

Growth-focused strategy backed by franchise-led expansion

We met with the top management team of Kalyan Jewellers (KALYAN), represented by promoters Mr. T. K. Ramesh – Whole-time Director and Mr. Sanjay Raghuraman – CEO, to discuss the industry outlook, growth prospects for its business verticals, profitability outlook, and other focus areas. Here are the key takeaways from the discussion:

KALYAN continues to drive its hyperlocal strategy to succeed in new markets. The company's learning curve is quite fast, and it is much better prepared to handle competition and drive customer acquisitions. KALYAN appears quite confident in rolling out its aggressive plans for expansion through franchise stores refer to our [Jewelry Thematic](#), where the company aims to capitalize on its brand investments and team capabilities developed over the last 2-3 years. An annual addition of 80 stores is a realistic target, given the company's preparation in team building and the demand from franchise partners. KALYAN's Franchise Owned, Company Operated (FOCO) model provides superior execution at the store level, along with broader participation of franchise partners (investments beyond their own city for partners). The company will further improve its balance sheet and return ratios. The near-term underlying growth for KALYAN is also stronger than peers. Reiterate BUY with a TP of INR570 (based on 45x Jun'26E EPS).

Hyperlocal strategy addressing a broader market

The hyperlocal jeweler approach has transformed the Indian jewelry market by leveraging local consumer preferences. This strategy has created strong entry barriers for other retailers, scaling operations while remaining deeply connected with local communities. By catering to regional tastes, KALYAN has become the preferred choice for discerning customers across India. They leverage the 'My Kalyan' network to enhance localization, focusing on grassroots outreach across urban, semi-urban, and rural areas. With dedicated 'My Kalyan' personnel for door-to-door and direct marketing among local communities, they connect with 10m customers annually, contributing 14% to their revenue from operations in India.

Asset-light strategy with a focus on the FOCO model

KALYAN has devised a strategy to operate through both Company Owned, Company Operated (COCO) and FOCO models in Indian and international markets. This approach aims to adopt an asset-light model, reducing leverage on its balance sheet. In FY25, the company plans to open 80 new FOCO stores in India and six internationally, with a greater focus on the FOCO model over the COCO model in the Middle East. Kalyan is in the process of converting 20 stores from COCO to FOCO in the long term. To support this transition, it has partnered with a global investment bank to secure financing for franchise partners in the Middle East. KALYAN is upbeat about the upcoming new showroom launches and is gearing up with fresh collections and campaigns for the upcoming festive and wedding seasons across the country.

Effective localized marketing strategies and innovations drive customer engagement

The company prioritizes effective marketing strategies to connect with customers, employing various initiatives to build strong bonds. To cater to regional preferences, the company collaborates with local marketing agencies for targeted campaigns, enhancing engagement and providing a personalized experience. With INR10b invested in marketing and advertising initiatives over 2020-23, the company has worked with top national and regional creative agencies to infuse campaigns with regional flavor. It also uses analytics for a localized approach on social media, ensuring effective engagement. Additionally, KALYAN's matchmaking platform, Kalyan Matrimony, helps target soon-to-be-wed individuals, maximizing lead conversions for wedding jewelry.

Kalyan Jewellers

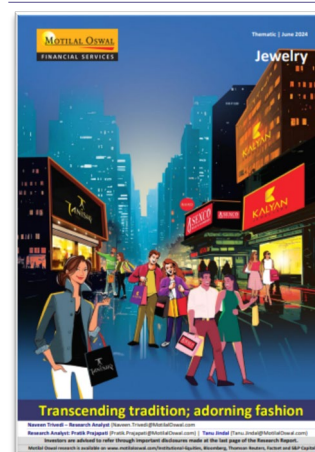


Mr. T. K. Ramesh
Promoter & Whole-time
Director

Mr. Ramesh is one of the promoters and a whole-time Director at Kalyan Jewellers. He has been associated with the brand since 2000 and holds a Master's Degree in Commerce from Karnataka State University.

With around 23 years of experience in the jewelry industry, he brings valuable expertise to the company.

Refer to our Jewelry Thematic Report



Naveen Trivedi – Research Analyst (Naveen.Trivedi@MotilalOswal.com)

Research Analyst: Pratik Prajapati (Pratik.Prajapati@MotilalOswal.com) | **Tanu Jindal** (Tanu.Jindal@MotilalOswal.com)

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Generating FCF to repay debt

In FY24, KALYAN repaid ~INR4b in non-GML loans in India, reducing overall working capital loans by INR2.6b. The company plans to allocate 40-50% of profits to debt repayment and shareholder payouts, and declared a dividend with a payout exceeding 20% for FY24, double that of FY23. Additionally, it reduced non-GML loans by ~INR4.3b and also secured additional GML limit of INR1.7b, thereby scaling down its overall working capital. Management aims to reduce its total debt by INR7b over the next couple years. It targets to reduce its debt by ~INR3b in FY25.

Strong track record of healthy financials

KALYAN achieved a 29% revenue CAGR over FY21-FY24, driven by SSSG and extensive store expansion across India. The company added ~116 stores during this period, establishing itself as a national player by opening more COCO stores to build brand trust among customers. In FY24 alone, KALYAN opened around 70 stores and plans to expand further by opening 130 more stores in India, with 80 for Kalyan India and 50 for Candere. Management aims to improve the SSSG in the mid-to-high-single digits. EBITDA margin is expected to contract due to the higher mix change towards franchise stores. However, RoE and RoIC have improved (remaining in double digits) and KALYAN expects to see further improvement owing to its asset-light model. Working capital days have improved and are expected to decrease further with effective inventory optimization and normalization.

Valuation and view

- KALYAN is a prominent player in the organized jewelry market, known for its wide range of product offerings, strong brand reputation, and extensive store network.
- The company operates in 23 states, but the majority of its revenue comes from five states and a union territory in the South. It is now embarking on an aggressive expansion plan in the rest of India, where higher margins are achievable. This expansion will be achieved by successfully building through a franchise model.
- If executed well, this plan could transform KALYAN and pave the way for ~15-20% long-term annual revenue growth, lift its ROE from 14-15% to potentially 20-22% in the next 2-3 years, and unlock operating leverage.
- We estimate KALYAN to deliver a revenue/EBITDA/Adj. PAT CAGR of 29%/26%/ 41% over FY24-26.
- KALYAN is currently trading at 43x/37x FY26E/FY27E P/E with a RoE/RoIC of ~23%/16% in FY26E. We believe that the company will be able to successfully scale up its new franchise businesses, and expand its reach in the non-southern markets to evolve as a leading brand in the industry.
- **We reiterate our BUY rating with a TP of INR570 (premised on 45x Jun'26E EPS).**

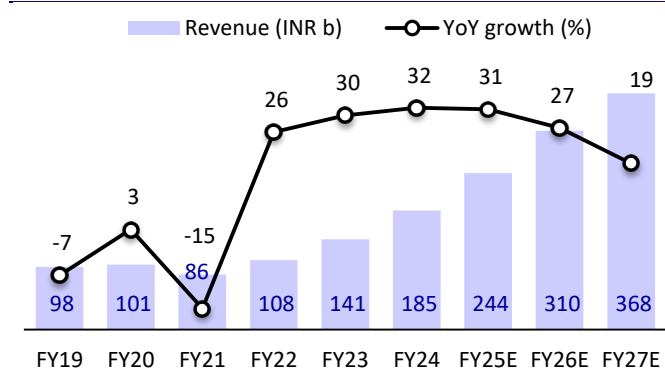
Exhibit 1: KALYAN – Key financial assumptions

Particulars (INR b)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Kalyan (India)									
Revenue	74	78	73	91	116	158	214	280	335
YoY growth (%)	-10	5	-7	24	28	36	36	30	20
SSSG (%)	0	0	0	0	5	12	12	10	9
Stores	103	107	107	124	149	217	337	457	542
-COCO	103	107	107	124	132	128	128	128	128
-FOCO	0	0	0	0	15	76	156	251	321
-Candere	0	0	0	0	2	13	53	78	93
Store addition		4	0	17	25	68	120	120	85
Stud ratio (%)	26	25	23	24	26	28	29	29	29
Gross profits	12	14	12	14	18	23	29	36	41
GM (%)	16.4	17.7	16.9	15.3	15.6	14.5	13.4	12.7	12.3
EBITDA	5	6	6	7	9	11	15	19	22
EBITDA margin (%)	6.2	8.1	8.5	7.6	8.1	7.1	6.8	6.7	6.4
PBT	0	2	2	3	6	7	11	15	17
PBT margin (%)	0.5	3.0	2.6	3.2	4.8	4.7	5.2	5.4	5.1
PAT	0	2	1	2	4	6	8	11	13
PAT margin (%)	0.1	2.0	1.9	2.4	3.6	3.5	3.9	4.0	3.9
Revenue/ Store (INR m)	723	733	685	730	777	727	636	612	619
EBITDA/ Store (INR m)	45	59	58	56	63	51	43	41	40
ROE (%)	0.5	7.5	5.3	6.8	12.0	14.1	18.5	21.7	21.6
ROIC (%)	2.2	7.9	8.2	8.6	11.6	13.1	16.2	18.5	18.9

Source: Company, MOFSL

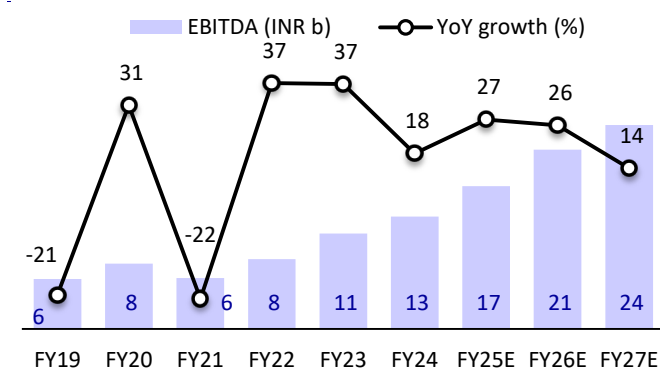
Story in charts

Exhibit 2: Consol. revenue to record ~26% CAGR over FY24-FY27E...



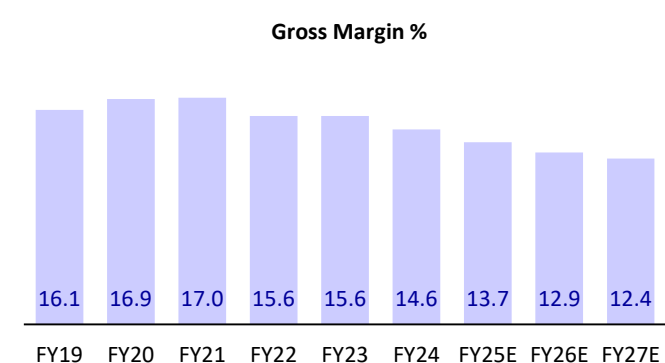
Source: MOFSL, Company

Exhibit 3: ...along with healthy EBITDA growth



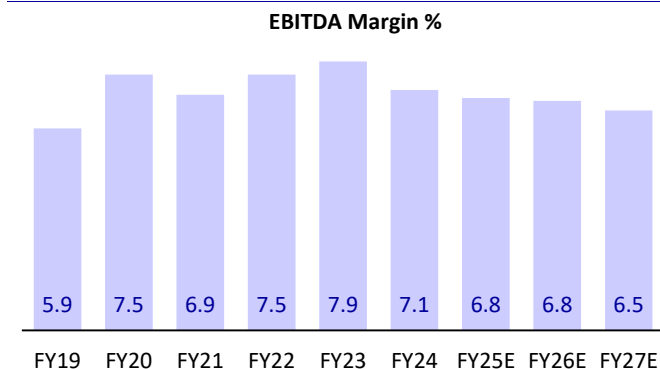
Source: MOFSL, Company

Exhibit 4: Gross margin to contract due to the franchise model



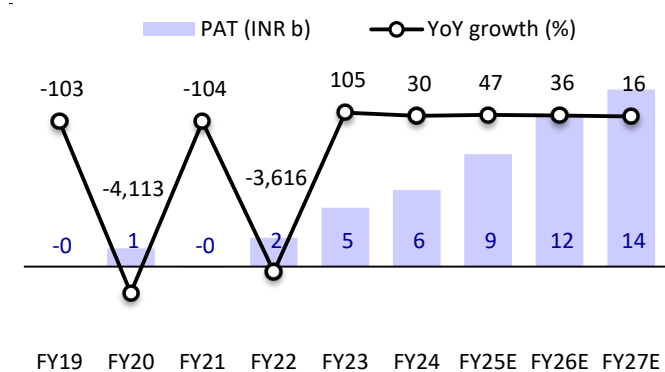
Source: MOFSL, Company

Exhibit 5: EBITDA margin to hover in the 6.5-7.0% range



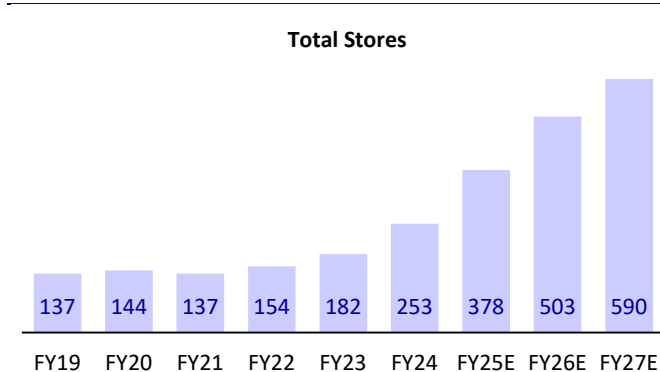
Source: MOFSL, Company

Exhibit 6: Adj. PAT to register 32% CAGR over FY24-FY27E



Source: MOFSL, Company

Exhibit 7: Store count to increase with 90-120 store additions per year



Source: MOFSL, Company

Financials and valuations

Income Statement consol.

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	1,01,009	85,733	1,08,179	1,40,714	1,85,483	2,43,834	3,09,905	3,68,309
Change (%)	3.4	-15.1	26.2	30.1	31.8	31.5	27.1	18.8
Raw Materials	83,918	71,141	91,263	1,18,722	1,58,346	2,10,523	2,69,896	3,22,475
Gross Profit	17,092	14,592	16,916	21,992	27,137	33,311	40,009	45,834
Margin (%)	16.9	17.0	15.6	15.6	14.6	13.7	12.9	12.4
Operating Expenses	9,489	8,649	8,771	10,852	14,010	16,627	19,065	21,992
EBITDA	7,603	5,943	8,145	11,141	13,127	16,684	20,944	23,842
Change (%)	31.0	-21.8	37.1	36.8	17.8	27.1	25.5	13.8
Margin (%)	7.5	6.9	7.5	7.9	7.1	6.8	6.8	6.5
Depreciation	2,391	2,249	2,316	2,446	2,743	3,241	3,715	4,202
Int. and Fin. Charges	3,803	3,754	3,224	3,026	3,232	3,131	3,102	3,179
Other Income	801	454	383	379	737	1,351	1,682	1,942
Profit before Taxes	2,209	394	2,989	6,048	7,888	11,662	15,809	18,402
Change (%)	955.7	-82.2	659.3	102.4	30.4	47.8	35.6	16.4
Margin (%)	2.2	0.5	2.8	4.3	4.3	4.8	5.1	5.0
Tax	786	455	748	1,396	1,925	2,892	3,921	4,601
Tax Rate (%)	35.6	115.6	25.0	23.1	24.4	24.8	24.8	25.0
PAT Before Minority	1,423	-61	2,240	4,652	5,963	8,770	11,888	13,802
Minority Interest	-7	2	-3	-12	-11	0	0	0
Exceptional	0	0	0	333	0	0	0	0
Reported PAT	1,430	-64	2,244	4,331	5,973	8,770	11,888	13,802
Adjusted PAT	1,430	-64	2,244	4,599	5,973	8,770	11,888	13,802
Change (%)	-4,113	-104	-3,616	105	30	47	36	16
Margin (%)	1.4	-0.1	2.1	3.3	3.2	3.6	3.8	3.7

Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	9,583	10,301	10,301	10,301	10,301	10,301	10,301	10,301
Reserves	12,028	17,960	21,070	26,047	31,590	38,094	46,686	56,161
Net Worth	21,611	28,260	31,370	36,347	41,891	48,395	56,987	66,462
Minority Interest	-30	5	9	-2	-13	-13	-13	-13
GML	11,671	14,180	14,968	18,536	22,530	23,656	24,441	25,258
Loans	24,230	19,600	18,664	16,550	10,643	6,643	3,643	643
Lease liability	7,578	6,983	6,661	7,869	11,691	15,952	20,887	24,664
Deferred tax	-81	-461	-450	-562	-662	-662	-662	-662
Capital Employed	64,979	68,567	71,223	78,738	86,079	93,971	1,05,283	1,16,353
Gross Block	15,462	15,031	16,056	15,373	18,973	21,473	23,073	24,673
Less: Accum. Depn.	4,669	5,413	6,240	6,635	8,069	9,788	11,681	13,711
Net Fixed Assets	10,793	9,618	9,816	8,738	10,904	11,685	11,392	10,963
Goodwill	51	51	51	51	51	51	51	51
Intangible assets	97	94	70	49	35	30	28	26
Capital WIP	242	527	17	200	485	485	485	485
Right to Use Assets	10,110	8,613	8,667	9,580	11,390	13,748	16,288	18,314
Investments	0	0	6	44	44	44	44	44
Other non-current assets	1,830	2,186	1,962	2,748	5,117	9,956	13,519	16,473
Curr. Assets, L&A	58,984	67,103	68,414	85,158	99,490	1,09,327	1,25,884	1,42,463
Inventory	47,203	53,031	57,943	70,139	82,976	92,899	1,06,748	1,18,924
Account Receivables	2,137	1,127	1,195	2,442	3,283	4,041	4,805	5,563
Cash and Bank Balance	7,501	10,966	7,772	9,819	9,751	9,572	10,754	13,725
Others	2,142	1,979	1,504	2,759	3,480	2,815	3,577	4,252
Curr. Liab. and Prov.	17,127	19,627	17,778	27,830	41,436	51,354	62,407	72,466
Account Payables	5,576	6,901	6,566	11,927	19,441	24,933	31,351	37,106
Provisions	385	445	493	714	668	923	1,109	1,325
Other current liabilities	11,166	12,280	10,720	15,188	21,326	25,499	29,947	34,035
Net Current Assets	41,857	47,476	50,635	57,329	58,054	57,972	63,477	69,998
Application of Funds	64,979	68,564	71,224	78,738	86,079	93,971	1,05,283	1,16,353

E: MOFSL Estimates

Financials and valuations

Ratios	(INR m)							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	1.5	-0.1	2.2	4.5	5.8	8.5	11.54	13.4
Cash EPS	4.0	2.1	4.4	6.8	8.5	11.7	15.1	17.5
BV/Share	22.6	27.4	30.5	35.3	40.7	47.0	55.3	64.5
DPS	0.0	0.0	0.0	0.5	1.2	2.2	3.2	4.2
Payout %	0.0	0.0	0.0	11.2	20.7	25.8	27.7	31.3
Valuation (x)								
P/E	335.7	-8,087.4	230.0	112.2	86.4	58.8	43.4	37.4
Cash P/E	125.6	236.2	113.2	73.3	59.2	43.0	33.1	28.7
EV/Sales	4.9	6.1	4.9	3.7	2.8	2.1	1.6	1.4
EV/EBITDA	65.3	88.3	64.7	46.9	39.4	30.8	24.3	21.1
P/BV	22.2	18.3	16.5	14.2	12.3	10.7	9.1	7.8
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.2	0.4	0.6	0.8
Return Ratios (%)								
RoE	6.9	-0.3	7.5	13.6	15.3	19.4	22.6	22.4
RoCE	6.0	-1.0	6.7	9.3	10.2	12.4	14.3	14.6
RoIC	6.8	-1.1	7.7	10.6	11.6	13.9	16.0	16.5
Working Capital Ratios								
Inventory (Days)	167	213	187	166	151	132	118	112
Debtor (Days)	7	7	4	5	6	5	5	5
Payable (Days)	18	27	23	24	31	33	33	34
Cash conversion (Days)	155	194	168	147	125	104	90	83
Inventory turns (x)	2.2	1.7	1.9	2.2	2.4	2.8	3.1	3.3
Asset Turnover (x)	1.6	1.3	1.5	1.8	2.2	2.6	2.9	3.2
Leverage Ratio								
Net Debt/Equity (x)	0.8	0.3	0.3	0.2	0.0	-0.1	-0.1	-0.2
Cash Flow Statement								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before Tax	2,209	394	2,989	5,715	7,888	11,662	15,809	18,402
Depreciation	2,391	2,249	2,316	2,446	2,743	3,241	3,715	4,202
Net interest	3,333	3,461	2,805	2,753	2,649	1,780	1,420	1,237
Others	-460	1,396	-59	85	170	0	0	0
Direct Taxes Paid	-65	-569	-1,529	-1,290	-2,262	-2,892	-3,921	-4,601
(Incr)/Decr in WC	-4,213	-642	-4,071	424	2,040	-527	-3,783	-2,950
CF from Operations	3,196	6,288	2,450	10,134	13,227	13,264	13,241	16,291
Incr in FA	-1,075	-479	-908	-1,863	-3,712	-2,530	-1,635	-1,638
Free Cash Flow	2,121	5,810	1,542	8,272	9,516	10,735	11,606	14,652
Pur of Investments	28	0	-6	-37	0	0	0	0
Others	529	-268	705	188	1,896	-5,778	-5,961	-4,953
CF from Invest.	-517	-747	-209	-1,712	-1,816	-8,308	-7,595	-6,591
Issue of Shares	0	7,565	0	0	0	0	0	0
Incr in Debt	1,816	-5,132	-861	-2,146	-5,909	-4,000	-3,000	-3,000
Dividend Paid	0	0	0	0	-515	-2,266	-3,296	-4,326
Net interest Paid	-2,706	-2,864	-2,407	-2,291	-2,389	-3,131	-3,102	-3,179
Others	-2,542	-1,646	-2,167	-1,939	-2,667	4,262	4,935	3,777
CF from Fin. Activity	-3,432	-2,076	-5,435	-6,376	-11,479	-5,135	-4,463	-6,729
Incr/Decr of Cash	-753	3,465	-3,194	2,047	-68	-179	1,182	2,971
Add: Opening Balance	8,255	7,501	10,966	7,772	9,819	9,751	9,572	10,754
Closing Balance	7,501	10,966	7,772	9,819	9,751	9,572	10,754	13,725

E: MOFSL Estimates

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NOTES

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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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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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