Kalyan Jewellers | BUY

Robust revenue growth; Store addition + debt reduction on track

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- **Revenue growth remains robust -** Kalyan reported revenue growth of ~30% YoY on consolidated basis. India operations reported ~31% YoY growth led by driven primarily by robust wedding demand and a strong start to the festive season and healthy SSSG of 16%. Navratri sales, which was not part of the base quarter revenue, partially negated the impact of the higher base due to the customs duty reduction in India during Q2FY25.
- **Store addition on track -** Kalyan (India) added 15 and closed 2 stores during Q2 (net 13 store addition; Total Stores – 300). It targets to add 15 more Kalyan showrooms before Diwali.
- **International Operations** registered 17% YoY growth while the Middle east business registered 10% YoY SSSG led growth. International markets contributed 12% of the overall revenue. Company added 2 stores in Middle east. (Total stores – 38 in Middle East and 2 in USA).
- **Candere –** Opened 15 showrooms and reported revenue growth of ~127%YoY in Q2 (Total stores – 96). The company is encouraged by the significant improvement in showroom footfalls, web traffic and revenue growth registered in the quarter.
- **Debt reduction on track -** Company secured an approval from the lead bank of consortium of lenders for the release of real estate collateral pertaining to debt repaid. Subsequently, it has resumed the next round of debt reduction in line with the target already set for the FY26.
- We expect **45% YoY PBT growth (standalone)** in Q2 as we expect PBT margins to expand by ~50 bps YoY.

Exhibit 1. Quarterly standalone performance (INR mn)

Standalone (INR mn)	Reported			Chg (%)	Chg (%)	Reported		Chg (%)
	Q2FY25	Q1FY26	Q2FY26E	YoY	QoQ	H1FY25	H1FY26E	YoY
Stores (#)	231	287	300	69	13	204	278	74
Net operating revenues	**52,268**	**61,422**	**68,485**	**31**	**11**	**99,142**	**129,907**	**31**
Material cost	(45,205)	(53,058)	(59,719)	32	13	(85,432)	(112,777)	32
Gross profit	**7,062**	**8,364**	**8,766**	**24**	**5**	**13,711**	**17,131**	**25**
Employee cost	(1,486)	(1,804)	(1,850)	25	3	(2,971)	(3,654)	23
Advertising and promotion	(1,018)	(861)	(1,150)	13	34	(1,968)	(2,011)	2
Other expenditure	(1,237)	(1,358)	(1,500)	21	10	(2,301)	(2,858)	24
Total expenditure	**(3,741)**	**(4,023)**	**(4,500)**	**20**	**12**	**(7,239)**	**(8,523)**	**18**
EBITDA	**3,322**	**4,342**	**4,266**	**28**	**(2)**	**6,471**	**8,608**	**33**
Other income	277	521	550	99	6	527	1,071	103
Interest	(626)	(724)	(680)	9	(6)	(1,227)	(1,404)	14
Depreciation	(612)	(697)	(725)	18	4	(1,172)	(1,422)	21
PBT	**2,361**	**3,443**	**3,411**	**44**	(1)	**4,599**	**6,854**	**49**
Tax	(641)	(878)	(860)	34	(2)	(1,228)	(1,738)	41
PAT	**1,720**	**2,565**	**2,551**	**48**	**(1)**	**3,371**	**5,116**	**52**
Extraordinary items	(518)	-	-			(518)	-	
Net profit (reported)	**1,203**	**2,565**	**2,551**	**112**	**(1)**	**2,854**	**5,116**	**79**
EPS (Rs)	**1.7**	**2.5**	**2.5**	**48**	(0)	**3.3**	**5.0**	52
Ratios (% of net sales)								
Gross margin (%)	13.5	13.6	12.8	-72 bps	-82 bps	13.8	13.2	-65 bps
EBITDA margin (%)	6.4	7.1	6.2	-13 bps	-84 bps	6.5	6.6	9 bps
PBT Margin (%)	4.5	5.6	5.0	46 bps	-63 bps	4.6	5.3	63 bps
Employee cost	2.8	2.9	2.7	-15 bps	-24 bps	3.0	2.8	-19 bps
Advertising and promotion	1.9	1.4	1.7	-27 bps	27 bps	2.0	1.5	-44 bps
Other expenditure	2.4	2.2	2.2	-18 bps	-3 bps	2.3	2.2	-13 bps
Income tax rate (% of PBT)	27.1	25.5	25.2	-194 bps	-31 bps	26.7	25.4	-136 bps

Source: Company, JM Financial

Exhibit 2.Consolidated quarterly performance (INR mn)

Consolidated (INR mn)	Reported			Chg (%)	Chg (%)	Reported		Chg (%)
	Q2FY25	Q1FY26	Q2FY26	YoY	QoQ	H1FY25	H1FY26E	YoY
Net operating revenues	**60,655**	**72,685**	**79,100**	**30**	**9**	**116,010**	**151,785**	**31**
Material cost	(52,313)	(62,603)	(68,710)	31	10	(99,732)	(131,313)	32
Gross profit	**8,342**	**10,081**	**10,390**	**25**	**3**	**16,277**	**20,472**	**26**
Employee cost	(1,698)	(2,096)	(2,100)	24	0	(3,422)	(4,196)	23
Advertisement and Promotion	(1,199)	(1,038)	(1,350)	13	30	(2,305)	(2,388)	4
Other expenditure	(1,482)	(1,868)	(1,970)	33	5	(2,827)	(3,838)	36
Total expenditure	**(56,692)**	**(67,605)**	**(74,130)**	**31**	**10**	**(108,287)**	**(141,734)**	**31**
EBITDA	**3,962**	**5,080**	**4,970**	**25**	**(2)**	**7,723**	**10,050**	**30**
Other income	260	463	475	83	3	482	938	95
Interest	(903)	(1,036)	(940)	4	(9)	(1,755)	(1,976)	13
Depreciation	(850)	(977)	(1,045)	23	7	(1,604)	(2,022)	26
PBT	**2,469**	**3,530**	**3,460**	**40**	**(2)**	**4,844**	**6,990**	**44**
Tax	(649)	(889)	(897)	38	1	(1,248)	(1,786)	43
Share of profit of associates	3	-	-	**(100)**	#DIV/0!	5	-	(100)
Recurring PAT (after MI)	**1,824**	**2,641**	**2,563**	**41**	**(3)**	**3,601**	**5,204**	**45**
Extraordinary items	(518)	-	-			(518)	-	
Net profit (reported)	**1,306**	**2,641**	**2,563**	**96**	**(3)**	**3,084**	**5,204**	**69**
EPS (Rs)	**1.8**	**2.6**	**2.5**	**41**	(3)	**3.5**	**5.1**	45
Ratios (% of net sales)								
Gross margin (%)	13.8	13.9	13.1	-62 bps	-74 bps	14.0	13.5	-55 bps
EBITDA margin (%)	6.5	7.0	6.3	-25 bps	-71 bps	6.7	6.6	-4 bps
Employee cost	2.8	2.9	2.7	-15 bps	-23 bps	3.0	2.8	-19 bps
Advertising and promotion	2.0	1.4	1.7	-28 bps	27 bps	2.0	1.6	-42 bps
Other expenditure	2.4	2.6	2.5	4 bps	-8 bps	2.4	2.5	9 bps
Income tax rate (% of PBT)	26.3	25.2	25.9	-35 bps	73 bps	25.8	25.5	-22 bps

Source: Company, JM Financial

APPENDIX I

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: 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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