SEC/118/2023-2024 **February 05, 2024**

To

1.	**National Stock Exchange of India Ltd.** Exchange Plaza Plot No. C/1, G Block Bandra –Kurla Complex Bandra (E), Mumbai 400 051 **Symbol: KALYANKJIL**	**2.**	**BSE Limited** Corporate Relationship Dept. Phiroze Jeejeebhoy Towers, Dalal Street Mumbai 400 001 Maharashtra, India **Scrip Code:** 543278

Dear Sir/Madam

Sub: Earnings Call Transcripts.

Pursuant to Regulation 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform the exchanges that the transcript of audio call recording of the Company's Analyst Call to discuss the Unaudited Financial Results (standalone and consolidated) for the Third quarter ended 31st December 2023 is attached herewith.

Kindly take the same into your records.

Thanking you
Yours Faithfully

for **Kalyan Jewellers India Limited**

RETNAVILASAM GOPINATHAN NAIR JISHNU
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KALYAN JEWELLERS INDIA LTD.

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Company Secretary & Compliance Officer
Membership No – ACS 32820
Encl: As above

"Kalyan Jewellers India Limited Q3 FY24 Earnings Conference Call"

January 31, 2024

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MANAGEMENT: **MR. RAMESH KALYANARAMAN – EXECUTIVE DIRECTOR**
MR. SANJAY RAGHURAMAN - CEO
MR. V. SWAMINATHAN - CFO

MR. SANJAY MEHROTRA – HEAD (STRATEGY & CORPORATE AFFAIRS)
MR. ABRAHAM GEORGE – HEAD (INVESTOR RELATIONS & TREASURY)

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY24 Earnings Conference Call of Kalyan Jewellers India Limited.

This conference call may contain forward-looking statements about the Company which are based on beliefs, opinion and expectation of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Rahul Agarwal. Thank you and over to you, sir.

Rahul Agarwal: Thank you. Good afternoon, everyone and thank you for joining us on Kalyan Jewellers India Limited Q3 and 9 months FY24 Earnings Conference Call.

We have with us – Mr. Ramesh Kalyanaraman - Executive Director; Mr. Sanjay Raghuraman – CEO; Mr. V. Swaminathan – CFO; Mr. Sanjay Mehrotra - Head of Strategy and Corporate Affairs and Mr. Abraham George - Head of Investor Relations and Treasury.

I hope everyone got an opportunity to go through our "Financial Results and Investor Presentation" uploaded on the Company's website and stock exchanges. We will begin the call with opening remarks from management, following which we will have the forum open for a question-and-answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the Earnings Presentation shared with you earlier.

I would now like to invite Mr. Ramesh Kalyanaraman - Executive Director of Kalyan Jewellers India Limited to give his opening remarks. Thank you and over to you, sir.

Ramesh Kalyanaraman: Thank you. Good afternoon and let me welcome everyone to the call. It has been a fantastic year so far; all the quarters have been excellent.

For the most recently concluded quarter, we recorded a consolidated revenue growth of around 34%, India revenue growth of 40%, consolidated revenue growth for the first 9 months of the current financial year is around 31% and revenue growth in India was at approximately 36%. During the recently concluded quarter, we continued our strong expansion momentum, opened 22 new Kalyan Jewellers showrooms in India while 7 of these were owned showrooms, we expect to convert those to FOCO showrooms during the ongoing quarter and the proceeds will be utilized to repay the non-GML working capital loan in India.

With respect to the divestment of non-core assets, we have secured the bank NOC for the sale and have completed the documentation with the buyer. In addition to the advance received earlier, we have received one more tranche of funds and expect to conclude the sale soon. Proceeds from this sale shall also be utilized to repay the debt in India. We are well on track to achieve the debt reduction target set for the current financial year. We are embarking on a debt reduction journey in the Middle East as well. As I mentioned in our earlier interactions, in addition to new FOCO showrooms, we will also be converting few of our existing owned showrooms into franchised showrooms and shall be utilizing the proceeds from the conversions to repay the working capital debt in that region.

I would also like to spend some time on our digital first platform Candere network expansion plan. As we speak, Candere has 8 physical showrooms, and it plans to add another 12 during the ongoing quarter. An aggressive network expansion plan has been drawn up for the platform during the next financial year with 50 LOIs already signed and showroom locations beginning to be tied up.

Let me give you an update about our international markets outside the Middle East:

U.S. market for Indian jewellers and Indian jewellery has evolved over the years and holds significant promise. Even though we have been receiving significant number of inbound franchisee inquiry for U.S. market, we have decided to launch the first set of two pilot showrooms as the Company owned ones. Post the pilot phase, all additional showrooms in the region shall be through franchisee model. We are upbeat about the upcoming new showroom launches and have launched fresh collections and campaigns for the ongoing wedding season across the country.

Now, I will invite Sanjay to take you to the financial highlights of the quarter.

Sanjay Raghuraman: Thank you, Ramesh. Good afternoon, everybody. We just completed a good quarter, and I shall give you some details about the numbers in this last just concluded quarter.

We reported consolidated revenue of Rs. 5,223 crores, a growth of 34.5% over the same period in the previous year. Consolidated profit after tax was Rs. 180 crores versus Rs. 148 crores in the same quarter of the previous year.

Now, I want to just break this up between the India and the Middle East. I will start with the India numbers:

India revenue came in at Rs. 4,512 crores, a 40% growth when compared to the corresponding quarter in the previous year. India profit after tax came at Rs. 168 crores compared to Rs. 133 crores in the same quarter of the previous year, a 26% growth.

Moving now to the Middle East:

Revenue for the quarter in the Middle East was about Rs. 683 crores, a 6% growth compared to the same quarter in the previous year and the Middle East business posted a profit of Rs. 14 crores for the quarter compared to a profit of Rs. 17 crores in the corresponding quarter of the previous year. During this quarter just concluded, we opened 26 showrooms in India across the Kalyan and Candere formats.

With this, I am done with the summary of the financials, and we now open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Starting with the revenue growth momentum in the Middle East and there is a loss, there is a PAT which has declined, so if you could give a little more color how you look at the next 2 to 3 quarters for the Middle East business?

Ramesh Kalyanaraman: The Middle East, yes, so revenue has grown by around 6.5% and SSG's have been in the range of about 5% and the PAT degrowth which you see is predominantly because of the interest rate hike which has been there over the past 2-3 quarters now and there is at least 2% interest rate hike, which has been there when you compared to Q3 of last year. And one more reason is that franchisee share comes with a lesser gross margin. So, these are the major two reasons why you see degrowth in PAT even after 5%, 6% revenue growth, but way forward, I think it should be good because market is still vibrant and store expansion is also there and franchisee LOIs have also been signed for expansion there.

Shirish Pardeshi: So, follow up here, what is these 50 million corporate guarantees we have given? What is it is going to do to the impact on the Middle East business?

Ramesh Kalyanaraman: So, the guarantee which you see is you know that India, the franchisee was very successful because predominantly the major reason being, we have tie ups with banks and NBFC's here in India who fund our franchisee partners in their own terms. We did not have such kind of a tie-up there and the partners whom we were looking for also could not arrange any funding in that region. So, now, we successfully have tied up with financing houses where they will fund our franchisee partners. The only difference being we will have to issue a corporate guarantee on their behalf. So, that is what you see as with additional corporate guarantee which is given, but the advantage there, what we have got is that since we are in talks with the banks there because they also know the next 2-3 years, what is our plan in Middle East because franchisee is coming in and more liquidity is coming in and over the past two years also Middle East has been behaving good and we could actually release corporate guarantee from certain banks. So, the additional corporate guarantee is not very high. So, it is almost a neutral transaction, but the guarantee which you see now in the update is that guarantee is going to on behalf of franchisee partners, but we have released certain corporate guarantee also. So, it is almost a neutral transaction which you see.

Shirish Pardeshi: I understand, but sorry I am a little harping more about 15 months before we were also planning to fundraise in the international market, now is those plans are alive?

Ramesh Kalyanaraman: Bond you mean?

Shirish Pardeshi: Yes.

Ramesh Kalyanaraman: We are not sure about the bond market still because it is a bit choppy, but it is not a no, but as we speak, we don't see anything coming up very shortly.

Shirish Pardeshi: My second question is on India business. I think the revenue momentum is stronger, but when I see the showroom contribution from the franchise owned is rising, but it is not directly reflecting into the studded share, studded share is still hovering between 27%, 28% and 29%, so what is the problem here, I do understand you have been taking a lot of efforts to develop these stores and franchise, but I think I was expecting that we should be neck to neck with the competition maybe about 30% plus?

Ramesh Kalyanaraman: For two reasons, one being at the store level, especially in the non-South markets, the studded ratio is still in the range of 30%, but what you see here is majorly because the first-time revenue which we get when we open a franchisee store, that studded revenue might not be at 30%, because it depends upon market to market. So, certain markets we will have to keep some hyper local gold jewellery wherein the studded composition, which we sell in that initial bulk revenue might not be 30%.

Shirish Pardeshi: And the last I think we see the festive season has seen a lot of discounting, so could you paint some picture how the competition behaved this time because everybody is trying to look at the same pie and the discretionary spends, so is the competitive intensity is now normalized? Or you think even quarter 4 you will see the similar intensity?

Ramesh Kalyanaraman: Competition is part now. You have seen it; every quarter competition is there. Every market competition is there. It is how you handle your competition during various times, right. During the period immediately after Diwali, yes, you are right, we saw some heightened level of intensity in competition because the gold price suddenly started going up where the local players in many markets, we started seeing more competition. Otherwise, it is very flattish. So, we also spend more on promotions and campaigns in those regions where we saw this level of competition intensity to match in competition with them.

Shirish Pardeshi: The presentation says that we have signed 50 LOI for Candere business, right, so at what stage we see the speed which we will pick up, is it going to bunch up in quarter 1 next year, quarter 2 or it will be evenly spread out or we have plans to open few in quarter 4 also this year?

Sanjay Raghuraman: We will open, I think, about a dozen in this quarter. The bulk of this 50 will kind of get spread out over next year. There is probably some upside on that number, but we will talk of that later. This is the way I think it will build over the next year.

Shirish Pardeshi: The reason why I am asking is the offline is going to really solve the problem for Candere sales decline that is the whole question? The last 2-3 quarters, we have been seeing there is a consistent decline?

Sanjay Raghuraman: I think the first point we want to communicate is that this is an Omnichannel business, and we believe the online business is going to be complemented and as the offline store network rolls out, we will have a good network effect which will allow sales to come back. We are already seeing that in the 7-8 outlets that we are operating now, and I think we are headed in the right direction on that. We are not doing anything new. We are just seeing what is already playing out in the market with other brands.

Moderator: Thank you. Next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Sir, first question is with regards to Q4, how are you seeing the trends emerging in Q4? The first month is completed, so one on that. And second on the store expansion plans for Q4 specifically, I mean what kind of store expansion plans do you have for Q4 and the year end?

Ramesh Kalyanaraman: So, momentum in Jan, it is continuing like Q3. The SSG's have been very similar to what we have seen in Q3, momentum is strong and store expansion for Q4, we will be opening at least 15 Kalyan showrooms and again 12 Candere stores, Middle East can be one and next year we will be opening 80 Kalyan showrooms in India. International will be in the range of 4 to 5 and Candere is minimum of 50 because 50 we are talking about is only franchise. Candere expansion will be a mix of franchise and own. So, we have already signed 50 and we are still signing, and we are looking out for locations, so Candere expansions, it should not be 50, it should be a minimum of 50.

Gaurav Jogani: And sir, you also mentioned that you are planning to open 2 showrooms in the US market, so that will be inclusive of the 4-5 guidance that you gave for the international market?

Ramesh Kalyanaraman: Yes, that will include, 5 will be including the 2.

Gaurav Jogani: And sir, my question also again is with regards to that guarantee part, the guaranteed thing, if you can explain it a bit better because it was a bit confusing, it wasn't very clear?

Ramesh Kalyanaraman: So, I will do a detailed explanation. So, as you are aware, we launched our first franchisee showroom in the region recently and we have signed 5 LOIs for the current financial year. One of the key factors for the success of franchisee rollout in India has been because we have tie-ups with banks and NBFC's who will fund to our franchisee partners in their own terms, but unlike in India the only difference in Middle East is that we will have to provide a corporate guarantee for these facilities which they provide to our franchisee partners. The corporate guarantee that you are referring to is for this purpose only. The additional corporate guarantee given is only say what USD 10 or 11 million. That will also come out because we are reducing debt in the Middle East because we are converting 3 showrooms there into franchisee from own and this corporate guarantee of additionally 10 or 11 which is given now will also come out in the next 3 or 4 months. So, it will be a neutral transaction. The only difference being as of now all the corporate guarantee given for Kalyan Jewellers loan, but the corporate guarantee which we are issuing now is not for Kalyan Jewellers loan, it is for the loan taken by the franchisee partners, and we give the corporate guarantee on their behalf.

Gaurav Jogani: So, in effect, I mean while the total corporate guarantee will remain the same, now it will not be for Kalyan Jewellers stores, but it will be for the franchise thing?

Ramesh Kalyanaraman: Correct.

Gaurav Jogani: And sir, like you mentioned that even in India, there are banks and NBFC's who gave the franchisees funding because of us, but is there any recourse in case of any called by the franchise partner in payments, will there be any recourse to Kalyan Jewellers in that case or not?

Ramesh Kalyanaraman: No, nothing.

Gaurav Jogani: And sir, my last bit is on the interest part, the interest expense part, if you see quarter-on-quarter basis also, the interest expense largely remain flattish and even on the 9-month basis, the interest expense is a bit higher, so if you can help us out, when can we expect this interest expense reduction going ahead?

Ramesh Kalyanaraman: So, interest, because we have hardly reduced about Rs. 150 crores of debt now, so the interest reduction will be seen for the next financial year, because even as we speak in Jan, we have not reduced the debt because aircraft money is yet to come. Only Rs. 33 crores have come in total and the store conversion money has also not come. All this will be coming in about maybe by March, so March might be the month where we save interest for the rest of the debt, which we are planning to reduce and next year, of course the full Rs. 300-Rs. 350 crores which we reduced this year, you should see interest gain plus, what we are reducing.

Gaurav Jogani: So, next year, what would be the guidance for the debt reduction?

Ramesh Kalyanaraman: So, debt reduction for the next year, what we can estimate is Rs. 300 to Rs. 350 crores which we reduced this year will be there for the full year. Next year that reduction will be in the range of Rs. 400 to Rs. 450 crores, out of which you keep an average of say 200 crores for the full year. So, that will be the debt reduction if you are trying to calculate the interest saving.

Gaurav Jogani: And sir, last bit is on the other income part, I think because you are also receiving some other income money because of the CAPEX that you are incurring for the franchise partners and typically that is kind of Rs. 4,00,000 a month number in that sense and with the franchisee number increasing, what kind of other income can be expected in the time currently?

Sanjay Raghraman: In terms of line items, this is going to be the only thing. There is going to be the rent that we claw back from the franchisee, the infrastructure usage fee, that is all. No other line items.

Gaurav Jogani: So, my question sir, was like, by the end of this year, you will probably have 80 franchisee showrooms that will be closing this year and probably we will be adding another 80 showrooms next year, so in effect, if I take an average, there will be around 120 franchise showrooms say for the next year and on that, should I take a Rs. 50,00,000 fees for the entire year, so that will be a right assessment in terms to the other income?

Sanjay Raghraman: Yes.

Gaurav Jogani: That would be Rs. 600 odd crores?

Sanjay Raghraman: So, I think in terms of accounting for it, what you are saying is right, but this is not just free income for us. There is a line item on the other side, which is an expense. So, I am sure you got that in mind.

Gaurav Jogani: Yes, so we will increase the other expenses, because depreciation amount will also come in that line item, but accordingly the other income will also come in?

Sanjay Raghraman: Yes, it is going to be P&L neutral. That is the basic point that you should keep in mind.

Moderator: Thank you. Next question is from the line of Ashish Kanodia from Citi Bank. Please go ahead.

Ashish Kanodia: The first question is, of the 80 new franchisee stores which you are planning in FY25, how many of them will be under the revised terms where the CAPEX will be borne by the franchisee partners and then there will be some margin benefit as well?

Ramesh Kalyanaraman: So, maybe the first 30 to 35 showrooms will come with an old model where the CAPEX is put by Kalyan and the rest 45 to 50 will be in the range of the new model, around 45 to 50.

Ashish Kanodia: And while CAPEX, I understand on the margin front, what kind of incremental gross margin will you get for these 45-50 stores?

Ramesh Kalyanaraman: 0.25 to 0.5, it depends because it is not a plain vanilla model, it is what you call performance-oriented model which we have worked on this additional margin. So, I think it should be budgeted in the range of 0.25 to 0.5.

Ashish Kanodia: And secondly, I think on the debt reduction, just wanted to understand, if I understood it correctly, you are saying current financial year which is FY24, there will be a total Rs. 300 and Rs. 350 crores worth of debt reduction and then in FY25, what is the incremental number, is it going to be Rs. 200 crores or is it going to be Rs. 450 crores, incremental, what will be the FY25?

Ramesh Kalyanaraman: Incremental should be in the range of Rs. 400 to Rs. 450 crores, but it will be done over the year, so for him to look at the interest saving I told okay, keep Rs. 200 crores as an average for the full year.

Ashish Kanodia: And just wanted to kind of more from a debt reduction, not from an interest perspective, so out of this Rs. 300-Rs. 350 crores, almost Rs. 130 crores will come through the sale of non-core assets and the balance you will be basically utilizing the free cash flow generation and just the conversion of stores, right?

Ramesh Kalyanaraman: So, 100 crores will come from the non-core because even though it is 135 net of tax, it is only 100 crores and the rest is we will convert the 7 showrooms which we opened in Q3, so that comes in the range of about Rs. 150 to Rs. 175 crores, so majorly done plus some cash generated, so it is almost done in the way we want it.

Ashish Kanodia: And on the store part, you said you are planning to open 15 Kalyan showrooms in 4Q and 12 Candere, now these 15 stores, does it also include your 5 Middle East store?

Ramesh Kalyanaraman: No, it is only India.

Ashish Kanodia: And so, in 4Q, we expect to add 5 Middle East, right?

Ramesh Kalyanaraman: So, out of the 5, it might be in Q4 or partially in Q1, it includes 2 new showrooms and 3 conversions, so all 5 are not new.

Ashish Kanodia: And just lastly, in terms of the plan to kind of enter into US, so firstly, what kind of like capitals you are planning to deploy in US? And the two stores which you are planning, have you already identified the location etc., and when these stores will most likely be kind of open?

Ramesh Kalyanaraman: So, yes, locations have been identified and again we will be opening in the first half of the next financial year.

Ashish Kanodia: And what kind of overall capital deployment you are expecting to deploy for these two stores?

Ramesh Kalyanaraman: Too sensitive info.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Dalmus Capital Management. Please go ahead.

Pulkit Singhal: This is the first quarter where we have very high revenue growth, which did not translate to an equivalent PBT growth, in fact, there is a substantial difference in your PBT growth and revenue growth in Q3, so 40% is translating only to 26% PBT growth?

Ramesh Kalyanaraman: Yes.

Pulkit Singhal: Now I understand that we are in a major revenue expansion drive, store expansion drive and also there is a business model change, right, which we are going for franchisees, now in the process of doing so, are you saying that this will be margin dilutive because you are going into areas which may require, which may not be as comforting on margins as you might have initially thought it to be, your thoughts on the same?

Ramesh Kalyanaraman: We still stand by what we have stated earlier that the PBT growth would be higher than the revenue growth for the full year. And if you look at the 9 months, the PBT margins have been similar Y-o-Y even after absorbing maybe 0.2 to 0.3% of preoperative employee expenses in Q1 and Q2. The impact of the preoperative employee expense is coming down and will fade further going forward and however if you look at only Q3 in isolation, yes you are right. There has been degrowth in PBT as a percentage Y-o-Y and for this also there is primarily because of two reasons, a baseline PBT for comparison itself should be 5.4 and not 5.6 of last year because we had very few franchisee shops operational last year and bulk of the revenue are from KJ owned shops. This year, a significant share of revenue is coming from franchisee stores where the PBT margin is 5% as I have previously told you. There has been an increase of around 0.3% in advertisements, which was at a lower base in the last year since Diwali last year was in October. Otherwise we still stand by what we said. We don't see any pressuring margins going forward and for the full year.

Pulkit Singhal: But when we look at it 2-3 years out, these phenomena of higher revenue share of franchisee will always take place because you are incrementally always opening new franchisee stores?

Ramesh Kalyanaraman: Yes, that is true.

Pulkit Singhal: So, therefore to that extent, this pressure should continue right?

Ramesh Kalyanaraman: Only in Q3, usually our PBT margins are only in the range of 4.7-4.8%, okay, 9-month PBT is 4.8 last year and almost in that range before this year also, so 4.8 this year, meaning 4.9 last year. So, it is in the range below 5. All the PBT, all the franchisee stores come with 5% PBT, okay, that is why we told you that revenue, the PBT margin growth should be higher than our revenue growth, Q3 was an exception where the PBT margins were 5.6% last year. That is predominantly because of advertisement expense at a lower base. So, that is why we think that we still can stand by what we have said, and it will be done in such a way that our PBT margin growth will be higher than our revenue growth. And again, one more thing what we have to keep in mind is that the franchisee stores also might come up with 5.25 to 5.5% PBT because we are working on a new model.

Pulkit Singhal: So, the new model comes into play and that helps the margins?

Ramesh Kalyanaraman: Not only that, but again I told usual PBT margins are only 4.8%. So, Q3 was exceptionally high at 5.6%.

Pulkit Singhal: No, I am not thinking one or two years out as the share increases, so you have higher mix of higher PBT margin, new franchisees coming up?

Ramesh Kalyanaraman: Yes, that is fine. Even if it is 5% also, then it should go up because now you know that it is at 4.8-4.9, existing last year PBT.

Pulkit Singhal: And also, the deleveraging part that should also kind of I mean in some ways helped because the PBT margin is with certain assumption of capital expense, right?

Ramesh Kalyanaraman: I am talking about without that, even without the interest saving, we should be at a higher PBT margin than what we call the PBT growth should be higher than revenue growth.

Pulkit Singhal: And on A&P spends because this is something which is evolving and maybe your current calculations, I don't know how much they are factoring in, but is this one-off or do you see an elevated A&P spend scenario going ahead?

Ramesh Kalyanaraman: Again, last in, if you look at Q2, the A&P was only at 1.4% which is 2.3% for Q3. If you look at 9 months, the A&P is at 2%, so we should always budget for 2%. Diwali is moving now from Q2 to Q3 because last time October second week was Diwali, so we started the campaign by September. This year, Diwali was only November, so the campaign started only by October. That is why the shifting expenses within the quarters, but within the year it should be at 2%.

Pulkit Singhal: Just last question on the studded share, as these first set of franchisee stores come in the base, their recurring revenue should have higher studded share, right?

Ramesh Kalyanaraman: Yes, of course. Correct.

Pulkit Singhal: And so that will play out hopefully next year, although the initial, the new set of stores will again have the same problem?

Ramesh Kalyanaraman: Yes, so even if recurring studded share goes up because we are opening 80 showrooms. That comes up with a lower studded because entire free showrooms, we cannot keep a 30%, maybe it might be 25, maybe it might be 26, it depends upon that market. So, in the bulk revenue studded ratio might be lesser, but again margin, the studded ratio, even if it grows, the margin is not going to be impacted because even otherwise franchisee revenue comes up with only say 5% margin. So, only in the onetime we are talking about, otherwise in the recurring stores, studded ratios are strong.

Pulkit Singhal: So, recurring stores don't have higher PBT margin than 5%, is that what you are saying even when the studded normalizes?

Ramesh Kalyanaraman: Very partially, but it negates to 5%.

Moderator: Thank you. Next question is from the line of Manish Poddar from Invesco Asset Management. Please go ahead.

Manish Poddar: Just one question on the cash flow, so can you call out what is the cash flow done in this, let us say, quarter?

V Swaminathan: For the quarter, we had Rs. 328 crores operating profit before working capital change and we invested around Rs. 114 crores into CAPEX and additional investment into inventory was Rs. 200 crores, which is mostly for 7 owned showrooms we opened. Total cash balance in India has gone up by Rs. 120 crores.

Manish Poddar: So, just to understand this absolute inventory number now is about Rs. 7,500 crores, do you see as the number of days this getting optimized or how should one think about it?

Abraham George: Yes, Manish, Abraham here. So, for this quarter, we have opened 7 showrooms with our own capital. So, to that extent, the inventory turn will not improve there because it is our own showroom, but those showrooms are getting converted in this current quarter and where you are right going forward the inventory turn will improve because the inventory will not sit in our books. It will be in the franchisees books.

Manish Poddar: In my understanding this should have happened this year, right?

Abraham George: Yes, already it has. If you refer to the September balance sheet also, you will see that improvement in inventory turn and you will see the same by the end of the year as well even better, inventory turns.

Moderator: Thank you. Next question is from the line of Prathamesh Dhawar from Tiger Assets. Please go ahead.

Prathamesh Dhawar: Sir, just wanted to know any revenue guidance you can before coming here?

Ramesh Kalyanaraman: Meaning for the next future years, you mean?

Prathamesh Dhawar: For FY26?

Ramesh Kalyanaraman: So, we are opening 80 showrooms again, we have opened already, but we will be opening 65 showrooms in the financial year. That revenue will fully come in the next year. SSG's are strong but keep a 6% to 7% SSG. So, revenue growth should be strong enough. We are very inappropriate to give a number now.

Prathamesh Dhawar: And sir, the major growth will be driven by like both SSG and the new store additions or the major will come from the new stores?

Ramesh Kalyanaraman: Three factors, one is SSG. Two is 80 plus new showrooms in the next year. Three is the full revenue for the 65 showrooms which we opened this year.

Prathamesh Dhawar: And sir, like you said, the PBT growth will be more than the revenue on the consolidated basis?

Ramesh Kalyanaraman: Yes.

Moderator: Thank you. Next question is from the line of Anurag Dayal from HSBC. Please go ahead.

Anurag Dayal: Basically, on the franchisee showrooms, now several showrooms are completed one year, so can you throw some light on how these showrooms have done compared to initial expectation in terms of same store sales growth or inventory turns? Are they trending similar to your own showrooms as slightly different since most of these showrooms are opening in Tier 3 towns, some light on that will really help?

Ramesh Kalyanaraman: So, for stores more than 6 months old, we have around 30 odd showrooms in operation now, which is FOCO model. We have done the review for performance. The majority of the stores are performing as per expectation. However, there are around 4 stores where the inventory turn is still not up to the mark. We have offered the franchise to reduce inventory, but most of the franchise have decided to continue with the existing inventory in the store. There are 2 or 3 stores where we had to increase the inventory because the stock turns were more than forecasted and the franchisee have been given time, they have a one-month notice, which we have already given. So, overall, the majority of the stores are performing as per our expectation.

Anurag Dayal: And this inventory turns is like 2.5 times or something different, what?

Ramesh Kalyanaraman: Yes, 2.5 for the first year.

Anurag Dayal: And sir, can you broadly tell us, if you would like to see the retail sales numbers you start providing at some point of time since share of franchise revenue is increasing, but I have to appreciate these numbers?

Ramesh Kalyanaraman: We will surely at the appropriate time.

Anurag Dayal: And another is regarding your non-core assets, so I think aircraft is already done and look to receive the rest of the balance amount by end of this year, so do you have any plans for the helicopter as well, which is on the book, helicopter?

Ramesh Kalyanaraman: Let us first, this transaction itself got not completed, let us do this first and then we shall think of that. A helicopter is a very small asset again, it is only Rs. 20 odd crores in the book, helicopter.

Anurag Dayal: So, what are other non-core assets in Rs. 100 crores you are targeting is from non-core asset sales so?

Ramesh Kalyanaraman: No, non-core asset is majorly these aircraft and helicopters, but again for the future years, what we see as a non-core asset is, there is real estate which is non-core for the business. Once we repay the debt, we can get these out from the system and again we can liquidate it. So, maybe if we repay around Rs. 350 crores repayment of debt, Rs. 100 crores worth of collateral come out and that can be liquidated, so that is again a non-core.

Anurag Dayal: And the last bit is on metal gold loan, so in the domestic market, as I understand that, it was reaching beyond the ceiling and you were in negotiation with the banks to increase that, so is there any development there?

Ramesh Kalyanaraman: No, now our primary focus is to reduce the non-GML part, and we are in a debt reduction plan. We are in a plan where we will negotiate with the banks to take out the assets. So, that is our primary focus area rather than increasing the gold loan quotient. So, focus is anyway for the next 2-3 years on a very conservative basis, there will be only gold loan in the book because we have plans to almost revise out all the non-GML loans in the book worst scenario.

Moderator: Thank you. Next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Sir, just one to two questions. One would be, what would be the amount for the front ending of the employee expenses which you spoke about, the absolute amount in Q2 was Rs. 5.5 crores, similar for 3Q what would that be? And the second question would be, regarding these new store openings, the amount, I missed the beginning part of the call is that amount you quantified for the extra expense that may have gone into the OpEx?

Ramesh Kalyanaraman: So, majorly salary, so it should be in the range of Rs. 5 to Rs. 6 crores every quarter this year and now for future years why we told that this is substantially going to come down is because the base is also higher. So, even if it is Rs. 5 to Rs. 6 crores, on a percentage note, the base is higher. So, the impact is going to reduce. Otherwise, there are no prepaid expenses other than salary cost, because that is the only cost which we bear on behalf of the franchisee. And in Q3 also if you look at the impact as reduced as the base is increasing. So, Q1 and Q2, there was 0.2 to 0.3, but Q3 the base is meaning because the impact has reduced because the base is increasing.

Pallavi Deshpande: And this lease expense also will take on us and then it gets reimbursed from them to the other income, is that right?

Ramesh Kalyanaraman: Yes. We lease the premises in Kalyan and then sublease it to the franchise owner.

Pallavi Deshpande: And that shows up in the other income, so how much was that amount for this, in the other income, how much is that?

Ramesh Kalyanaraman: Give me some time. I will just check that. You can move on to the next and I will give you.

Pallavi Deshpande: So, the other part was that what would be the share of franchisee contribution to our revenues for the India revenues contribution, last quarter it was around 20%.

Ramesh Kalyanaraman: It should be in the range of about 21%-22%.

Moderator: Thank you. Next question is from the line of Prateek from Motilal Oswal. Please go ahead.

Prateek: Few questions, one, thoughts on overseas expansion and let us say opening stores in geographies that you were not present before? Two, in terms of jewellery, do you wish to continue to do only gold and diamond, or you want to increase the assortments like emerald, ruby etc., and maybe even synthetic diamonds? And lastly your working capital, how much it got released, how is the return on capital employed shaping up?

Ramesh Kalyanaraman: So, one by one. One is the US market, the market, as we mentioned, the market is becoming very mature. There are good set of competition there. The market is also expanding. So, we wanted to enter that space and again we are opening only two owned stores there and even though we have enquiries from franchisee, we would like to do two own stores as a pilot and then we might convert even the store into franchise in the future stage. So, the intention is to go and establish the brand there and again expand through the franchisee model if the market is vibrant enough. So, that is about the US.

Prateek: So, targeting Indian population there or US population?

Ramesh Kalyanaraman: Yes, only Indian population.

Prateek: Okay.

Ramesh Kalyanaraman: And second, you were asking about other than gold and diamond, we already have focus on polki, ruby, emerald, uncut diamonds, etc., so that is a focus area for us already and synthetic diamond we are not at present, the inquiry level at the store is almost negligible or even 0. So, once we see that demand is getting accumulated, then we will surely look into that, but as we speak, we don't see any demand in that space. So, we are not into that space as we speak.

Prateek: And third was on return on capital employed, how much working capital reduction has happened because of your FOCO model, something on that?

Abraham George: Hi Abraham here. So, because of the FOCO model, not strictly because of the FOCO model, we are reducing the capital employed. Capital employed reduction is happening because of our debt repayment because the FOCO model is enabling us to generate more free cash and this free cash we are using to repay debt, then through the debt repayment we are releasing the collateral. Those collaterals is what is coming out and going to reduce the capital employed. That is the way the capital employed is getting reduced but return on capital employed is getting improved because of FOCO model because incrementally we are not investing into the new showrooms, except for the without expenses this year. As we speak without considering gold metal loan as our capital employed, we are already at close to 19% ROCE, if considering gold metal loan we are closer to 15% ROCE, and this is.

Prateek: Number quarter back and the year back?

Abraham George: So, almost a year back, we were closer to about 13.5%-14%. Now we are crossing 15% this year and we should be able to comfortably go closer to 20% and even cross 20% in the next 2 to 3 years' time even with considering gold metal loan.

Prateek: Even with gold metal loan?

Abraham George: Yes, otherwise we are already at 19%. We are already at 19% without gold metal loan.

Prateek: So, how does the gold metal loan work?

Abraham George: Gold metal loan in the industry, there are two sets of the way the gold metal loan is viewed by the market. One set of analysts and investors view it as payable. So, they don't consider it as part of capital employed, but in our conservative calculations, we consider it as normal debt in our conservative calculations. That is why I said if I take it into consideration and consider it as debt, then our ROCEs are closer to 15%. It is gold taken on lease from the bank and it is a 180-day contract. So, in some investors and analysts consider it as payable and not necessarily considered as capital employed.

Moderator: Thank you. Next question is from the line of Ashish Kanodia from Citi Bank. Please go ahead.

Ashish Kanodia: Just two follow up questions. One is, you have talked about improvement in gross margins at our showroom level on a Y-o-Y basis, so if you can provide any color both for India as well as for Middle East, what is driving this improvement and any ballpark number you can share what kind of improvement we have seen on Y-o-Y basis?

Ramesh Kalyanaraman: Gross margin improvement has been fair, but very marginal on Y-o-Y KJ showrooms and the major component, studded ratio again, but we have competition on the plain gold, so it gets negated because of the studded ratio improvement and gross margin improvement for the next because market share is increasing and focus might not be fully on improving the gross margin, but will be to improve the market share because market is wide open and a lot of shift is coming from the unorganized to organized. So, margin improvement will be very minimal, but revenue momentum is very high.

Ashish Kanodia: And secondly, on the demand side, as you talked about similar same store sales growth in Jan as well compared to say what we have seen in 3Q, so just wanted to get more sense in terms of when you look at 3 Q and maybe January as well, have you seen any difference in demand trend across, say metro city versus non-metro city or even within metro and non-metro, is there any difference in the growth trajectory for say higher price product versus lower price product, any difference you have seen in terms of any of these parameters?

Ramesh Kalyanaraman: So, more than metro, non-metro, there has been difference in the revenue growth. In certain markets we have seen more revenue growth, performance have been much better than the rest of the markets like Tamil Nadu for example, the performance has been much better than the rest of South India, so there has been markets like that, but it cannot be only metro, non-metro. That is what I am trying to say.

Ashish Kanodia: And have you seen any difference in the growth in terms of maybe between say high ticket versus low ticket, right, have you seen any difference in those as well or they are also broadly similar?

Ramesh Kalyanaraman: Now, in certain seasons we have seen that high ticket product as such, the demand has improved over the year. For the past 2-3 quarters, we see that trend where high ticket products demand is higher than the rest of the products, especially when it comes to diamond and polki, etc.

Moderator: Thank you. Next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: I just wanted to understand in terms of this expansion of 80 stores, how much would be South and non-South next year?

Abraham George: So, Pallavi, to your earlier question, the rent income in the other income is about Rs. 6 crores for the quarter, in addition, the right use assets, it has come down by approximately about Rs. 11 crores in Q3, the reduction depreciation.

Ramesh Kalyanaraman: And your question for 80 showrooms, we should budget 70 non-South and 10 South India.

Moderator: Thank you. Next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Sir, clarification, these 80 stores are LOI signed for the same?

Ramesh Kalyanaraman: Yes, all has been signed.

Alisha Mahawla: And the 50 Candere stores, what is the kind of unit economics there, what is the inventory and the asset turn for Candere store?

Sanjay Raghuraman: So, at a high level, this is going to be very similar to the model that you already have in place on the Kalyan Jewellers side. The stock turns or the margin share will be different. We do have a working model already in place. In this immediate first year, next year that we will increase the network, we will be quite conservative in stock term because we are going to start building the brand only towards the second half of the year. So, I think I don't want to give out specific numbers now, but I have given you indication on how it can look like.

Alisha Mahawla: So, at least inventory should be in line with most probably Kalyan Stores and asset turns will be slightly lower?

Sanjay Raghuraman: Inventory turn, yes.

Alisha Mahawla: Inventory turn would be lower and what is the kind of inventory that?

Sanjay Raghuraman: The inventory turns and the margins both are going to be different. In the very first year, which is next year, the inventory turn will be a little lower, muted, because we are only going to start building the brand in the second half of the year. Margins are likely to be better only because the share of studded jewellery will be higher.

Alisha Mahawla: And the 80 stores for Kalyan Jewellers have COCO store that we are planning to add, apart from some Candere stores in FY25, are there any Company owned stores that we are planning to add?

Ramesh Kalyanaraman: Yes, all 80 will be FOCO franchisee for Kalyan, Candere will have a few own stores.

Alisha Mahawla: And the Middle East or the international, apart from the two in US there is nothing else that will be COCO?

Ramesh Kalyanaraman: Yes, there will be no owned stores in the overseas except the two in the US. Of course, as you know that even this year, by the end of March, we would have opened only FOCO model stores, right, but there are quarters where we open own and then convert because the season we don't want to lose and stuff. Otherwise, the intention even for this running year was only to do FOCO model.

Moderator: Thank you. As there are no further questions from the participant, I now hand the conference over to Mr. Ramesh Kalyanaraman for closing comments.

Ramesh Kalyanaraman: Thank you very much and we look forward for a great quarter and see you soon. Thank you very much.

Moderator: Thank you. On behalf of Kalyan Jewellers India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.