

## Kalyan Jewellers

### Buoyancy in Q4 revenues led by Non-south at 38%

Kalyan's Q4FY23 print was in-line; Consolidated revenue/EBITDA/APAT grew 18.4%/17.5%/43% YoY. Despite volatility in gold prices, encouraging consumer demand witnessed in Q4 led by: (1) 38% growth in new customer addition, (2) non-south growth at 38% vs south at 4%, (3) 37% growth in studded - share at 28.3%, and (4) wedding season leading to strong footfalls. With 149 showrooms, India revenues grew by 17.0%, while Middle-East clocked 29% growth (33 showrooms). E-com channel, Candere declined 18.0%, while gold coin sales remained at 4.0%. Gross margin grew to 15.8% (+20bp); EBITDA grew 17.5% to Rs2.6bn despite higher ad-spends (+24%), employee cost (+27.1%), and other expenses (+17.6%) settling EBITDA margin at 7.6% (flat). Management stayed buoyant on growth driven by successful execution of FOCO model (52 stores in non-south+1 pilot in south) yet displayed roadmap to cut debt pairing non-core assets. Given increase in gold loans, we tweak earnings and retain BUY, with a revised DCF-based TP Rs165 (implying 21.4x FY25E EPS).

#### Strong performance led by FOCO store addition, new customer addition at 38%

Despite volatile gold prices and seasonally weak quarter, Q4FY23 consolidated revenue grew healthy at 18.4% to Rs33.8bn. India revenues grew 17% driven by, (1) 38% growth in new customer addition, (2) non-south growth at 38% vs south at 4%, (3) 37% growth in studded: share at 28.3%, & (4) wedding season leading to strong footfalls. With 33 stores (added 2) Middle-East revenues grew by 29% to Rs5.5bn led by robust consumer sentiments. Management alluded that growth was satisfactory driven by high single digit SSSG, on high base. Online format Candere sales declined 18% to Rs320mn adding 2 offline store in Q4 (30 in FY24), while gold coin sales remained at 4%. In Q4 Kalyan added 12 stores, totalling to 182 stores (India: 149, Middle East: 33). With 15 FOCO stores in operation Kalyan has raised its guidance to add 52 stores in FY24E and 1 pilot store each in South India & Middle-East region.

#### Cost savings and operating leverage to expand margin

Gross margin at 15.8% (+20bp) led by growth in non-south markets and high ticket studded jewelry (28.3% sales). EBITDA grew 17.5% to Rs2.6bn, despite higher ad-spends (+24%), employee cost (+27.1%), and other expenses (+17.6%) settling EBITDA margin at 7.6% (flat). Gold metal loans remained at Rs18.5bn (~30.0%). Company has charged one time write off for Rs330mn towards adjusting market value of one of the non-core asset in Q4. With rising scale of FOCO stores, Kalyan intends to expand its profitability using: (1) reduction in debt in 3 years by divesting movable and immovable assets, (2) driving capital efficient franchise model, (3) reducing interest cost burden, (3) converting few owned stores under FOCO model, and (4) releasing capital to reinvest in revenue growth. With 182 stores (12 FOCO) in operation, FY23 revenue/EBITDA/PAT grew 30.1%/36.8%/107.6% driven by 5% SSSG, while EBITDA margins expanded to 7.9% (+39bp). Kalyan's own stores now deliver ROCE +25%.

#### Valuation driven by potential earnings upside

We reckon Kalyan's strategy revolved around adding new stores in non-south markets using FOCO model and calibrated expansion in Middle East region. Kalyan displayed its strategy of opening stores in non-South markets could improve studded ratio, serving millennials with online format, and meeting their aspirational demand by introducing new designs. We are sanguine on FOCO opportunity in driving profitability. Kalyan declared a dividend of Rs0.50/share in FY23. Considering higher GML and cut in interest cost we raised earnings for FY24E by 2.4% and cut by 3.1% in FY25E. We retain BUY, with a revised DCF-based TP of Rs165 (implying 21.4x FY25E EPS). Risks: irrational competition; prolonged recovery in the economy, leading to lower demand for jewelry; rising gold prices.

#### Financial and valuation summary

YE Mar (Rs mn)	4QFY23A	4QFY22A	YoY (%)	3QFY23A	QoQ (%)	FY23A	FY24E	FY25E
Revenues	33,818	28,571	18.4	38,841	(12.9)	140,714	167,316	198,713
EBITDA	2,567	2,184	17.5	3,270	(21.5)	11,140	13,351	16,055
EBITDA margin (%)	7.6	7.6	(5bp)	8.4	(80bp)	7.9	8.0	8.1
Adj. Net profit	1,031	720	43.0	1,484	(30.6)	4,652	5,908	7,982
Adj. EPS (Rs)	1.0	0.7	43.0	1.4	(30.6)	4.5	5.7	7.7
EPS growth (%)						107.6	27.0	35.1
PE (x)						23.7	18.7	13.8
EV/EBITDA (x)						10.3	7.6	6.0
PBV (x)						3.0	2.6	2.2
RoE (%)						13.7	15.0	17.3
RoCE (%)						10.2	11.1	12.3

Source: Company, Centrum Broking

#### Result Update

India I Consumer

15 May, 2023

**BUY**

Price: Rs107

Target Price: Rs165

Forecast return: 54%

Institutional Research

#### Market Data

Bloomberg:	KALYANKJ IN
52 week H/L:	134/55
Market cap:	Rs109.8bn
Shares Outstanding:	1030.1mn
Free float:	13.2%
Avg. daily vol. 3mth:	4,371,623
Source: Bloomberg	

#### Changes in the report

Rating:	Unchanged
Target price:	Rs165; up 4.0% from Rs160
EPS:	FY24E: Rs5.7; up 2.4% FY25E: Rs7.7; down 3.1%
Source: Centrum Broking	

#### Shareholding pattern

	Mar-23	Dec-22	Sep-22	Jun-22
Promoter	60.6	60.5	60.5	60.5
FIs	5.8	2.4	2.8	2.8
DIs	2.0	2.1	2.4	1.8
Public/other	31.7	35.0	34.3	34.9

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q4FY23	Actual Q4FY23	Variance (%)
Revenue	33,228	33,818	1.8
EBITDA	2,625	2,567	(2.2)
EBITDA margin %	7.9	7.6	(31bp)
Other Income	92.0	146.2	59.0
Interest	812.0	801.9	(1.2)
Depreciation	627.0	632.0	0.8
PBT	1,278	1,280	0.1
Tax	(300)	(249)	(17.1)
Rep. PAT	978	698	(28.6)
Adj. PAT	978	1,031	5.4
Source: Bloomberg, Centrum Broking			



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Consumer

## Thesis Snapshot

### Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	167,316	167,316	0.0	198,713	198,713	0.0
EBITDA	13,351	13,686	(2.4)	16,055	16,651	(3.6)
EBITDA margin %	8.0	8.2	(20bp)	8.1	8.4	(30bp)
Adj. PAT	5,908	5,783	2.2	7,982	8,248	(3.2)
Diluted EPS (Rs)	5.7	5.6	2.4	7.7	8.0	(3.1)

Source: Centrum Broking

### Kalyan Jewellers versus NIFTY midcap 100

	1m	6m	1 year
KALYANKI IN	2.2	3.1	72.7
NIFTY midcap 100	5.9	4.2	20.8

Source: Bloomberg, NSE

### Key assumptions

YE Mar	FY24E	FY25E
No of stores in India	185	195
Franchised stores in India	70	100

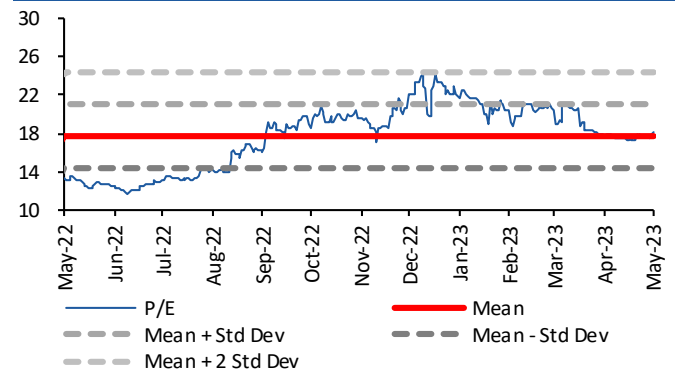
Source: Centrum Broking

### Valuations

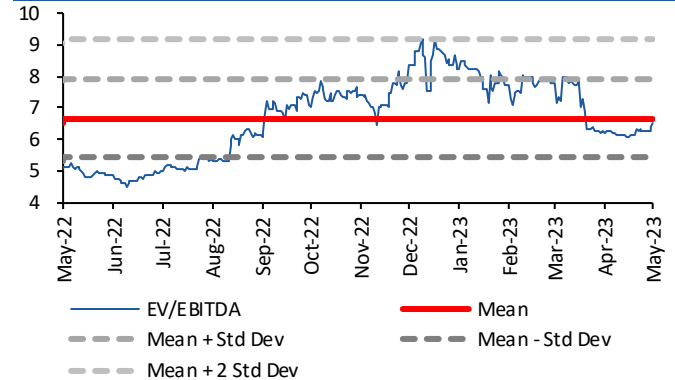
We reckon Kalyan's strategy revolved around adding new stores in non-south markets using FOCO model and calibrated expansion in Middle East region. Kalyan displayed its strategy of opening stores in non-South markets could improve studded ratio, serving millennials with online format, and meeting their aspirational demand by introducing new designs. We are sanguine on FOCO opportunity in driving profitability. Kalyan declared a dividend of Rs0.50/share in FY23. Considering higher GML and cut in interest cost we raised earnings for FY24E by 2.4% and cut by 3.1% in FY25E. We retain BUY, with a revised DCF-based TP of Rs165 (implying 21.4x FY25E EPS). Risks: irrational competition; prolonged recovery in the economy, leading to lower demand for jewelry; rising gold prices.

Valuations	Rs/share
DCF based target price (Rs)	165
WACC (%)	12.0
Terminal growth (%)	5.0

### P/E mean and standard deviation



### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

### Peer comparison

Company	Mkt Cap Rs bn	CAGR FY23-FY25E (%)			PE (x)			EV/EBITDA (x)			RoE (%)		
		Sales	EBIDTA	PAT	FY23A	FY24E	FY25E	FY23A	FY24E	FY25E	FY23A	FY24E	FY25E
Titan Co. Ltd	2,470.0	16.5	19.2	19.5	72.7	61.0	50.8	49.7	40.7	33.6	30.8	29.4	28.7
Kalyan Jewellers	108.2	18.8	20.0	31.0	25.5	18.7	13.8	10.3	7.6	6.0	13.7	15.0	17.3

Source: Company, Centrum Broking

**Exhibit 1: Key concall takeaways and metrics**

Centrum Quarterly Monitor	Q3FY23	Q4FY23	Our Comments
Demand Environment	India business grew 12% despite high base of last year, expect strong growth momentum continue	India business grew 17%, strong growth momentum continue on the back of FOCO model	We believe double digit growth would continue on the back of aggressive FOCO model expansion
Store Expansion	During this quarter, Kalyan has added 5 showrooms (non-south) totaling to 136 as on Dec 22, As on Dec 22, total showrooms have reached 169 including middle east operation	Company's retail footprint is now expanded to 182 stores spread across 21 states in India and 4 countries in the Middle East; added 11 showrooms (9 franchise & 2 owned across non-south) in India and 2 in UAE	Management expects to open 15 new franchise showrooms across non-south markets over the coming 3 months as part of the targeted launch of 52 new showrooms during CY 2023
Leverage	Management has set a target to free significant term loan within next 3 years to monetize some immovable assets like land & private jets which would help to cut down interest burden in the long term	Total divestment amount would be Rs5bn plus aircraft of Rs1.3bn which must divest in next 2-3 years; help to reduce non-gold metal loan	We expect Rs2.5-3bn divestment for next 2 years on the back sale of non-core assets
UAE operation	International business grew 24.0% on YoY and contributing to 16.5% of consol. revenues	Middle east revenue grew 29.0% to Rs5.5bn led by improvement of same store sales in the region along with new store sales	In the middle east, The Company is going to start first franchise model in 1QFY24 and continue to focus on FOCO
Candere Format	On Candere store expansion, management is going to add 28 new stores in FY24 to reach no of stores at 30 and it would be mix of owned and FOCO model	Online jewelry format, Candere, recorded a de-growth of 18.0% to Rs320mn during the quarter and currently it has 2 stores	On Candere, management has plan to open 30 stores in FY24 through owned and franchise model
Margins	Gross margins lowered marginally to 16.0% (-10bp YoY) driven by gold price volatility; EBITDA for the quarter increased by 9.3% to Rs3.3bn resulting in EBITDA margin of 8.4% (-29bp) despite higher Employee cost (+21.0%) & other expense (+14.7%)	Gross margins improved marginally to 15.8% (+20bp YoY) on the back of higher studded mix; EBITDA for the quarter increased by 17.5% to Rs2.6bn resulting in EBITDA margin of 7.6% (-5bp) despite higher Employee cost (+27.1%) & other expense (+17.6%)	We expect gradual recovery in Gross/EBITDA margin; management target 5% PBT margin, going forward despite rise in FOCO stores

Source: Company Data, Centrum Broking

## Conference call highlights

### Overall market commentary

- Strong momentum in India led by robust momentum in both footfalls and revenue across India and share of revenues and studded share in the quarter improved in the Non South
- India business grew 17.0% to Rs28.0bn despite sharp rise in gold prices; largely driven by strong brand proposition
- Middle east revenue grew 29.0% to Rs5.5bn led by improvement of same store sales in the region along with new store sales
- New customer additions continue to stay healthy; share of new customers at over 38%
- Non-south share at 44% compared to 37% YoY; Non-south revenue growth higher than south as mostly all the showroom launches have been in the non-south markets in the last 12 months
- Last 45 days, strong demand has been seen in both markets (South & Non-South)
- Non-South revenue grew 38% followed by South revenue (+4%) largely by new store expansion along with SSSG
- Company's retail footprint is now expanded to 182 stores spread across 21 states in India and 4 countries in the Middle East; added 11 showrooms (9 franchise & 2 owned across non-south) in India and 2 in UAE
- Online jewelry format, Candere, recorded a de-growth of 18.0% to Rs320mn during the quarter and currently it has 2 stores
- Gold coin sales contributes 4.0% of revenue where no bullion sold during the quarter
- In FY24, management would open first FOCO model in South India
- During the quarter, encouraging trends witnessed in the advance collections for both Akshaya Tritiya as well as wedding purchase
- On Candere, management has plan to open 30 stores in FY24 through owned and franchise model
- Management has signed LOI with prospective buyers to sell the aircraft and receive the cash flow by 1HFY24
- Management expects high single digit growth from existing stores coupled with 5-6% SSSG and the full year revenue potential from last year opened stores in FY24, so overall we believe the growth would be in the range of 17-19%
- Management has set a target to achieve 5% PBT on the back of FOCO model in the medium term

### Domestic

- India business grew 17.0% to Rs28.0bn despite sharp rise in gold prices; largely driven by strong brand proposition
- India business EBITDA of Rs2.1bn, grew by 15.0%
- FY23, management has opened 15 FOCO stores (as of now 22 stores) and management is going to open 52 new FOCO stores by 24 in Non-South markets (30 showrooms in H1 and balance would be H2)

### Middle East

- Middle east revenue grew 29.0% to Rs5.5bn led by improvement of same store sales in the region along with new store sales
- Middle-East up by 27.0% to Rs420.0mn
- In middle east, management would open first FOCO model in Q1FY24 and FOCO model distribution would continue, going forward

## Margins

- Gross margins improved marginally to 15.8% (+20bp YoY) on the back of higher studded mix
- EBITDA for the quarter increased by 17.5% to Rs2.6bn resulting in EBITDA margin of 7.6% (-5bp) despite higher Employee cost (+27.1%) & other expense (+17.6%)
- Adj. Profit stood grew healthy at 43.0% to Rs1.0bn led by higher other income (+27.7%)
- Reported PAT stood at Rs698.0mn (Write off of Rs330.0mn relating to divestment of non-core assets)

## Others

- Gold metal loan from current level would increase by Rs0.5-0.75bn max based on current sanction
- During FY23, management has spent capex of Rs1.9bn out of which Rs0.85-0.9bn went for maintenance capex, we expect capex would be in the range of Rs2.5-2.6bn for FY24
- Management has operated FOCO in two models where 1) capex would be done by company & charge 1% of Sales as AMC and 2) capex cost spent by Franchise while all 52 stores opted for no store capex
- Management expects Non Gold loan would reduce by 15% on gross level on the back of first phase of divestment by H1FY24
- During Q4FY23, inventory days went up from 175 days to 182 days on the back of new store addition along with higher gold prices
- On franchise store, inventory would be 15 days of revenue
- Management believe, 40-50% of Net profit would be use either paying debt or distributing dividend, going forward, yet to receive board approval
- Gold metal loan in India/UAE stands at 3.75/5% respectively
- Under FOCO model, store capex would be Rs30-35mn along with an inventory cost of Rs200-220mn
- Total divestment amount would be Rs5bn plus aircraft of Rs1.3bn which must divest in next 2-3 years; help to reduce non-gold metal loan
- Currently, Pre-Tax ROIC stands at 17% under FOCO model excluding gold metal loan (14% including gold metal loan) where management expect to touch 20% in the medium term

## FY23 performance

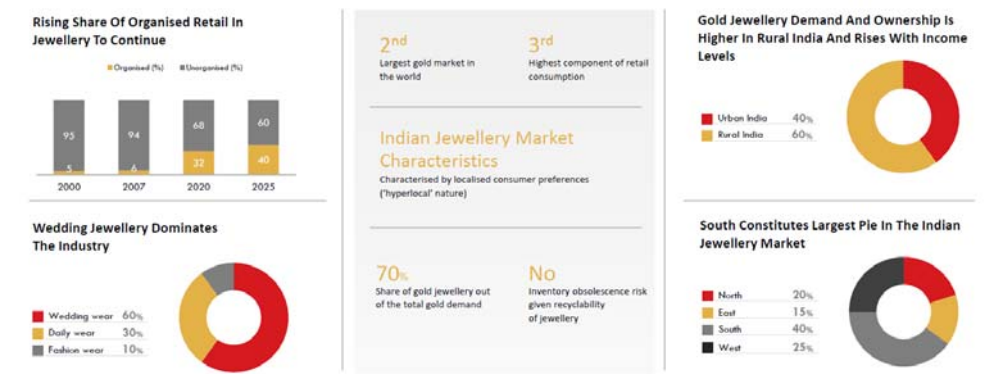
- FY23 revenues increased by 30.0% to Rs140.7bn while gross margins remained flat at 15.6%
- EBITDA jumped by 36.8% to Rs11.1bn, settling EBITDA margin at 7.9% (+40bp)
- Adj. PAT stood at Rs4.6bn for full year (jumped by 107.6%)
- End of Mar'23 Kalyan holds 182 stores across India and Middle East
- For FY23, SSSG grew at 5.5% where studded ratio stands at 25%
- Company has declared final dividend (maiden dividend) of Rs0.5/share with a face value of Rs10/share

**Exhibit 2: Company Overview**



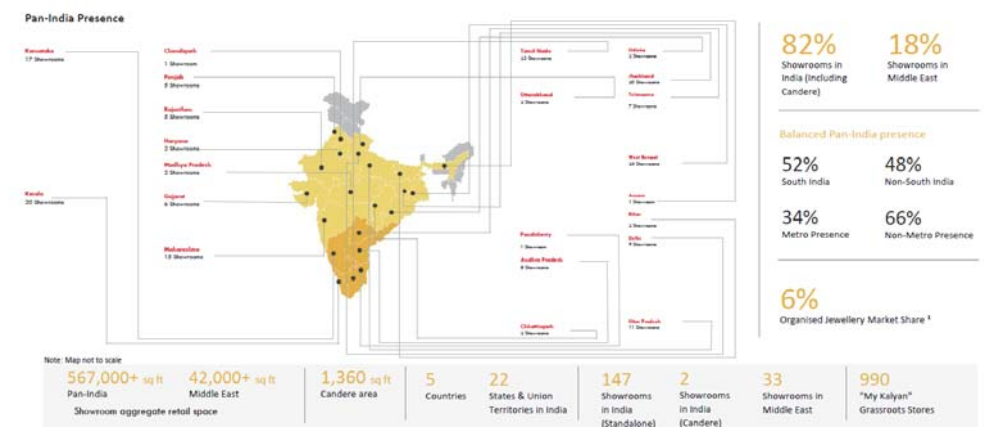
Source: Company, Centrum Broking

**Exhibit 3: Indian Jewellery Market: Favourable Trends and Characteristics**



Source: Company, Centrum Broking

**Exhibit 4: A True Pan-India Player with Expansive Geographical Presence**



Source: Company, Centrum Broking

### Exhibit 5: Hyperlocal Jeweller... helps build a large customer base



Extensive understanding of local requirements and its design preferences



Personalized shopping experience with locally recruited sales staff and sensitivities to micro market populace



Unique marketing approach of localizing the brand with local superstars



Wide assortment of product SKUs with designs appealing to each target micro market



**Mumbai Region – Localised design**



Personalization and localization has resulted in significant portion of sales coming through repeat sales


Source: Company, Centrum Broking

### Exhibit 6: Wide range of product offerings targeted at a diverse set of customers

<p><b>WEDDING JEWELLERY</b></p> <p>— SOLD VIA BRANDS —</p> <p><b>MUHURAT</b></p>  <p>TARGET AUDIENCE</p> <p><b>WEDDING CUSTOMERS</b></p>	<p><b>ASPIRATIONAL JEWELLERY</b></p> <p>— SOLD VIA BRANDS —</p> <p><b>MUDHRA, RANG</b></p>  <p>TARGET AUDIENCE</p> <p><b>MID TO HIGH-END CUSTOMERS</b></p>	<p><b>STAPLE REGIONAL JEWELLERY</b></p> <p>— SOLD VIA BRANDS —</p> <p><b>AISHWARYAM</b></p>  <p>TARGET AUDIENCE</p> <p><b>VALUE CONSCIOUS CUSTOMERS</b></p>	<p><b>STUDDED JEWELLERY - DIAMONDS, POLKI, UNCUT DIAMOND, PRECIOUS STONES</b></p> <p>— SOLD VIA BRANDS —</p> <p><b>NIMAH, TEJASVI, ZIAH, HERA</b></p>  <p>TARGET AUDIENCE</p> <p><b>WEDDING, MID TO HIGH-END CUSTOMERS</b></p>
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Source: Company, Centrum Broking

### Exhibit 7: Launched Sub –brands catering various product

 <p><b>CELEBRATING INDIAN BRIDE</b></p> <p><b>MUHURAT</b></p> <p>GOLD, UNCUT DIAMONDS, PRECIOUS STONES AND DIAMONDS</p> <p><b>BRIDAL WEAR</b></p>	<p><b>MUDHRA</b></p> <p>ANTIQUE (NON YELLOW GOLD FINISH)</p> <p>OCCASION WEAR</p>	<p><b>antars</b></p> <p>DIAMOND JEWELLERY</p> <p>LIGHT WEIGHT, PRONG SETTING</p>	<p><b>apoorva</b></p> <p>DIAMOND JEWELLERY</p> <p>ILLUSION SETTING COLLECTION</p>	<p><b>ziah</b></p> <p>DIAMOND JEWELLERY</p> <p>LIGHT WEAR CLUSTER SETTING COLLECTION</p>	<p><b>Anokhi</b></p> <p>UNCUT DIAMOND STUDDED</p> <p>OCCASION WEAR</p>	<p><b>rang</b></p> <p>PRECIOUS STONES</p> <p>PRECIOUS STUDDED JEWELLERY</p> <p>OCCASION WEAR</p>
<p><b>HERA</b></p> <p>GOLD STUDDED WITH SEMI PRECIOUS STONES</p> <p>SOUTH INDIAN HERITAGE JEWELLERY</p>	<p><b>Glo</b></p> <p>DIAMOND JEWELLERY</p> <p>CASUAL/SEMI FORMAL/OCCASION</p>	<p><b>Laya</b></p> <p>DIAMOND JEWELLERY</p> <p>FANCY SHAPE/ROSE GOLD</p>	<p><b>hep</b></p> <p>DIAMOND JEWELLERY</p> <p>GENERIC/AFFORDABLE /DIALY WEAR</p>	<p><b>TEJASVI</b></p> <p>POLKI COLLECTION</p> <p>OCCASION WEAR</p>		





Source: Company, Centrum Broking

### Exhibit 8: Leveraging Technology to drive Footfalls

<p><b>Targeted Digital Marketing Through Rich Data Mining And Customer insight</b></p>	<p><b>Analytics Driven Customer Outreach</b></p>	<p><b>Digitally Enabled MyKalyan centres</b></p>	<p><b>E-commerce</b></p>	<p><b>Improving Employee Productivity And Efficiency Through Technology Advancements</b></p>
<ul style="list-style-type: none"> <li>Capturing customer information at store level, running analytics and targeted campaigns</li> <li>Upselling related products at point-of-sale through instant dynamic voucher codes</li> <li>Social media mapping to enrich customer database</li> </ul>	<ul style="list-style-type: none"> <li>Use of Content Marketing Platform ('near me search') to drive search traffic to local store micro-sites</li> <li>Enhancing customer conversion by following up on the digital footprint</li> </ul>	<p>MyKalyan staff equipped with mobile app that:</p> <ul style="list-style-type: none"> <li>Stores customer data</li> <li>Manages lead generation</li> </ul> <p>MyKalyan outlets also use 'near me search'</p>	<p>Candere - Kalyan's e-commerce site providing access to India, US and UK markets (currently a separate inventory)</p> <p>Online Gold Ownership Certificate – customer can buy online and redeem at the store</p>	<ul style="list-style-type: none"> <li>Employee training during the lockdown digitally</li> <li>Customer outreach initiated during lockdown, via employee mobile app</li> <li>Employee targets and goal achievements mapped through app, ensuring transparency efficiency</li> </ul>

Source: Company, Centrum Broking

**Exhibit 9: Candere –Online format**

2013	2014	2016	2017
<p>Candere website launched</p> <p>Identified need for versatility of precious jewellery on online platforms</p>	<p>Achieved revenue of ₹1.1 Crores</p> <p>Established a fully commercial e-commerce website</p>	<p>Increased catalogue to 100 product categories &amp; a variety of 4,000+ designs</p> <p>Increased average ticket size and conversion ratio substantially</p>	<p>Kalyan Jewellers make Candere.com their online platform through an acquisition</p> <p>Extraordinary together!</p> 
<p><b>Today</b></p>			
 <p>Reported a revenue of ₹1,567 mn for FY23; CAGR growth of 68% since acquisition by Kalyan Jewellers</p>	 <p>Strong presence and user loyalty on leading marketplaces – Amazon and Flipkart</p>	 <p>Customer trust and robust IT infrastructure has resulted in web traffic to increase</p>	


Source: Company, Centrum Broking

**Exhibit 10: Way Forward –FY25**

Same Stores Sales Growth	Return Profile	India Expansion	Middle East Expansion	Reward Shareholders
 <p>Targeted same stores sales growth of mid to high single digits</p>	 <ul style="list-style-type: none"> <li>Capital-efficient franchise store strategy to further accelerate ROCE from current levels (Over 17% in FY23)</li> <li>Selective conversion of existing COCO to FOCO showrooms to reduce capital employed in the business</li> <li>Divestiture of select non-core assets to help lighten the balance sheet</li> </ul>	 <ul style="list-style-type: none"> <li>To increase the share of revenue from non-south markets; incremental showrooms predominantly in non-south markets</li> <li>New showroom openings to be driven largely by capital-light franchise store strategy</li> </ul>	 <ul style="list-style-type: none"> <li>Calibrated expansion in Middle East on the back of good business traction for last four quarters</li> <li>International expansion to be funded largely via capital-light franchise store strategy</li> </ul>	 <ul style="list-style-type: none"> <li>Use the benefits of capital-light strategy and free cash flow generation in the business to reward shareholders via dividends over time</li> </ul>

Source: Company, Centrum Broking


**Exhibit 11: Entered new era of FOCO model**




First showroom launch: Q1FY23

Now: 22 showrooms

FY24: 67 showrooms



1<sup>st</sup> Franchise store at Aurangabad, Maharashtra



**Objectives:**

- Focus company's expansion plans through this significantly more capital efficient and return accretive path
- Leverage Kalyan brand and utilize the infrastructure / resources of the franchise owner
- Franchise owned company operated stores (FOCO) ensuring robust compliance, monitoring systems and adherence to Kalyan Jewellers' brand standards
- Inventory investment incurred by the franchisee; additionally, all showroom related expenses except salary borne by the franchisee

**Recent Update:**

Letters of Intent (LOI) signed for all the showrooms proposed to be launched in FY24; in active discussions with potential partners for the next set of franchised showrooms in south as well as non-south markets in India in addition to Middle East.

Source: Company, Centrum Broking

**Exhibit 12: Quarterly financials**

Particulars (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Net Sales</b>	<b>28,887</b>	<b>34,354</b>	<b>28,571</b>	<b>33,326</b>	<b>34,729</b>	<b>38,841</b>	<b>33,818</b>
Raw Material Consumed	(24,448)	(28,838)	(24,113)	(28,153)	(29,468)	(32,614)	(28,488)
Employee Expenses	(875)	(978)	(943)	(992)	(1,033)	(1,183)	(1,198)
Other Exp	(1,283)	(1,546)	(1,331)	(1,540)	(1,567)	(1,774)	(1,565)
<b>Operating Profit (Core EBITDA)</b>	<b>2,281</b>	<b>2,992</b>	<b>2,184</b>	<b>2,642</b>	<b>2,661</b>	<b>3,270</b>	<b>2,567</b>
Depreciation	(572)	(588)	(580)	(590)	(603)	(621)	(632)
<b>EBIT</b>	<b>1,710</b>	<b>2,404</b>	<b>1,604</b>	<b>2,052</b>	<b>2,058</b>	<b>2,649</b>	<b>1,935</b>
Interest	(837)	(819)	(760)	(713)	(739)	(772)	(802)
Other Income	50	172	115	79	85	69	146
<b>Profit Before Tax</b>	<b>922</b>	<b>1,757</b>	<b>959</b>	<b>1,418</b>	<b>1,404</b>	<b>1,946</b>	<b>1,280</b>
Tax	(234)	(412)	(238)	(341)	(345)	(461)	(249)
Tax rate (%)	(25.4)	(23.4)	(24.9)	(24.0)	(24.6)	(23.7)	(19.5)
<b>Profit After Tax</b>	<b>688</b>	<b>1,345</b>	<b>720</b>	<b>1,078</b>	<b>1,059</b>	<b>1,484</b>	<b>698</b>
Less: minority interest in income	(54)	240	301	0	0	0	0
Add/(Less)- Share in profit/(loss) of associates	-	-	-	0	0	0	(333)
<b>Adjusted PAT</b>	<b>688</b>	<b>1,345</b>	<b>720</b>	<b>1,078</b>	<b>1,059</b>	<b>1,484</b>	<b>1,031</b>
<b>Growth (%)</b>							
Net Sales	60.7%	17.0%	-6.5%	103.6%	20.2%	13.1%	18.4%
EBITDA	1158.0%	3.9%	-4.1%	284.4%	16.6%	9.3%	17.5%
PAT	-150.5%	16.5%	-2.5%	-310.0%	54.0%	10.3%	43.0%
<b>Margin (%)</b>							
Gross Margin	15.4	16.1	15.6	15.5	15.1	16.0	15.8
EBITDA	7.9	8.7	7.6	7.9	7.7	8.4	7.6
EBIT	5.9	7.0	5.6	6.2	5.9	6.8	5.7
PAT	2.4	3.9	2.5	3.2	3.0	3.8	3.0

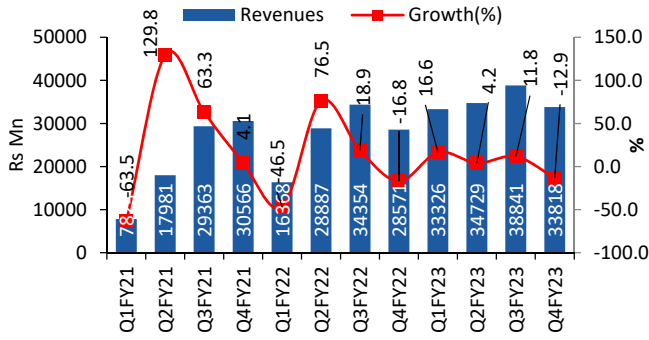
Source: Company, Centrum Broking

**Exhibit 13: Segment Breakup**

Particulars (Rs mn)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Revenue</b>										
Domestic	24973	26149	12742	25030	28801	23988	27190	28409	32187	28054
YoY %	NA	NA	94.0%	61.0%	15.3%	-8.3%	113.4%	13.5%	11.8%	17.0%
South -Revenue	16401	17918	8886	17696	18078	15076	17745	18951	18424	15733
YoY %	NA	NA	73.0%	56.0%	10.2%	-15.9%	99.7%	7.1%	1.9%	4.4%
Non –South Revenue	8572	8231	3856	7334	10722	8912	9445	9458	13764	12320
YoY %	NA	NA	170.0%	73.0%	25.1%	8.3%	144.9%	29.0%	28.4%	38.2%
International -Revenue	4165	4252	3401	3600	5154	4249	5737	6006	6412	5486
YoY %	NA	NA	183.0%	61.0%	23.7%	-0.1%	68.7%	66.8%	24.4%	29.1%
<b>Store</b>										
Domestic	107	107	116	117	121	124	127	131	136	149
International	30	30	30	30	30	30	31	31	31	33
<b>Gross Profit</b>										
Domestic	0	3825	1829	3762	4631	3646	4205	4319	5174	4402
International	713	737	615	605	800	744	891	899	973	867
<b>EBITDA</b>										
Domestic	2472	1943	501	2006	2526	1882	2179	2223	2755	2173
International	311	298	177	260	459	331	470	467	525	418
<b>PAT</b>										
Domestic	936	665	-426	679	1184	705	954	951	1332	910
International	116	66	-91	3	159	43	136	138	170	56
<b>Gross Margin</b>										
Domestic	NA	14.6%	14.4%	15.0%	16.1%	15.2%	15.5%	15.2%	16.1%	15.7%
International	17.1%	17.3%	18.1%	16.8%	15.5%	17.5%	15.5%	15.0%	15.2%	15.8%
<b>EBITDA Margin</b>										
Domestic	9.9%	7.4%	3.9%	8.0%	8.8%	7.8%	8.0%	7.8%	8.6%	7.7%
International	7.5%	7.0%	5.2%	7.2%	8.9%	7.8%	8.2%	7.8%	8.2%	7.6%
<b>PAT Margin</b>										
Domestic	3.7%	2.5%	-3.3%	2.7%	4.1%	2.9%	3.5%	3.3%	4.1%	3.2%
International	2.8%	1.6%	-2.7%	0.1%	3.1%	1.0%	2.4%	2.3%	2.7%	1.0%

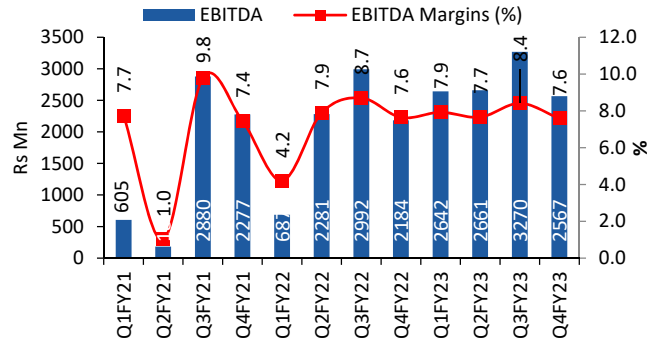
Source: Company, Centrum Broking

**Exhibit 14: Quarterly sales and growth trends**



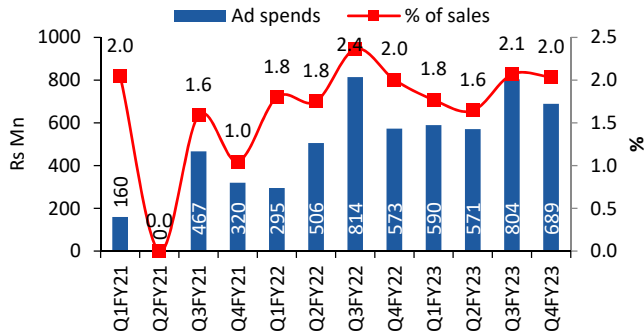
Source: Company Data, Centrum Broking

**Exhibit 15: Quarterly EBITDA and margin trend**



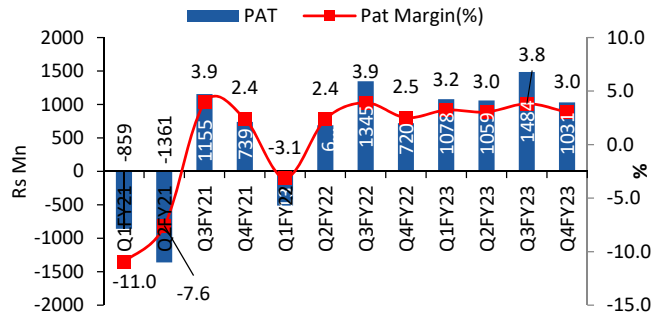
Source: Company Data, Centrum Broking

**Exhibit 16: Ad spends and % of sales trend**



Source: Company Data, Centrum Broking

**Exhibit 17: PAT and PAT margin trend**



Source: Company Data, Centrum Broking

P&L					
YE Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Revenues</b>	<b>85,733</b>	<b>108,179</b>	<b>140,714</b>	<b>167,316</b>	<b>198,713</b>
Operating Expense	71,141	91,263	118,722	140,880	166,919
Employee cost	3,315	3,543	4,406	5,354	6,359
Others	5,334	5,229	6,446	7,731	9,380
<b>EBITDA</b>	<b>5,943</b>	<b>8,145</b>	<b>11,140</b>	<b>13,351</b>	<b>16,055</b>
Depreciation & Amortisation	2,249	2,316	2,446	2,802	3,310
<b>EBIT</b>	<b>3,694</b>	<b>5,829</b>	<b>8,694</b>	<b>10,549</b>	<b>12,745</b>
Interest expenses	3,754	3,224	3,026	3,050	2,485
Other income	454	383	379	379	383
<b>PBT</b>	<b>394</b>	<b>2,989</b>	<b>6,048</b>	<b>7,878</b>	<b>10,643</b>
Taxes	454	748	1,396	1,969	2,661
Effective tax rate (%)	115.4	25.0	23.1	25.0	25.0
<b>PAT</b>	<b>(61)</b>	<b>2,240</b>	<b>4,652</b>	<b>5,908</b>	<b>7,982</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>(61)</b>	<b>2,240</b>	<b>4,652</b>	<b>5,908</b>	<b>7,982</b>
Extraordinary items	0	0	(333)	0	0
<b>Reported PAT</b>	<b>(61)</b>	<b>2,240</b>	<b>4,319</b>	<b>5,908</b>	<b>7,982</b>

Ratios					
YE Mar	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Growth (%)</b>					
Revenue	(15.1)	26.2	30.1	18.9	18.8
EBITDA	(21.8)	37.1	36.8	19.8	20.3
Adj. EPS	nm	nm	107.6	27.0	35.1
<b>Margins (%)</b>					
Gross	17.0	15.6	15.6	15.8	16.0
EBITDA	6.9	7.5	7.9	8.0	8.1
EBIT	4.3	5.4	6.2	6.3	6.4
Adjusted PAT	(0.1)	2.1	3.1	3.5	4.0
<b>Returns (%)</b>					
ROE	(0.2)	7.5	13.7	15.0	17.3
ROCE	(1.1)	7.4	10.2	11.1	12.3
ROIC	(1.2)	8.3	11.4	14.0	18.0
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	3.6	4.3	5.2	5.7	6.2
Debtors	7	4	5	5	4
Inventory	257	222	197	165	134
Creditors	32	27	28	27	22
Net working capital	195	171	149	137	127
<b>Solvency (x)</b>					
Net debt-equity	0.8	0.8	0.7	0.3	0.1
Interest coverage ratio	1.6	2.5	3.7	4.4	6.5
Net debt/EBITDA	3.6	3.2	2.3	0.9	0.4
<b>Per share (Rs)</b>					
Adjusted EPS	(0.1)	2.2	4.5	5.7	7.7
BVPS	33.7	30.5	35.3	41.0	48.8
CEPS	2.6	4.4	6.9	8.5	11.0
DPS	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	nm	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>					
P/E	nm	49.2	23.7	18.7	13.8
P/BV	3.2	3.5	3.0	2.6	2.2
EV/EBITDA	18.7	14.2	10.3	7.6	6.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Equity share capital	10,301	10,301	10,301	10,301	10,301
Reserves & surplus	17,960	21,070	26,047	31,955	39,937
Shareholders fund	28,260	31,370	36,347	42,255	50,237
Minority Interest	5	9	(2)	9	9
Total debt	32,185	33,632	35,085	34,236	32,923
Non Current Liabilities	6,983	6,661	7,869	8,030	9,120
Def tax liab. (net)	0	0	0	0	0
<b>Total liabilities</b>	<b>67,432</b>	<b>71,673</b>	<b>79,300</b>	<b>84,530</b>	<b>92,290</b>
Gross block	24,136	25,410	27,053	29,479	32,284
Less: acc. Depreciation	(5,200)	(6,240)	(8,686)	(11,489)	(14,799)
Net block	18,936	19,170	18,367	17,990	17,486
Capital WIP	527	17	200	200	200
Net fixed assets	19,518	19,242	18,622	18,246	17,741
Non Current Assets	1,449	1,183	2,154	2,198	2,198
Investments	582	613	1,194	1,194	3,136
Inventories	53,031	57,943	70,139	57,300	65,330
Sundry debtors	1,127	1,195	2,442	2,056	2,442
Cash & Cash Equivalents	10,966	7,772	9,819	22,566	26,732
Loans & advances	343	305	629	1,528	305
Other current assets	1,636	1,199	2,129	715	2,640
Trade payables	6,901	6,566	11,927	9,263	10,975
Other current liab.	13,873	10,720	15,396	11,517	16,767
Provisions	445	493	507	493	493
Net current assets	45,884	50,635	57,329	62,892	69,215
<b>Total assets</b>	<b>67,433</b>	<b>71,673</b>	<b>79,300</b>	<b>84,530</b>	<b>92,290</b>

Cashflow					
YE Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Profit Before Tax	394	2,989	4,319	7,878	10,643
Depreciation & Amortisation	2,249	2,316	2,446	2,802	3,310
Net Interest	3,461	2,805	2,647	2,671	2,102
Net Change – WC	(641)	(4,001)	424	7,369	(1,970)
Direct taxes	(569)	(1,529)	(1,290)	(1,969)	(2,661)
<b>Net cash from operations</b>	<b>6,289</b>	<b>2,520</b>	<b>10,134</b>	<b>18,751</b>	<b>11,424</b>
Capital expenditure	(479)	(908)	(1,863)	(2,581)	(2,807)
Acquisitions, net	0	0	0	0	0
Investments	(1,821)	1,344	(2,183)	124	(1,941)
Others	127	199	206	379	383
<b>Net cash from investing</b>	<b>(2,173)</b>	<b>636</b>	<b>(3,839)</b>	<b>(2,079)</b>	<b>(4,365)</b>
<b>FCF</b>	<b>4,116</b>	<b>3,156</b>	<b>6,295</b>	<b>16,672</b>	<b>7,060</b>
Issue of share capital	7,565	15	0	0	0
Increase/(decrease) in debt	(5,132)	(861)	(2,146)	(1,035)	(1,500)
Dividend paid	0	0	0	0	0
Interest paid	(2,864)	(2,216)	(2,291)	(3,050)	(2,485)
Others	(1,646)	(2,182)	(1,939)	160	1,090
<b>Net cash from financing</b>	<b>(2,076)</b>	<b>(5,244)</b>	<b>(6,376)</b>	<b>(3,925)</b>	<b>(2,894)</b>
Net change in Cash	2,040	(2,088)	(81)	12,748	4,165

Source: Company, Centrum Broking

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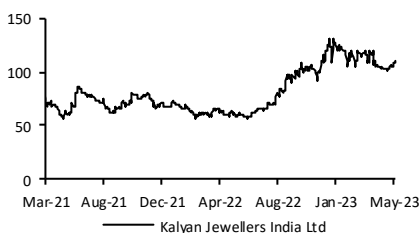
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#### Kalyan Jeweller



Source: Bloomberg

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1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3	Registration status of CBL:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)
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4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No
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**Depository Participant (DP)**

CDSL DP ID: 120 – 12200

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