

BUY
 TP: Rs 635 | ▲ 47%

**BLUESTONE
 JEWELLERY &
 LIFESTYLE**

| Retail

| 26 February 2026

Management Meet: Business Update & Key Insights

- Targeting scale-up to ~700 stores (~20% CAGR), backed by strong unit economics (~40% store-level ROCE)
- Gold-led (~60–70%) price spike caused temporary assortment disruption; SSSG moderated to low-20% before recovering to ~30–35%
- Jewellery market is structurally well-positioned, expect stock re-rating basis earnings turnaround & working capital efficiency in coming qtrs.

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Omnichannel Model Built to Solve Structural Conversion Gaps: BLUESTON highlighted that jewellery is inherently an omnichannel category, as online conversion rates in the early years were structurally low at ~0.1–0.2% despite strong engagement. Unlike other e-commerce categories that see 2–8% conversion, jewellery purchases require trust, physical validation, resizing, servicing, and exchange assurance. This led to the company’s strategic pivot from pure-play online (launched in 2012) to offline expansion beginning FY18. Management emphasized that omnichannel is not optional but intrinsic to jewellery buying behaviour in India.

Clear Store-Level Economics with 700-Store Scalability Vision: Management indicated long-term potential to scale toward ~700 stores over the next few years, targeting ~20% annual distribution growth. Mature stores are expected to deliver Rs 120–140 mn revenue, ~30% contribution margins, ~Rs 26 mn store-level EBITDA (post ~Rs 10mn opex), and ~Rs 24mn EBIT. With ~Rs 60 mn capital employed per store, this implies ~40% store-level ROCE. At the company level, capital employed historically stood at ~Rs 15 bn, with net worth ~Rs 18 bn and net debt ~Rs 2 bn. Management signaled sufficient balance sheet headroom, maintaining a maximum 1:1 debt-to-equity comfort level, while internal cash generation (Rs 1,300 mn) supports expansion of 70–80 stores annually.

Repeat Metrics and Customer Acquisition Remain Healthy: Repeat revenue at 58% in Q3, while savings/investment schemes ~20% of revenue and gradually trending upward. Management emphasized cohort-based tracking internally rather than focusing solely on blended repeat percentage, as repeat ratio is influenced by both customer retention and pace of new customer acquisition. Moreover, Entry-level pricing remains critical for acquiring first-time buyers and enabling long-term customer compounding.

Outlook: The 20–25% correction has largely priced in near-term execution and profitability risks. We believe a sustained earnings turnaround, improving return ratios (RoE/RoCE), and tighter working capital discipline could drive a valuation re-rating. We have a BUY rating at 25x EV/EBITDA on Dec 27 (30% discount to titan).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BLUESTON IN/Rs 432
Market cap	US\$ 719.7mn
Free float	84%
3M ADV	US\$ 1.9mn
52wk high/low	Rs 793/Rs 400
Promoter/FPI/DII	16%/35%/32%

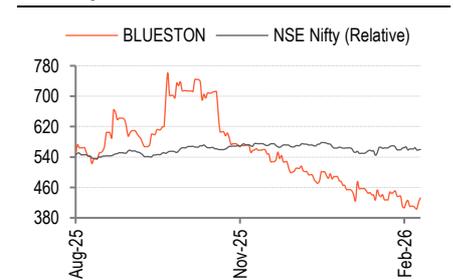
Source: NSE | Price as of 26 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	17,700	24,391	31,905
EBITDA (Rs mn)	751	3,489	4,494
Adj. net profit (Rs mn)	(2,197)	(459)	(33)
Adj. EPS (Rs)	(7.4)	(3.0)	(0.2)
Adj. ROAE (%)	(35.6)	(3.6)	(0.2)
Adj. P/E (x)	(58.4)	(142.7)	(1,974.3)
EV/EBITDA (x)	98.1	20.6	16.0
Adj. EPS growth (%)	45.3	(59.1)	(92.8)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Management KTAs

Strategy & Positioning: Jewellery is structurally an omnichannel category, as the early pure-play online model (2012 launch) faced very low conversion (~0.1–0.2% vs 2–8% in other e-commerce categories), prompting offline expansion from 2018 as a necessity rather than a choice. The brand is positioned as a modern, design-led player targeting 25–35 year-old consumers, with a focus on entry-level assortment to acquire customers early and compound wallet share over their lifecycle.

Store Expansion & Network: Management outlined a long-term potential to scale to ~700 stores, targeting ~20% annual network growth with 70–80 store additions per year, supported by internal accruals and balance sheet capacity. The shift from FOCO to company-owned stores from FY23 onward reflects stronger capital structure, while cluster expansion strategy has not shown material cannibalization.

Financial Position & Capital Allocation: At the company level, capital employed stands at ~Rs15 bn with net worth of ~Rs 18 bn and net debt of ~Rs 2 bn, maintaining a conservative 1:1 D/E comfort level. Internal cash generation of ~Rs 1.3 bn alongside prior equity raise provides funding visibility for store rollout while preserving balance sheet prudence.

Growth Trends & SSSG: A sharp ~60–70% increase in gold prices caused temporary merchandise dislocation, particularly in the Rs15k–Rs 50k segment, moderating SSSG to low-20% levels from ~30%+. Management indicated the issue was supply-side (price-band mismatch) rather than demand weakness, with growth trends re-accelerating to ~30–35% as assortment normalized.

Product & Merchandising: The company is recalibrating disrupted price bands through gold-weight optimization and design engineering without compromising margins, while maintaining a design-led differentiation strategy. Incremental traction is visible in men's jewellery and couple-driven purchases, supporting category expansion.

Customer Metrics: Repeat revenue contribution stands at ~58%, with savings/investment schemes accounting for ~20% of revenue and enhancing stickiness and predictability. Management tracks cohort-level behavior rather than headline repeats ratios, balancing retention with strong new customer acquisition.

Gold Hedging & Risk Management: The hedge ratio has been reduced from 100% historically to ~50% amid elevated gold volatility, with focus on protecting liquidity and capital structure rather than optimizing short-term gains. FIFO-driven inventory gains/losses are largely accounting-driven given daily replenishment cycles.

Competitive Landscape: Bluestone positions itself as a premium, design-led brand competing selectively with organized players such as CaratLane, emphasizing assortment depth and innovation over discount-led competition while targeting urban young consumers.

Lab-Grown Diamonds Commentary: Management sees limited structural disruption from lab-grown diamonds in India, as engagement rings represent only ~2–3% of the market and consumption remains largely design-led rather than solitaire-led. Moreover,

<10% price differential in small embedded stones further limits substitution risk in core categories.

Gold Price Volatility Led to Temporary Merchandise Dislocation, Growth Reaccelerating: Sharp gold price inflation (~60–70% move as referenced by management) caused price-band dislocation, particularly in the Rs15–50k entry segment, which temporarily impacted SSSG. While SSSG moderated to low-20% levels versus prior ~30%+ trajectory, management stated that growth has normalized, with current quarter trends in the 30–35% range and improving further. Importantly, management clarified that consumer price-point demand remains intact; the issue was supply-side merchandise adjustment rather than demand destruction. The company is repopulating disrupted price bands via lower gold-weight engineering, alternative material combinations, and design optimization rather than sacrificing margins.

Hedging Strategy Calibrated to Protect Balance Sheet: Historically fully hedged (100%), the company shifted to a ~50% hedge ratio amid elevated gold volatility in FY25. Management prioritized protection against liquidity risk, dislocation of capital structure, and P&L volatility. Inventory gains/losses are largely accounting-driven (FIFO effect) given the daily buy-sell replenishment cycle, with limited economic impact. The focus remains on maintaining capital structure stability rather than maximizing short-term inventory gains.

Limited Structural Risk from Lab-Grown Diamonds in India: Management views lab-grown diamonds as disruptive primarily in the U.S. solitaire-heavy market shaped historically by players like De Beers. In India, engagement rings represent only ~2–3% of the overall jewellery market as per management commentary, and core consumption remains design-led rather than solitaire-led. For small diamonds embedded in traditional and modern formats, the retail price differential between natural and lab-grown is <10%. Management has not observed material demand shift in its core segments, indicating limited structural risk to margins or growth.

Following a ~20–25% correction from recent highs, a significant portion of near-term execution and profitability risks appears to be reflected in the current stock price

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	12,658	17,700	24,391	31,905	39,917
EBITDA	530	751	3,489	4,494	6,265
Depreciation	953	1,475	2,022	2,403	2,791
EBIT	(422)	(724)	1,467	2,091	3,474
Net interest inc./(exp.)	(1,377)	(2,075)	(2,320)	(2,490)	(2,805)
Other inc./(exp.)	377	600	453	431	431
Exceptional items	0	0	0	0	0
EBT	(1,422)	(2,199)	(401)	31	1,100
Income taxes	0	0	0	0	91
Extraordinary items	0	19	0	0	0
Min. int./Inc. from assoc.	0	2	(58)	(65)	(65)
Reported net profit	(1,422)	(2,217)	(459)	(33)	944
Adjustments	0	19	0	0	0
Adjusted net profit	(1,422)	(2,197)	(459)	(33)	944

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,167	1,647	2,270	2,969	3,715
Other current liabilities	5,216	6,156	6,156	6,156	6,156
Provisions	21	28	39	51	64
Debt funds	4,304	7,286	7,322	10,322	10,322
Other liabilities	4,660	7,231	7,736	7,736	7,736
Equity capital	28	30	15	15	15
Reserves & surplus	3,463	8,771	16,933	16,900	17,844
Shareholders' fund	3,491	8,840	16,982	16,949	17,893
Total liab. and equities	24,535	35,323	43,745	49,321	55,023
Cash and cash eq.	1,065	2,377	6,369	6,295	9,104
Accounts receivables	24	56	77	101	126
Inventories	9,912	16,525	19,691	25,117	27,946
Other current assets	2,373	2,339	3,223	3,223	3,223
Investments	204	186	0	0	0
Net fixed assets	1,238	2,660	3,020	3,219	3,259
CWIP	7	(6)	(6)	(6)	(6)
Intangible assets	451	738	738	738	738
Deferred tax assets, net	36	117	117	117	117
Other assets	5,108	3,639	3,639	3,639	3,639
Total assets	24,535	35,323	43,745	49,321	55,023

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	(7,747)	(871)	1,009	186	4,509
Capital expenditures	(2,516)	(5,641)	(2,381)	(2,603)	(2,830)
Change in investments	0	(86)	0	0	0
Other investing cash flows	0	(19)	(58)	(65)	(65)
Cash flow from investing	(2,516)	(5,746)	(2,439)	(2,667)	(2,895)
Equities issued/Others	187	18	(145)	0	0
Debt raised/repaid	4,232	2,423	(727)	4,897	4,000
Interest expenses	(1,377)	(2,075)	(2,320)	(2,490)	(2,805)
Dividends paid	0	0	0	0	0
Other financing cash flows	5,696	7,563	8,615	0	0
Cash flow from financing	8,738	7,928	5,422	2,407	1,195
Chg in cash & cash eq.	(1,525)	1,311	3,992	(74)	2,809
Closing cash & cash eq.	1,065	2,377	6,369	6,295	9,104

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	(5.1)	(7.5)	(3.0)	(0.2)	6.2
Adjusted EPS	(5.1)	(7.4)	(3.0)	(0.2)	6.2
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	13.4	30.6	112.9	112.7	118.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.5	4.2	2.9	2.3	1.9
EV/EBITDA	132.4	98.1	20.6	16.0	12.0
Adjusted P/E	(84.8)	(58.4)	(142.7)	(1,974.3)	69.3
P/BV	32.2	14.1	3.8	3.8	3.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	100.0	99.9	114.5	(105.2)	85.8
Interest burden (PBT/EBIT)	336.9	303.8	(27.3)	1.5	31.7
EBIT margin (EBIT/Revenue)	(3.3)	(4.1)	6.0	6.6	8.7
Asset turnover (Rev./Avg TA)	51.6	50.1	55.8	64.7	72.5
Leverage (Avg TA/Avg Equity)	7.0	4.0	2.6	2.9	3.1
Adjusted ROAE	(40.7)	(24.9)	(2.7)	(0.2)	5.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	64.2	39.8	37.8	30.8	25.1
EBITDA	(194.7)	41.6	364.5	28.8	39.4
Adjusted EPS	(71.9)	45.3	(59.1)	(92.8)	(2948.2)
Profitability & Return ratios (%)					
EBITDA margin	4.2	4.2	14.3	14.1	15.7
EBIT margin	(3.3)	(4.1)	6.0	6.6	8.7
Adjusted profit margin	(11.2)	(12.4)	(1.9)	(0.1)	2.4
Adjusted ROAE	(105.8)	(35.6)	(3.6)	(0.2)	5.4
ROCE	(0.6)	(0.8)	7.9	9.2	13.8
Working capital days (days)					
Receivables	1	1	1	1	1
Inventory	286	341	295	287	256
Payables	62	34	34	34	34
Ratios (x)					
Gross asset turnover	9.3	6.8	6.1	6.4	6.7
Current ratio	1.4	1.6	2.1	1.9	2.2
Net interest coverage ratio	(0.3)	(0.3)	0.6	0.8	1.2
Adjusted debt/equity	2.2	1.0	0.2	0.5	0.6

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

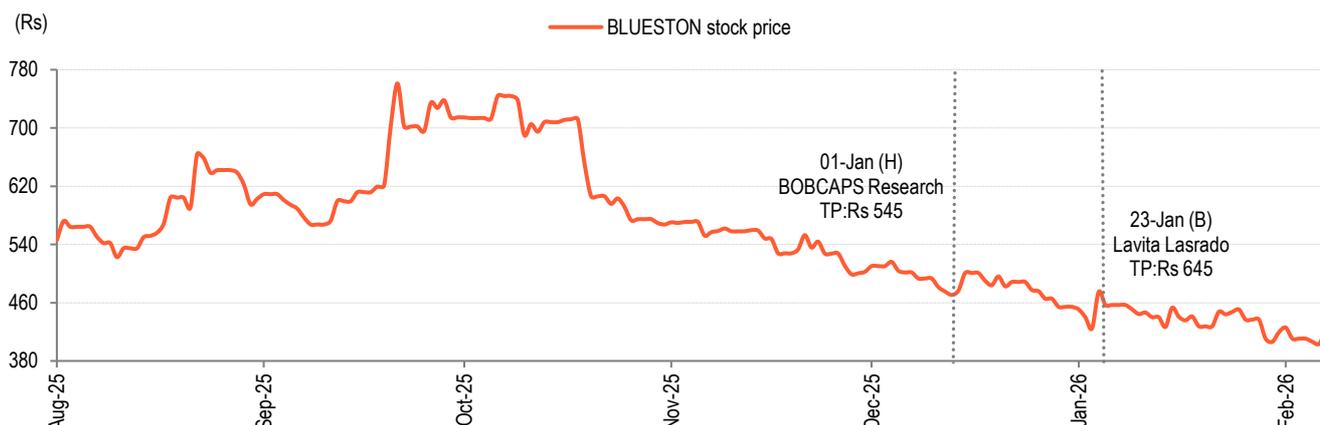
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): BLUESTONE JEWELLERY & LIFESTYLE (BLUESTON IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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