4 August 2026

1QFY27 Results Update | Sector: Retail

# Kalyan Jewellers

| | |
|---|---|
| Estimate change | ↔ |
| TP change | ↑ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | KALYANKJ IN |
| Equity Shares (m) | 1033 |
| M.Cap.(INRb)/(USDb) | 610.8 / 6.4 |
| 52-Week Range (INR) | 649 / 327 |
| 1, 6, 12 Rel. Per (%) | 53/57/0 |
| 12M Avg Val (INR M) | 4672 |

**Financials & Valuations (INR b)**

| Y/E March | FY26 | FY27E | FY28E |
|---|---|---|---|
| Sales | 357.4 | 466.8 | 550.7 |
| EBITDA | 24.9 | 29.8 | 34.6 |
| Margins (%) | 7.0 | 6.4 | 6.3 |
| Adj. PAT | 13.8 | 17.6 | 20.8 |
| Adj. EPS (INR) | 13.4 | 17.0 | 20.2 |
| EPS Growth (%) | 71.0 | 27.1 | 18.7 |
| BV/Sh.(INR) | 61.1 | 73.6 | 87.3 |
| **Ratios** | | | |
| RoE (%) | 24.9 | 25.3 | 25.1 |
| RoIC (%) | 17.0 | 16.4 | 17.1 |
| **Valuations** | | | |
| P/E (x) | 44.1 | 34.7 | 29.2 |
| P/BV (x) | 9.7 | 8.0 | 6.8 |
| EV/Sales (x) | 1.7 | 1.3 | 1.1 |
| EV/EBITDA(x) | 24.3 | 20.4 | 17.1 |

**Shareholding Pattern (%)**

| As On | Jun-26 | Mar-26 | Jun-25 |
|---|---|---|---|
| Promoter | 62.9 | 62.9 | 62.8 |
| DII | 15.8 | 14.1 | 13.3 |
| FII | 10.8 | 14.6 | 16.8 |
| Others | 10.5 | 8.5 | 7.0 |

FII includes depository receipts

**CMP: INR591 TP: INR700 (+18%) Buy**

## Growth momentum continues; miss on margins

- Kalyan Jewellers (Kalyan)'s consolidated revenue growth was at 46% YoY to INR105.9b (est. INR105.7b). The India business delivered 47% YoY revenue growth and registered a robust 28% SSSG (30% in the South, 27% in the non-South). Candere's revenue grew to INR1,410m vs. INR660m in 1QFY26. Management indicated that on-ground demand momentum remained healthy in 1QFY27, driven by wedding traction.
- There is a one-time gain of INR410m due to an increase in customs duty from 6% to 15%. Adjusted for the gain, the India business GM dipped 280bp YoY to 10.8%. It was hit by a higher proportion of exchanged gold, promotional offers as part of the exchange campaign, and a one-off gain in platinum and silver sales during the base quarter (1QFY26). Studded share moderated to 28% in 1QFY27 vs 30% in 1QFY26. EBITDA margin contracted by 280bps YoY to 5.1% (est. 6.7%). PBT up 14% YoY. Candere reported a profit of INR21m (vs. a loss of INR100m in 1QFY26).
- The company added 12 net Kalyan Indian stores and 5 Candere stores, taking the total store count to 483 in India. It will open its first regional store in Chennai in Aug'26. In FY27, the company plans to open 84 Kalyan (all FOCO) and 50 Candere stores.
- The Middle East business delivered a 29% revenue growth, driven by 25% SSSG. Studded share was 16%. Demand picked up from the end of Apr'26. The company opened no stores during the quarter; however, discussions are underway with potential investors in the region for a larger FOCO partnership.
- With the successful scale-up of franchise businesses (>50% revenue contribution) and stable success in non-Southern markets, Kalyan has established itself as a leading brand in the industry. Consistent success on customer acquisition, improving operating margin, and deleveraging the balance sheet remains the key rationale for our constructive view on the business. We model a 24%/18%/23% revenue/EBITDA/PAT CAGR during FY26-28E. **Reiterate BUY with a TP of INR700 (based on 35x Mar'28E P/E).**

### Strong revenue performance; margins below our estimate

**India business**

- **Strong revenue growth with 28% SSSG**: India revenue grew 47% YoY to INR90.3b (est. INR92.9b). Same-store sales grew 28% YoY in 1QFY27. SSSG of the South region was 30%, and Non-South regions were 27%. Revenue growth in the South was 34%, and in non-South regions it was 43%. Studded share moderated to 28% vs. 30% in 1QFY26. Studded revenue rose 36%.
- **Store expansion:** The company added a net of 12 Kalyan stores in India, reaching a total of 354 stores. Candere added 5 stores, reaching a total of 129 stores. Total stores in India stood at 483.
- **Moderation in profitability:** There is a one-time gain of INR410m due to an increase in customs duty from 6% to 15%. Adjusted to custom duty gain, Gross margin contracted 280bp YoY to 10.8%. EBITDA margin contracted 200bp YoY to 5.1%. EBITDA grew 6% YoY to INR4.6b. PBT grew 14% YoY to INR3.9b, and APAT rose 14% YoY to INR2.9b.

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**Middle East**

- The ME business revenue grew 29% YoY. SSSG grew 25% YoY. Walk-ins in the showrooms were back on track from the end of Apr'26.
- Studded share stood at 16.3% vs. 18.3% YoY.
- GM contracted 200bp YoY to 12% in 1QFY27.
- EBITDA grew 24%. EBITDA margin contracted 30bp YoY to 6.8%.
- PBT and APAT grew by 12% and 14%.
- There were no new store additions during the quarter.

## Consolidated performance

- Kalyan's consolidated revenue grew 46% YoY to INR105.9b (est. INR105.7).
- There is a one-time gain of INR410m due to an increase in customs duty from 6% to 15%. Adjusted for the one-time gain, gross margin contracted 230bp YoY to 11.5% (est. 12.4%).
- Gross margin was impacted by a higher proportion of exchanged gold, promotional offers as part of the exchange campaign, and a one-off gain in platinum and silver sales during the base quarter (1QFY26).
- Adjusted for the customs duty gain, EBITDA margin contracted 140bp YoY to 5.6%. (est. 6.7%). EBITDA grew 16% YoY to INR5.9b (est. INR7.1b).
- PBT increased 20% YoY to INR4.2b, and APAT grew 21% YoY to INR3.2b.

## Key takeaways from the management commentary

- The company highlighted that demand on the ground continues to remain healthy, with July witnessing strong traction similar to the trend seen in 1QFY27.
- The company recycled gold, contributing over 46% of revenue during 1QFY27 and exceeding 55% in June. Management intends to maintain the recycled gold contribution in the 55-60% range going forward.
- Kalyan unveiled its first regional jewelry brand, Akshaya Thangam, designed exclusively for the Tamil Nadu market.
- Kalyan remains on track to become debt-free (excluding gold metal loans) by the end of Sep'26.
- In the Middle East, discussions are underway with potential investors in the region for a larger FOCO partnership.

## Valuation and view

- We cut our EPS estimates by 3-4% for FY27 and FY28.
- Kalyan repaid INR5.6b of non-GML debt in FY26, taking the total debt to INR3.2b.
- Management reiterated its target of becoming non-GML debt-free during FY27.
- With the successful scale-up of its new franchise businesses (>50% revenue contribution) and continued success in non-Southern markets, the company has established itself as a leading brand in the industry. Its non-South expansion has improved the studded jewelry mix, while the asset-light expansion supports healthy cash flow generation for debt repayment and enhances profitability by reducing interest costs.
- We model a 24%/18%/23% revenue/EBITDA/PAT CAGR during FY26-28E. **We reiterate our BUY rating with a TP of INR700 (based on 35x Mar'28 P/E).**

**Consolidated Quarterly Performance** (INR m)

| Y/E March | FY26 | | | | FY27E | | | | FY26 | FY27E | FY27E | Var. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1QE | (%) |
| **Stores** | 406 | 436 | 469 | 507 | 524 | 597 | 623 | 640 | 507 | 640 | 534 | |
| **Net Sales** | 72,685 | 78,560 | 1,03,434 | 1,02,749 | 1,05,889 | 1,10,906 | 1,28,790 | 1,21,244 | 3,57,429 | 4,66,829 | 1,05,663 | 0.2% |
| Change (%) | 31.3 | 29.5 | 41.9 | 66.2 | 45.7 | 41.2 | 24.5 | 18.0 | 42.7 | 30.6 | 45.4 | |
| Raw Material/PM | 62,603 | 68,395 | 89,857 | 89,531 | 93,661 | 98,465 | 1,12,728 | 1,05,209 | 3,10,385 | 4,10,062 | 92,553 | |
| **Gross Profit** | 10,081 | 10,166 | 13,577 | 13,219 | 12,228 | 12,440 | 16,062 | 16,035 | 47,043 | 56,766 | 13,110 | -6.7% |
| Gross Margin (%) | 13.9 | 12.9 | 13.1 | 12.9 | 11.5 | 11.2 | 12.5 | 13.2 | 13.2 | 12.2 | 12.4 | |
| Operating Expenses | 5,001 | 5,196 | 6,073 | 5,862 | 6,313 | 6,242 | 7,320 | 7,108 | 22,131 | 26,982 | 6,031 | |
| % of Sales | 6.9 | 6.6 | 5.9 | 5.7 | 6.0 | 5.6 | 5.7 | 5.9 | 6.2 | 5.8 | 5.7 | |
| **EBITDA** | 5,080 | 4,970 | 7,505 | 7,357 | 5,915 | 6,199 | 8,743 | 8,927 | 24,912 | 29,784 | 7,079 | -16.4% |
| Margin (%) | 7.0 | 6.3 | 7.3 | 7.2 | 5.6 | 5.6 | 6.8 | 7.4 | 7.0 | 6.4 | 6.7 | |
| Change (%) | 35.1 | 25.4 | 52.0 | 84.2 | 16.4 | 24.7 | 16.5 | 21.3 | 51.8 | 19.6 | 39.3 | |
| Interest | 1,036 | 949 | 1,043 | 1,300 | 1,084 | 1,050 | 950 | 952 | 4,329 | 4,036 | 1,250 | |
| Depreciation | 977 | 1,032 | 1,089 | 1,131 | 1,150 | 1,242 | 1,305 | 1,328 | 4,229 | 5,025 | 1,142 | |
| Other Income | 463 | 514 | 642 | 462 | 557 | 668 | 642 | 867 | 2,080 | 2,735 | 671 | |
| **PBT** | 3,530 | 3,503 | 6,014 | 5,388 | 4,238 | 4,575 | 7,130 | 7,515 | 18,435 | 23,457 | 5,358 | -20.9% |
| Tax | 889 | 898 | 1,436 | 1,293 | 1,162 | 1,166 | 1,818 | 1,742 | 4,516 | 5,888 | 1,366 | |
| Effective Tax Rate (%) | 25.2 | 25.6 | 23.9 | 24.0 | 27.4 | 25.5 | 25.5 | 23.2 | 24.5 | 25.1 | 25.5 | |
| **Adjusted PAT** | 2,641 | 2,605 | 4,479 | 4,095 | 3,189 | 3,408 | 5,312 | 5,773 | 13,919 | 17,570 | 3,992 | -20.1% |
| Change (%) | 48.7 | 43.1 | 72.4 | 118.2 | 20.8 | 30.8 | 18.6 | 41.0 | 72.5 | 26.2 | 51.2 | |
| **Reported PAT** | 2,641 | 2,605 | 4,163 | 4,095 | 3,487 | 3,408 | 5,312 | 5,773 | 13,504 | 17,570 | 3,992 | -12.7% |

E: MOFSL Estimates

**India Quarterly Performance (Standalone)** (INR m)

| Y/E March | FY26 | | | | FY27E | | | | FY26 | FY27E | FY27E | Var. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | (%) | 4QE | | | 1Q | |
| **Stores** | 368 | 396 | 428 | 466 | 483 | 555 | 580 | 596 | 466 | 596 | 492 | |
| **SSSG (%)** | 18 | 16 | 27 | 47 | 28 | 32 | 17 | 7 | 28 | 21 | 35 | |
| **Net Sales** | 61,422 | 68,428 | 90,477 | 89,943 | 90,255 | 99,649 | 1,14,440 | 1,08,616 | 3,10,271 | 4,12,960 | 92,862 | -2.8% |
| Change (%) | 31.0 | 30.9 | 41.7 | 68.1 | 46.9 | 45.6 | 26.5 | 20.8 | 43.3 | 33.1 | 51.2 | |
| Raw Material/PM | 53,058 | 59,881 | 79,010 | 78,869 | 80,530 | 88,588 | 1,00,135 | 94,986 | 2,70,818 | 3,64,239 | 81,440 | |
| **Gross Profit** | 8,364 | 8,548 | 11,467 | 11,074 | 9,725 | 11,061 | 14,305 | 13,630 | 39,453 | 48,721 | 11,422 | -14.9% |
| Gross Margin (%) | 13.6 | 12.5 | 12.7 | 12.3 | 10.8 | 11.1 | 12.5 | 12.5 | 12.7 | 11.8 | 12.3 | |
| Operating Expenses | 4,023 | 4,227 | 4,929 | 5,032 | 5,135 | 5,596 | 6,447 | 6,357 | 18,210 | 23,535 | 5,216 | |
| % of Sales | 6.5 | 6.2 | 5.4 | 5.6 | 5.7 | 5.6 | 5.6 | 5.9 | 5.9 | 5.7 | 5.6 | |
| **EBITDA** | 4,342 | 4,321 | 6,538 | 6,042 | 4,590 | 5,465 | 7,858 | 7,273 | 21,242 | 25,186 | 6,206 | -26.0% |
| Margin (%) | 7.1 | 6.3 | 7.2 | 6.7 | 5.1 | 5.5 | 6.9 | 6.7 | 6.8 | 6.1 | 6.7 | |
| Change (%) | 37.9 | 30.1 | 53.8 | 75.9 | 5.7 | 26.5 | 20.2 | 20.4 | 50.0 | 18.6 | 42.9 | |
| Interest | 724 | 650 | 686 | 834 | 628 | 700 | 725 | 733 | 2,894 | 2,786 | 825 | |
| Depreciation | 697 | 723 | 769 | 775 | 774 | 825 | 875 | 906 | 2,963 | 3,380 | 800 | |
| Other Income | 521 | 569 | 744 | 521 | 722 | 650 | 650 | 568 | 2,354 | 2,590 | 600 | |
| **PBT** | 3,443 | 3,517 | 5,826 | 4,953 | 3,911 | 4,590 | 6,908 | 6,202 | 17,739 | 21,610 | 5,181 | -24.5% |
| Tax | 878 | 895 | 1,403 | 1,297 | 1,108 | 1,147 | 1,727 | 1,467 | 4,473 | 5,449 | 1,295 | |
| Effective Tax Rate (%) | 25.5 | 25.5 | 24.1 | 26.2 | 28.3 | 25.0 | 25.0 | 23.7 | 25.2 | 25.2 | 25.0 | |
| **Adjusted PAT** | 2,565 | 2,622 | 4,323 | 3,656 | 2,919 | 3,442 | 5,181 | 4,735 | 13,163 | 16,161 | 3,886 | -24.9% |
| Change (%) | 55.4 | 52.4 | 66.9 | 97.3 | 13.8 | 31.3 | 19.8 | 29.5 | 72.5 | 22.8 | 51.5 | |
| **Reported PAT** | 2,565 | 2,622 | 4,008 | 3,656 | 3,213 | 3,442 | 5,181 | 4,735 | 12,851 | 16,161 | 3,886 | |

E: MOFSL Estimates

| Middle East – Quarterly Performance | | | | | (INR m) |
|---|---|---|---|---|---|
| Y/E March | FY26 | | | | FY27 |
| | 1Q | 2Q | 3Q | 4Q | 1Q |
| **Stores** | **36** | **38** | **38** | **38** | **38** |
| **Net Sales** | **10,265** | **8,657** | **10,726** | **10,736** | **13,201** |
| Change (%) | 26.9 | 8.4 | 27.6 | 36.9 | 28.6 |
| Raw Material/PM | 8,828 | 7,469 | 9,188 | 9,326 | 11,621 |
| **Gross Profit** | **1,437** | **1,188** | **1,538** | **1,410** | **1,580** |
| Gross Margin (%) | 14.0 | 13.7 | 14.3 | 13.1 | 12.0 |
| Operating Expenses | 709 | 575 | 782 | 623 | 680 |
| % of Sales | 6.9 | 6.6 | 7.3 | 5.8 | 5.2 |
| **EBITDA** | **728** | **613** | **756** | **787** | **900** |
| Margin (%) | 7.1 | 7.1 | 7.0 | 7.3 | 6.8 |
| Change (%) | 16.9 | 3.7 | 17.4 | 34.1 | 23.6 |
| Interest | 287 | 261 | 307 | 412 | 392 |
| Depreciation | 204 | 212 | 206 | 220 | 237 |
| Other Income | 29 | 45 | 15 | 43 | 28 |
| **PBT** | **266** | **185** | **258** | **198** | **299** |
| Tax | 45 | 34 | 22 | -15 | 48 |
| Effective Tax Rate (%) | 16.9 | 18.4 | 8.5 | -7.6 | 16.1 |
| **Adjusted PAT** | **221** | **151** | **236** | **213** | **251** |
| Change (%) | 18.2 | 9.4 | 54.2 | 76.0 | 13.6 |

### Exhibit 1: Store network

| Store data | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 | 3QFY26 | 4QFY26 | 1QFY27 |
|---|---|---|---|---|---|---|---|---|---|
| **Kalyan India** | **217** | **231** | **253** | **278** | **287** | **300** | **318** | **342** | **354** |
| -COCO | 128 | 126 | 121 | 126 | 126 | 126 | 123 | 120 | 120 |
| -FOCO | 89 | 105 | 132 | 152 | 161 | 174 | 195 | 222 | 234 |
| **Candere** | **24** | **36** | **59** | **73** | **81** | **96** | **110** | **124** | **129** |
| -COCO | 8 | 12 | 35 | 36 | 40 | 42 | 42 | 54 | 56 |
| -FOCO | 16 | 24 | 24 | 37 | 41 | 54 | 68 | 70 | 73 |
| **Total stores in India** | **241** | **267** | **312** | **351** | **368** | **396** | **428** | **466** | **483** |
| **Middle East** | **36** | **36** | **36** | **36** | **36** | **38** | **38** | **38** | **38** |
| -COCO | 35 | 32 | 32 | 32 | 32 | 34 | 34 | 34 | 34 |
| -FOCO | 1 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| **US** | **0** | **0** | **1** | **1** | **2** | **2** | **2** | **2** | **2** |
| **UK** | **0** | **0** | **0** | **0** | **0** | **0** | **1** | **1** | **1** |
| **Total stores** | **277** | **303** | **349** | **388** | **406** | **436** | **469** | **507** | **524** |

### Exhibit 2: South and non-South SSSG and revenue contribution in India

| Particulars | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 | 3QFY26 | 4QFY26 | 1QFY27 |
|---|---|---|---|---|---|---|---|---|---|
| South revenue share(%) | 51 | 51 | 44 | 47 | 51 | 46 | 42 | 41 | 49 |
| Non South revenue share (%) | 49 | 49 | 56 | 53 | 49 | 54 | 58 | 59 | 51 |
| SSSG (%) | 12 | 23 | 24 | 21 | 18 | 16 | 27 | 47 | 28 |
| South SSSG (%) | 13 | 25 | 23 | 20 | 20 | 14 | 25 | 29 | 30 |
| Non south SSSG (%) | 11 | 21 | 25 | 22 | 16 | 17 | 29 | 62 | 27 |

## Key takeaways from the management commentary

### Demand environment and outlook

- Company highlighted that demand on the ground continues to remain healthy, with July witnessing strong traction similar to the trend seen during 1QFY27.
- While volatility in gold prices can temporarily delay discretionary purchases, management believes such pauses generally last only two to three weeks as wedding-related demand cannot be postponed for long.
- Consumers typically purchase jewellery based on their budget rather than the quantity of gold. Therefore, lower gold prices automatically translate into higher gold volumes purchased without materially impacting customer demand.
- In March, the company saw a temporary slowdown in wedding demand in certain markets.
- There is a one-time gain due to an increase in customs duty of INR410m in 1QFY27 and INR600m expected to be incurred in 2QFY27.

### Cost and margin

- Reported PBT margins were impacted during the quarter due to the company's strategic focus on promoting old gold exchange under its gold recirculation initiative.
- The margin dilution was primarily driven by three factors: (1) incentives offered to customers using the one-time customs duty benefit, (2) old gold exchange transactions being around 20-30bps margin dilutive as exchanged gold is purchased at board rates, and (3) the absence of one-time gains from platinum and silver seen last year.
- Employee costs also increased during the quarter following higher-than-normal salary revisions undertaken to retain and motivate employees, which impacted margins by around 20-30bps.
- Management expects the margin impact to remain temporary and reiterated that FY27 PBT margins should remain broadly in line with FY26 levels, even on a conservative basis.

### Gold recirculation & Cash for gold initiative

- Following the sharp rise in international gold prices and forex volatility, Kalyan launched its 'Shine with India' Gold Recirculation campaign to increase the share of recycled gold and reduce dependence on imported gold.
- The initiative received a strong customer response, with recycled gold contributing over 46% of revenue during 1QFY27 and exceeding 55% in June. Management intends to maintain recycled gold contribution in the 55-60% range going forward.
- Alongside jewellery exchange, the company has started actively promoting its Cash-for-Gold offering, allowing customers to sell old gold for cash.
- Management highlighted that Cash-for-Gold transactions are margin accretive as gold is purchased below prevailing spot prices, unlike exchange transactions where gold is bought at board rates. As Cash-for-Gold gains scale, it is expected to offset the margin dilution arising from exchange transactions.
- The Cash-for-Gold business has already increased from a single-digit share in June to double digits and is witnessing encouraging customer acceptance.

- Management also noted that most organised jewellery retailers have started offering similar services and does not believe the initiative dilutes the brand.

### New regional brand

- Kalyan unveiled its first regional jewelry brand, Akshaya Thangam, designed exclusively for the Tamil Nadu market.
- The brand will offer region-specific jewellery designs, weight profiles and price points tailored to local consumer preferences, enabling it to compete directly with established regional jewelers and unorganized players.
- The first ATM showroom will open in Chennai on 21 August 2026, followed by four additional stores over the next few months.
- Management indicated that the long-term expansion strategy for ATM will also follow an asset-light franchise-led model but will decide the pace of expansion after evaluating the initial stores.

### Store expansion

- The company reiterated its guidance to open 84 Kalyan showrooms and 50 Candere stores during FY27, with store additions expected to be weighted towards the second half of the year.
- Management indicated that the franchise-led expansion model continues to deliver attractive economics, with franchise partners expected to generate returns of around 14%.

### Balance sheet & debt

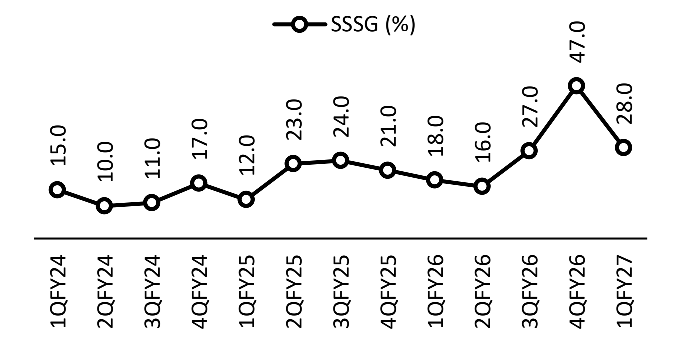
- Kalyan remains on track to become debt-free (excluding gold metal loans) by the end of Sep'26.
- The company has signed agreements to sell two non-core real estate assets for an aggregate consideration of around INR1020m and expects to complete the transactions during the current quarter.
- Following debt repayment, management plans to initiate the release of the second tranche of real estate collateral.

### Candere

- Candere reported revenue of INR1410m compared to INR660m in 1QFY26.
- The business reported a profit of INR21m versus a loss of INR100m in 1QFY26, with profitability expected to continue through FY27.
- Management's immediate focus is to improve throughput by increasing inventory across existing stores while continuing with the planned addition of around 50 stores during FY27.

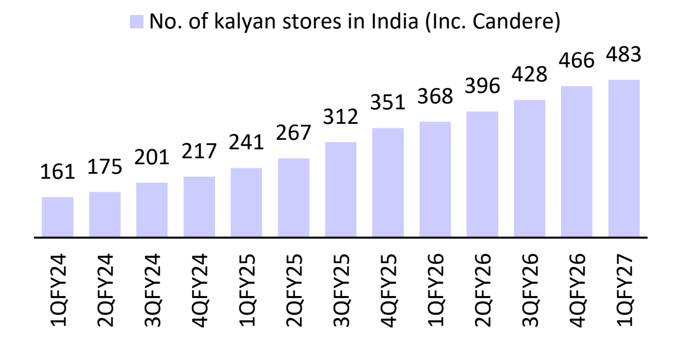
## Key exhibits

**Exhibit 3: India SSSG at 28% YoY in 1QFY27**



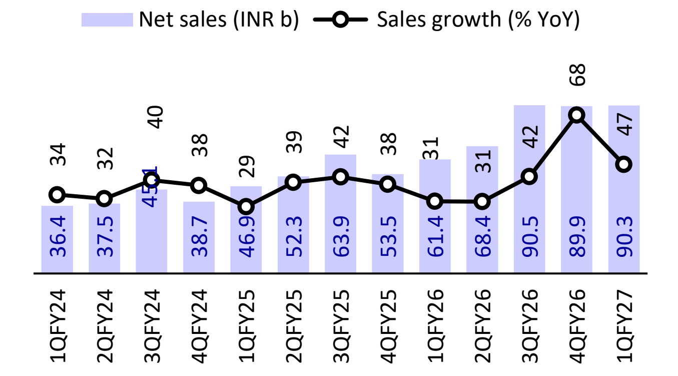

Source: Company, MOFSL

**Exhibit 4: Added 17 net (12 Kalyan India, 5 Candere) stores in India**



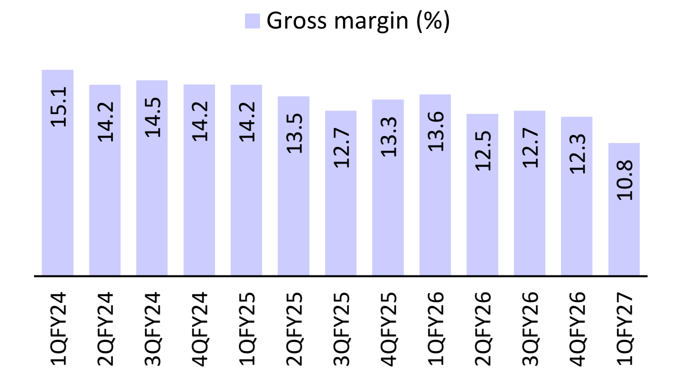

Source: Company, MOFSL

**Exhibit 5: India sales grew 47% YoY, led by SSSG and store additions**



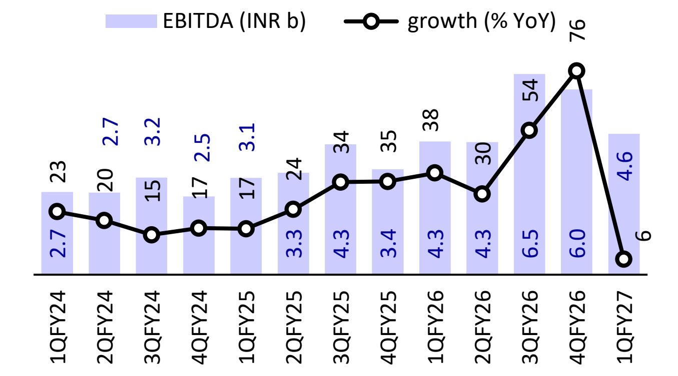

Source: Company, MOFSL

**Exhibit 6: India business GP dipped 280bp YoY to 10.8%**



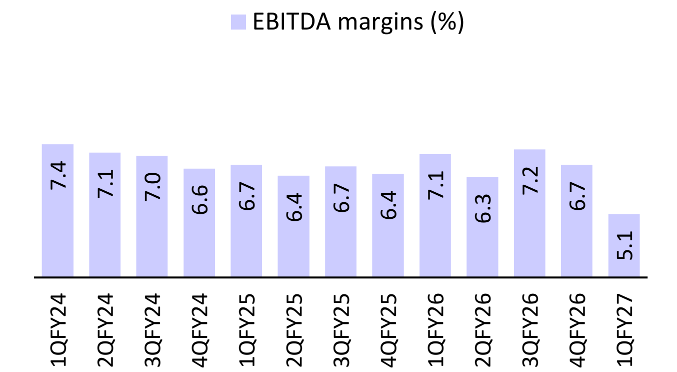

Source: Company, MOFSL

**Exhibit 7: India business EBITDA grew 6% YoY to INR4.6b**




Source: Company, MOFSL

**Exhibit 8: India business EBITDA margin contracted 200bp YoY to 5.1%**




Source: Company, MOFSL

## Valuation and view

- We cut our EPS estimates by 3-4% for FY27 and FY28.
- Kalyan repaid INR5.6b of non-GML debt in FY26, taking the total debt to INR3.2b.
- Management reiterated its target of becoming non-GML debt-free during FY27.
- With the successful scale-up of its new franchise businesses (>50% revenue contribution) and continued success in non-Southern markets, the company has established itself as a leading brand in the industry. Its non-South expansion has improved the studded jewelry mix, while the asset-light expansion supports healthy cash flow generation for debt repayment and enhances profitability by reducing interest costs.
- We model a 24%/18%/23% revenue/EBITDA/PAT CAGR during FY26-28E. **We reiterate our BUY rating with a TP of INR700 (based on 35x Mar'28 P/E).**

**Exhibit 9: We cut our EPS estimates by 3-4% for FY27 and FY28**

| | New | | Old | | Change (%) | |
|---|---|---|---|---|---|---|
| INR m | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E |
| Sales | 4,66,829 | 5,50,651 | 4,55,501 | 5,38,192 | 2% | 2% |
| EBITDA | 29,784 | 34,610 | 30,699 | 35,974 | -3% | -4% |
| PAT | 17,570 | 20,847 | 18,155 | 21,785 | -3% | -4% |

# Financials and valuations

**Income Statement consol.** (INR m)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| **Net Sales** | **1,01,009** | **85,733** | **1,08,179** | **1,40,714** | **1,85,483** | **2,50,451** | **3,57,429** | **4,66,829** | **5,50,651** |
| Change (%) | 3.4 | -15.1 | 26.2 | 30.1 | 31.8 | 35.0 | 42.7 | 30.6 | 18.0 |
| Raw Materials | 83,918 | 71,141 | 91,263 | 1,18,722 | 1,58,346 | 2,16,370 | 3,10,385 | 4,10,062 | 4,85,488 |
| **Gross Profit** | **17,092** | **14,592** | **16,916** | **21,992** | **27,137** | **34,081** | **47,043** | **56,766** | **65,164** |
| Margin (%) | 16.9 | 17.0 | 15.6 | 15.6 | 14.6 | 13.6 | 13.2 | 12.2 | 11.8 |
| Operating Expenses | 9,489 | 8,649 | 8,771 | 10,852 | 14,010 | 17,671 | 22,131 | 26,982 | 30,553 |
| **EBITDA** | **7,603** | **5,943** | **8,145** | **11,141** | **13,127** | **16,410** | **24,912** | **29,784** | **34,610** |
| Change (%) | 31.0 | -21.8 | 37.1 | 36.8 | 17.8 | 25.0 | 51.8 | 19.6 | 16.2 |
| Margin (%) | 7.5 | 6.9 | 7.5 | 7.9 | 7.1 | 6.6 | 7.0 | 6.4 | 6.3 |
| Depreciation | 2,391 | 2,249 | 2,316 | 2,446 | 2,743 | 3,427 | 4,229 | 5,025 | 5,655 |
| Int. and Fin. Charges | 3,803 | 3,754 | 3,224 | 3,026 | 3,232 | 3,595 | 4,329 | 4,036 | 4,027 |
| Other Income | 801 | 454 | 383 | 379 | 737 | 1,446 | 2,080 | 2,735 | 2,905 |
| **Profit before Taxes** | **2,209** | **394** | **2,989** | **6,048** | **7,888** | **10,834** | **18,435** | **23,457** | **27,834** |
| Change (%) | 955.7 | -82.2 | 659.3 | 102.4 | 30.4 | 37.3 | 70.2 | 27.2 | 18.7 |
| Margin (%) | 2.2 | 0.5 | 2.8 | 4.3 | 4.3 | 4.3 | 5.2 | 5.0 | 5.1 |
| Tax | 786 | 455 | 748 | 1,396 | 1,925 | 2,764 | 4,516 | 5,888 | 6,986 |
| Tax Rate (%) | 35.6 | 115.6 | 25.0 | 23.1 | 24.4 | 25.5 | 24.5 | 25.1 | 25.1 |
| **PAT Before Minority** | **1,423** | **-61** | **2,240** | **4,652** | **5,963** | **8,070** | **13,919** | **17,570** | **20,847** |
| Minority Interest | -7 | 2 | -3 | -12 | -11 | 0 | 0 | 0 | 0 |
| Exceptional | 0 | 0 | 0 | 333 | 0 | 929 | 415 | 0 | 0 |
| **Reported PAT** | **1,430** | **-64** | **2,244** | **4,331** | **5,973** | **7,142** | **13,504** | **17,570** | **20,847** |
| **Adjusted PAT** | **1,430** | **-64** | **2,244** | **4,599** | **5,973** | **8,070** | **13,820** | **17,570** | **20,847** |
| Change (%) | -4,113 | -104 | -3,616 | 105 | 30 | 35 | 71 | 27 | 19 |
| Margin (%) | 1.4 | -0.1 | 2.1 | 3.3 | 3.2 | 3.2 | 3.9 | 3.8 | 3.8 |

**Balance Sheet** (INR m)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| Share Capital | 9,583 | 10,301 | 10,301 | 10,301 | 10,301 | 10,314 | 10,327 | 10,327 | 10,327 |
| Reserves | 12,028 | 17,960 | 21,070 | 26,047 | 31,590 | 37,721 | 52,760 | 65,694 | 79,846 |
| **Net Worth** | **21,611** | **28,260** | **31,370** | **36,347** | **41,891** | **48,036** | **63,087** | **76,022** | **90,174** |
| Minority Interest | -30 | 5 | 9 | -2 | -13 | 0 | 0 | 0 | 0 |
| GML | 11,671 | 14,180 | 14,968 | 18,536 | 22,530 | 23,436 | 35,878 | 37,287 | 38,758 |
| Loans | 24,230 | 19,600 | 18,664 | 16,550 | 10,643 | 9,497 | 5,237 | 3,237 | 237 |
| Lease liability | 7,578 | 6,983 | 6,661 | 7,869 | 11,691 | 16,660 | 20,059 | 25,080 | 29,415 |
| Deferred tax | -81 | -461 | -450 | -562 | -662 | -1,125 | 319 | 319 | 319 |
| **Capital Employed** | **64,979** | **68,567** | **71,223** | **78,738** | **86,079** | **96,504** | **1,24,580** | **1,41,944** | **1,58,903** |
| Gross Block | 15,462 | 15,031 | 16,056 | 15,373 | 18,644 | 22,286 | 26,104 | 27,704 | 29,304 |
| Less: Accum. Depn. | 4,669 | 5,413 | 6,240 | 6,635 | 7,739 | 9,230 | 11,125 | 13,277 | 15,558 |
| **Net Fixed Assets** | **10,793** | **9,618** | **9,816** | **8,738** | **10,904** | **13,056** | **14,979** | **14,427** | **13,746** |
| Goodwill | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 |
| Intangible assets | 97 | 94 | 70 | 49 | 35 | 21 | 13 | 21 | -9 |
| Capital WIP | 242 | 527 | 17 | 200 | 485 | 77 | 177 | 177 | 177 |
| Right to Use Assets | 10,110 | 8,613 | 8,667 | 9,580 | 11,390 | 14,723 | 17,461 | 20,393 | 22,568 |
| Investments | 0 | 0 | 6 | 44 | 44 | 53 | 55 | 55 | 55 |
| Other non-current assets | 1,830 | 2,186 | 1,962 | 2,748 | 5,117 | 8,161 | 9,186 | 13,242 | 16,388 |
| **Curr. Assets, L&A** | **58,984** | **67,103** | **68,414** | **85,158** | **99,490** | **1,13,993** | **1,63,307** | **1,99,844** | **2,31,992** |
| Inventory | 47,203 | 53,031 | 57,943 | 70,139 | 82,976 | 96,811 | 1,41,746 | 1,77,128 | 1,96,098 |
| Account Receivables | 2,137 | 1,127 | 1,195 | 2,442 | 3,283 | 3,999 | 8,665 | 11,295 | 13,291 |
| Cash and Bank Balance | 7,501 | 10,966 | 7,772 | 9,819 | 9,751 | 10,311 | 8,609 | 5,822 | 15,999 |
| Others | 2,142 | 1,979 | 1,504 | 2,759 | 3,480 | 2,872 | 4,287 | 5,599 | 6,604 |
| **Curr. Liab. and Prov.** | **17,127** | **19,627** | **17,778** | **27,830** | **41,436** | **53,630** | **80,649** | **1,06,264** | **1,26,066** |
| Account Payables | 5,576 | 6,901 | 6,566 | 11,927 | 19,441 | 23,503 | 33,597 | 44,159 | 52,261 |
| Provisions | 385 | 445 | 493 | 714 | 668 | 857 | 1,642 | 1,685 | 1,995 |
| Other current liabilities | 11,166 | 12,280 | 10,720 | 15,188 | 21,326 | 29,270 | 45,410 | 60,420 | 71,809 |
| **Net Current Assets** | **41,857** | **47,476** | **50,635** | **57,329** | **58,054** | **60,363** | **82,658** | **93,579** | **1,05,927** |
| **Application of Funds** | **64,979** | **68,564** | **71,224** | **78,738** | **86,079** | **96,504** | **1,24,580** | **1,41,944** | **1,58,903** |

E: MOFSL Estimates

# Financials and valuations

## Ratios

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| **Basic (INR)** | | | | | | | | | |
| **EPS** | **1.5** | **-0.1** | **2.2** | **4.5** | **5.8** | **7.8** | **13.4** | **17.0** | **20.2** |
| Cash EPS | 4.0 | 2.1 | 4.4 | 6.8 | 8.5 | 11.1 | 17.5 | 21.9 | 25.7 |
| BV/Share | 22.6 | 27.4 | 30.5 | 35.3 | 40.7 | 46.6 | 61.1 | 73.6 | 87.3 |
| DPS | 0.0 | 0.0 | 0.0 | 0.5 | 1.2 | 1.5 | 2.5 | 4.5 | 6.5 |
| Payout % | 0.0 | 0.0 | 0.0 | 11.2 | 20.7 | 19.2 | 18.7 | 26.5 | 32.2 |
| **Valuation (x)** | | | | | | | | | |
| P/E | 395.3 | -9,524.1 | 270.9 | 132.1 | 101.7 | 75.4 | 44.1 | 34.7 | 29.2 |
| Cash P/E | 148.0 | 278.1 | 133.3 | 86.3 | 69.7 | 52.9 | 33.8 | 27.0 | 23.0 |
| EV/Sales | 5.8 | 7.2 | 5.7 | 4.4 | 3.3 | 2.4 | 1.7 | 1.3 | 1.1 |
| EV/EBITDA | 76.6 | 103.7 | 76.0 | 55.2 | 46.4 | 37.0 | 24.3 | 20.4 | 17.1 |
| P/BV | 26.2 | 21.5 | 19.4 | 16.7 | 14.5 | 12.7 | 9.7 | 8.0 | 6.8 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.8 | 1.1 |
| **Return Ratios (%)** | | | | | | | | | |
| RoE | 6.9 | -0.3 | 7.5 | 13.6 | 15.3 | 17.9 | 24.9 | 25.3 | 25.1 |
| RoCE | 6.0 | -1.0 | 6.7 | 9.3 | 10.2 | 11.8 | 15.5 | 15.5 | 15.9 |
| RoIC | 6.8 | -1.1 | 7.7 | 10.6 | 11.6 | 13.3 | 17.0 | 16.4 | 17.1 |
| **Working Capital Ratios** | | | | | | | | | |
| Inventory (Days) | 167 | 213 | 187 | 166 | 151 | 131 | 122 | 125 | 124 |
| Debtor (Days) | 7 | 7 | 4 | 5 | 6 | 5 | 6 | 8 | 8 |
| Payable (Days) | 18 | 27 | 23 | 24 | 31 | 31 | 29 | 30 | 32 |
| Cash conversion (Days) | 155 | 194 | 168 | 147 | 125 | 105 | 99 | 102 | 100 |
| Inventory turns (x) | 2.2 | 1.7 | 1.9 | 2.2 | 2.4 | 2.8 | 3.0 | 2.9 | 3.0 |
| Asset Turnover (x) | 1.6 | 1.3 | 1.5 | 1.8 | 2.2 | 2.6 | 2.9 | 3.3 | 3.5 |
| **Leverage Ratio** | | | | | | | | | |
| Net Debt/Equity (x) | 1.3 | 0.8 | 0.8 | 0.7 | 0.6 | 0.5 | 0.5 | 0.5 | 0.3 |

## Cash Flow Statement

(INR m)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| Profit before Tax | 2,209 | 394 | 2,989 | 5,715 | 7,888 | 9,596 | 18,020 | 23,457 | 27,834 |
| Depreciation | 2,391 | 2,249 | 2,316 | 2,446 | 2,743 | 3,427 | 4,229 | 5,025 | 5,655 |
| Net interest | 3,333 | 3,461 | 2,805 | 2,753 | 2,649 | 2,830 | 3,371 | 1,301 | 1,122 |
| Others | -460 | 1,396 | -59 | 85 | 170 | 328 | 790 | 0 | 0 |
| Direct Taxes Paid | -65 | -569 | -1,529 | -1,290 | -2,262 | -2,379 | -4,269 | -5,888 | -6,986 |
| (Incr)/Decr in WC | -4,213 | -642 | -4,071 | 424 | 2,040 | -1,708 | -8,965 | -12,644 | -962 |
| **CF from Operations** | **3,196** | **6,288** | **2,450** | **10,134** | **13,227** | **12,095** | **13,175** | **11,252** | **26,662** |
| Incr in FA | -1,075 | -479 | -908 | -1,863 | -3,712 | -4,275 | -4,061 | -1,633 | -1,594 |
| **Free Cash Flow** | **2,121** | **5,810** | **1,542** | **8,272** | **9,516** | **7,820** | **9,114** | **9,619** | **25,067** |
| Pur of Investments | 28 | 0 | -6 | -37 | 0 | 0 | 0 | 0 | 0 |
| Others | 529 | -268 | 705 | 188 | 1,896 | 866 | 1,822 | -6,756 | -5,502 |
| **CF from Invest.** | **-517** | **-747** | **-209** | **-1,712** | **-1,816** | **-3,409** | **-2,239** | **-8,389** | **-7,097** |
| Issue of Shares | 0 | 7,565 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Incr in Debt | 1,816 | -5,132 | -861 | -2,146 | -5,909 | -1,263 | -4,234 | -2,000 | -3,000 |
| Dividend Paid | 0 | 0 | 0 | 0 | -515 | -1,236 | -1,525 | -4,635 | -6,695 |
| Net interest Paid | -2,706 | -2,864 | -2,407 | -2,291 | -2,389 | -2,234 | -2,634 | -4,036 | -4,027 |
| Others | -2,542 | -1,646 | -2,167 | -1,939 | -2,667 | -3,394 | -4,244 | 5,021 | 4,335 |
| **CF from Fin. Activity** | **-3,432** | **-2,076** | **-5,435** | **-6,376** | **-11,479** | **-8,126** | **-12,637** | **-5,650** | **-9,388** |
| **Incr/Decr of Cash** | **-753** | **3,465** | **-3,194** | **2,047** | **-68** | **560** | **-1,701** | **-2,787** | **10,177** |
| Add: Opening Balance | 8,255 | 7,501 | 10,966 | 7,772 | 9,819 | 9,751 | 10,311 | 8,609 | 5,822 |
| **Closing Balance** | **7,501** | **10,966** | **7,772** | **9,819** | **9,751** | **10,311** | **8,609** | **5,822** | **15,999** |

E: MOFSL Estimates

| Explanation of Investment Rating | |
|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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