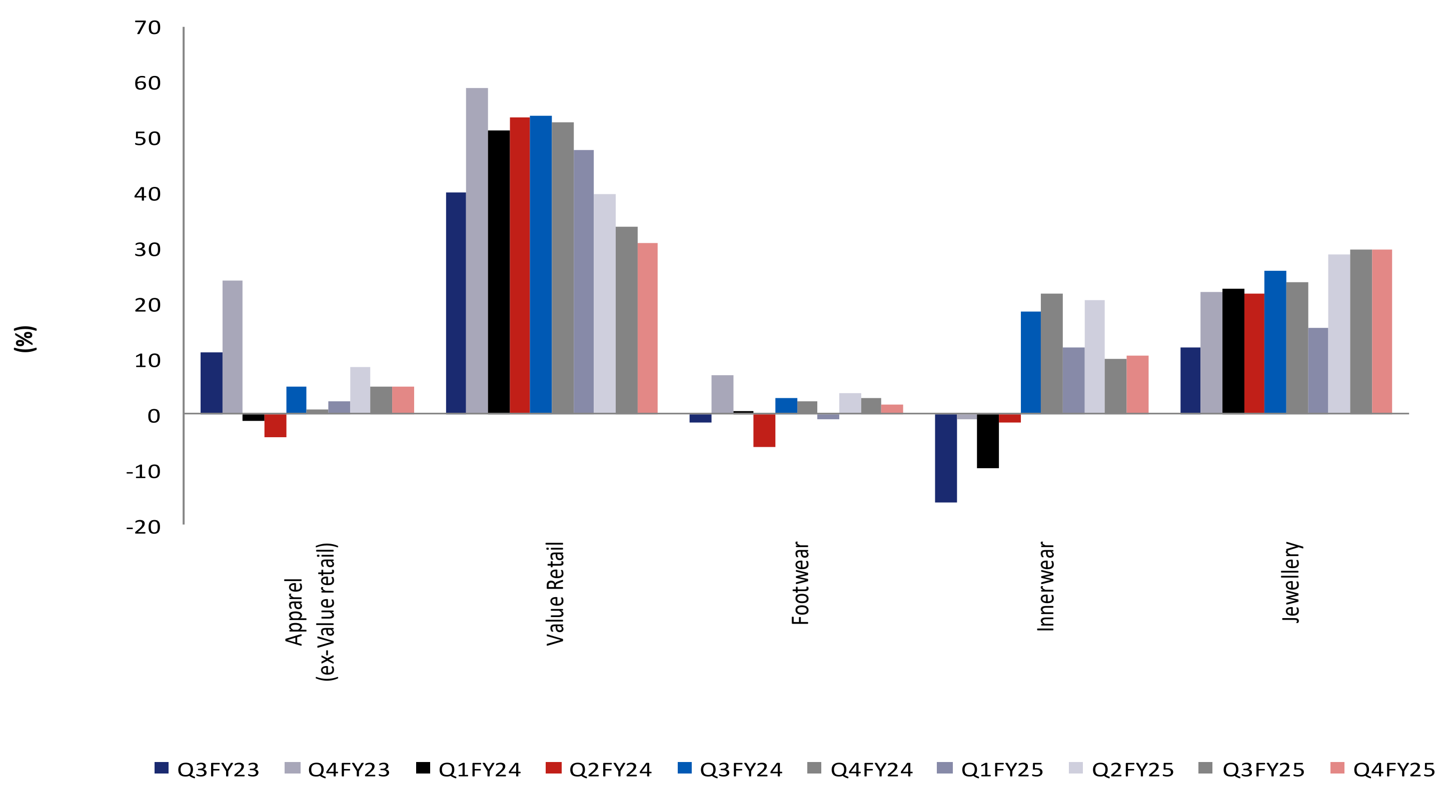
Gold prices increased by 12% CAGR over FY21-25, resulting in value demand rising by 24% CAGR and volume demand going up by 11% CAGR. The spurt in gold prices was a factor of (i) stabilisation of the economy and recovery post the Covid pandemic, (ii) Russia-Ukraine conflict, and (iii) pangs of global recession during FY23-24. Unorganised jewellers benefitted from inventory gains during this period due to the increase in gold prices. Unorganised jewellers either (i) reduced making charges, or (ii) offered discount on gold prices to increase sales during this period. With most of the macro indicators stabilising, we believe that growth in gold prices will also stabilise, which will reduce the ability of unorganised players to offer discounts and lower making charges to customers. On the other hand, this will be beneficial for organised players, who offer full transparency in prices and making charges, building trust and confidence in the mind of the consumer.

Additionally, large organised jewellers will benefit from consumers' desire for a safer shopping experience with larger shop space that permits social distancing, well trained store personnel and strong systems/processes that ensure a safe retail experience.

## Kalyan to benefit from industry tailwinds

Over the last 8 quarters, growth has been tepid in the consumer discretionary space owing to weak consumer demand. Value retailers and jewellery companies, however, were supported by industry tailwinds. Down-trading by consumers due to heightened inflation and better offerings at lower prices have led to higher growth for value retailers during the period. Jewellery companies have registered robust double-digit growth despite increasing gold prices as gold is considered as an investment.

Exhibit 18. Jewellery and value retail sectors have shown consistent growth over the last several quarters




Source: Company, JM Financial

Kalyan Jewellers has, however, outpaced the growth of other players since 1QFY24. The major reason is its expansion through the franchise model, allowing it to expand rapidly and enter new geographies (North).

Exhibit 19. Kalyan has outpaced industry growth over the last 8-10 quarters

| Jewellery | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 |
|---|---|---|---|---|---|---|---|---|---|---|
| Titan (Std Jewellery) | 11 | 24 | 19 | 19 | 23 | 19 | 9 | 26 | 26 | 25 |
| Kalyan Jewellers | 13 | 18 | 31 | 27 | 34 | 34 | 27 | 37 | 39 | 37 |
| Thangamayil | 18 | 26 | 16 | 22 | 20 | 27 | 27 | 19 | 26 | 41 |
| Senco Gold | NA | NA | 29 | 26 | 23 | 39 | 8 | 31 | 27 | 21 |

Source: Company, JM Financial

# Moats built earlier will help drive future growth

**Kalyan, over the past several years, have developed several moats like (1) development of brand 'Kalyan Jewellers' on the core values of trust and transparency and effective marketing, (2) hyperlocal approach to cater to different geographical needs of consumers, (3) unique 'My Kalyan' model to acquire customers from regions with no store presence (15% of FY24 revenue), and (4) right product mix to address the wide market. Kalyan, after Titan and Malabar, has been able to become a pan-India player due to its hyperlocal designs and strong nationwide brand presence. It appointed Grant Thornton, which is one of the best in the industry, as its auditor and sold an aircraft (non-core asset) to reduce debt. These steps depict good governance and build confidence among investors.**

## Brand built on core values of trust and transparency

The Indian jewellery industry is highly fragmented (>0.5mn local goldsmiths/jewellers) and has often suffered from issues of under-caratage/gold purity and lack of transparency (especially on pricing and gold exchange). Kalyan has built a strong brand through multiple pioneering initiatives centering on these issues and established a strong trust factor focused on its policies of purity, transparency and exchange.

- **First to sell BIS hallmarked jewellery (2006)**: While selling BIS hallmarked jewellery has become mandatory in India since 16th Jun'21 (in phases), Kalyan has, since 2006, been selling only BIS hallmarked jewellery, which is independently verified for purity by government-approved agencies in accordance with BIS norms.

- **First to introduce detailed price tags disaggregating various components (2008):** All of Kalyan's jewellery items are accompanied by a detailed pricing tag disaggregating the various components such as metal weight, stone weight, stone price, and making charges to aid transparency to consumers.

- **Transparency in gold exchange**: In FY20, ~27% of Kalyan's jewellery sales involved customers exchanging or selling their previously purchased jewellery to them as payment for newly purchased jewellery. The company has deployed a transparent process for valuing such exchange of customer gold, including verifying the exchanged gold purity in front of the customer to determine its fair value.

- **Product certification**: With each purchase of jewellery, Kalyan provides its customers with a "four-level product certification" that assures purity, offers lifetime product maintenance, identifies exchange and buy-back terms, and provides a detailed product description.

- **After-sales service and staff training:** Kalyan places strong emphasis on delivering exceptional after-sales service. The company has invested significantly in staff training, and focused on continuous learning, which empowers the team to provide a personalised and seamless service. By prioritising a customer-first approach, Kalyan not only builds lasting relationships but also drives repeat business and long-term brand loyalty.

## Improved corporate governance

- **Appointment of auditor**: Auditors for Kalyan Jewellers have always been the best in the industry. Its books were audited by BSR & Co LLP (a part of KPMG India) till 31st Mar'24. After that, it appointed Walker Chandiok & Co LLP as the new auditor (a part of Grant Thornton India), who will continue till 31st Mar'29. Appointment of leading CA firms as the auditors signifies healthy corporate governance by the company.

- **Sale of non-core assets to repay debt**: The company has sold its aircraft worth INR 1.3bn in FY25 and repaid debt. Now, it is in process of reducing its borrowing limits, which will lead to release of some land parcels that are kept as collateral with the bank. Sale of these land parcels will help reduce debt further. Better allocation of resources will help improve return ratios and increase investor confidence.

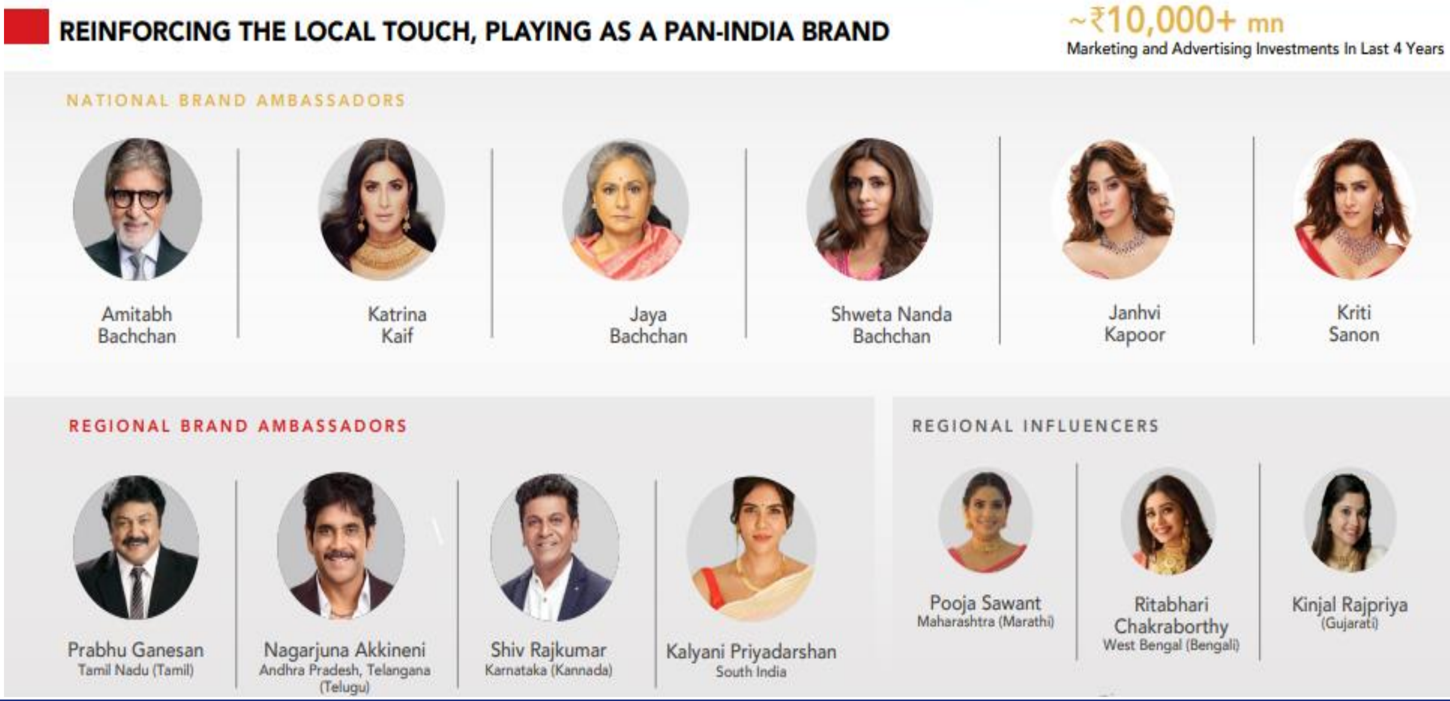
- **Appointment of Vinod Rai as Chairman:** Company has appointed Mr Vinod Rai as an Independent non-executive director and Chairman of the company who has served as the C&AG of India and was awarded as Padma Bhushan for his services. This shows promoters focus to ensure independence among the board of directors.

## Effective marketing and promotion strategy

Kalyan has invested significantly in brand-building activities through advertising campaigns endorsing both national and regional brand ambassadors. This dual approach has helped it extend its national appeal via Bollywood celebrities like Amitabh Bachchan and Katrina Kaif and at the same time reinforce its local touch and strengthen its regional presence in the South with brand ambassadors like Prabhu Ganesan (Tamil), Ritabhari (Bengali), etc.

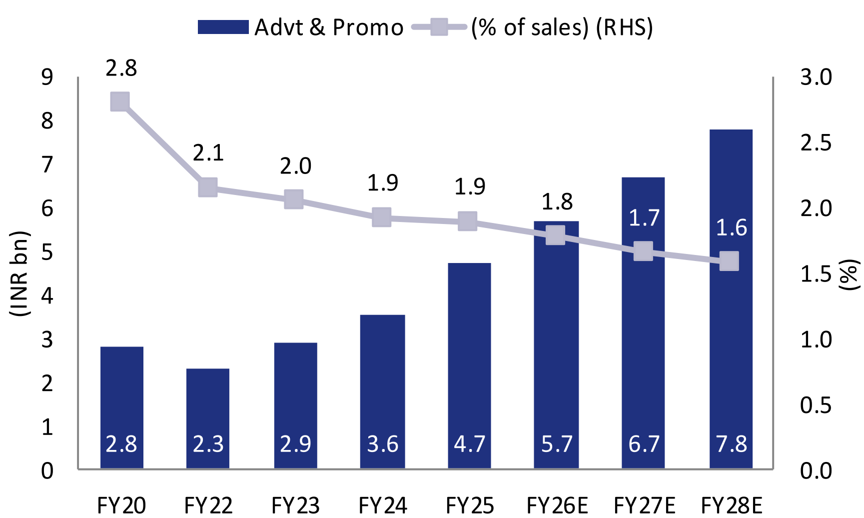
**Over the last 4 years, Kalyan has invested ~INR 10bn+ in A&P to support its expansion in non-South markets and successfully accelerate its transition to a pan-India player.**

Exhibit 20. Effective marketing through dual approach of national and regional brand ambassadors




Source: Company, JM Financial

Exhibit 21. Ad spends as % of sales to contract by ~30bps over FY25-28E




Source: Company, JM Financial

## Hyperlocal strategy – transition from South to pan-India player

Kalyan caters to a wide range of customers across geographies, age groups and socio-economic status levels led by its localisation strategy combined with large scale of operations. It has used this strategy successfully to expand its operations across India in an industry with substantially differing customer preferences for jewellery across regions. Key pillars to its hyperlocal strategy include -

- Extensive consumer research of local design requirements/preferences, investments in regional brand ambassadors, and a localised marketing approach prior to store opening and entering new markets; these initiatives enable faster ramp-up and payback of its stores.
- Wide assortment of product SKUs with designs appealing to each target micro market; we note 30-40% of Kalyan's store inventory is localised to each market – this is a key differentiator for Kalyan especially vs. other southern players who have also expanded pan-India but follow a predominantly regional inventory model.
- Setting up local purchase offices to cater to regional tastes.
- Personalised shopping experience with locally recruited sales staff and sensitivities to micro market populace.

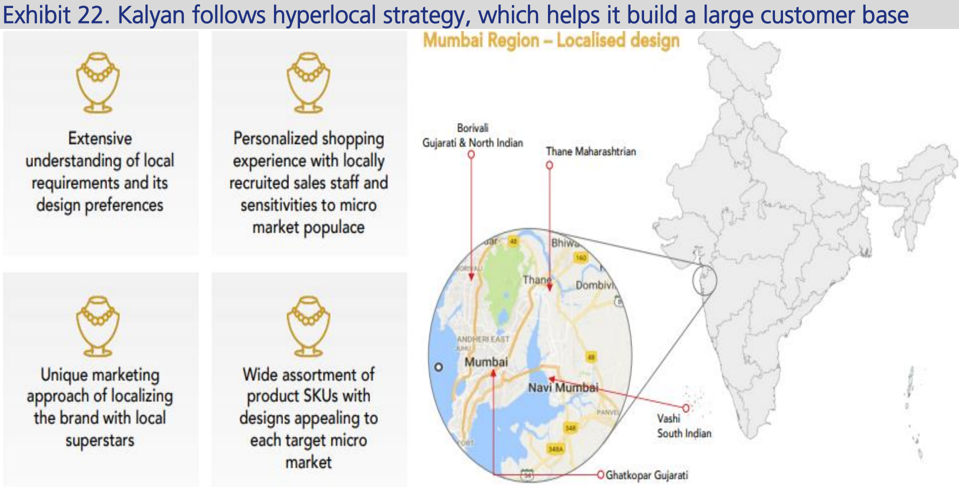
The company's localisation strategy along with strong brand presence across the country helped it to scale quickly and gain traction outside its core area (South India) while other jewellery players are still struggling to expand beyond their core market.

## Strong local artisan manufacturing network enables localised designs

Kalyan manufactures products through a network of artisans throughout India, who work in the capacity of contract manufacturers and as independent contractors to manufacture the company's products. By utilising the expertise and experience of local artisans as contract manufacturers who are able to implement Kalyan's design specifications in line with regional preferences, it is able to cater to varying regional jewellery tastes and compete effectively with both city and state-specific regional organised jewellery chains and unorganised local jewellers who have traditionally dominated local jewellery markets in India.

Catering to local design preferences is an essential component for Kalyan to be a pan-India hyperlocal jewellery company with strength across regions in India. For example, temple jewellery is a category often preferred in South India, and Kalyan's local artisans in South India can craft jewellery for this style. Likewise, certain consumer groups in West India prefer antique collections, and Kalyan works with artisans in western India to cater to this demand.

Exhibit 22. Kalyan follows hyperlocal strategy, which helps it build a large customer base




Source: Company, JM Financial

Personalisation and localisation strategy has helped Kalyan achieve a significant portion of sales through repeat sales. Kalyan goes deep on its micro-market approach – e.g., even in specific markets like Mumbai, it has adopted different inventory mixes based on suburb populace.

## 'My Kalyan' network key element of hyperlocal strategy

The jewellery industry is highly fragmented and comprises many small jewellers at the local level. Hence, it is difficult for a new player to establish its presence in small towns given cost benefit dynamics and capital required. 'My Kalyan' initiative is an integral part of the company's overall strategy, aiding its hyperlocal drive. This enables the company to access customers across urban, semi-urban and rural markets – a unique customer acquisition tool that helps Kalyan Jewellers to significantly enhance its distribution footprint (which is difficult for peers to easily replicate) and gives it a strong competitive advantage.

My Kalyan network is an integral part of the company's strategy and its importance can be gauged from the fact that it contributed ~15% of FY24 revenue and ~37% of the enrolment to its purchase advance schemes in the India business. Kalyan targets to connect and engage with over 10mn potential customers each year through its My Kalyan network.

## My Kalyan model

- My Kalyan store is small in size (500-1,000 sqft), operates on a leased model and employs 3-4 staff/store. The company operates a hub-and-spoke model for My Kalyan network and generally opens 5-8 My Kalyan stores in close proximity to larger Kalyan stores. Overall, Kalyan operated 1,037 My Kalyan stores (Mar-25) with 3,926 employees.
- My Kalyan centres are digitally enabled – the staff is equipped with a mobile app that stores customer's data and manages lead generation.
- My Kalyan helps the company to create brand awareness and reach hinterland areas, which otherwise would be difficult to reach through the store network.
- My Kalyan personnel at these service centres engage in door-to-door and other direct marketing efforts within their local communities to promote the Kalyan brand, showcase its product catalogue, enrol customers in its purchase advance schemes, enrich its customer database and help drive traffic to the nearest showrooms to that area.
- My Kalyan employees build relationships with various players in the wedding ecosystem given high contribution from the wedding jewellery segment. They forge relationships with local marriage halls, astrologers, caterers, event managers, make-up artists and other wedding vendors to identify potential jewellery customers as leads.

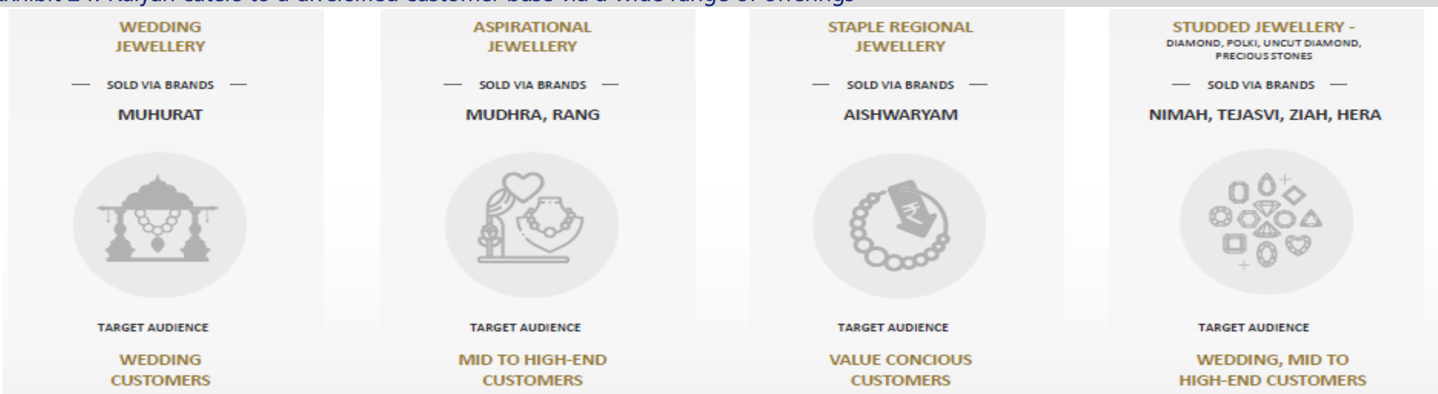
Exhibit 23. 'My Kalyan' helps strengthen the brand through multiple initiatives


Source: Company, JM Financial

## Wide addressable market with right product mix

Kalyan caters to all sections of the consumers including first-time brand seekers. It sells a wide range of jewellery spanning weddings (constitutes > ~50%+ of its revenue), special occasions and daily-wear. Over the years, Kalyan has launched numerous sub-brands to cater to specific niches and straddle price points. Apart from establishing itself as a dominant player in the Metro and Tier-I markets, Kalyan has successfully tapped into the rest of the markets with an assortment of designs specific to each of them at a competitive price.

Exhibit 24. Kalyan caters to a diversified customer base via a wide range of offerings




Source: Company, JM Financial

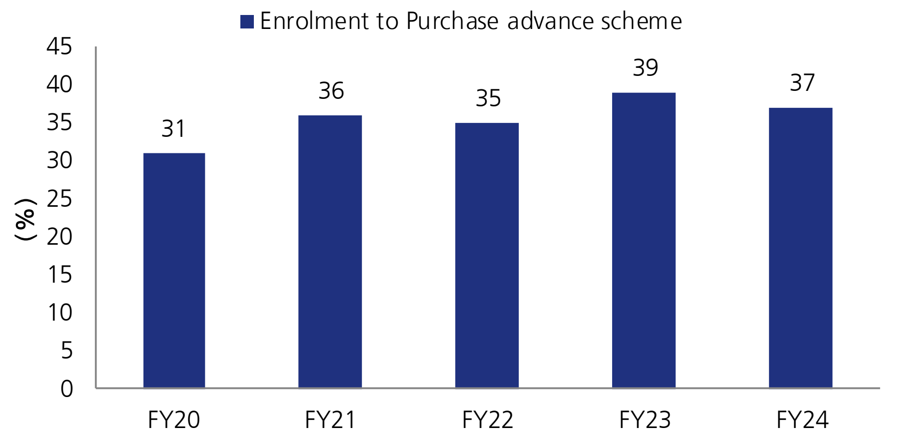
Exhibit 25. Kalyan offers a range of collections to target different customer segments and occasions


Source: Company, JM Financial

## Strong salience of gold advance schemes; pickup in enrolments aids growth revival

Purchase advance scheme is one of the key revenue drivers for organised jewellers in India. Under such schemes, customers can make monthly instalments over a period of up to 11 months to purchase jewellery within such period as specified in the scheme. A part of the final purchase price is borne by the jeweller – i.e. essentially a discount. For Kalyan, the schemes are primarily operated under 'Kalyan Akshaya', 'Kalyan Sowbhagya' and 'Kalyan Dhanvarsha'. Enrolment of customers in the company's purchase advance scheme is steady ~35-40%.

Exhibit 26. Enrolment to purchase advance scheme steady ~35-40%




Source: Company, JM Financial

## Robust store expansion to drive growth

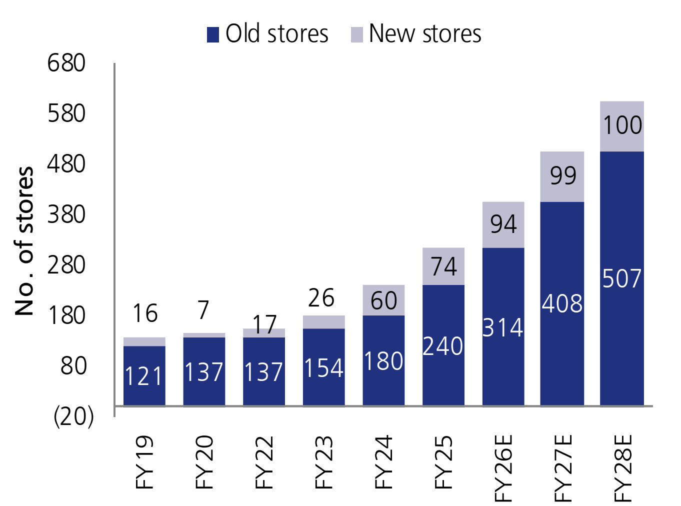
**Kalyan earlier used to add 16-17 stores on COCO basis due to the constraint of high working capital requirement for adding a new store, resulting in slower pace of expansion. With the current FOCO model of expansion, the company has added 74 (net) stores in India in FY25 and targets to add 85-90 stores every year over FY26-28E. This model is capital-efficient for the company, considering the investment in store inventory is done by the franchise partner, which helps in faster rollout of stores. Strong return ratios for both the franchise partner and Kalyan ensure a long runway for the partnership. It also operates an omni channel network via Candere and has 73 showrooms currently; it targets to add 80 showrooms in FY26. It operated 278 Kalyan stores in India and 37 stores outside India as on 31st Mar'25. With the current pace of expansion, Kalyan still needs 5-6 years to catch up with Tanishq in terms of stores (considering addition of 35-40 stores by Tanishq every year), providing ample scope of expansion.**

Kalyan was established in 1993 with one store in Thrissur (Kerala) and has since expanded to a pan-India network of 278 stores (152 franchise owned company operated stores) across 23 states/UTs. It has also expanded its reach in the Middle East and the US (to cater to Indian diaspora and tourists) with 37 stores (4 FOCO) as on 31st Mar'25. It also operates 73 Candere showrooms (37 FOCO). Earlier, the company used to operate its stores on a COCO model but with its recent strategy shift, it has started adding FOCO stores, which has resulted in aggressive store expansion.

We expect store expansion for Kalyan to remain robust, primarily led by the introduction of the franchise model, which is far more capital efficient (investment in inventory by franchise partner) and aids in improvement of the company's profitability profile owing to lower invested capital and generation of higher FCF, which can be deployed for debt reduction. Kalyan is targeting to add 90-95 stores every year (consolidated ex-Candere) vs. 16-17 stores earlier led by lower working capital deployment by the company. We expect addition of 265 stores (India) over FY26-28E. Expansion in the Middle East is expected to remain measured (13 stores over FY26-28E) as the company is facing difficulty in finding franchise partners in the region. It is trying to implement a different FOCO operating model for the Middle East to make the option lucrative.

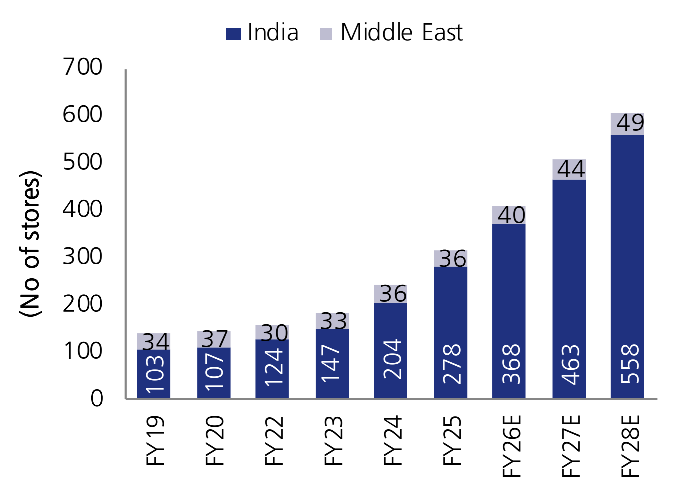
Typical size for a Kalyan store in India is 4,000-4,500 sqft and Middle East is 1,000-1,500 sqft and, on average, Kalyan spends ~INR 30mn on capex/store.

Exhibit 27. Kalyan targets to add 90-95 stores/year over FY26-28E




Source: Company, JM Financial

Exhibit 28. India business to add 90-95 stores/year over FY26-28E




Source: Company, JM Financial

The company introduced the franchise model in 1QFY23 and has done most of the incremental store expansion since then via the franchise route. Kalyan has adopted the FOCO model (Franchisee-Owned Company-Operated model) wherein it operates in two ways:

(1) The inventory funding is incurred by the franchise partner, while the capex on fit-out and store operations is managed by Kalyan. Under this model, Kalyan will charge an annual maintenance fee of INR 5mn for the first 7 years to cover the capex cost of INR 35mn. This model will help Kalyan to earn a PBT margin of ~5%.

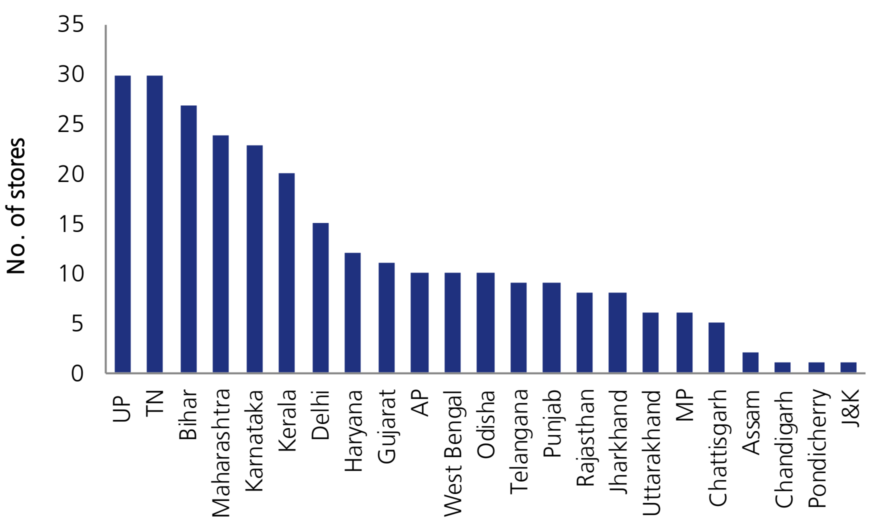
(2) Both inventory funding and capex fit-out are incurred by the franchise partner and store operations are managed by Kalyan. Under this model, no annual maintenance fee is charged by the company and Kalyan earns a higher PBT margin of ~5.25% due to lower deployment of working capital.

Most of the franchise stores are opened in the non-South region, where the margin profile is higher owing to higher contribution of studded jewellery, making the model viable both for Kalyan and the franchise partner. It added 9 FOCO stores in the South in FY25 where inventory was funded by the franchise partner while capex was done by Kalyan.

It has come up with a new FOCO model to make the option lucrative for the southern region, where a new company will be created whose shares will be held by 3-4 franchise partners. The company will be the FOCO partner for a mix of North and South stores, which will provide a better sustainable return to all the partners and the company will be able to add stores in FOCO stores in the southern region also.

The franchise model has been a game changer for Kalyan, as (1) the company has been able to gain incremental market share from the unorganised players owing to accelerated pace of expansion, and (2) the incremental free cash flow generated from these showrooms is used by the company to pare down its debt and improve its return ratios.

Exhibit 29. South constitutes ~33% of Kalyan's Indian store network




Source: Company, JM Financial

## Exhibit 30. Kalyan/franchise partner makes ~32%/15% RoCE in the new franchise arrangement

| Particulars | Unit economics for Kalyan | | | Unit economics for franchise partner | | |
|---|---|---|---|---|---|---|
| | (INR mn) | | Comments | (INR mn) | | Comments |
| Store size (sq. ft.) | 3,500 | | Avg. store size of ~3500 sq. ft | 3,500 | | Avg store size of ~3500 sq.ft |
| Annual store sales | **525** | | assuming 2.5x inventory turn | **525** | | assuming 2.5x inventory turn |
| Sales mix | | % of total | | | % of total | |
| Gold jewelry | 368 | 70 | Non-south store 70% contribution from Gold | 368 | 70 | Non-south store 70% contribution from Gold |
| Diamond jewelry | 157 | 30 | and 30% from Studded/Diamond jewelry | 158 | 30 | and 30% from Studded/Diamond jewelry |
| **Gross profit** | | | | | | |
| Gold jewelry | 21 | 5.7 | 14% margin of Gold jewelry -60% passed to Franchise | 31 | 8.4 | 14% margin of Gold jewelry -60% received by Franchise |
| Diamond jewelry | 22 | 14.0 | 35% margin of Gold jewelry -60% passed to Franchise | 33 | 20.9 | 35% margin of Gold jewelry -60% received by Franchise |
| **Blended gross profit** | **43** | **8.2** | | **64** | **12.2** | |
| Store costs (as % of sales) | (INR mn) | % of sales | | (INR mn) | % of sales | |
| Rentals | | - | Rentals paid by the Franchise | 10.5 | 2.0 | Rentals paid by the Franchise partner |
| Employee costs | 10.5 | 2.0 | Borne by Kalyan as the store is managed by it | | | No employee cost |
| Advertising expenses | 2.6 | 0.5 | Other miscellaneous spends | 11.0 | 2.1 | Store-related spends like electricity, stationery etc. |
| Other expenses/overheads | 2.6 | 0.5 | | | | |
| **Total store costs** | **15.8** | **3.0** | | **21.5** | **4.1** | |
| **EBITDA** | **27.3** | | | **42.5** | | |
| **EBITDA margin (%)** | **5.2** | | | **8.1** | | |
| **EBIT** | **27.3** | | | **42.5** | | |
| **PAT** | **20.4** | | | **31.9** | | |
| **PAT Margin (%)** | **3.9** | | | **6.1** | | |
| Capital employed | | | | | | |
| Store capex | 35 | | INR 10,000 Capex/sq.ft | | | No Capex cost |
| Inventory | 29 | | 20 days; back end inventory | 210 | | Initial inventory to be bought by franchise partner |
| **Total capital employed** | **64** | | | **210** | | |
| **RoCE (%) post tax** | **32** | | | **15** | | |

Source: Company, JM Financial

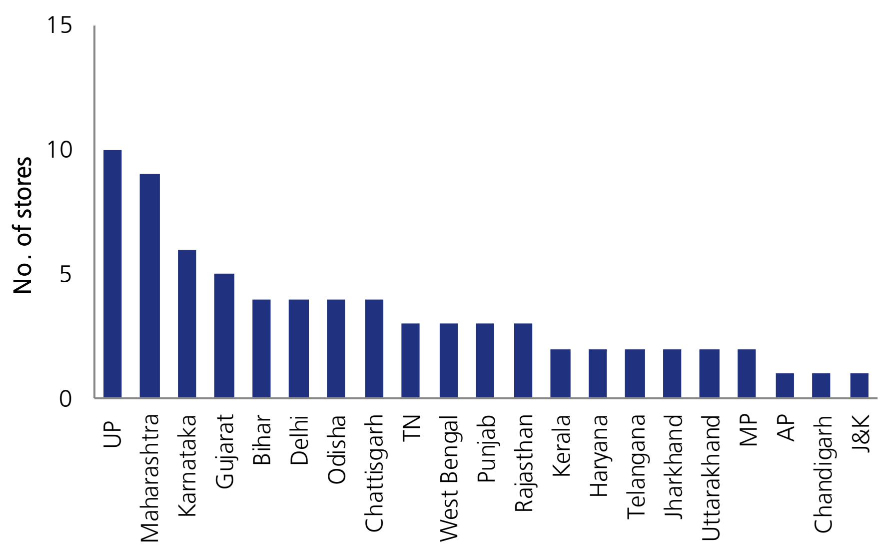
# Candere: The omni channel vehicle for Kalyan

Candere, started in 2013, was an affordable and accessible jewellery brand. Kalyan acquired majority stake (85%) in the company in 2017, which led to its foray into the e-commerce business. Now, it is the digital first platform for Kalyan that provides access to customers from India, US, and UK markets. Kalyan acquired the balance 15% ownership in FY24 for INR 420mn, making Candere a wholly owned subsidiary. The company targets to increase its physical presence in a cluster manner and wants to provide an omni channel experience to its customers, under which they can explore a product online and easily buy it at the nearest offline store.

The company operates 73 showrooms (37 FOCO) as on 31st Mar'25. It clocked revenue/PAT CAGR of 32.3% over FY19-25 to INR 1.6bn in FY25, while it registered a PAT loss of INR 249mn in FY25 (increase of 3.5x YoY).

Kalyan has infused talent at the senior management level and is working on creating a (i) strong merchandising strategy, (ii) robust brand identity, and (iii) omni channel store rollout plan afterwards. **It has announced it will add 80 Candere showrooms in India during FY26 through a mix of FOCO and COCO showrooms, with a majority of the additions in 1Q/2QFY26. A mature Candere store is expected to operate at 2x inventory turns and clock 30-35% store level margin. Kalyan has guided for achieving positive PAT during FY26 in the Candere format.**

Exhibit 31. Kalyan had 73 Candere stores in India as on 31st Mar'25




Source: Company, JM Financial

## Exhibit 32. Comparative performance of jewellery players

| | Kalyan India | | | Kalyan Consolidated | | | Titan (Consolidated) | | | Senco Gold | | | PN Gadgil | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (INR mn) | FY23 | FY24 | FY25 | FY23 | FY24 | FY25 | FY23 | FY24 | FY25 | FY23 | FY24 | FY25 | FY23 | FY24 | FY25 |
| Stores | 147 | 204 | 278 | 180 | 240 | 314 | 430 | 487 | 534 | 136 | 159 | 175 | 34 | 36 | 53 |
| Area sq. ft (in mn) | 0.6 | 0.7 | 0.9 | 0.6 | 0.7 | 0.9 | 1.8 | 2.1 | 2.6 | 0.4 | 0.5 | 0.5 | 0.1 | 0.1 | 0.2 |
| Area/store | 3,857 | 3,431 | 3,083 | 3,383 | 3,100 | 2,870 | 4,102 | 4,326 | 4,867 | 3,007 | 3,000 | 2,983 | 3,300 | 3,300 | 3,118 |
| | | | | | | | | | | | | | | | |
| Sales | 115,840 | 157,826 | 216,386 | 140,714 | 185,156 | 250,451 | 337,060 | 414,080 | 508,420 | 40,774 | 52,414 | 63,281 | 45,075 | 61,120 | 76,935 |
| Gross Profit | 18,100 | 22,911 | 28,809 | 21,992 | 26,810 | 34,081 | NA | NA | NA | 5,858 | 7,118 | 7,433 | 3,621 | 5,147 | 7,216 |
| Gross Margin (%) | 16 | 15 | 13 | 16 | 14 | 14 | NA | NA | NA | 14 | 14 | 12 | 8 | 8 | 9 |
| EBITDA | 9,331 | 11,157 | 14,033 | 11,140 | 12,791 | 16,410 | 45,950 | 51,000 | 52,388 | 3,166 | 3,755 | 3,676 | 1,227 | 2,712 | 3,538 |
| Margin (%) | 8.1 | 7.1 | 6.5 | 7.9 | 6.9 | 6.6 | 13.6 | 12.3 | 10.3 | 7.8 | 7.2 | 5.8 | 2.7 | 4.4 | 4.6 |
| EBIT | 7,500 | 9,093 | 11,572 | 8,694 | 10,048 | 12,983 | 43,870 | 48,120 | 48,990 | 2,711 | 3,154 | 2,995 | 1,012 | 2,480 | 3,190 |
| | | | | | | | | | | | | | | | |
| Sales/store | 855 | 899 | 898 | 843 | 882 | 904 | 818 | 903 | 996 | 310 | 355 | 379 | 1,366 | 1,746 | 1,729 |
| EBITDA/store | 69 | 64 | 58 | 67 | 61 | 59 | 112 | 111 | 103 | 24 | 25 | 22 | 37 | 77 | 80 |
| EBIT/store | 55 | 52 | 48 | 52 | 48 | 47 | 106 | 105 | 96 | 21 | 21 | 18 | 31 | 71 | 72 |
| | | | | | | | | | | | | | | | |
| Sales/sq. ft | 217,133 | 249,133 | 277,952 | 245,575 | 273,696 | 304,481 | 205,337 | 213,940 | 216,073 | 101,638 | 118,317 | 126,688 | 413,914 | 529,178 | 541,679 |
| EBITDA/sq. ft | 17,490 | 17,611 | 18,026 | 19,442 | 18,908 | 19,950 | 27,993 | 26,350 | 22,265 | 7,892 | 8,477 | 7,360 | 11,270 | 23,483 | 24,913 |
| EBIT/sq. ft | 14,058 | 14,354 | 14,864 | 15,174 | 14,853 | 15,783 | 26,726 | 24,862 | 20,820 | 6,757 | 7,120 | 5,996 | 9,292 | 21,475 | 22,460 |
| | | | | | | | | | | | | | | | |
| Capital Employed | 48,218 | 49,304 | 55,323 | 52,897 | 52,534 | 57,533 | 112,792 | 137,848 | 175,280 | 14,851 | 22,263 | 31,017 | 6,489 | 9,309 | 16,620 |
| RoCE (%) | 16.0 | 18.6 | 22.1 | 16.9 | 19.1 | 23.6 | 45.8 | 38.4 | 31.3 | 22.3 | 17.0 | 11.2 | 16.5 | 31.4 | 24.6 |
| | | | | | | | | | | | | | | | |
| Jewellery mix | | | | | | | | | | | | | | | |
| Gold Share | 75.4 | 68.9 | 67.4 | 76.1 | 70.6 | 69.0 | 70.7 | 71.5 | 73.0 | 89.6 | 88.6 | 89.1 | 93.1 | 93.3 | 92.5 |
| Studded share | 22.9 | 29.5 | 31.1 | 21.4 | 27.4 | 29.0 | 29.3 | 28.5 | 27.0 | 10.4 | 11.4 | 10.9 | 6.9 | 6.7 | 7.5 |
| Others | 1.7 | 1.5 | 1.6 | 2.5 | 2.0 | 2.0 | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| | | | | | | | | | | | | | | | |
| Inventory | 57,139 | 67,404 | 75,678 | 70,139 | 82,976 | 96,811 | 165,840 | 190,510 | 281,840 | 18,855 | 24,570 | 32,993 | 5,969 | 9,589 | 20,209 |
| (# days) | 180 | 156 | 128 | 182 | 164 | 141 | 180 | 168 | 202 | 169 | 171 | 190 | 48 | 57 | 96 |
| | | | | | | | | | | | | | | | |
| Debt inc GML | 24,152 | 21,512 | 18,981 | 35,085 | 33,173 | 32,933 | 74,940 | 131,790 | 156,270 | 11,772 | 14,983 | 17,690 | 2,832 | 3,965 | 8,231 |
| Debt excl GML | 10,911 | 12,620 | 10,173 | 16,550 | 10,643 | 9,497 | 21,950 | 78,380 | 102,860 | 5,396 | 5,901 | 5,872 | 2,832 | 3,965 | 1,081 |
| | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 6,195 | 6,523 | 6,360 | 9,819 | 9,751 | 10,311 | 13,430 | 15,260 | 15,840 | 4,376 | 5,514 | 5,909 | 493 | 796 | 5,287 |
| | | | | | | | | | | | | | | | |
| Net Debt inc GML | 17,957 | 14,989 | 12,621 | 25,267 | 23,422 | 22,622 | 61,510 | 116,530 | 140,430 | 7,396 | 9,470 | 11,782 | 2,339 | 3,169 | 2,944 |
| Net Debt excl GML | 4,716 | 6,097 | 3,814 | 6,731 | 892 | -814 | 8,520 | 63,120 | 87,020 | 1,020 | 388 | -36 | 2,339 | 3,169 | -4,206 |

Source: Company, JM Financial

Notes:

(1) Jewellery sales for Titan is ex-bullion.

(2) We have assumed ~80% of overall Capital employed for Titan as the capital employed for Jewellery to calculate segment RoCE.

(3) For LTL comparison of all the companies, we have not considered GML in the capital employed which is used to calculate ROCE.

(4) EBIT used in the RoCE calculation is Post Ind AS 116.

(5) Kalyan's India CapEm/RoCE has also been adjusted for investments in Middle East business (from standalone financials)

# Financial summary

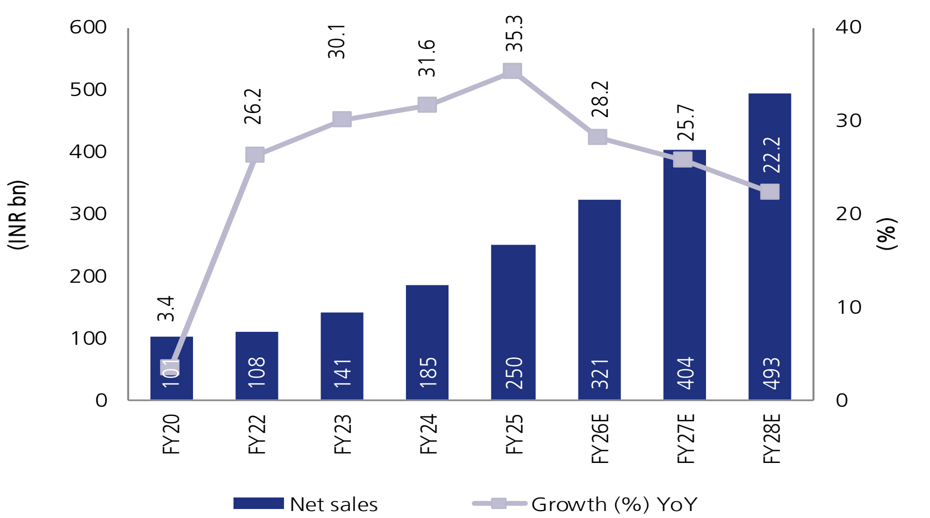
## Robust 25%/23%/31% Sales/EBITDA/PAT CAGR over FY25-28E

Kalyan's franchise-led expansion spree is the major reason for its robust performance. We expect the company to continue with its expansion strategy and grow at a sales/EBITDA/PAT CAGR of 25%/23%/31% over FY25-28E. EBITDA CAGR is lower vs. sales CAGR due to contraction in EBITDA margin to 5.1% in FY28 vs. 5.4% in FY25. EBITDA margin is expected to dilute, led by increasing saliency of franchise stores in the overall mix. However, the benefit will be realised at the PBT level as the company will gain from (1) operating leverage benefits led by accelerated revenue growth, and (2) lower capital requirement, which will lead to much lower interest cost. We expect PAT CAGR of 31% over FY25-28E. Return ratios are expected to improve from 18%/13% levels of RoE/RoIC to 24%/23% by FY28. We bake in cumulative OCF/FCFF of ~INR 55.8bn/51bn over FY26-28E.

## India/Middle East to post ~27%/15% revenue CAGR over FY25-28E

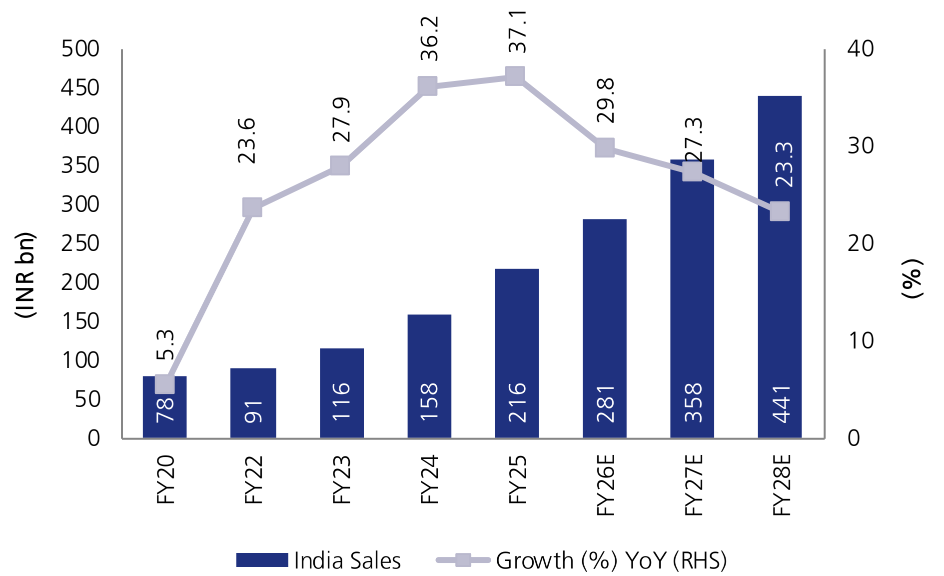
- We bake in 27% revenue CAGR in the India business over FY25-28 led by ~25% CAGR in store addition (cumulative store addition of 265 stores during the period to 543 stores by FY28) and flat throughput/store despite aggressive store additions.
- We bake in 15% revenue CAGR in the Middle East business over FY25-28. Growth is likely to be led by 11% CAGR in store addition and 6% CAGR in throughput/store. Store expansion in the Middle East will remain measured as the company is facing difficulty in finding franchise partners in the region (only 13 stores likely to be added cumulatively over FY25-28E).

Exhibit 33. Consolidated revenue is expected to grow at a CAGR of 25% over FY25-28E



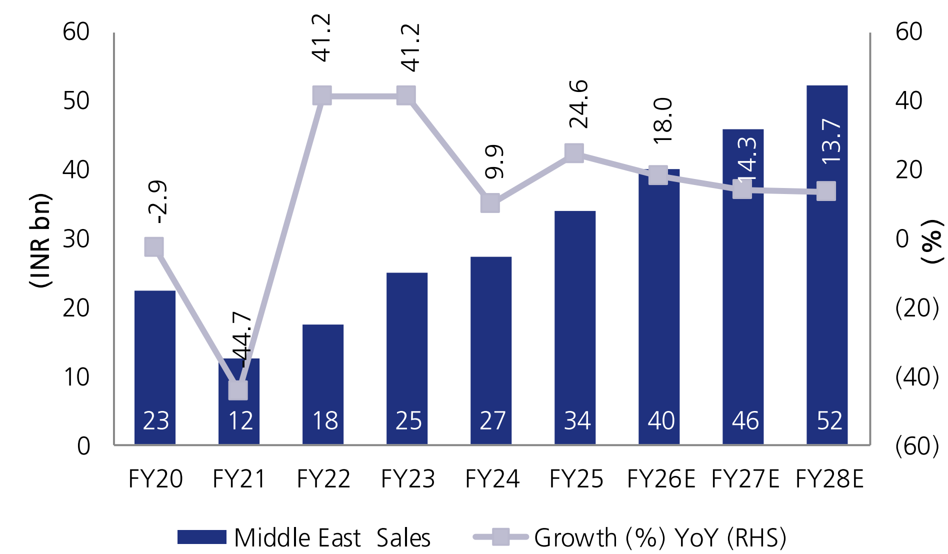

Source: Company, JM Financial

Exhibit 34. India business revenue is expected to grow at a CAGR of 27% over FY25-28E




Source: Company, JM Financial

Exhibit 35. Middle East revenue is expected to grow at a CAGR of 15% over FY25-28E

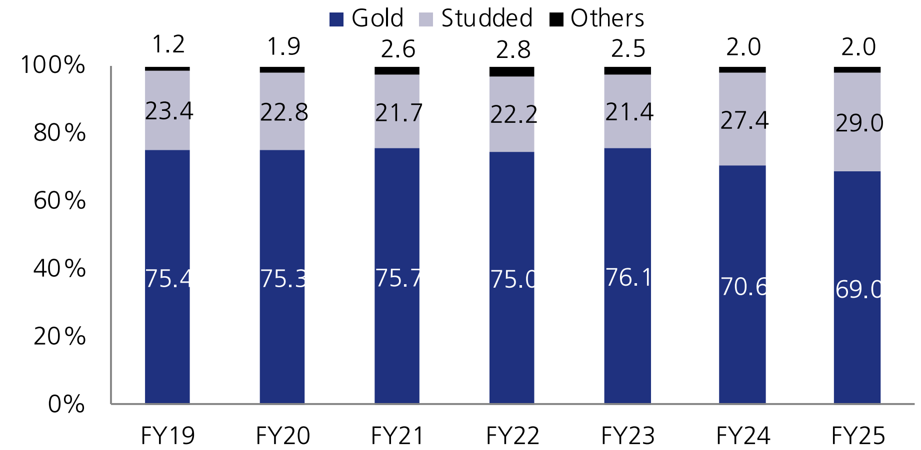



Source: Company, JM Financial

## Gross margin to moderate due to franchise model of expansion

Kalyan's gross margin is expected to moderate due to the franchise model of expansion (60% of the gross margin is passed on to the franchise partner for stores operating under FOCO model). However, its benefits will be seen at PBT level. At the same time, the company is increasing its non-South presence, which will help to partially negate the impact of franchise expansion. The non-South region commands a higher gross margin vs. South India on account of higher studded share while the gross margin in South India is relatively lower on account of higher demand for low-margin plain gold jewellery. The share of non-South states in the company's India business has risen steadily to ~52% in FY25 from ~31% in FY18, which can be seen by ~560bps increase in studded share over FY19-25.

Exhibit 36. Share of studded jewellery has increased ~560bps over FY19-25




Source: Company, JM Financial

Exhibit 37. Gross margin expected to contract due to franchise mode of expansion

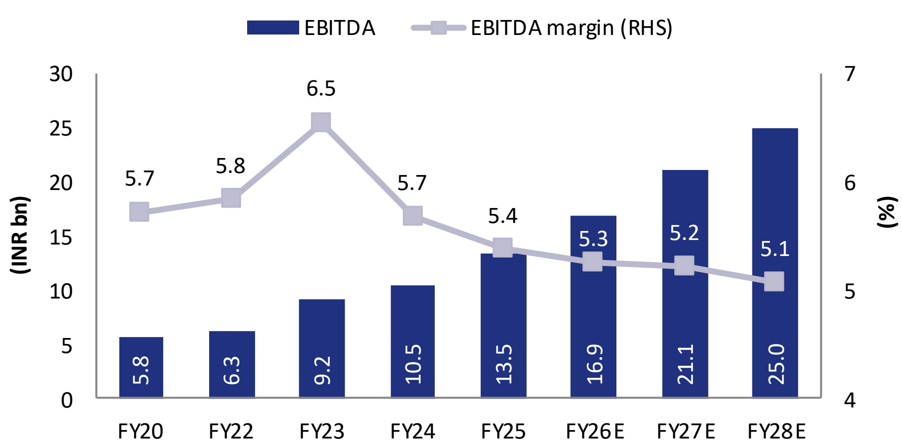
| Gross Margin (%) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| **India GM** | **16.4** | **15.3** | **15.6** | **14.5** | **13.3** | **12.4** | **11.9** | **11.4** |
| Subsidiaries | 15.0 | 17.3 | 15.6 | 14.3 | 15.5 | 15.2 | 14.6 | 13.8 |
| **Consolidated GM** | **16.1** | **15.6** | **15.6** | **14.5** | **13.6** | **12.8** | **12.2** | **11.7** |

Source: Company, JM Financial

## EBITDA margin is expected to contract while PBT margin is expected to expand

We expect consolidated EBITDA to register 23% CAGR over FY25-28E. EBITDA margin is expected to dilute with the saliency of franchise stores increasing in the overall mix. However, the benefit will be realised at the PBT level as the company will gain from (1) operating leverage benefits from accelerated revenue growth; and (2) lower capital requirement, which will lead to much lower interest cost. We expect EBITDA margin to contract ~30bps over FY25-28E to 5.1% by FY28E. However, PBT margin is expected to expand by ~60bps to 5.0% by FY28, resulting in PBT CAGR of 31% over FY25-28E.

Exhibit 38. We expect 23% EBITDA CAGR over FY25-28E



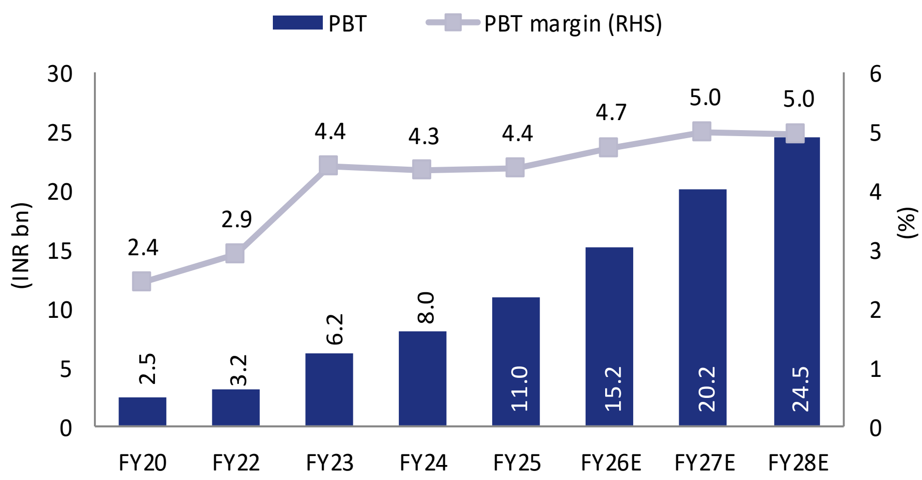

Source: Company, JM Financial

Exhibit 39. EBITDA margin expected to shrink by ~30bps over FY25-28E led by franchise mode of expansion

| EBITDA margin (%) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|---|
| India | 4.4 | 6.3 | 6.6 | 6.0 | 6.8 | 6.0 | 5.5 | 5.4 | 5.4 | 5.3 |
| Subsidiaries | 3.4 | 3.7 | 2.5 | 4.9 | 5.5 | 4.2 | 4.7 | 4.2 | 4.0 | 3.5 |
| **Consolidated** | **4.2** | **5.7** | **6.0** | **5.8** | **6.5** | **5.7** | **5.4** | **5.3** | **5.2** | **5.1** |

Source: Company, JM Financial

Exhibit 40. We expect 31% PBT CAGR over FY25-28E (~60bps margin expansion)

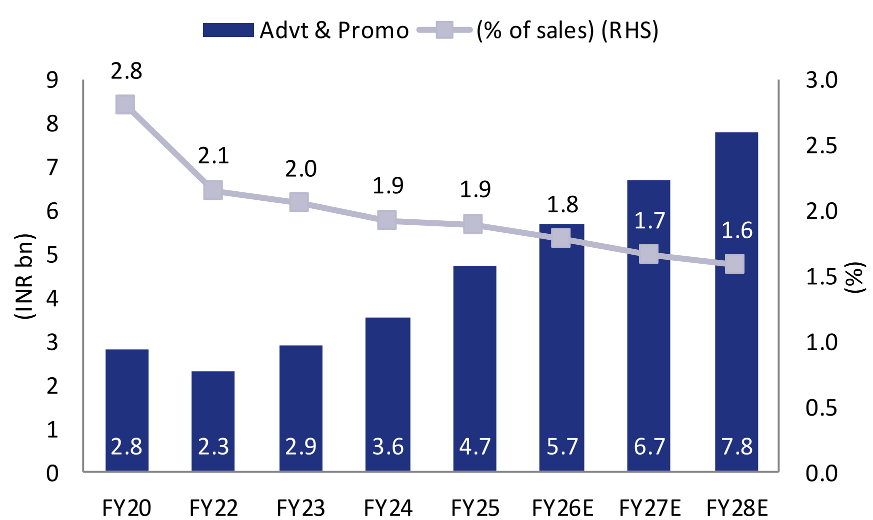



Source: Company, JM Financial

## Rationalisation in A&P and staff costs to drive sustained gains

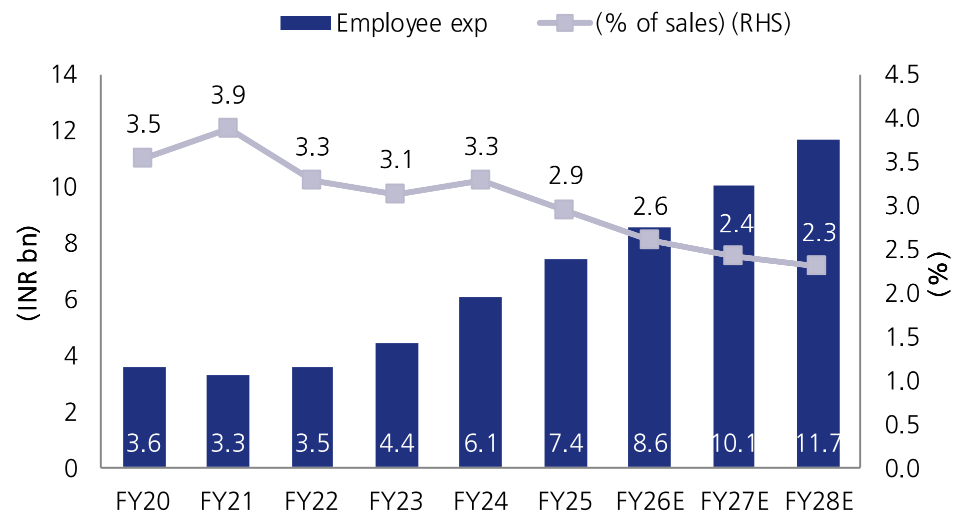
Kalyan Jewellers has spent ~INR 10bn+ on ad spends over the past 4 years to strengthen its brand equity, especially in non-South markets. The company has resorted to several kinds of advertisements led by celebrity endorsements, local and regional influencers, TV, print and media advertisements. Over the past decade, it has expanded its presence to 23 states/UTs, broadly penetrating all core markets. It now intends to penetrate deeper within these states and geographies. We expect A&P spends as % of sales to contract by ~30bps over FY25-28E led by better operating leverage.

Exhibit 41. We expect ~30bps contraction in advertisement expense over FY25-28E




Source: Company, JM Financial; Note: FY25 numbers are as per our estimates

Exhibit 42. Savings in employee expense will be led by operating leverage



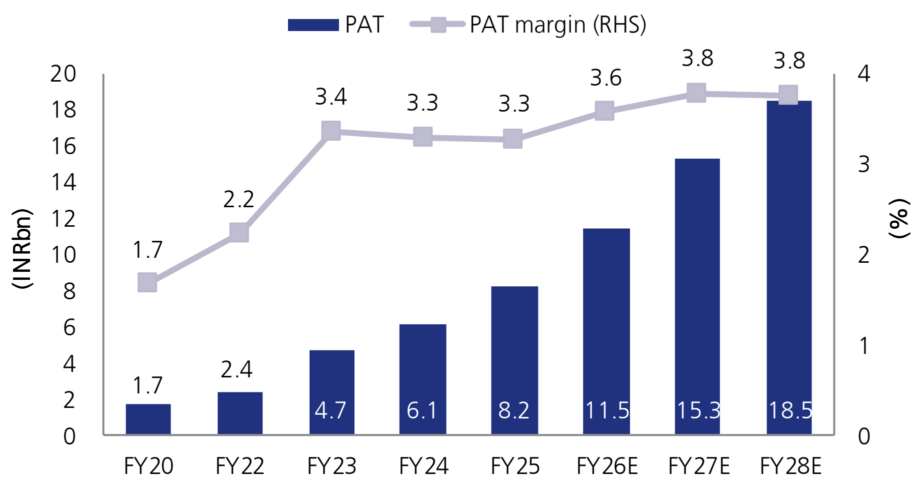

Source: Company, JM Financial

## We bake in higher PAT CAGR led by asset light expansion + lowering interest cost

We bake in 31% PAT CAGR over FY25-28E (~37% CAGR over FY20-25), higher vs. EBITDA growth of 23%, led by -

- Expansion through the **asset-light franchise mode,** where the company shares 60% of the gross margin with the franchise partner, which results in lower EBITDA CAGR, but lower depreciation aids in the improvement of PBT margin.
- **Non-gold metal loan (GML)** is expected to reduce to NIL as the company targets to pay the debt using (1) cash flow savings from asset light expansion where there is no cash burn, and (2) cash from sale of some non-current assets (land, aircraft, and helicopter). The company targets to increase its GML for gold procurement, which bear a lower rate of interest vs. non-GML. GML is expected to increase to INR 36.1bn in FY28 from INR 23.4bn in FY25 while non-GML is expected to reduce to NIL in FY28 vs. INR 9.5bn in FY25.
- **Lower interest costs:** Overall, we expect interest costs (excluding interest on lease liabilities) to reduce from INR 1.3bn in FY25 to INR 871mn in FY28 due to rise in GML (low interest bearing loan) and reduction of non-GML to NIL.
- **Improvement in profitability in the subsidiary:** Middle East + Candere business has registered an average PAT margin of ~1% over FY22-25 (vs. losses over FY19-21). We expect PAT margin to improve in the subsidiary over FY25-28 to 2.8% in FY28 vs. 0.6% in FY25 led by improvement in profitability of the Middle East business and reduction in losses in the Candere business. Overall, we expect the Middle East + Candere to report PAT of INR 1.5bn FY28 vs. INR 187mn in FY25.

Exhibit 43. We expect 31% PAT CAGR over FY25-28E

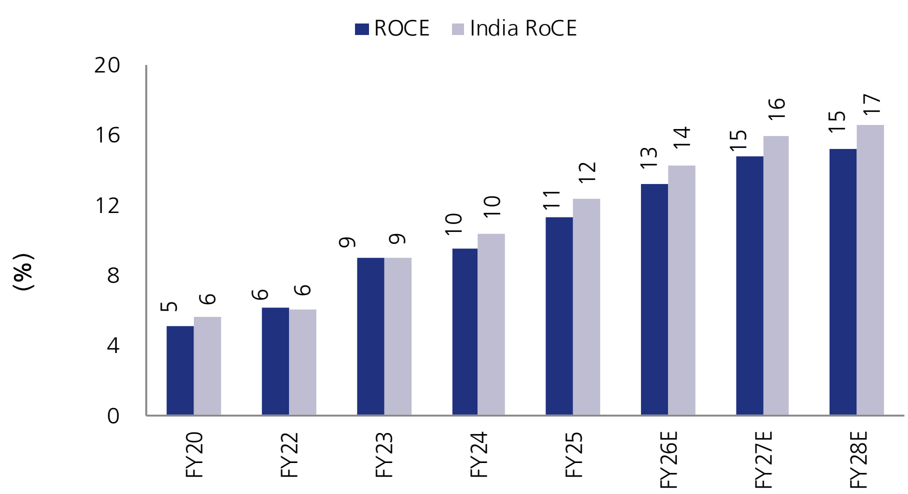



Source: Company, JM Financial

## Return ratios to inch up with pickup in revenue and profitability

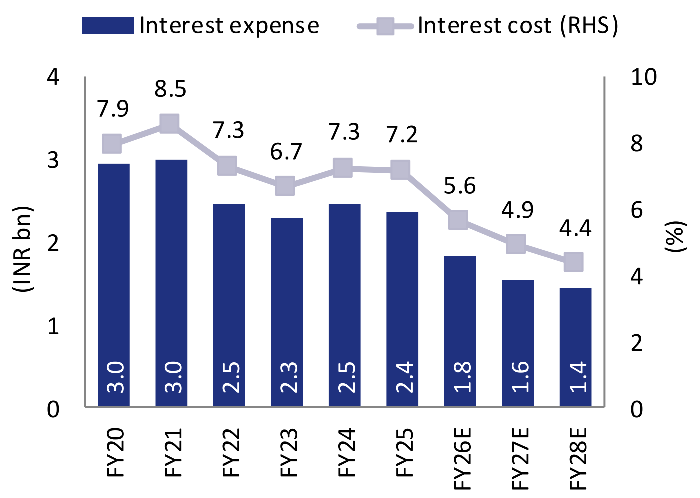
Kalyan's RoCE (Pre Ind AS 116) has been sub-par in high single-digits over FY19-22. India RoCE is a shade higher, adjusted for advances to the Middle East business from standalone financials due to multiple drags, including business expansion/investment in the non-South. We expect return ratios to improve over FY25-28 largely led by (1) asset-light franchise mode of expansion, resulting in higher revenue growth with lower incremental capital employed, (2) rise in GML, leading to lower interest cost, (3) improvement in PBT margin, and (4) profitability improvement in the Middle East business.

Exhibit 44. India RoCE to inch up to 17% by FY28 from 12% in FY25



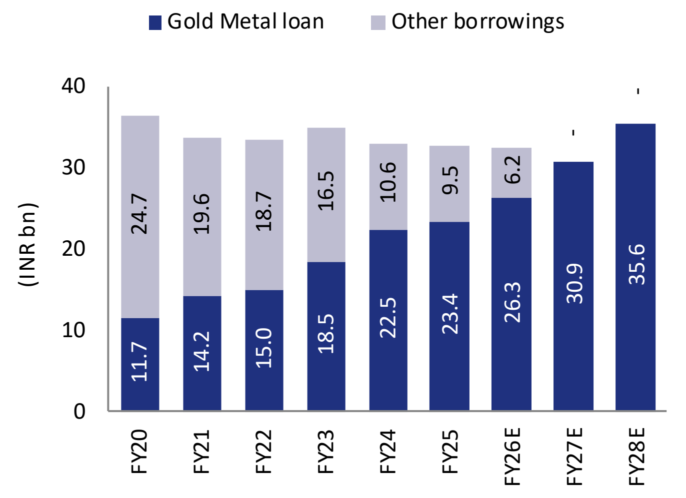

Source: Company, JM Financial; Note: Assumed GML in current liabilities for above calculations vs. debt (as reported); Return ratios are on Pre Ind AS116 basis

Exhibit 45. Interest expenses to come down…




Source: Company, JM Financial; Note: Interest cost is on Pre Ind AS 116 basis

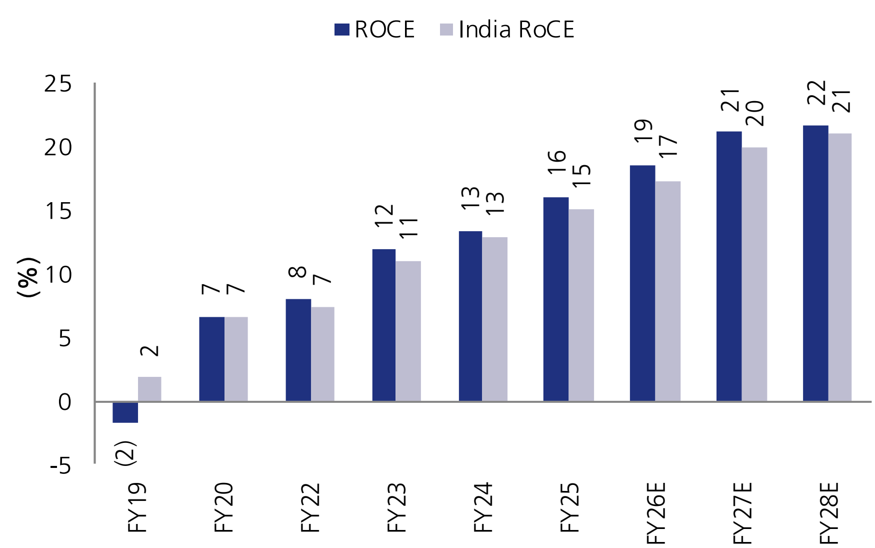
Exhibit 46. …as proportion of GML rises in borrowings




Source: Company, JM Financial

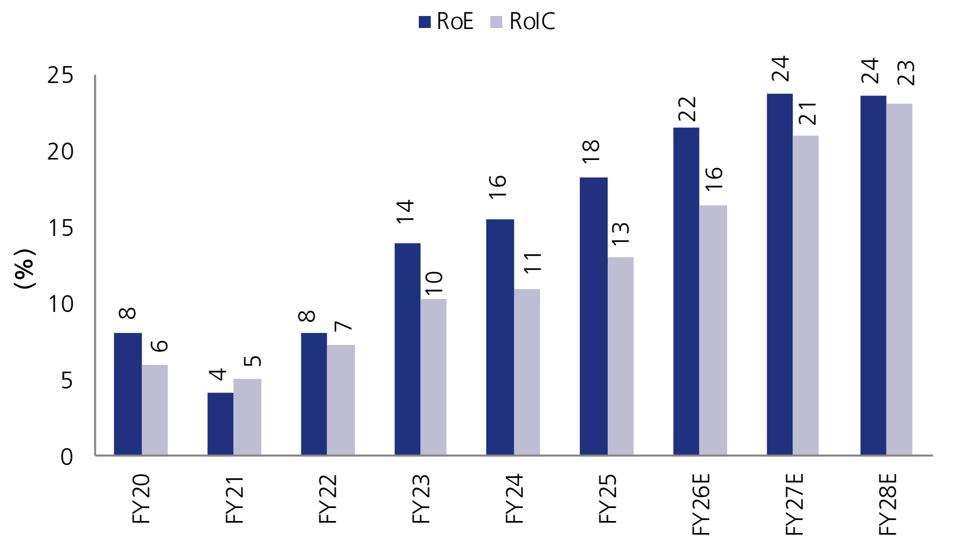
We note that return ratios for Kalyan aren't strictly comparable to peers like Titan on reported basis as (1) Kalyan earlier used to operate all its stores on COCO basis but has now started opening FOCO (Franchise owned and Company operated) stores vs. Titan, which operates ~1/3rd of its stores on FOFO (Franchise owned Franchise operated model), and (2) Titan clubs GML in current liabilities vs. Kalyan which clubs it under gross debt; on LTL basis, adjusting Kalyan's GML in current liabilities, we expect the overall RoCE to inch up from ~16% in FY25 to ~22% in FY28 and India business RoCE to inch up from ~15% in FY25 to ~22% in FY28.

Exhibit 47. RoCE (ex-GML in debt) to inch up to 21-22% by FY28




Source: Company, JM Financial; Note: Assumed in GML in current liabilities for above calculation vs. debt (as reported); Return ratios are on Pre Ind AS 116 basis

Exhibit 48. RoE/RoIC to improve to 24%/23% by FY28



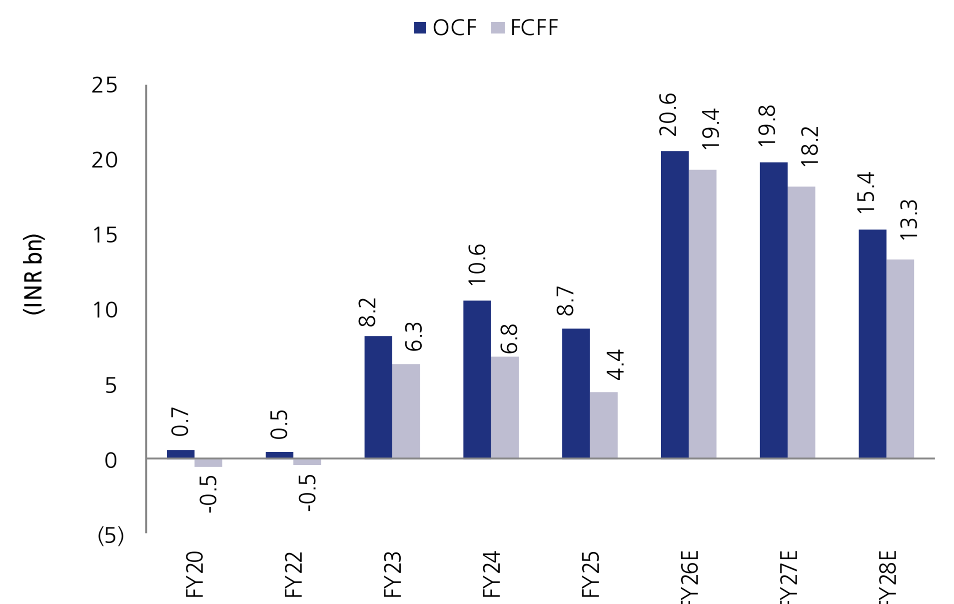

Source: Company, JM Financial; Return ratios are on consolidated basis (Pre Ind AS 116)

## Improvement in cash flow generation

Over FY25-28E, we expect Kalyan to generate cumulative operating cash flow (OCF) of ~INR 55.8bn through asset light mode of expansion, improving profitability (both in India and Middle East) and reducing in working capital (cash conversion cycle to reduce to 69 days by FY28 vs. 113 days in FY25).

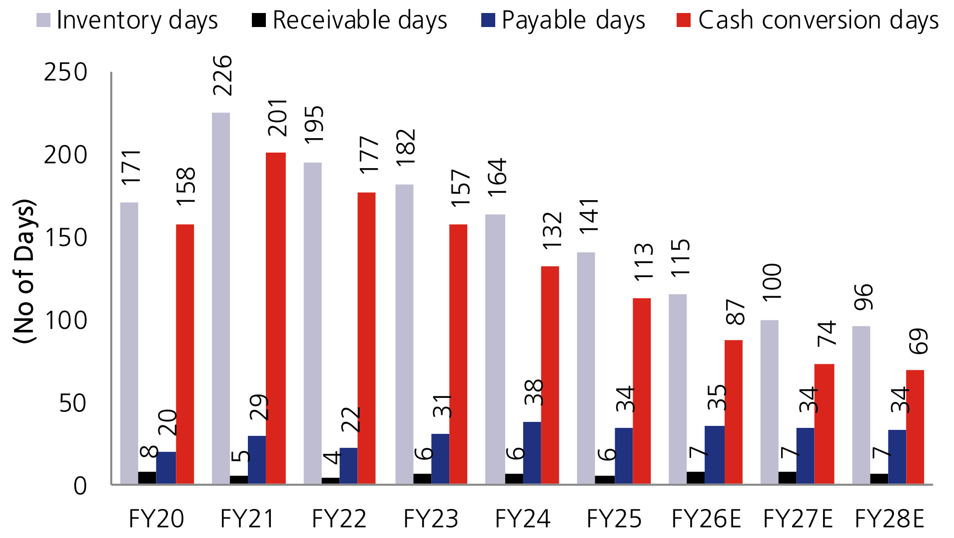
We are building in cumulative capex of INR 4.8bn relating to store opening/maintenance capex and bake in cumulative FCF generation of INR 51bn over FY25-28E.

Exhibit 49. Cumulative OCF/FCFF is expected to remain at INR 55.8bn/51bn over FY25-28E




Source: Company, JM Financial; Cash flows are on Pre Ind AS basis

Exhibit 50. Cash conversion days to reduce to 69 days by FY28




Source: Company, JM Financial

Exhibit 51. Key assumptions

| (INR mn) | FY20 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| India | | | | | | | | |
| No of stores | 107 | 124 | 147 | 204 | 278 | 363 | 453 | 543 |
| Revenue | 78,458 | 90,561 | 115,840 | 157,826 | 216,386 | 280,976 | 357,737 | 441,182 |
| Revenue/store | 747 | 784 | 855 | 899 | 898 | 877 | 877 | 886 |
| Gross margin (%) | 17.7 | 15.3 | 15.6 | 14.5 | 13.3 | 12.4 | 11.9 | 11.4 |
| EBITDA | 4,939 | 5,453 | 7,866 | 9,395 | 11,864 | 15,243 | 19,231 | 23,226 |
| EBITDA margin (%) | 6.3 | 6.0 | 6.8 | 6.0 | 5.5 | 5.4 | 5.4 | 5.3 |
| PAT | 1,547 | 2,302 | 4,297 | 5,915 | 8,023 | 10,976 | 13,963 | 17,054 |
| Middle East | | | | | | | | |
| No of stores | 37 | 30 | 33 | 36 | 36 | 40 | 44 | 49 |
| Revenue | 22,551 | 17,618 | 24,874 | 27,330 | 34,065 | 40,192 | 45,945 | 52,238 |
| Revenue/store | 621 | 540 | 740 | 754 | 901 | 1004 | 1036 | 1060 |
| Gross margin (%) | 14.1 | 17.3 | 15.6 | 14.3 | 15.5 | 15.2 | 14.6 | 13.8 |
| EBITDA | 843 | 868 | 1,357 | 1,135 | 1,608 | 1,669 | 1,841 | 1,816 |
| EBITDA margin (%) | 3.7 | 4.9 | 5.5 | 4.2 | 4.7 | 4.2 | 4.0 | 3.5 |
| PAT | (131) | 115 | 437 | 191 | 187 | 485 | 1,301 | 1,485 |
| Consolidated | | | | | | | | |
| No of stores | 144 | 154 | 180 | 240 | 314 | 403 | 497 | 592 |
| Revenue | 101,009 | 108,179 | 140,714 | 185,156 | 250,451 | 321,168 | 403,683 | 493,420 |
| Revenue/store | 719 | 744 | 843 | 882 | 904 | 896 | 897 | 906 |
| Gross margin (%) | 16.9 | 15.6 | 15.6 | 14.5 | 13.6 | 12.8 | 12.2 | 11.7 |
| EBITDA | 5,781 | 6,315 | 9,216 | 10,520 | 13,472 | 16,912 | 21,072 | 25,042 |
| EBITDA margin (%) | 5.7 | 5.8 | 6.5 | 5.7 | 5.4 | 5.3 | 5.2 | 5.1 |
| PAT | 1,687 | 2,410 | 4,729 | 6,095 | 8,210 | 11,460 | 15,264 | 18,539 |
| | | | | | | | | |
| Net Debt | 28,902 | 25,860 | 25,267 | 23,422 | 22,622 | 8,953 | (2,056) | (7,948) |
| Net Debt (ex-GML) | 17,230 | 10,892 | 6,731 | 892 | (814) | (17,397) | (32,978) | (43,533) |
| ROCE (%) | 5 | 6 | 9 | 10 | 11 | 13 | 15 | 15 |
| ROCE (ex-GML in Debt) (%) | 7 | 8 | 12 | 13 | 16 | 19 | 21 | 22 |

Source: Company, JM Financial; #Note: Assumed GML in current liabilities for above calculations vs debt (as reported)

## Quarterly Performance

Exhibit 52. Standalone quarterly performance

| Standalone (INR mn) | Reported | | | Chg (%) | Chg (%) | Reported | | Chg (%) |
|---|---|---|---|---|---|---|---|---|
| | Q4FY24 | Q3FY25 | Q4FY25 | YoY | QoQ | FY24 | FY25 | YoY |
| Stores (#) | 204 | 253 | 278 | 74 | 25 | 204 | 278 | 74 |
| **Net operating revenues** | **38,675** | **63,864** | **53,504** | **38** | **(16)** | **1,57,744** | **2,16,510** | **37** |
| Material cost | (33,179) | (55,767) | (46,378) | 40 | (17) | (134,915) | (187,577) | 39 |
| **Gross profit** | **5,496** | **8,097** | **7,126** | **30** | **(12)** | **22,829** | **28,934** | **27** |
| Employee cost | (1,346) | (1,667) | (1,747) | 30 | 5 | (5,190) | (6,384) | 23 |
| Advertising and promotion | (726) | (1,147) | (840) | 16 | (27) | (3,112) | (3,955) | 27 |
| Other expenditure | (874) | (1,032) | (1,104) | 26 | 7 | (3,453) | (4,437) | 28 |
| **Total expenditure** | **(2,946)** | **(3,845)** | **(3,691)** | **25** | **(4)** | **(11,754)** | **(14,776)** | **26** |
| **EBITDA** | **2,550** | **4,251** | **3,435** | **35** | **(19)** | **11,075** | **14,158** | **28** |
| Other income | 339 | 411 | 424 | 25 | 3 | 846 | 1,361 | 61 |
| Interest | (579) | (585) | (686) | 18 | 17 | (2,417) | (2,497) | 3 |
| Depreciation | (547) | (610) | (679) | 24 | 11 | (2,064) | (2,461) | 19 |
| **PBT** | **1,763** | **3,467** | **2,494** | **41** | (28) | **7,441** | **10,561** | **42** |
| Tax | (450) | (876) | (640) | 42 | (27) | (1,901) | (2,745) | 44 |
| **PAT** | **1,313** | **2,591** | **1,854** | **41** | **(28)** | **5,541** | **7,815** | **41** |
| Extraordinary items | - | (411) | - | | | - | (929) | |
| **Net profit (reported)** | **1,313** | **2,180** | **1,854** | **41** | **(15)** | **5,541** | **6,887** | **24** |
| **EPS (Rs)** | **1.3** | **2.5** | **1.8** | **41** | (28) | **5.4** | **7.6** | 41 |
| | | | | | | | | |
| **Ratios (% of net sales)** | | | | | | | | |
| Gross margin (%) | 14.2 | 12.7 | 13.3 | -90 bps | 64 bps | 14.5 | 13.4 | -111 bps |
| EBITDA margin (%) | 6.6 | 6.7 | 6.4 | -18 bps | -24 bps | 7.0 | 6.5 | -49 bps |
| PBT Margin (%) | 4.6 | 5.4 | 4.7 | 10 bps | -77 bps | 4.7 | 4.9 | 16 bps |
| Employee cost | 3.5 | 2.6 | 3.3 | -22 bps | 65 bps | 3.3 | 2.9 | -35 bps |
| Advertising and promotion | 1.9 | 1.8 | 1.6 | -31 bps | -23 bps | 2.0 | 1.8 | -15 bps |
| Other expenditure | 2.3 | 1.6 | 2.1 | -20 bps | 44 bps | 2.2 | 2.0 | -14 bps |
| Income tax rate (% of PBT) | 25.5 | 25.3 | 25.7 | 17 bps | 39 bps | 25.5 | 26.0 | 45 bps |

Source: Company, JM Financial

- **Revenue:** Net reported revenue grew 38% YoY to INR 53.5bn led by 21% SSSG.
- **Margin:** Adjusted EBITDA grew 35% YoY to INR 3.4bn as EBITDA margin contracted ~20bps YoY to 6.4% due to ~90bps YoY contraction in GM to 13.3% partially offset by and lower employee (~20bps YoY), advertisement (~30bps YoY) and other expenses (20bps YoY).
- **APAT** grew 41% YoY to INR 1.9bn as other income increased 25% YoY partially offset by 18%/24% increase in interest/depreciation expense.
- **Store addition:** The company added 25 Kalyan stores in 4Q (total – 278 stores). It targets to add 90 new Kalyan stores in FY26 (80+ in India) with majority of the store addition in 1HFY26.
- **Candere:** The company targets to add 80 Candere stores in FY26, led by a mix of COCO and FOCO, and expects Candere to become profitable at PAT level in FY26. The average size of the store is ~1,500 sqft, and it clocks an average bill value of INR 25-30k per bill. Studded mix is ~70%.
- **Debt:** The company aims to reduce India debt by INR 2.5bn in FY25 (INR 5.2bn in the last 2 years). Debt reduction in 4Q was mainly done in GML due to a temporary increase in GML's interest rate in India. It targets to reduce debt by INR 3.5bn-4bn in FY26.
- **Capex:** The company has guided for capex of INR 2.5bn+ in FY26 led by (i) maintenance capex of INR 1.5bn, (ii) capex for South stores of INR 500mn, (iii) capex for Candere expansion (COCO) of INR 600mn-800mn.

## Exhibit 53. Consolidated quarterly performance

| Consolidated (INR mn) | Reported | | | Chg (%) | Chg (%) | Reported | | Chg (%) |
|---|---|---|---|---|---|---|---|---|
| | Q4FY24 | Q3FY25 | Q4FY25 | YoY | QoQ | FY24 | FY25 | YoY |
| **Net operating revenues** | **45,250** | **72,781** | **61,815** | **37** | **(15)** | **140,714** | **185,156** | **32** |
| Material cost | (38,737) | (63,323) | (53,314) | 38 | (16) | (118,722) | (158,346) | 33 |
| **Gross profit** | **6,513** | **9,458** | **8,501** | **31** | **(10)** | **21,992** | **26,810** | **22** |
| Employee cost | (1,598) | (1,926) | (2,035) | 27 | 6 | (4,406) | (6,072) | 38 |
| Advertisement and Promotion | (822) | (1,366) | (1,063) | 29 | (22) | (2,881) | (3,553) | 23 |
| Other expenditure | (1,130) | (1,317) | (1,408) | 25 | 7 | (3,566) | (4,394) | 23 |
| **Total expenditure** | **(42,287)** | **(67,933)** | **(57,821)** | **37** | **(15)** | **(129,574)** | **(172,364)** | **33** |
| **EBITDA** | **2,963** | **4,848** | **3,994** | **35** | **(18)** | **11,140** | **12,791** | **15** |
| Other income | 387 | 401 | 408 | 5 | 2 | 379 | 1,064 | 181 |
| Interest | (778) | (876) | (963) | 24 | 10 | (3,026) | (3,232) | 7 |
| Depreciation | (736) | (890) | (933) | 27 | 5 | (2,446) | (2,743) | 12 |
| **PBT** | **1,837** | **3,484** | **2,506** | **36** | **(28)** | **6,048** | **7,880** | **30** |
| Tax | (462) | (886) | (630) | 36 | (29) | (1,479) | (1,925) | 30 |
| Share of profit of associates | 1 | 1 | - | **(100)** | (100) | 12 | 11 | (10) |
| **Recurring PAT (after MI)** | **1,376** | **2,599** | **1,876** | **36** | **(28)** | **4,580** | **5,965** | **30** |
| Extraordinary items | - | (411) | - | | | (249) | - | |
| **Net profit (reported)** | **1,376** | **2,188** | **1,876** | **36** | **(14)** | **4,331** | **5,965** | **38** |
| **EPS (Rs)** | **1.3** | **2.5** | **1.8** | **36** | (28) | **4.4** | **5.8** | 30 |
| | | | | | | | | |
| **Ratios (% of net sales)** | | | | | | | | |
| Gross margin (%) | 14.4 | 13.0 | 13.8 | -65 bps | 75 bps | 15.6 | 14.5 | -115 bps |
| EBITDA margin (%) | 6.5 | 6.7 | 6.5 | -9 bps | -21 bps | 7.9 | 6.9 | -101 bps |
| Employee cost | 3.5 | 2.6 | 3.3 | -24 bps | 64 bps | 3.1 | 3.3 | 14 bps |
| Advertising and promotion | 1.8 | 1.9 | 1.7 | -10 bps | -16 bps | 2.0 | 1.9 | -13 bps |
| Other expenditure | 2.5 | 1.8 | 2.3 | -22 bps | 46 bps | 2.5 | 2.4 | -17 bps |
| Income tax rate (% of PBT) | 25.1 | 25.4 | 25.1 | -1 bps | -29 bps | 24.5 | 24.4 | -3 bps |

Source: Company, JM Financial

- **Revenue** grew 37% YoY to INR 61.8bn.
- **EBITDA** grew 35% YoY to INR 4bn as EBITDA margin contracted ~10bps YoY to 6.5% due to ~70bps YoY contraction in GM to 13.8% partially offset by lower employee (~20bps YoY), advertisement (~10bps YoY) and other expenses (20bps YoY).
- **APAT** grew only 36% YoY to INR 1.9bn led by only 5% increase in other income, which was set off by 24%/27% increase in depreciation/interest expense.

# Financials

Exhibit 54. Standalone profit and loss statement

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| Profit & Loss | | | | | | | | |
| Revenue from operations | 74,482 | 90,561 | 115,840 | 157,826 | 216,386 | 280,976 | 357,737 | 441,182 |
| Less: Cost of raw materials | (62,231) | (76,693) | (97,740) | (134,915) | (187,577) | (246,063) | (315,164) | (390,736) |
| **Gross Profit** | **12,250** | **13,868** | **18,100** | **22,911** | **28,809** | **34,913** | **42,574** | **50,445** |
| Less: Expenses | | | | | | | | |
| - Employee benefit expenses | (3,190) | (2,974) | (3,712) | (5,191) | (6,387) | (7,440) | (8,792) | (10,230) |
| - A&P | (2,359) | (1,931) | (2,412) | (3,112) | (4,003) | (4,917) | (5,795) | (6,794) |
| - Other operating expenses | (2,082) | (2,048) | (2,645) | (3,451) | (4,386) | (4,805) | (5,724) | (6,529) |
| **EBITDA** | **4,619** | **6,915** | **9,331** | **11,157** | **14,033** | **17,751** | **22,263** | **26,891** |
| Less: Depreciation | (1,745) | (1,805) | (1,831) | (2,064) | (2,461) | (2,951) | (3,506) | (4,108) |
| Less: Finance Costs | (3,094) | (2,636) | (2,343) | (2,417) | (2,497) | (2,497) | (2,557) | (2,778) |
| Add: Other Income | 584 | 424 | 426 | 1,009 | 1,485 | 2,197 | 2,293 | 2,622 |
| **PBT** | **364** | **2,899** | **5,583** | **7,685** | **10,561** | **14,500** | **18,493** | **22,626** |
| Less: Taxes | (258) | (757) | (1,436) | (1,901) | (2,668) | (3,654) | (4,660) | (5,702) |
| **Recurring PAT** | **106** | **2,142** | **4,147** | **5,785** | **7,893** | **10,846** | **13,833** | **16,924** |
| Extra-ordinary items | - | - | (249) | - | (929) | - | - | - |
| **Reported PAT** | **106** | **2,142** | **3,898** | **5,785** | **6,964** | **10,846** | **13,833** | **16,924** |
| Recurring EPS | 0.1 | 2.1 | 4.0 | 5.6 | 7.7 | 10.5 | 13.4 | 16.4 |
| Growth, YoY (%) | | | | | | | | |
| Net revenues | (10.1) | 23.6 | 27.9 | 36.2 | 37.1 | 29.8 | 27.3 | 23.3 |
| EBITDA | (25.8) | 10.7 | 34.9 | 19.6 | 25.8 | 26.5 | 25.4 | 20.8 |
| PAT | (91) | 55 | 94 | 39 | 36 | 37 | 28 | 22 |
| EPS | (90.8) | 54.9 | 93.7 | 39.5 | 36.3 | 37.4 | 27.5 | 22.3 |
| Margin (%) | | | | | | | | |
| Gross margin | 16.4 | 15.3 | 15.6 | 14.5 | 13.3 | 12.4 | 11.9 | 11.4 |
| EBITDA margin | 6.2 | 7.6 | 8.1 | 7.1 | 6.5 | 6.3 | 6.2 | 6.1 |
| PAT margin | 0.1 | 2.4 | 3.6 | 3.7 | 3.6 | 3.9 | 3.9 | 3.8 |
| Cost as % of revenues | | | | | | | | |
| Cost of Raw materials consumed | 83.6 | 84.7 | 84.4 | 85.5 | 86.7 | 87.6 | 88.1 | 88.6 |
| Employee benefit expenses | 4.3 | 3.3 | 3.2 | 3.3 | 3.0 | 2.6 | 2.5 | 2.3 |
| A&P | 3.2 | 2.1 | 2.1 | 2.0 | 1.9 | 1.8 | 1.6 | 1.5 |
| Other operating expenses | 2.8 | 2.3 | 2.3 | 2.2 | 2.0 | 1.7 | 1.6 | 1.5 |
| Effective tax rate (%) | 70.8 | 26.1 | 25.7 | 24.7 | 25.3 | 25.2 | 25.2 | 25.2 |
| Pre Ind AS 116 | | | | | | | | |
| EBITDA | 3,296 | 5,453 | 7,866 | 9,395 | 11,864 | 15,243 | 19,231 | 23,226 |
| PBT | 644 | 3,059 | 5,733 | 7,815 | 10,691 | 14,630 | 18,623 | 22,756 |
| PAT | 386 | 2,302 | 4,297 | 5,915 | 8,023 | 10,976 | 13,963 | 17,054 |
| EPS | 0.5 | 2.2 | 4.2 | 5.7 | 7.8 | 10.6 | 13.5 | 16.5 |

Source: Company, JM Financial

## Exhibit 55. Consolidated profit and loss statement

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| **Profit & Loss** | | | | | | | | |
| **Revenue from operations** | **97,708** | **108,179** | **140,714** | **185,156** | **250,451** | **321,168** | **403,683** | **493,420** |
| Less: Cost of raw materials | (81,983) | (91,263) | (118,722) | (158,346) | (216,370) | (280,163) | (354,421) | (435,772) |
| **Gross Profit** | **15,724** | **16,916** | **21,992** | **26,810** | **34,081** | **41,005** | **49,262** | **57,648** |
| Less: Expenses | | | | | | | | |
| - Employee benefit expenses | (3,814) | (3,543) | (4,406) | (6,072) | (7,386) | (8,520) | (9,938) | (11,484) |
| - A&P | (2,973) | (2,324) | (2,881) | (3,553) | (4,734) | (5,701) | (6,668) | (7,787) |
| - Other operating expenses | (3,134) | (2,905) | (3,566) | (4,394) | (5,551) | (6,197) | (7,315) | (8,339) |
| **EBITDA** | **5,803** | **8,145** | **11,140** | **12,791** | **16,410** | **20,587** | **25,341** | **30,039** |
| Less: Depreciation | (2,236) | (2,316) | (2,446) | (2,743) | (3,427) | (4,284) | (4,936) | (5,666) |
| Less: Finance Costs | (3,791) | (3,224) | (3,026) | (3,232) | (3,595) | (3,264) | (3,240) | (3,452) |
| Add: Other Income | 433 | 383 | 379 | 1,064 | 1,446 | 2,019 | 2,847 | 3,441 |
| **PBT** | **209** | **2,989** | **6,048** | **7,880** | **10,834** | **15,058** | **20,013** | **24,362** |
| Less: Taxes | (258) | (748) | (1,479) | (1,925) | (2,764) | (3,738) | (4,888) | (5,962) |
| **Minority Interest** | 13 | 2 | 12 | 11 | 6 | - | - | - |
| **Recurring PAT** | **(36)** | **2,242** | **4,580** | **5,965** | **8,077** | **11,321** | **15,124** | **18,400** |
| **Extra-ordinary items** | - | - | (249) | - | (929) | - | - | - |
| **Reported PAT** | **(36)** | **2,242** | **4,331** | **5,965** | **7,148** | **11,321** | **15,124** | **18,400** |
| **Recurring EPS** | (0.0) | 2.2 | 4.4 | 5.8 | 7.8 | 11.0 | 14.7 | 17.9 |
| **Growth, YoY (%)** | | | | | | | | |
| Net revenues | (7.2) | 26.2 | 30.1 | 31.6 | 35.3 | 28.2 | 25.7 | 22.2 |
| EBITDA | (20.8) | 19.0 | 36.8 | 14.8 | 28.3 | 25.5 | 23.1 | 18.5 |
| PAT | NM | 167.9 | 104.3 | 30.2 | 35.4 | 40.2 | 33.6 | 21.7 |
| EPS | NM | 167.9 | 104.3 | 30.2 | 35.4 | 40.2 | 33.6 | 21.7 |
| **Margin (%)** | | | | | | | | |
| Gross margin | **16.1** | **15.6** | **15.6** | **14.5** | **13.6** | **12.8** | **12.2** | **11.7** |
| EBITDA margin | 5.9 | 7.5 | 7.9 | 6.9 | 6.6 | 6.4 | 6.3 | 6.1 |
| PAT margin | **(0.0)** | **2.1** | **3.3** | **3.2** | **3.2** | **3.5** | **3.7** | **3.7** |
| **Cost as % of revenues** | | | | | | | | |
| Cost of Raw materials consumed | 83.9 | 84.4 | 84.4 | 85.5 | 86.4 | 87.2 | 87.8 | 88.3 |
| Employee benefit expenses | **3.9** | **3.3** | **3.1** | **3.3** | **2.9** | **2.7** | **2.5** | **2.3** |
| A&P | **3.0** | **2.1** | **2.0** | **1.9** | **1.9** | **1.8** | **1.7** | **1.6** |
| Other operating expenses | **3.2** | **2.7** | **2.5** | **2.4** | **2.2** | **1.9** | **1.8** | **1.7** |
| Effective tax rate (%) | 123.2 | 25.0 | 24.5 | 24.4 | 25.5 | 24.8 | 24.4 | 24.5 |
| **Pre Ind AS 116** | | | | | | | | |
| EBITDA | 4,095 | 6,315 | 9,216 | 10,520 | 13,472 | 16,912 | 21,072 | 25,042 |
| PBT | 499 | 3,158 | 6,208 | 8,020 | 10,974 | 15,198 | 20,153 | 24,502 |
| PAT | 241 | 2,410 | 4,729 | 6,095 | 8,210 | 11,460 | 15,264 | 18,539 |
| EPS | 0.3 | 2.3 | 4.6 | 5.9 | 8.0 | 11.1 | 14.8 | 18.0 |

Source: Company, JM Financial

## Exhibit 56. Consolidated balance sheet

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| **Total assets** | **80,599** | **89,451** | **107,129** | **128,177** | **151,259** | **176,832** | **202,991** | **239,788** |
| Net fixed assets | 11,048 | 9,889 | 8,792 | 10,942 | 13,077 | 12,429 | 11,803 | 11,278 |
| Right-of-use assets | 9,849 | 8,667 | 9,580 | 11,390 | 14,723 | 18,068 | 21,488 | 25,068 |
| CWIP | 167 | 17 | 200 | 485 | 77 | 77 | 77 | 77 |
| **Total NFA** | **21,064** | **18,574** | **18,572** | **22,817** | **27,877** | **30,574** | **33,368** | **36,423** |
| Goodwill | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 |
| Deferred tax assets | 302 | 450 | 562 | 662 | 1,125 | 1,125 | 1,125 | 1,125 |
| Fin. Assets +Non curr invsts | 1,392 | 1,351 | 2,247 | 4,468 | 6,914 | 8,502 | 10,108 | 11,494 |
| Other non-current assets | 666 | 613 | 539 | 690 | 1,299 | 1,621 | 2,004 | 2,419 |
| **Total non-current assets** | **23,475** | **21,038** | **21,971** | **28,687** | **37,266** | **41,873** | **46,655** | **51,512** |
| Cash and cash equivalents | 8,254 | 7,772 | 9,819 | 9,751 | 10,311 | 23,604 | 32,978 | 43,533 |
| Inventories | 45,007 | 57,943 | 70,139 | 82,976 | 96,811 | 101,195 | 110,805 | 129,585 |
| Receivables | 1,467 | 1,195 | 2,442 | 3,283 | 3,999 | 6,504 | 7,995 | 9,617 |
| Other financial assets | 461 | 305 | 629 | 827 | 1,702 | 2,182 | 2,743 | 3,353 |
| Other current assets | 1,936 | 1,199 | 2,129 | 2,653 | 1,170 | 1,473 | 1,815 | 2,188 |
| **Total current assets** | **57,125** | **68,414** | **85,158** | **99,490** | **113,993** | **134,959** | **156,336** | **188,276** |
| **Total liabilities** | **80,599** | **89,451** | **107,129** | **128,177** | **151,259** | **176,832** | **202,991** | **239,788** |
| Metal gold loans | 14,964 | 14,968 | 18,536 | 22,530 | 23,436 | 26,349 | 30,922 | **35,585** |
| Short-term borrowings | 21,841 | 18,421 | 16,472 | 10,643 | 9,497 | 6,208 | - | - |
| Long-term borrowings | 1,075 | 243 | 78 | - | - | - | - | - |
| **Total borrowings** | **37,880** | **33,632** | **35,085** | **33,173** | **32,933** | **32,557** | **30,922** | **35,585** |
| Lease liability | 7,305 | 5,667 | 6,643 | 10,016 | 14,308 | 17,653 | 21,073 | 24,653 |
| Creditors | 4,194 | 6,566 | 11,927 | 19,441 | 23,503 | 31,128 | 37,378 | 45,612 |
| Provisions | 310 | 493 | 507 | 643 | 857 | 1,097 | 1,377 | 1,681 |
| Other curr liabs + other fin liabs | 10,903 | 11,714 | 16,622 | 23,026 | 31,623 | 36,585 | 41,572 | 45,969 |
| **Total current liabilities** | **15,408** | **18,772** | **29,056** | **43,110** | **55,983** | **68,811** | **80,327** | **93,263** |
| Share capital | 8,392 | 10,301 | 10,301 | 10,301 | 10,314 | 10,314 | 10,314 | 10,314 |
| Reserves and surplus | 10,459 | 21,070 | 26,047 | 31,590 | 37,721 | 47,497 | 60,355 | 75,974 |
| CCPS | 1,190 | - | - | - | - | - | - | - |
| **Total shareholders' equity** | **20,042** | **31,370** | **36,347** | **41,891** | **48,036** | **57,811** | **70,670** | **86,288** |
| Minority interest | (36) | 9 | (2) | (13) | - | - | - | - |

Source: Company, JM Financial

## Exhibit 57. Consolidated cash flow statement

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| CF from operating activities | | | | | | | | |
| PBT | 209 | 2,240 | 4,319 | 5,963 | 7,142 | 15,058 | 20,013 | 24,088 |
| Depreciation+ Amortisation | 2,236 | 2,316 | 2,446 | 2,743 | 3,427 | 4,284 | 4,936 | 5,666 |
| Interest/dividend income | (350) | (228) | (273) | (584) | (765) | (2,019) | (2,847) | (3,431) |
| Interest expense | 3,632 | 3,224 | 3,026 | 3,232 | 3,595 | 3,264 | 3,240 | 3,452 |
| Others | (32) | 689 | 1,481 | 2,095 | 2,782 | - | - | - |
| CFO before change in NWC | 5,695 | 8,241 | 11,000 | 13,449 | 16,181 | 20,587 | 25,341 | 29,774 |
| Change in NWC | (1,411) | (4,071) | 424 | 2,040 | (1,708) | 6,159 | 2,097 | (5,588) |
| CFO before taxes paid | 4,283 | 4,170 | 11,424 | 15,490 | 14,473 | 26,746 | 27,438 | 24,186 |
| Direct taxes paid | (394) | (1,529) | (1,290) | (2,262) | (2,379) | (3,738) | (4,888) | (5,894) |
| CF from operating activities | 3,889 | 2,641 | 10,134 | 13,228 | 12,094 | 23,009 | 22,550 | 18,292 |
| CF from investing activities | | | | | | | | |
| Capex | (2,926) | (908) | (1,863) | (2,609) | (3,824) | (1,239) | (1,584) | (2,007) |
| Interest/dividend income | 312 | 199 | 132 | 399 | 327 | 2,019 | 2,847 | 3,431 |
| (Purchase)/sale of investment | (15) | (6) | (0) | 404 | 452 | - | - | - |
| Bank balance not considered as C&E | 1,393 | 1,350 | (2,108) | 426 | 1,280 | (2,893) | (3,500) | (2,000) |
| CF from investing activities | (1,237) | 636 | (3,839) | (1,379) | (1,765) | (2,113) | (2,237) | (575) |
| CF from financing activities | | | | | | | | |
| Issue of equity shares | - | - | - | - | (276) | - | - | - |
| Proceeds from borrowings | 1,671 | (861) | (2,146) | (5,909) | (1,263) | (3,289) | (6,208) | - |
| Interest paid | (2,840) | (2,407) | (2,291) | (2,389) | (2,234) | (3,264) | (3,240) | (3,452) |
| Dividend paid | 0 | - | - | (515) | (1,236) | (1,545) | (2,266) | (2,781) |
| Proceeds from issue of pref. shares | - | 15 | - | - | - | - | - | - |
| Payment towards lease liabilities | (1,764) | (2,182) | (1,939) | (2,668) | (3,394) | (2,397) | (2,725) | (3,134) |
| CF from financing activities | (2,933) | (5,435) | (6,376) | (11,480) | (8,126) | (10,495) | (14,439) | (9,367) |
| Net change in cash | (281) | (2,158) | (81) | 368 | 2,202 | 10,401 | 5,874 | 8,349 |
| Cash - EOP | 1,501 | 1,490 | 1,409 | 1,777 | 3,703 | 14,104 | 19,978 | 28,327 |
| Adj. OCF | 2,125 | 459 | 8,195 | 10,560 | 8,700 | 20,612 | 19,824 | 15,157 |
| Free cash flow | (801) | (449) | 6,332 | 7,951 | 4,876 | 19,373 | 18,240 | 13,150 |

Source: Company, JM Financial

## Exhibit 58. Consolidated working capital analysis

| Y/E March (INR mn) | FY19 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|
| Working capital (INR mn) | | | | | | | | |
| Inventory | 45,007 | 57,943 | 70,139 | 82,976 | 96,811 | 101,195 | 110,805 | 129,585 |
| Receivables | 1,467 | 1,195 | 2,442 | 3,283 | 3,999 | 6,504 | 7,995 | 9,617 |
| Financial assets | 1,205 | 1,039 | 2,222 | 4,639 | 7,952 | 10,021 | 12,187 | 14,183 |
| Other current assets | 1,936 | 1,199 | 2,129 | 2,653 | 1,170 | 1,473 | 1,815 | 2,188 |
| Creditors | 4,194 | 6,566 | 11,927 | 19,441 | 23,503 | 31,128 | 37,378 | 45,612 |
| Other current liabilities | 10,223 | 10,720 | 15,396 | 21,352 | 29,270 | 34,233 | 39,219 | 43,617 |
| Provisions | 310 | 493 | 507 | 643 | 857 | 1,097 | 1,377 | 1,681 |
| **Net working capital (ex-cash)** | **34,887** | **43,597** | **49,102** | **52,115** | **56,302** | **52,735** | **54,827** | **64,663** |
| **Cash Conversion** | **42,280** | **52,571** | **60,654** | **66,817** | **77,307** | **76,571** | **81,421** | **93,590** |
| Working capital (days) | | | | | | | | |
| Inventory | 168 | 195 | 182 | 164 | 141 | 115 | 100 | 96 |
| Receivables | 5 | 4 | 6 | 6 | 6 | 7 | 7 | 7 |
| Financial assets | 5 | 4 | 6 | 9 | 12 | 11 | 11 | 10 |
| Other current assets | 7 | 4 | 6 | 5 | 2 | 2 | 2 | 2 |
| Creditors | 16 | 22 | 31 | 38 | 34 | 35 | 34 | 34 |
| Other current liabilities | 38 | 36 | 40 | 42 | 43 | 39 | 35 | 32 |
| Provisions | 1 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Net working capital (ex-cash)** | **130** | **147** | **127** | **103** | **82** | **60** | **50** | **48** |
| **Net working capital (% of sales)** | **36** | **40** | **35** | **28** | **22** | **16** | **14** | **13** |
| **Cash conversion** | **158** | **177** | **157** | **132** | **113** | **87** | **74** | **69** |
| **Cash conversion (% of sales)** | **43.3** | **48.6** | **43.1** | **36.1** | **30.9** | **23.8** | **20.2** | **19.0** |

Source: Company, JM Financial

# Key risks

- **Adverse change in any regulatory requirement with respect to sourcing, sales, etc.:** Any adverse change in RBI or other government regulations with respect to sourcing of gold on lease could impact the company's financial results and working capital cycle. The company also procures gold by way of exchange from customers and any adverse regulation on this front can have an impact on sourcing. Any other regulation driving higher taxation or restricting sales (including jewellery advance purchase scheme) could be negative for the company.

- **Hedging key to manage gold price volatility:** Gold prices have witnessed sharp movements in the past and companies usually hedge their gold positions to avoid any adverse impact on margins due to such price volatilities. Any inconsistency in gold hedging could have an adverse impact on profitability and also on valuation multiples. We note that Kalyan employs various techniques to hedge its gold inventory to protect itself from price fluctuations, including the use of gold metal loans (provides a natural hedge), as well as forward contracts and options on Indian and international commodity exchanges. The CEO of the company is responsible for managing and monitoring its hedging policies and portfolio.

- **Dependency on franchise partners:** With the new asset light model of expansion, the company has aggressively added a store network in the non-South region. This has increased its dependency on franchise partners. Any disagreement or breach of contract can impact the company's operations.

- **Delay in expansion of store network:** Any delay in store expansion in existing/new geographies as well as failure to extend lease of its existing store network could have an adverse impact on sales growth and profitability.

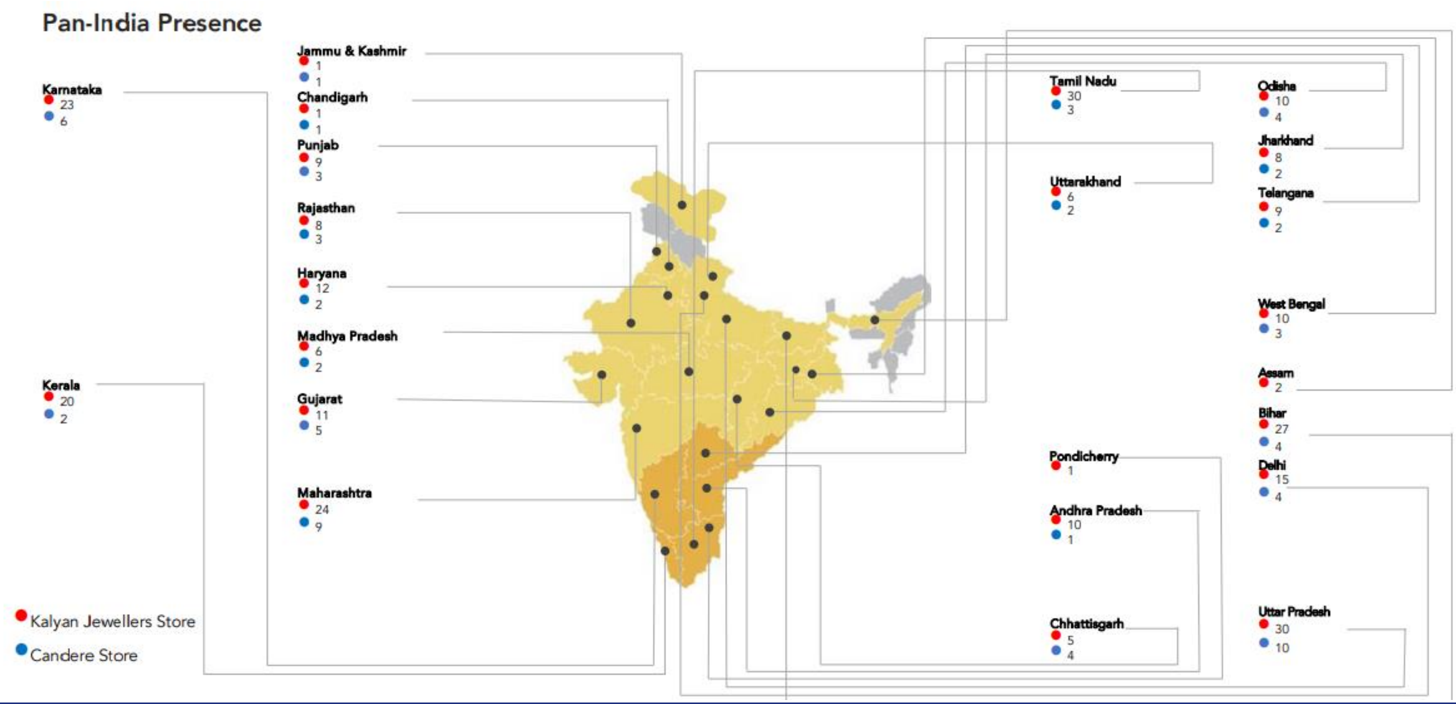
- **Brand risk:** Kalyan operates all its stores under the brand "Kalyan Jewellers" and "Candere". The jewellery business is dependent on the trust its customers have in its brand and the quality of products. Any negative publicity related to the company, brand, products or the jewellery industry generally could adversely affect reputation and results of the company. Negative publicity involving brand ambassadors could also impact the company.

- **Increase in competitive intensity:** The jewellery industry in India is highly competitive, including existing players (both organised and unorganised players) or new entrants. Product designs, making charges and quality of products are key differentiators. Any rise in irrational competitive activity may adversely impact the company's profitability.

# Company Background

- Kalyan was founded by T S Kalyanaraman (currently MD), who has over 45 years of retail experience, of which over 25 years has been in the jewellery industry. Kalyan started its jewellery business in 1993 with a single showroom in Thrissur, Kerala. Jewellery retailing is now the only focus area.
- Kalyan's total showrooms have increased from 77 in FY15 to 278 showrooms at the end of FY25 in India. It has successfully transitioned from having a dominant presence in South India to being a pan-India player with a presence across 23 states/UTs (~0.86mn sqft space). Kalyan also entered the Middle East market in 2014 and currently operates 36 showrooms across the Middle East (44k+ sqft space) and 1 showroom in the US. It also sells jewellery through its omni platform Candere at www.candere.com and operates 73 Candere showrooms in India.

## Exhibit 59. Kalyan has a strong presence with 278 Kalyan and 73 Candere stores in India




Source: Company, JM Financial

## Exhibit 60. Timeline of key events

| | |
|---|---|
| 1993 | Opened first showroom under the brand 'Kalyan Jewellers' in Thrissur, Kerala |
| 2004 | Opened first showroom outside Kerala, in Coimbatore, Tamil Nadu |
| 2010 | Launched "My Kalyan" customer outreach initiative<br>Entered Telangana and Karnataka markets |
| 2012 | Opened first showroom outside South India in Ahmedabad, Gujarat |
| 2013 | Entered Maharashtra and Middle East markets |
| 2014 | Equity investment by Warburg Pincus, a global private equity firm<br>Entered North India (Delhi) market |
| 2015 | Entered Chennai and East India (Orissa) markets |
| 2016 | Entered West Bengal and Rajasthan markets<br>Launched the Kalyan Matrimony (formerly known as Sanskriti Matrimony) website |
| 2017 | Incremental equity investment by Warburg Pincus<br>Purchased a stake in Enovate Lifestyles Private Limited and its online platform at www.candere.com |
| 2018 | Entered Northeast (Assam), Chhattisgarh and Jharkhand markets |
| 2019 | Entered Bihar market |
| 2021 | Listed on NSE & BSE as Kalyan Jewellers India Limited - Initial Public Offering ("IPO") |
| 2022 | Launched 1st franchise store (Aurangabad) as a pilot to a new capital efficient model expected to add a further leg of growth to the company's own- store expansion<br>Appointed an Independent Chairman to the Board (Vinod Rai) as a Non-Executive Director |
| FY25 | 278 Kalyan showrooms (152 FOCO[1]) and 73 Candere Showrooms (37 FOCO) in India. 36 Kalyan showrooms (4 FOCO) in the Middle East and 1 Kalyan showroom in the USA.<br>Revenues of ₹2,50,451 Mn and Profit After Tax of ₹7,142 Mn in FY25 |

Note: [1] FOCO - Franchisee Owned Company Operated

Source: Company, JM Financial

## Procurement of raw materials

- Kalyan procures gold used in its jewellery from various banks in India and the Middle East for its respective operations in each region, as well as from customers directly. Gold sourced from banks is partially procured through outright purchase and partially through gold loans from banks, whereby bullion is loaned to them at a specified interest rate. Kalyan is required to keep security for the gold metal loans equal to the amount of gold loaned along with the applicable margin through cash collateral, bank guarantees, the apportionment of loan facilities and other forms of collateral. The banks with whom the company works have to adjust their loan accounts on a daily basis through a mark-to-market valuation of their outstanding gold metal loans. To the extent there are fluctuations in the price of gold, the posted cash collateral is required to be adjusted upward or downward to reflect daily changes in gold prices. When Kalyan sells the gold that it procured through this gold metal loan model, it generally fixes the rate of purchase to align the buying and selling rate of the underlying gold.
- Customers purchasing jewellery may exchange or sell their old jewellery based on the prevailing market price, which it subsequently uses as raw materials for new jewellery. In FY24, enrolment to the company's purchase advance scheme remained at ~37%.
- Kalyan purchases cut and polished diamonds used in its diamond-studded jewellery outright from a number of diamond suppliers in India. A large number of its suppliers are registered with the Gem and Jewellery Export Promotion Council, and all of its diamonds have Kimberly process certification and are then converted to finished products. Similarly, it purchases precious and semi-precious stones as well as semi-processed platinum and raw silver for its jewellery from a number of suppliers.

## Jewellery manufacturing

- Kalyan manufactures products through a network of artisans throughout India, who work in the capacity of contract manufacturers and as the company's independent contractors to manufacture its products. Most of the contract manufacturers are long-term business partners of the company and continue to work closely with it. Kalyan executes agreements with its contract manufacturers under which it supplies them with all raw materials and designs for its jewellery. It procures and supplies raw materials, including gold, diamonds, precious stones, platinum, and silver, to its contract manufacturers and pays them a fee as a contractor.
- Under the contract manufacturing agreements, Kalyan controls the entire manufacturing process and the ultimate risk of the raw materials and products lies with it. Kalyan inspects contractors' facilities and supervises the entire manufacturing process to ensure its jewellery is being manufactured in line with its designs and with the desired levels of quality.
- Kalyan's jewellery in the Middle East consists of a mix of products manufactured by it, as well as finished products purchased from local manufacturers. The company has four manufacturing facilities in Sharjah and Oman where it produces jewellery.

## Exhibit 61. Board of directors and senior management personnel

| Board of Directors | Designation | Work Experience | Education |
|---|---|---|---|
| Mr Vinod Rai | Chairman and Independent Non-executive director | Comptroller and Auditor General of India and was awarded Padma Bhushan in recognition of his services to the country. | Harvard University, University of Delhi, Delhi school of Economics |
| Mr. T.S. Kalyanaraman | Promoter and Managing Director | Has over 49 years of retail experience, of which over 32 years is in the jewellery industry. | Bcom from University of Calicut |
| Mr. T.K. Seetharam | Promoters and a whole-time Director | 26 years of experience in the jewellery industry. | MBA from Bharathiar University, Coimbatore and has completed the 'Executive Program in Leadership from Stanford University |
| Mr. T.K. Ramesh | Promoters and a whole-time Director | Associated with the brand 'Kalyan Jewellers' since 2000 and 24 years of experience in the jewellery industry. | Master's degree in Commerce from Karnataka State University |
| Mr. Salil Nair | Non-Executive Director | 27 years of experience in the retail industry. He has previously acted as CEO of Shoppers Stop Ltd. | Master's degree in Science from Meerut University. |
| Mr. Anish Kumar Saraf | Non-Executive, Nominee Director nominated by Highdell | Associated with Warburg Pincus India Pvt Ltd since 2006 where he currently holds the position of MD | He is a qualified CA and holds a post graduate diploma in management from the IIM, Ahmedabad. |
| Mr. Agnihotra Dakshina Murty Chavali | Independent Director | 31 years of experience in the banking sector and has served in various capacities in prestigious financial institutions. | Master of science degree in mathematics from Andhra University. |
| Ms Kishori Jayendra Udeshi | Independent director | Has several years of experience in policy and banking sectors. She is the First women Deputy Governor of RBI to be nominated on the board of SBI. | MBA in Economics from Mumbai University |
| Mr Anil Sadasivan Nair | Independent director | Has ~21 years of experience in the field of advertising. He the former CEO & managing partner of Law & Kenneth, Saatchi & Saatchi. | Graduate from University of Kerala |
| Mr. T.S. Anantharaman | Independent Director | He has several years of experience in various sectors, such as banking and teaching management and accounting. | Bcom degree from University of Kerala. He is also an associate member of the Chartered Management Institute, and a CA |

| Senior Management | Designation | Work Experience | Education |
|---|---|---|---|
| Mr. Sanjay Raghuraman | Chief Executive officer | Prior to his appointment as CEO on July'2020, he was the COO of the company. He has worked as Head of Operations at HDB Financial Services Limited and as GM at Wipro Limited and Clix Capital Services Private Limited. | A.C.A, Finance and Bcom in Accounting |
| Mr. Swaminathan V. | Chief Financial officer | Prior to joining the co, he worked as President - Finance at UltraTech, as CFO at Reid & Taylor (India) , as India Group Controller and Country Controller at Eaton Fluid Power, Country Financial Controller at Carraro India etc. | Bachelors of Science |
| Mr. Arun Sankar | Head of Technology | 11+ years with Kalyan and ~19 years of experience in the technology sector | Master’s in Technology (computer science) and engineering, and a Master’s in Science (integrated) in software engineering |
| Mr. Rajesh R | Head of Legal and Compliance | 5+ years with Kalyan and 26+ years of experience in the legal industry | Bachelors of Law and enrolled with the Bar Council of Kerala |
| Mr. Sanjay Mehrottra | Head of Strategy | 7+ years with Kalyan and 31+ years of experience in Indian capital markets | Master’s in Management Studies |
| Mr. Abraham George | Head of Treasury and Investor Relations | 8+ years with Kalyan and 21+ years of experience in finance and capital markets | MBA from ICFAI University and Bachelor’s in Commerce |
| Mr. Jishnu R.G. | Company Secretary and Compliance Officer | Prior to joining the company, he has worked as CS in VKC Group and as Asst CS in Malabar Group. | He is an associate of ICSI and holds a bachelor's degree in commerce from University of Calicut. |

Source: Company, JM Financial

# Financial Tables (Consolidated)

| Income Statement | | | | | (INR mn) |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 1,84,726 | 2,49,727 | 3,20,248 | 4,02,573 | 4,92,115 |
| Sales Growth | 31.7% | 35.2% | 28.2% | 25.7% | 22.2% |
| Other Operating Income | 430 | 724 | 919 | 1,110 | 1,305 |
| **Total Revenue** | **1,85,156** | **2,50,451** | **3,21,168** | **4,03,683** | **4,93,420** |
| Cost of Goods Sold/Op. Exp | 1,58,346 | 2,16,370 | 2,80,163 | 3,54,421 | 4,35,772 |
| Personnel Cost | 6,072 | 7,386 | 8,520 | 9,938 | 11,484 |
| Other Expenses | 7,947 | 10,284 | 11,898 | 13,983 | 16,126 |
| **EBITDA** | **12,791** | **16,410** | **20,587** | **25,341** | **30,039** |
| EBITDA Margin | 6.9% | 6.6% | 6.4% | 6.3% | 6.1% |
| EBITDA Growth | 14.8% | 28.3% | 25.5% | 23.1% | 18.5% |
| Depn. & Amort. | 2,743 | 3,427 | 4,284 | 4,936 | 5,666 |
| EBIT | 10,048 | 12,983 | 16,304 | 20,405 | 24,373 |
| Other Income | 1,064 | 1,446 | 2,019 | 2,847 | 3,441 |
| Finance Cost | 3,232 | 3,595 | 3,264 | 3,240 | 3,452 |
| PBT before Excep. & Forex | 7,880 | 10,834 | 15,058 | 20,013 | 24,362 |
| Excep. & Forex Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 |
| PBT | 7,880 | 10,834 | 15,058 | 20,013 | 24,362 |
| Taxes | 1,925 | 2,764 | 3,738 | 4,888 | 5,962 |
| Extraordinary Inc./Loss(-) | 0 | -929 | 0 | 0 | 0 |
| Assoc. Profit/Min. Int.(-) | -11 | -6 | 0 | 0 | 0 |
| Reported Net Profit | 5,965 | 7,148 | 11,321 | 15,124 | 18,400 |
| **Adjusted Net Profit** | **5,965** | **7,148** | **11,321** | **15,124** | **18,400** |
| Net Margin | 3.2% | 2.9% | 3.5% | 3.7% | 3.7% |
| Diluted Share Cap. (mn) | 1,030.1 | 1,030.1 | 1,030.1 | 1,030.1 | 1,030.1 |
| **Diluted EPS (INR)** | **5.8** | **6.9** | **11.0** | **14.7** | **17.9** |
| Diluted EPS Growth | 37.7% | 19.8% | 58.4% | 33.6% | 21.7% |
| Total Dividend + Tax | 1,236 | 1,545 | 2,266 | 2,781 | 3,605 |
| Dividend Per Share (INR) | 1.2 | 1.5 | 2.2 | 2.7 | 3.5 |

Source: Company, JM Financial

| Balance Sheet | | | | | (INR mn) |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Shareholders' Fund | 41,891 | 48,036 | 57,811 | 70,670 | 86,288 |
| Share Capital | 10,301 | 10,314 | 10,314 | 10,314 | 10,314 |
| Reserves & Surplus | 31,590 | 37,721 | 47,497 | 60,355 | 75,974 |
| Lease Liabilities | 11,691 | 16,660 | 20,005 | 23,425 | 27,005 |
| Minority Interest | -13 | 0 | 0 | 0 | 0 |
| Total Loans | 33,173 | 32,933 | 32,557 | 30,922 | 35,585 |
| Def. Tax Liab. / Assets (-) | -662 | -1,125 | -1,125 | -1,125 | -1,125 |
| **Total - Equity & Liab.** | **86,079** | **96,504** | **1,09,249** | **1,23,892** | **1,47,753** |
| Net Fixed Assets | 11,478 | 13,205 | 12,557 | 11,931 | 11,406 |
| Gross Fixed Assets | 18,971 | 22,678 | 23,917 | 25,501 | 27,508 |
| Intangible Assets | 51 | 51 | 51 | 51 | 51 |
| Less: Depn. & Amort. | 8,028 | 9,601 | 11,488 | 13,698 | 16,230 |
| Capital WIP | 485 | 77 | 77 | 77 | 77 |
| ROU Assets | 11,390 | 14,723 | 18,068 | 21,488 | 25,068 |
| Investments | 655 | 664 | 664 | 664 | 664 |
| Current Assets | 1,15,382 | 1,36,265 | 1,62,486 | 1,89,271 | 2,26,593 |
| Inventories | 82,976 | 96,811 | 1,01,195 | 1,10,805 | 1,29,585 |
| Sundry Debtors | 3,283 | 3,999 | 6,504 | 7,995 | 9,617 |
| Cash & Bank Balances | 9,751 | 10,311 | 23,604 | 32,978 | 43,533 |
| Other Current Assets | 7,982 | 10,421 | 13,115 | 16,006 | 18,790 |
| Current Liab. & Prov. | 41,436 | 53,630 | 66,458 | 77,974 | 90,910 |
| Current Liabilities | 19,441 | 23,503 | 31,128 | 37,378 | 45,612 |
| Provisions & Others | 21,995 | 30,127 | 35,330 | 40,596 | 45,298 |
| Net Current Assets | 73,946 | 82,635 | 96,028 | 1,11,297 | 1,35,683 |
| **Total – Assets** | **86,079** | **96,504** | **1,09,249** | **1,23,892** | **1,47,753** |

Source: Company, JM Financial

| Cash Flow Statement | | | | | (INR mn) |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Profit before Tax | 7,880 | 10,834 | 15,058 | 20,013 | 24,362 |
| Depn. & Amort. | 2,743 | 3,427 | 4,284 | 4,936 | 5,666 |
| Net Interest Exp. / Inc. (-) | 2,976 | 3,156 | 2,285 | 1,536 | 1,269 |
| Inc (-) / Dec in WCap. | 2,040 | -1,708 | 6,159 | 2,097 | -5,588 |
| Others | -150 | -1,236 | -1,039 | -1,143 | -1,258 |
| Taxes Paid | -2,262 | -2,379 | -3,738 | -4,888 | -5,962 |
| **Operating Cash Flow** | **13,228** | **12,094** | **23,009** | **22,550** | **18,488** |
| Capex | -3,714 | -4,275 | -1,239 | -1,584 | -2,007 |
| Free Cash Flow | 9,513 | 7,819 | 21,770 | 20,965 | 16,481 |
| Inc (-) / Dec in Investments | 1,510 | 903 | 0 | 0 | 0 |
| Others | 825 | 1,606 | -874 | -653 | 1,441 |
| **Investing Cash Flow** | **-1,379** | **-1,765** | **-2,113** | **-2,237** | **-566** |
| Inc / Dec (-) in Capital | 0 | -276 | 0 | 0 | 0 |
| Dividend + Tax thereon | -515 | -1,236 | -1,545 | -2,266 | -2,781 |
| Inc / Dec (-) in Loans | -8,577 | -4,657 | -5,686 | -8,933 | -3,134 |
| Others | -2,389 | -2,234 | -3,264 | -3,240 | -3,452 |
| **Financing Cash Flow** | **-11,480** | **-8,402** | **-10,495** | **-14,439** | **-9,367** |
| **Inc / Dec (-) in Cash** | **368** | **1,926** | **10,401** | **5,874** | **8,555** |
| Opening Cash Balance | 1,409 | 1,777 | 3,703 | 14,104 | 19,978 |
| Closing Cash Balance | 1,777 | 3,703 | 14,104 | 19,978 | 28,533 |

Source: Company, JM Financial

| Dupont Analysis | | | | | |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Margin | 3.2% | 2.9% | 3.5% | 3.7% | 3.7% |
| Asset Turnover (x) | 2.2 | 2.7 | 3.1 | 3.4 | 3.6 |
| Leverage Factor (x) | 2.1 | 2.1 | 2.0 | 1.8 | 1.8 |
| RoE | 15.2% | 15.9% | 21.4% | 23.5% | 23.4% |

| Key Ratios | | | | | |
|---|---|---|---|---|---|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| BV/Share (INR) | 40.7 | 46.6 | 56.1 | 68.6 | 83.8 |
| ROIC | 12.0% | 14.2% | 17.8% | 22.8% | 25.1% |
| ROE | 15.2% | 15.9% | 21.4% | 23.5% | 23.4% |
| Net Debt/Equity (x) | 0.6 | 0.5 | 0.2 | 0.0 | -0.1 |
| P/E (x) | 101.2 | 84.4 | 53.3 | 39.9 | 32.8 |
| P/B (x) | 14.4 | 12.6 | 10.4 | 8.5 | 7.0 |
| EV/EBITDA (x) | 49.0 | 38.2 | 29.8 | 23.7 | 19.8 |
| EV/Sales (x) | 3.4 | 2.5 | 1.9 | 1.5 | 1.2 |
| Debtor days | 6 | 6 | 7 | 7 | 7 |
| Inventory days | 164 | 141 | 115 | 100 | 96 |
| Creditor days | 38 | 34 | 35 | 34 | 34 |

Source: Company, JM Financial

# APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
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Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| Definition of ratings | |
|---|---|
| Rating | Meaning |
| Buy | Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields. |
| Hold | Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| Sell | Price expected to move downwards by more than 10% from the current market price over the next twelve months. |

* REITs refers to Real Estate Investment Trusts.

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The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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