KALYAN JEWELLERS

SEC/32/2025-2026 **August 11, 2025**

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 400001 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 quarter ended on 30th June, 2025 is attached herewith.

Kindly take the same into your records.

Thanking You,

For Kalyan Jewellers India Limited

RETNAVILASAM GOPINATHAN NAIR JISHNU

Digitally signed by RETNAVILASAM GOPINATHAN NAIR JISHNU
Date: 2025.08.11 09:50:23 +05'30'

Jishnu RG

Company Secretary & Compliance Officer

"Kalyan Jewellers India Limited

Q1 FY '26 Earnings Conference Call"

August 07, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 7th August 2025 will prevail."

MANAGEMENT:	**MR. RAMESH KALYANARAMAN – EXECUTIVE DIRECTOR** **MR. SANJAY RAGHURAMAN – CHIEF EXECUTIVE OFFICER** **MR. VISWANATHAN SWAMINATHAN – CHIEF FINANCIAL OFFICER** **MR. SANJAY MEHROTTRA – HEAD OF STRATEGY AND CORPORATE AFFAIRS** **MR. ABRAHAM GEORGE – HEAD OF TREASURY AND INVESTOR RELATIONS**
MODERATOR:	**MR. RAHUL AGARWAL – STRATEGIC GROWTH ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '26 Earnings Conference Call of Kalyan Jewellers India Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Rahul Agarwal: Thank you. Good evening, everyone, and thank you for joining us on Kalyan Jewellers India Limited's Q1 FY '26 Earnings Conference Call. Today on the call, we have with us Mr. Ramesh Kalyanaraman, Executive Director; Mr. Sanjay Raghuraman, CEO; Mr. Viswanathan Swaminathan CFO; Mr. Sanjay Mehrottra, Head of Strategy and Corporate Affairs; and Mr. Abraham George, Head of Investor Relations and Treasury.

I hope everyone had a chance to view our financial results and investor presentation, which were recently posted on company's website and stock exchanges. We will begin the call with opening remarks from management, followed by an open forum for question-and-answer session.

before we begin, I'd like to point out that some of the statements made during today's call may be forward-looking, as a disclaimer to that effect was included in the earnings presentation. 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 evening, and let me welcome everyone to the call. I'm extremely satisfied with our performance in the recently concluded quarter, while the consolidated revenue and PAT growth for the quarter have been approximately 31% and 49%, respectively. Standalone business recorded revenue growth of 31% and PAT growth of 55%.

Let me take some time to reflect on the targets that we had set around the key objectives of revenue growth, improvement in cash flow, return on capital and rewarding shareholders. Over the last 3 years, we have opened more than 160 Kalyan showrooms in India, predominantly through the capital-light FOCO model.

Share of FOCO revenue has grown to 43% as on June 30, 2025. Our revenue CAGR for the last 3 years have been approximately 37% for India and 35% at consol level. We have also been able to substantially reduce our non-GML working capital loans over the last 2 years. And as you are aware, we also have realized cash via sale of movable noncore assets. All of these have helped improving the return profile meaningfully.

Now the key focus areas going forward will be realize and monetization of real estate collaterals presently with the banks. Secondly, creation of retail formats beyond Kalyan Jewellers and Candere and supply side restructuring to drive meaningful improvement in the margin profile of Kalyan Jewellers. We have already done considerable work on some of the areas that I just mentioned. We have started documentation with the banks for the release of collaterals worth INR200 crores.

Given this development, we have decided to put a pause on further debt reduction till we get the release of the first tranche collaterals. Over the last 12 to 18 months, we have also been giving shape to our plans to expand distribution network beyond the mainstream Kalyan Jewellers. Candere was identified as a second format with predominant focus on lightweight lifestyle jewellery. And as you are aware, we added more than 70 Candere showrooms in the last 18 months.

We launched the brand campaign for Candere during the current financial year and plan to add 80 Candere showrooms in India this year. Footfalls at the showrooms and conversions have shown more than 75% increase since launch of the brand campaign. Candere should end PAT positive neutral by the end of the current financial year. With Candere stabilizing, we have decided to launch the third format, which will essentially be an entity that will house regional brands offering exclusively localized jewellery, competing with strong regional brands.

We have drawn up plans to launch the first regional brand under this entity during this calendar year. Apart from changes in the merchandising, go-to-market strategy, we have also adopted a key change in the procurement plan for the new format by focusing on a lean credit period, ensuring better cost efficiencies.

Even though the strategy will be fully implemented in the new format from day 1, we have already successfully completed a pilot project with this strategy in Kalyan Jewellers. We are exploring ways to implement it fully as a lever for significant margin improvement in the main format Kalyan Jewellers in this financial year itself.

And now talking about the ongoing quarter, we have started off well despite continuing volatility in gold prices and we are at a higher base. We are upbeat about the upcoming festive season across the country and are gearing up for the launch of fresh collections and campaigns.

Thank you, and I will hand over to Sanjay. He will take you through the numbers.

Sanjay Raghuraman: Thank you, Ramesh. Good afternoon, everybody. I'm really happy to be talking to you after this great quarter that we had. Our company reported a consolidated revenue of INR7,268 crores in just concluded quarter, a 31% growth over the corresponding quarter of the previous year. Consolidated EBITDA came in at INR508 crores versus INR368 crores in the corresponding quarter of the previous year. And consolidated profit after tax came in at INR264 crores versus INR178 crores in the corresponding quarter of the previous year.

Moving on now to talk about the breakup of the numbers between India and the Middle East, starting with India. India revenue came in at INR6,142 crores for the quarter versus INR4,681 crores in the corresponding quarter of the previous year. And India EBITDA for the quarter came in at INR434 crores versus INR309 crores when compared with the corresponding quarter of the previous year. India profit after tax was INR256 crores compared to INR165 crores in the corresponding quarter of the previous year.

Talking now about the Middle East business. Revenues in the Middle East for the quarter came in at INR1,026 crores versus INR809 crores compared to the corresponding quarter in the previous year. And EBITDA in the Middle East came in at INR73 crores versus INR62 crores for the same quarter of the previous year. The Middle East business posted a profit of INR22 crores in the quarter compared to INR19 crores in the corresponding quarter of the previous year.

Lastly, talking about Candere, our e-commerce business, we posted a revenue of INR66 crores in the quarter versus INR39 crores in the corresponding quarter of the previous year. Candere recorded a INR10 crores loss in the quarter versus a loss of INR2 crores in the corresponding quarter of the last year.

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

Moderator: Thank you very much. We take the first question from the line of Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Congratulations on a strong set of numbers. Sir, my first question is with regards to this new pilot that you have mentioned regarding this procurement plan with a leaner credit from the vendors. If you can, sir, elaborate more on this? And how much of this benefit during this quarter in the gross margin was because of this pilot project that you did?

Ramesh Kalyanaraman: There has been a margin improvement and predominantly major reason like what you said is because of this pilot project, tough to quantify. But yes, there has been some improvement because of that. And the margin improvement, we should not give full credit only for that pilot project, which was implemented. There has been revenue from platinum, silver, etcetera, where the margins were on a higher side, predominantly because of the metal price.

Silver and platinum revenue comes approximately about 2%, 2.5% of our revenue, wherein the margins were higher. So that plus the pilot which we did, both together actually helped to increase our margins. And of course, EBITDA margins, if you are mentioning, some operating leverage also was there at EBITDA level.

Gaurav Jogani: No, Ramesh, I just wanted to know that because you have done this pilot, how are you planning to take this ahead? And how is the impact of this would be on the overall working capital cycle? Because if we are planning to pay the vendors a bit earlier in lieu of some discounts, so how this can have an impact on the overall working capital cycle for us?

Ramesh Kalyanaraman: Yes. So this pilot was actually done because we wanted to implement this from day 1 in the regional brand, which we are going to launch shortly, maybe before this calendar year because we want to go in that direction in terms of procurement for the regional brand. The pilot was also done to exactly know the savings, cost efficiencies, which can happen if we do a leaner credit arrangement with the vendors, which was successfully done.

Now to make it implemented in Kalyan Jewellers fully, it is again a big project. And we were just trying to plan how to implement it at Kalyan Jewellers. And if that is implemented, yes, there is going to be meaningful increase in the gross margin, and that is what we are trying to target for.

Ramesh Kalyanaraman: The pilot project that we ran, the ROCE for the capital that we allocated for the project was actually higher than the corporate ROCE as of now.

Gaurav Jogani: Okay. And any time lines you would like to share that by what time this project can be implemented at the Kalyan Jewellers level?

Ramesh Kalyanaraman: No, first, we will do it from day 1 in the regional brand. The regional brand launch is where we are going to do it from day 1 fully, and that should come before the calendar year. And during that time, we will give you an overview about how we are going to do with the Kalyan and the timelines, etcetera.The pilot which we did will continue. So you can have some margin improvement because of that for the full year. But to expand that pilot project, you will need to give me some more time because we will have to implement that in the regional brand, which we are going to launch and then start implementing at Kalyan. It's a big project. So we'll have to give me some more time for us to come back on the time line.

Gaurav Jogani: Sure. And second on this regional brand strategy, if you can elaborate more? Will this be under the Kalyan Jewellers brand or the brands in each of the regions would be different? How the strategy would be here?

Ramesh Kalyanaraman: the target is to be completely regional. So there will be a new company which will be formed, which will be having multiple brands, and each brand will be in a particular state, and it will be very regionalized by its name, by its inventory, by its campaigning, positioning, etcetera. And that is how we are going to do it.

In this new subsidiary where we will have multiple regional brands, the first regional brand, we will be launching before this calendar year. And we will launch the other regional brands only once this gets stabilized. So for this year, we have plans only to launch one regional brand in a particular state. Post that getting stabilized, then only we will go to the next region.

Gaurav Jogani: Ramesh, just one thing here. Would this brand will be purchased or I mean, you will be creating this in-house?

Ramesh Kalyanaraman: We will not purchase, it's not going to be inorganic, we will create the brand.

Gaurav Jogani: Okay. And just lastly, you also mentioned in your opening remarks about the pause for debt reduction. So the debt reduction pause would be largely because of the funds that will be utilized in this pilot project or the project towards the new brand as well as on the gross margin improvement initiatives. That is the reason there?

Ramesh Kalyanaraman: The reasons are mainly because we were looking at a situation where we want to start the documentation with the banks to bring out the collaterals for the reduced loan, which we have already done, which is now on track. So now we want to take a pause so that we can wait for that collateral to come out.

In between, we will use the cash generated in this financial year, predominantly for the pilot project, which we have doneand have implemented it already. We have used all available resources with us for this pilot project. And as for the future also for the new brand, it will be a mix of equity as well as debt . We might raise some debt also for that company in the subsidiary.

Moderator: The next question is from the line of Nihal Mahesh Jham from HSBC Securities.

Nihal Mahesh Jham: Yes, sir. Congratulations on strong performance. Sir, first question on this adjusted term that you're speaking. So just to understand right, we are implementing this first in Kalyan. And if it works right, then we plan to roll it out with the regional brands. And only after it works with the regional brands, do we plan to take the entire Kalyan model on this leaner credit period? Is that the right understanding of the time lines?

Ramesh Kalyanaraman: The pilot project, it's already implemented at Kalyan. So we already started by maybe March last year, okay? And this full quarter, April, May, June, we actually did the pilot project at Kalyan. Now we will implement it fully from day 1 in the new regional brand. Once that is launched, then we will take initiatives to launch it fully at Kalyan Jewellers.

Nihal Mahesh Jham: So in this quarter, I'm guessing approximately, say, a small proportion of our procurement in Kalyan would have been done via the leaner credit model. Is that the right understanding?

Ramesh Kalyanaraman: Yes. Correct.

Nihal Mahesh Jham: And would it be possible to share what was the ballpark proportion of the procurement that was done in this model?

Ramesh Kalyanaraman: Yes. the capital allocated for this pilot project, the ROCEs were actually higher than our corporate ROCEs. As I said, all the resources available with us actually we utilized for this pilot project.

Nihal Mahesh Jham: Got that. And as you said that the implementation of this model will lead to an improvement in the overall ROCE profile because generally, sometimes we have seen that while margins improve by extending period, paying off here, but eventually, it seems to be a ROCE drag with some other companies who have implemented this. In our case, we are saying that the ROCEs will also improve despite the increase in working capital?

Ramesh Kalyanaraman: Yes. So the ROCEs actually for the pilot project, which we invested was higher than our corporate ROCE.

Nihal Mahesh Jham: Understood that. And because, sir, the balance sheet for this quarter is not visible that if we had to implement this across the entire Kalyan network, what would be the increase in working capital or fund that would be required?

Ramesh Kalyanaraman: So lean credit means it's not completely out of credit, okay?

Nihal Mahesh Jham: But there will be Drop in payable days, so which would then automatically increase working capital requirement

Ramesh Kalyanaraman: Yes. it will be in the range of around INR1,500 crores to INR2,000 crores.

Nihal Mahesh Jham: INR1,500 crores to INR2,000 crores. Sure.

Ramesh Kalyanaraman: Yes. So whether it can be done in phases, whether it can be done together, the structure of how to bring in the capital, etcetera, that's why I wanted to take some time, and then we are still working on it from day 1, but we will adapt this in our new format.

Nihal Mahesh Jham: Got that. The second question was on the new subsidiary that we are launching. So there also, as you said that the first pilot will be one state this year and depending on how that progresses, you will move to the next state. So is there any thought on what could be, say, the requirement of capital, how many ballpark stores we are thinking of launching in each state? Just want to understand that along with this in terms of the capital requirement for the next few years. this is where the question is going to be?

Ramesh Kalyanaraman: Yes, I understand. for that, what we are trying to do is that we will be opening only in 1 state for the next 12 months. And we will open only 5 showrooms. That is the target for the next 12 months. Initial, we might need about INR300 crores of working capital. But post that expansion for that format is again FOCO. So we don't need additional capital there.

Nihal Mahesh Jham: Understood. So it will be the initial model and then you move to the FOCO model like in Kalyan?

Ramesh Kalyanaraman: Exactly.

Nihal Mahesh Jham: Got it. Sure. Sir, last question, I'll come back on the queue that we've obviously managed to deliver a strong SSG this quarter despite gold prices being elevated at least for the most part of June. Now for the month of July also, we've seen that gold has not seen any sort of cool off. So if you could just comment on how the demand trends there have been?

And is there a case being built that in case there is a reduction in gold prices, you feel there's a lot of pent-up demand where you can see a strong comeback in growth in the ensuing quarters in case gold corrects?

Ramesh Kalyanaraman: Yes. So again, last, even when the gold prices were high, our SSGs were, what, 18% in the last quarter. there is no piled up demand wherein because we were at 18% SSG in the last quarter That's what we have to understand. The revenue moves from week-to-week or month-to-month depending upon the volatility in gold prices.

So when the gold price is too high and when it is very volatile, people take a pause and see where it gets settled down and then come back to shop, right? And marriages cannot be postponed because the price were high. So there is no pent-up demand which can come because the gold price comes down, okay?

And if you talk about July, July started up good, okay, first 2, 3 weeks are good. And last week, August, 1st week and July last week, it is not actually comparable to last year because there was a higher base in the last financial year, because of the customs duty reduction. So footfalls are still strong, like July, first week, second week.

But the only thing is July last week and August 1st week when compared to last year, the base is very high in the last year. But we think that quarter should be okay because this year, we should get around what, 9, 10 days of festive demand, Navaratri, because Navaratri starts in this quarter itself this year.

Moderator: The next question is from the line of Harsh Shah from Bandhan AMC.

Harsh Shah: Yes. Sorry, I just joined a bit late in the call. With this -- sir, I wanted to understand this pilot -- this new pilot a bit more. Are we essentially saying that we are also going into backward integration? will we also, replace the likes of emerald also or how does it work basically in terms of this localized jewellery from that point of view?

Ramesh Kalyanaraman: No. backward integration. if I want to make it very clear, it is a 3 step process , Step number 1 is to do this leaner credit period kind of planning for our vendors. That is the step number 1. Step number 2, what we will ideally do is actually make a hub for all our contract manufacturers. It's like a jewellery park, which already we have procured land in our hometown Thrissur, Kerala from the Kerala Government.

Kerala Government has allocated land for us, where we will actually bring in all our South contract manufacturers. There it will not be a margin driver, but more of efficiency driver. And again, younger generation to come in, etcetera, because facilities will be there. There will be more infrastructure facilities where youngsters will also be motivated to come and join their, what you call, family business, etcetera.

Third step is what you are telling is manufacturing. That will be the third step, which will -- meaning it's not going to be in the near future. So our near future will be lean credit period, cost efficiency, margin increase.

Harsh Shah: So in the second step, sir, which you mentioned as in the land which you purchased and the jewellery park, which you are intending to set up there. So basically you are saying that whatever contract manufacturer guys you work with, you would want them to kind of have probably work in there…

Ramesh Kalyanaraman: yes, we will facilitate them to come and work at our infrastructure since the facilities are good, They can also grow more along with us. It will be an inspiration for the younger generation also to join them. And it is actually an initiative for them to grow their business again along with us because they don't have to invest on infrastructure, they don't have to invest on IT, they don't have to invest on anything else, We will identify such vendors who want to grow with us, and then we will park them in our hub.

Harsh Shah: Okay. this hub, sir, will cater the requirements of one state or the South market initially?

Ramesh Kalyanaraman: we are now planning for predominantly Kerala, but South market.

Harsh Shah: South. So basically, let's say, in 12 months' time, I mean, indicative 24 months' time, you would probably have the entire South market covered by this hub?

Ramesh Kalyanaraman: Not the entire, but yes, yes.

Harsh Shah: Majority, okay.

Ramesh Kalyanaraman: But South is what we target for, because South itself comes with the different products, like South, maybe the precious stone vendors might not come to Kerala. So it is not fully South, but predominantly South.

Harsh Shah: Okay. But when you are facilitating them in the infrastructure, etcetera, would you not kind of even cut down on the margins which you give to them, let's say, if you are at 6%, 8% margins, let's say, if you give to them, would you not kind of now come down to 4%, 5% there?

Ramesh Kalyanaraman: Yes, there will be an opex also there, no. So that will not be a major margin driver. Margin driver will be the number 1 and number 3, one being the first step which we will take. The primary focus is there, the leaner credit period. Then it will be the step 3 wherein we go to manufacturing. Step 2, more than margin efficiency, it will bring more efficiency on the turnaround of the inventory, etcetera. That will be the focus there.

Harsh Shah: Okay. But when would you go to step 3, sir, in terms of manufacturing? Because at one side, you are calling your partners and asking them to work with you and then your next step is basically to take their own business, right?

Ramesh Kalyanaraman: No. So step 2 is for contract manufacturers who are very small today, wherein they will have only 5 workers, 10 workers, etcetera. Those products, they are making for us in our premise, We already are dealing with them as contract manufacturers only. The step 3 is for manufacturing products, which we are now procuring from wholesalers or manufacturers.

Harsh Shah: Okay. Step 3 is basically where the likes of emerald , etcetera, where you kind of work with is you kind of take it in-house?

Ramesh Kalyanaraman: I didn't get you there. Can you repeat the question?

Harsh Shah: step 3 is basically where you work with big vendors like emerald, etcetera, is what you want to take in-house?

Ramesh Kalyanaraman: Yes, yes, I don't want to name anybody. But yes, the step 3 is where we will actually do something where we procure products from manufacturers/wholesalers. And our primary -- again, I repeat, the near future target is not that. Near future target is leaner credit period.

Harsh Shah: Okay. I mean, sorry, I just joined a bit late. Could you explain this leaner credit period in detail again? It would -- can you kind of help me with that here?

Ramesh Kalyanaraman: Yes. So at Kalyan, we have 2 formats today, Kalyan Jewellers and Candere. So we want to enter into the third format wherein it will house regional brands. The brands will be specifically created for that particular region. That is the third format which we want to create. And in that basket of brands, the first regional brand, we want to launch before this calendar year.

in between that, the procurement pattern also need a leaner credit period in those regional brands for which we wanted to try a pilot in Kalyan Jewellers initially before bringing it to our new regional brands. So we started that pilot project by, say, Feb, March in the last financial year for Kalyan. Of course, this quarter, we got fully at Kalyan. And the takeaway is that the capital allocated for this pilot project, the ROCEs were actually higher than our corporate ROCE.

Harsh Shah: And how this plan compared to your India ROCE, sir? I mean, corporate would include both India and…

Ramesh Kalyanaraman: Yes, India corporate only. Yes, India corporate.

Harsh Shah: India corporate only. Okay, okay, got it.

Ramesh Kalyanaraman: Yes.

Harsh Shah: Sir, you're saying, and the plan is now?

Ramesh Kalyanaraman: Yes, the plan is now to execute it full year at Kalyan. That's it. For which we will give a detailed -- it's a big plan, right? So we will come back with a solid plan as to how to implement at Kalyan.

Moderator: The next question is from the line of Ashish Kanodia from Citigroup.

Ashish Kanodia: Yes. Ramesh, the first question is on this lean credit period, right? How does it change the sourcing in terms of gold metal loan? Will you kind of implement it across Kalyan Jewellers, will the gold metal loan contribution go down meaningfully from here?

Ramesh Kalyanaraman: No, no, no. So nothing what you call relate to gold metal loan at all. So you will -- you would have noticed that our payables are usually in the range of 30, 35 days, okay, payable days, which we will have to bring it down by at least by one third. That's what we did as a pilot. And we saw a very good margin increase. Cost efficiency was very high that we want to adapt at full in Kalyan Jewellers. This does not relate to gold metal loan. Gold metal loan, in fact, we have already taken it to the September levels.

Ashish Kanodia: Got it. And secondly, on the regional brand strategy, now within Kalyan, you already have been doing the hyperlocal strategy and we can see in that how you have expanded in the non-South region. So when you look at the launch of this regional brand, one, what is the rationale because you already have something which is doing a hyperlocal strategy?

Second thing is, how should we also think about like the brand pool? Because currently, when you do marketing, branding, it's under one umbrella, one brand. So how do you create the brand pool, specifically when you are competing against a regional brand in most of this micro market, this regional brand have a very strong brand pool?

And third question on -- related to the regional brand strategy, how should we think about the margins here? Because a lot of this regional brand basically cater to the staple product, which anyway is much lower gross margin product. So, yes, this three on the regional brand strategy?

Ramesh Kalyanaraman: Yes. So three things. One is, yes, we are a hyperlocal brand, where Kalyan, you know that 30% inventory, we keep hyperlocal products That is actually a way to drive what we call business to Kalyan, right? So we actually target customers who are today with regional brand, but they are a bit aspirational. So it is an enabler. The 30% hyperlocal inventory is an enabler to target aspirational regional customers.

So now coming to the 100% regional brand, it will be only having those regional products.It will talk to regional customers who are not aspirational. They are very happy with the regional player today. They don't have any immediate aspirations to move up the ladder.

And you know that even today, we have 60% revenue from the unorganized segment who are ramping up to organized players. And the first step will be to go to a regional player and then to people like Kalyan. So we wanted to be there.That is about the strategy. And we see a huge vacuum there. So that is about the brand strategy.

Now if you look at the margin, yes, you are right, the gross margins are lower. It will be almost what Kalyan was in, say, 2010, wherein we were actually a regional brand at that point in time. But the stock turns are higher. The ROCE for that business, I think will be in the range of about 18%, 20%. That's how the model created.

Ashish Kanodia: Got it. And just last bit is on the EBITDA margin this quarter, right? I mean, given the FOCO model, normally, we should have seen a EBITDA margin contraction. But while gross margin has contracted, there is a decent bit of a EBITDA margin expansion, which we have seen this quarter.

Now when you talk about the operating leverage part, if growth continues to remain broadly similar to what we have seen in this quarter, plus/minus here and there, is it fair to say that we should continue to see operating leverage given that the base is already becoming strong?

And even if I look at the share of franchisee revenue, it's almost very similar to what it was last quarter. So from a EBITDA perspective I understand gross margin may still remain kind of continue to go down. But on a EBITDA margin level, how should we think about on a full year basis?

Ramesh Kalyanaraman: Yes. So operating leverage will surely continue. And the margins have come down again, like you said, Y-o-Y. That is largely because of the higher share of franchisee revenue. But yes, the impact has been partially negated this quarter by margin gains from the pilot procurement project that I mentioned now, then the higher gross margins in platinum, silver, that's also there over and above the operating leverage when it comes to EBITDA level.

So it should continue. Pilot will continue. Operating leverage will continue, but the revenue or the gross margin increase from platinum, silver, we are not sure. It depends upon where the price is.

Moderator: The next question is from the line of Subhanu from 3Head Capital.

Subhanu: My first question is, what is your demand expectation from upcoming festival? Can we expect a better performance than last year?

Ramesh Kalyanaraman: So demand expectation, 1st two – three weeks of July was good and now it's not comparable over the last 2 weeks because the base was very high. But we also have the festive days of 8, 9. Last year, there was no festive days because October 2nd only Shradh got ended. So I think partially the customs duty impact should be negated by that. So we are very upbeat and fully prepared.

Subhanu: second question is, are you seeing any type of footfall slowdown in Tier 3 and 4 cities?

Ramesh Kalyanaraman: No, nothing at all.

Moderator: The next question is from the line of Dhiraj Mistry from ICICI Securities.

Dhiraj Mistry: Yes. Congrats on very good set of numbers. one thing I wanted to know this is that when I compare Titan margin versus our margin and when we see the studded ratio, despite having higher studded ratio, our EBITDA margin is quite low compared to the Titan. Sir, what are the reasons for that?

Ramesh Kalyanaraman: if you look at Kalyan, split it into two, owned store revenue, approximately 35% revenue only comes from the non-South markets, 65% comes from South. South, all of us know that the margins are only in the range of , 13%. Non-South, the margins are in the range of 20% plus, which might not be the case for the competitor which you mentioned in terms of South, non-South mix, which I don't know. But what we think is that it might not be that ratio, right, because we were born from the South.

Now come to franchisee revenue. Franchisee comes with almost half the margin because we have only 8% margin in franchisee. So last 3 years, we have been entirely growing through the FOCO model. Now the FOCO model revenue share is around 43% as of June. So these are the major 2 reasons for you to have a lesser gross margin when compared to EBITDA margin when compared to the players whom you mentioned.

Dhiraj Mistry: Got it, sir. And sir, last time when you highlighted there was like a peak GML interest rate was there. And where are we right now? Is it back to the normal GML rate? Or again, with the margin improvement trajectory, is there any backward integration apart from what you mentioned in terms of sourcing benefit? Is there any other things what you are trying to achieve to improve your EBITDA margin going ahead? That would be my last question.

Ramesh Kalyanaraman: Yes. So GML levels are back to September levels. And interest rates have come down to 4%. So that's also almost back. Now what did you ask about backward integration, I just explained. So backward integration, I would actually do it in three steps. If you mean that backward integration is manufacturing. So manufacturing will not be there in the near term.

Our primary focus for the near term will be to do a leaner credit for vendors, which will have a huge cost benefit. Already, the pilot is done and successfully over. Two will be the jewellery park, which I mentioned, that will not be a margin driver, but that will be an efficiency driver. Third will be the manufacturing, but that's not there in the near term.

Moderator: We take the next question from the line of Pallavi Deshpande from Sameeksha.

Pallavi Deshpande: Yes, sir. So just wanted to understand on this jewellery park and related to that, what percentage of our sourcing right now would be from non-corporate vendors? And yes, that would be my first question.

Ramesh Kalyanaraman: Yes. So for now, we deal with contract manufacturers. And predominantly about studded, for example, diamond, uncut, precious, Polki, those are all coming from what we call organized manufacturers. Even within gold, we have certain products which come from only organized manufacturers. Now our focus is on bringing the South-based small vendors who are ready to work exclusively with us and grow along with us, we want to move them to the park, the manufacturing park, which we are trying to create in Thrissur, our hometown.

Pallavi Deshpande: Right. So they would work on even the studded and the non-studded, is that right?

Ramesh Kalyanaraman: Predominantly plain gold, but yes, some of the studded.

Pallavi Deshpande: Right. And sir, my second question would be on the advertising marketing spend. What was it for this quarter versus similar last year same quarter?

Ramesh Kalyanaraman: There have been some leverage there because of the revenue growth.

Pallavi Deshpande: Right, sir. And sir, lastly, in terms of this vendor strategy for the South, that would not impact any of your current organized contract manufacturers or we could see an impact on them?

Ramesh Kalyanaraman: So even within the contract manufacturer, the pilot, what we did was we, on a particular SKU, we reduced the number of contract manufacturers and gave them more work, okay, and asked them for a better pricing. So that was what we did for our regionalized contract manufacturers. So the pilot project is a mix of all those.

Moderator: Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal Mutual Fund. Please go ahead

Aliasgar Shakir: Thanks a lot for the opportunity. Yes. I just wanted to follow up on this question, sorry, this point you made regarding the vendor credit lines. Can you just elaborate and what exactly we are doing there? And what kind of margin improvement that can bring?

Ramesh Kalyanaraman: So as I told you, wherein we did the pilot, okay, we could use the available resources which we have to implement that. The pilot project, the amount invested, if you look at the return on capital of this pilot project, it was more than our corporate ROCE in India, . So more than that, I think it is too early for me to share.

Aliasgar Shakir: Got it. But basically, what you're saying is that this pilot will now be expanded to a larger vendor base basically.

Ramesh Kalyanaraman: Yes, now it is ready to surely start in the regional brand from day 1 because the pilot is done, and we know exactly the working, how it works, et cetera. To do it across Kalyan Jewellers, it needs a lot of planning because it needs INR1,500 crores, INR2,000 crores. So we have to make the funds ready partial or full or how, etcetera.

Whether it is debt, whether it is funding, whether it is equity, whether it is partial, whether it is full, there's no clarity as we speak now. That we will decide over the maybe next quarter or next couple of quarters, and we will come back with a clear plan as to what we intend to do. But the only takeaway is that the additional capital which we invested for this pilot fetched good ROCE.

Aliasgar Shakir: Understood. So basically, you are reducing the credit lines that the vendors are providing, which is kind of margin as well as ROCE accretive. Basically, that's the point you're saying,

Ramesh Kalyanaraman: Yes. Yes. So ROCE accretive for sure. If ROCE is accretive, then margin is going to surely go up meaning that's going to come to the bottom line.

Aliasgar Shakir: Understood. Got it. And can you just tell me right now what is the credit we take from vendors?

Ramesh Kalyanaraman: Maybe it depends upon, it's not a very vanilla easy question wherein gold comes with separate terms within gold, certain products in gold comes with separate terms, precious stones with separate terms, diamond again comes with separate terms. But average, the period of credit is around, 30 to 33 days.

Aliasgar Shakir: 30 to 33 days. Got it. Got it. Understood. And I mean, from 30, 33 days, whatever we are taking credit lines, generally what is the markup increase that happens because of that? Any broad idea?

Ramesh Kalyanaraman: Again, it depends upon product to product. So studded comes with a higher markup, gold comes with a lesser markup. So tough to explain on a call. But the only limited point I want to again reassure is that if capital is invested in that region, what we did in the pilot, the returns, the ROCEs are higher than our company ROCE India.

Aliasgar Shakir: Understood. Thank you so much for the elaborate insight.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please proceed.

Darshil Jhaveri: Firstly, congratulations on a great set of results, sir. A lot of my questions have been already answered. So just wanted to know like we had a fantastic Q1. So will we be able to continue this momentum in terms of growth of over 30% and a PBT of around 5% in the coming quarters as well? And like what's our overall guidance for PBT this year, sir?

Ramesh Kalyanaraman: Yes, so South demand looks robust. I told you the last couple of weeks cannot be compared because it had a larger base, meaning heavier base in the last financial year. We don't see anything which can change when compared to Q1. We are actually very positive on this quarter as well. And PBT should be upper side of 5%, For India.

Darshil Jhaveri: Yes, India only. And Just wanted to know in terms of Middle East, how is the market moving out there, sir? And like is there like a possibility of exporting more from the Middle East? Or how does it work out there, sir?

Ramesh Kalyanaraman: So if you look at the demand side, very strong. You look at Q1, the growth was around 27%, predominantly SSG and the July is also very strong. And we had actually achieved this 27% predominantly because of we renovating certain stores, relocating certain stores around 7, 8 showrooms in the last 6, 12 months. And even in July, the demand is very strong. Now coming to export, no, we don't export. As we speak, we don't have exports at all. We don't even export to our own stores, as we speak, even from India or from Middle East.

Darshil Jhaveri: Okay. Fair enough, sir. And sir, just wanted to know like our third format launch. So any kind of like what kind of investment are we going to be making in that, sir, in this current year? And like how would that scale up, sir?

Ramesh Kalyanaraman: No, the initial investment for that regional brand will be in the range of INR300 crores. We will open around five showrooms in the next 12 months for that regional brand. But post that, it will be a FOCO model completely -- because we now sit with a lot of franchisees who wants to come on board with Kalyan.

And that model should really work because stock turns are higher, even though the margins are lesser. The ROCEs are good 18%, 20% in our model. So I think the franchisee expansion will be the way forward for that regional brand. But we wanted to do our own store, at least four or five with that regional brand before we give it to franchisees.

We already have indicated to some of our existing franchise and we are getting positive feedback, but we don't want to test out with them because it's a new brand. So we will launch the first five and then maybe even convert so that with that money, we can open the next regional brand.

Darshil Jhaveri: Okay. So for five stores, INR300 crores capex will be on par or is it a bit higher side like just wanted to get an idea like what does the INR300 crores capex also include?

Ramesh Kalyanaraman: Predominantly, it is inventory only. So that jewellery showroom, the initial one, first of all will be flagship for the brand, we cannot go for a small format and investments are predominantly in inventory.

Darshil Jhaveri: Okay. Fair enough, sir. And in terms of payback like whatever kind of something that we are modelling like the first -- I'm assuming the first year would be similar to Candere and will take time to grow its profitability, but what are our expectations from this brand, sir?

Ramesh Kalyanaraman: So here, it is unlike Candere because Candere you should understand that we were meaning it was what we call evolving segment. It was not an evolved segment where Candere was entering. This segment we are entering, which has already evolved over years. And again, Kalyan as a brand was also same 15 years before. We actually came out from that positioning to a pan-India to more studded, higher margin, etcetera.

So this is not going to take time like Candere because Candere was an online platform where we had to pump in a lot of money on technology, manpower, etcetera, which was not our usual cup of cake. But here the first year itself, it will be PAT positive.

Darshil Jhaveri: Okay. That's really helpful to know, sir. That’s it from my side. Thank you so much. All the best.

Moderator: Thank you. We take the next question from the line of Naveen Trivedi from Motilal Oswal.

Naveen Trivedi: Just one question from my side. How should we look at the India business ad spend considering first quarter, we have seen more flattish kind of spend, how should we look at for the full year?

Ramesh Kalyanaraman: The ad you are asking?

Naveen Trivedi: Yes.

Ramesh Kalyanaraman: India?

Naveen Trivedi: Correct, sir.

Ramesh Kalyanaraman: Yes, it should be in the range of Q1, yes, 1.5% meaning 1.5% range.

Naveen Trivedi: Okay. So last year, we spent close to 1.8%. So you're saying this year, we should take it more than 1.4%?

Ramesh Kalyanaraman: Yes. Operating leverage will also step in for ad also. So it will be in the range of about 1.5%.

Naveen Trivedi: Okay. Does it mean that as an absolute number, which last year we spent close to INR400 crores, it looks to us that given the size of the business, absolute number is already -- has reached to a level where we can keep capitalizing on the business growth?

Ramesh Kalyanaraman: I think, absolute number, there can be a bit of a growth, but it will not grow with the revenue.

Naveen Trivedi: Sure, sir. Thank you so much. That's it from my side.

Ramesh Kalyanaraman: So the inflation is there. We will have to add some amount because inflation is there in all the sectors.

Naveen Trivedi: Perfect, sir. That's all from my side.

Moderator: Thank you. We take the next question from the line of Aditya Sharma from Shikhara Investments. Please proceed.

Aditya Sharma: Hi, sir. Thanks for the opportunity. Two questions from my end. One how is the pickup in the non-South geography? The question is stemming from the SSG. So the non-South geography is doing 16%, while SSG for South is 20%. So I'm kind of surprised how matured region is doing better SSG than non-matured stores as the large part of the store expansion was happening in non-South. So could you just highlight on that?

Ramesh Kalyanaraman: Yes. So again, if you look at the last three, four quarters, it has been like that some quarters, South will grow more than non-South. Certain quarters, non-South will grow more than South. And even in matured stores, SSGs are strong because you know that the shift from unorganized to organized is increasing every year.

And once a customer comes into Kalyan, then it's like a lifetime. So they keep on coming to Kalyan. And the brand is also getting popular day by day because we are expanding. So these are all the reasons.

Aditya Sharma: Okay. Second question would be, can you throw some light on Candere, how the brand acceptance is taking place, how the unit economics for the stores shaping up? What are the plans for the brand, if you can throw some light on it?

Ramesh Kalyanaraman: Candere we had increased our footprint and then we started our campaign. Campaign acceptance is good. We see huge traction at the store level. The revenue uptick for June, July has been in the range of 75% plus at the store level. Of course, the base was low because Candere was a low revenue arm for us, but we see high positivity at the store level.

Aditya Sharma: Got it.

Ramesh Kalyanaraman: And Candere will end PAT positive neutral by the end of the financial year.

Aditya Sharma: Got it. Thank you.

Moderator: Thank you. We take the next question from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please proceed.

Bhavya Gandhi: Yes. Congratulations on a very good set of numbers. Sir, first question is regarding the leaner payable days. So what would be the payable days because you mentioned it's currently around 30 to 33 days. So with the leaner structure, what would be the number like?

Ramesh Kalyanaraman: One-third of it, maybe 10 days, 12 days. That's what what we did for a pilot project.

Bhavya Gandhi: Right. Sir, for incremental 10 days with the size that we operate, do we really require incremental 20 days also?

Ramesh Kalyanaraman: Yes, 23 days.

Bhavya Gandhi: Is it not possible to -- sorry to use this word, but squeeze our vendors, because with the size that we operate, we can even do that, right? I mean we can extend the payable days.

Ramesh Kalyanaraman: So that we believe or even without we doing all that, every vendor wants to work with us, right?

Bhavya Gandhi: Right.

Ramesh Kalyanaraman: Everyone has a capital, what you call the cost of capital is there for everybody, right? So everyone has to make money and we are here for the long run. So more than all that, we have to go and talk about the reality. We did the pilot. The credit period we brought it down to one-third. We got a huge cost efficiency there, and it's a win-win solution and why go to that direction.

Bhavya Gandhi: Okay. Okay. And sir, this pilot project and the regional brand strategy, are these two different strategies or they are a part of one strategy? Slightly got confused on that front. If you can throw some light?

Ramesh Kalyanaraman: it is actually two strategies. But…

Bhavya Gandhi: Okay.

Ramesh Kalyanaraman: For the regional brand, we have to have this linear, because regional brands usually go with more price-oriented, what you call customer base, wherein we will have to get the inventory at the maximum cost efficiency possible. So we wanted to do that for the regional brand from day one, for which we wanted to do a pilot, because we want to start it at the new brand.

When we did the pilot, we could again reassure that the cost efficiency is very high that we have to adapt it in Kalyan, and we see higher returns because if we do it in Kalyan fully. So then we thought we should work it better in Kalyan.

Bhavya Gandhi: Fair enough. And what would be the in-house versus third-party procurement at this point in time or everything is third-party procurement?

Ramesh Kalyanaraman: Yes. Mostly, because we work with contract manufacturers, you know. We don't have own manufacturing at all in India.

Bhavya Gandhi: At all in India, right. And what would be the total debt figure that one should work out with for '26, '27 and '28?

Ramesh Kalyanaraman: So now because I will give you clarity, because now I told you we are taking a pause on the debt, okay.

Bhavya Gandhi: Okay.

Ramesh Kalyanaraman: And we are waiting for the collateral to come out. So if the collateral comes out, say, in next month, we might again start the next set of prepayments, okay? So give us some more time because there are multiple projects going on. We might need some capital for our new project, wherein we are trying to get exposure in the new project itself, okay?

Worst-case scenario, if the new project, we are not able to get exposure, we might have used the buffer, which is there in Kalyan to open the regional brand there. So when we meet again, I will have a better answer is what I believe.

Bhavya Gandhi: Fair enough, sir. And one last question, if I can squeeze in. Sir, a very broad level question. Sir, organized has already reached 40% of the market share. even in the mature markets, I mean, penetrating beyond 50%, 60% is difficult for even for organized players. There will always be a certain component of unorganized. So on a maybe five-year view, I mean, do you still believe that there is a shift that will continue or largely the shift has already been taken place?

Ramesh Kalyanaraman: We believe that it will be 100% organized segment in the next five years.

Bhavya Gandhi: Okay. Okay. Fair enough.

Ramesh Kalyanaraman: And it does not mean that today's all unorganized people will close their stores and everyone will come to -- customers will come to people like Kalyan. When I say 100% is because we still believe that the unorganized segment will convert to organized themselves, because there are shopkeepers who were very unorganized maybe five years, seven years before. Now they are a semi-organized business today. And people in India, they will do business, you know. They cannot go out of their business. But even if it becomes… Fully organized that way, unfair practices will not be there. Unfair advantages will not be there, which is good for brands like Kalyan.

Bhavya Gandhi: Fair enough. Got it. Thank you so much. Really appreciate. Yes. That's it from my end. Thank you.

Moderator: Thank you. We take the next question from the line of Pallavi Deshpande from Sameeksha. Please proceed.

Pallavi Deshpande: Yes. You just mentioned about the platinum and silver. So I wanted to know what would be the share of non-22-carat gold in the revenue mix and what was it last year?

Ramesh Kalyanaraman: So non-22-carat is a bit of a -- meaning because the diamond completely almost comes non-22-carat.

Pallavi Deshpande: Right.

Ramesh Kalyanaraman: But, yes, so uncut, precious, etcetera, comes with 22-carat now. Some states in India, especially Bihar, UP, etcetera, the 18-carat revenue is almost maybe 40% of the total gold revenue. But we as a brand are also trying to push 18-carat in other states, because it will be easier for us to play in the ticket size, etcetera, because of the high gold price inflation over the last one year or two years. So very tough to tell you exactly about 18-carat revenue share.

Pallavi Deshpande: Right. Sir, my second question would be just on the previous one when you mentioned about organized share, right, going to 100%. So if I want to look at organized as players who have a chain in more than one state, if I do that kind of a classification, then what would be the share of organized in the next five years?

Ramesh Kalyanaraman: Yes. So that calculation is a bit weird, you know. You can -- even as a single shopkeeper can be an organized player, you know. That should be the reality, right? You cannot expect everybody to have multiple showrooms and bucket that as organized. Organized means…

Pallavi Deshpande: No. So I'm bucketing it is because the organized guys get an advantage of shifting inventory from one place to one state if it doesn't work here to that state. And that's an advantage, right? So that's not an advantage a single shopkeeper has.

Ramesh Kalyanaraman: It's not an advantage. It's not, meaning you cannot simply shift product from showroom-to-showroom, because then that means that there is some issue with the planning, because that is not going to be the major driving factor for a jewellery showroom success. So even now as we speak, we have seen single jewellery showrooms. I don't want to name the brand who compete us more than other regional players in particular towns, because if they do things right in their particular town, it is very tough to compete them.

Pallavi Deshpande: Right. Right. And sir, what would be the share of old gold in exchange in your total revenue?

Ramesh Kalyanaraman: So we will -- yes, so you should look at B2C, it's 25.

Pallavi Deshpande: Right, sir. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we take that as the last question. And I would now like to hand the conference over to Mr. Ramesh Kalyanaraman, sir, for closing comments. Thanks. Over to you, sir.

Ramesh Kalyanaraman: Thank you very much and hope to see you soon again. Thank you very much.

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