RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD

TP: Rs 500 | ∨ 2%

KALYAN JEWELLERS | Retail | 08 November 2025

Weak Q2 on margin miss; maintain HOLD on rich valuations

- **Missed EBITDA estimate by 6.4% for Q2FY26 on lower-than-expected margin, due to a sharp rise in franchise revenue share (+600bps QoQ)**
- **Observed strong demand for Jewellery in Oct'25; broadly maintained new store addition target for FY26**
- **Maintain HOLD as strong earnings growth prospects is well baked in the current valuation; TP remains unchanged at Rs 500 per share**

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Weak Q2: Kalyan missed our EBITDA/PAT estimates by 6.4%/5.6% for Q2FY26, mainly due to lower-than-expected margin (-66bps QoQ to 6.3% vs 6.7% estimated). This was because of a sharp rise in franchise revenue share (+600bps QoQ to 49%). Overall, Kalyan's revenue/ EBITDA/PAT grew by 30%/52%/100% YoY in Q2FY26.

Highlights: Kalyan Indian operations revenue grew by 31.1% (SSG: +16%) in Q2FY26, driven by aggressive franchise store expansion however, COCO stores revenue fell by 1.0% in Q2FY26 (despite steep rise in gold prices). Despite a rise in the share of franchise revenue share (33% in Q2FY25 to 49% in Q2FY26), adjusted EBITDA margin of Indian operations slightly improved by 5bps YoY to 6.3% in Q2FY26, due to better supply chain management (which resulted in cost savings of 0.2-0.3%). Middle East revenue at a muted pace of 8.4% YoY with slight margin contraction (-32bps YoY to 7.1%) in Q2FY26. Candere revenue grew sharply by 127% YoY in Q2FY26. Candere posted a loss of Rs 90mn in Q2FY26 (vs loss of Rs 40mn in Q2FY25). Net debt/EBITDA remained relatively stable at 1.48x in Sep'25 over Mar'25, given the efficient inventory management.

Concall KTAs: KALYANKJ has observed a strong demand for jewellery in Oct'25 (as SSG growth for the 30-day period ending Diwali was over 30% YoY) and a similar trend is continuing post Diwali. The company maintains the guidance of opening 84 Kalyan stores in India (opened 40 stores YTD), 80 Candere store (opened 23 stores in H2FY26), and 6 stores in the overseas market (opened 2 stores in H2FY26) and 2 regional brand stores in FY26.

Maintain HOLD with unchanged TP of Rs 500: We maintain our HOLD rating on the stock as we believe the company's strong earnings growth prospects (EPS to grow at 30.9% CAGR over FY25-FY28E) are quite well captured in the current valuation (trades at 41.0x on 1Y forward P/E vs average of 36.8x since IPO). We have slightly tweaked our EPS estimates based on Q2FY26 result. Our target P/E multiple remains unchanged at 35x on Sep'27 estimate.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	KALYANKJ IN/Rs 513
Market cap	US$ 6.0bn
Free float	37%
3M ADV	US$ 28.7mn
52wk high/low	Rs 795/Rs 399
Promoter/FPI/DII	63%/14%/15%

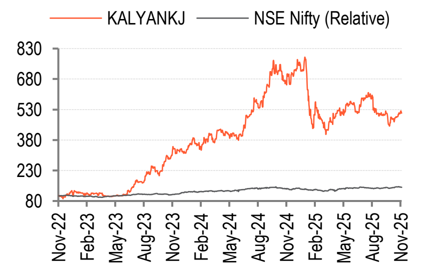
Source: NSE | Price as of 7 Nov 2025

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	3,22,955	4,06,062	4,69,516
EBITDA (Rs mn)	21,117	25,862	30,202
Adj. net profit (Rs mn)	11,229	13,755	16,021
Adj. EPS (Rs)	10.9	13.3	15.5
Consensus EPS (Rs)	10.9	13.3	15.5
Adj. ROAE (%)	21.4	22.0	21.5
Adj. P/E (x)	47.1	38.5	33.0
EV/EBITDA (x)	26.3	21.8	19.0
Adj. EPS growth (%)	57.1	22.5	16.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance – Consolidated

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	BOBCAPS Q2FY26E	Variance (%)
Total operating income	78,560	60,655	29.5	72,685	8.1	151,245	116,010	30.4	78,851	(0.4)
Raw-Material expense	68,395	53,003	29.0	62,603	9.3	130,998	100,423	30.4		
Gross Profit	10,166	7,652	32.9	10,081	0.8	20,247	15,587	29.9		
Employee expense	2,179	1,698	28.3	2,096	4.0	4,275	3,422	24.9		
Advertisement expense	1,414	1,199	17.9	1,038	36.2	2,452	2,305	6.4		
Other expense	1,602	1,482	8.1	1,868	(14.2)	3,470	2,827	22.7		
EBITDA	4,970	3,272	51.9	5,080	(2.2)	10,050	7,033	42.9	5,311	(6.4)
D&A	1,032	850	21.5	977	5.6	2,009	1,604	25.2		
EBIT	3,938	2,423	62.5	4,103	(4.0)	8,041	5,428	48.1		
Interest cost	949	903	5.1	1,036	(8.4)	1,985	1,755	13.1		
Non-operating expense/(income)	(514)	(260)	97.8	(463)	11.1	(977)	(482)	102.9		
PBT	3,503	1,779	96.8	3,530	(0.8)	7,032	4,154	69.3		
Tax	898	476	88.5	889	1.0	1,786	1,076	66.1		
Reported PAT	2,605	1,303	99.9	2,641	(1.4)	5,246	3,079	70.4		
Adjusted PAT	2,605	1,303	99.9	2,641	(1.4)	525	308	70.4	2,759	(5.6)
As % of net revenues			**(bps)**		**(bps)**			**(bps)**		
Gross margin	12.9	12.6	32	13.9	(93)	13.4	13.4	(5)		
Employee cost	2.8	2.8	(3)	2.9	(11)	2.8	3.0	(12)		
Other cost	2.0	2.4	(40)	2.6	(53)	2.3	2.4	(14)		
EBITDA margin	6.3	5.4	93	7.0	(66)	6.6	6.1	58		
Tax rate	25.6	26.8	(114)	25.2	44	25.4	25.9	(49)		
APAT margin	3.3	2.1	117	3.6	(32)	0.3	0.3	8		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

Operating Metrics	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
No. of stores								
India	300	231	29.9	287	4.5	-	-	-
- COCO	126	126	-	126	-	-	-	-
- FOCO	174	105	65.7	161	8.1	-	-	-
Middle East	38	36	5.6	36	5.6	-	-	-
- COCO	34	32	6.3	32	6.3	-	-	-
- FOCO	4	4	-	4	-	-	-	-
Candere	96	36	166.7	81	18.5	-	-	-
- COCO	42	12	250.0	40	5.0	-	-	-
- FOCO	54	24	125.0	41	31.7	-	-	-
US/UK	2	2	-	2	-	-	-	-
Total	**436**	**305**	**43.0**	**406**	**7.4**	**-**	**-**	**-**
Average revenue per store (Rs mn)								
Indian	233	233	0.0	217	7.2	442	442	0.1
Middle East	234	222	5.4	285	(17.9)	511	447	14.5
Candere	11	14	(23.1)	9	22.6	18	27	(32.6)
Revenue (Rs mn)								
Indian	68,428	52,207	31.1	61,422	11.4	129,850	99,018	31.1
Middle East	8,657	7,989	8.4	10,265	(15.7)	18,922	16,081	17.7
Candere	930	410	126.8	660	40.9	1,590	800	98.8
Others (excluding Candere)	836	49	1,613.6	338	147.6	1,174	111	961.5
Total	**78,851**	**60,655**	**30.0**	**72,685**	**8.5**	**151,536**	**116,010**	**30.6**
EBITDA (Rs mn)								
Indian	4,321	2,571	68.1	4,342	(0.5)	8,663	5,657	53.1
Middle East	613	591	3.7	728	(15.8)	1,341	1,213	10.6
Others (including Candere)	36	110	(67.4)	10	251.5	46	163	(71.6)
Total	**4,970**	**3,272**	**51.9**	**5,080**	**(2.2)**	**10,050**	**7,033**	**42.9**
EBITDA margin (%)								
Indian	6.3	4.9	139bps	7.1	(75bps)	6.7	5.7	96bps
Middle East	7.1	7.4	(32bps)	7.1	(1bps)	7.1	7.5	(46bps)
Others (including Candere)	2.0	24.1	(2203bps)	1.0	101bps	1.7	17.9	(1619bps)
Total	**6.3**	**5.4**	**91bps**	**7.0**	**(69bps)**	**6.6**	**6.1**	**57bps**

Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Jewellery demand scenario:** Demand remained robust through Q2FY26 with an exceptional Navaratri season. SSG growth for the 30-day period ending Diwali was over 30% YoY. Post-Diwali, demand continued strong with trends similar to the pre-Diwali levels. Customer frequency increased over the past 5-7 quarters, while new buyer share remained in the mid-30% range. Despite elevated gold prices, ticket sizes remained stable, as consumers maintained their budgets, compensating by purchasing lighter pieces or shopping more frequently.

- **Kalyan India operations:** revenue grew by 31.1% YoY (SSG: +16%; South: +14%; Non-South: +17%) in Q2FY26. EBITDA margin improved by 139bps YoY to 6.3% in Q2FY26 due to a weak base effect. Excluding the custom duty impact in the base quarter, EBITDA was relatively stable (+5bps YoY to 6.3%) in Q2FY26. Studded share improved by 100bps YoY to 31% in Q2FY26. The company opened 15 new stores in Q2 (40 stores YTD) and remains on track to open 84 new stores in FY26.

- **Middle East:** Revenue grew at a muted pace of 8.4% YoY (SSG: +7%) in Q2FY26, owing to shifting festivals and vacation timings. EBITDA margin contracted by 32bps YoY to 7.1% in Q2FY26. Studded share was down 60bps to 18% in Q2FY26. Added 2 COCO stores in Q2FY26.

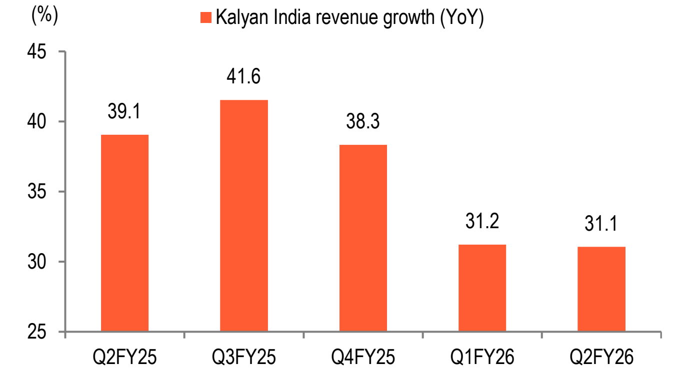
- **Candere:** revenue grew by 126.8% YoY in Q2FY26, driven by aggressive store expansion. However, the company has booked a loss of Rs 90mn in Q2FY26 (vs loss of Rs 40mn in Q2FY25). Candere reported positive double-digit store EBITDA margin in Q2FY26. The company has added 23 stores in H2FY26 (vs target of 80 stores in FY26) due to longer lead time involved in identifying better locations/interiors. The company targets revenue of Rs 5,000mn and PAT to be neutral to positive in FY26.

- **Pilot projects:** The company is executing two pilots a) Sourcing optimisation for Kalyan brand via backward integration and vendor negotiations for leaner credit periods, which has resulted in cost savings of 0.2-0.3% in Q2FY26. This pilot will be maintained at the current scale through FY26. b) Hyper-local regional brand launch is expected in Q4FY26 with five stores and investment of Rs 3–3.5 bn. Targeting the localised, non-aspirational jewellery segment through fully regional branding and sourcing; EBITDA margin is expected to be lower than Kalyan Indian operations, but ROCE is expected to 16–18% due to better inventory turn.

- **Debt:** The company has reduced non-GML debt by Rs 1.3bn in Q2FY26 and targets to reduce by another Rs 1.5bn in H2FY26 and become debt free (non-GML portion) in FY27.

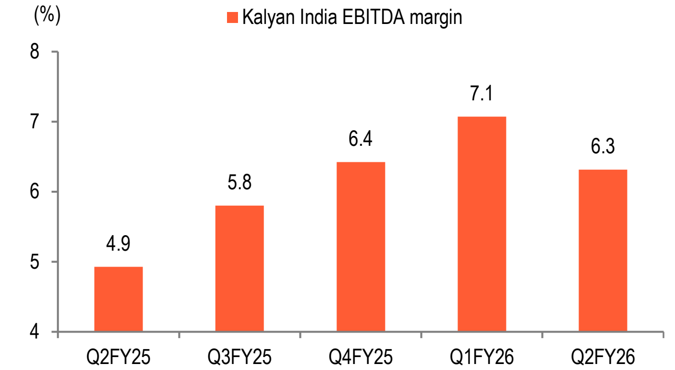
- **Asset monetisation:** The company received lender approval for collateral release on previously repaid loans. The company expects to sell these non-core assets for a value of Rs 1.5–2.0 bn in H2FY27.

Fig 3 – Kalyan Indian operations revenue grew by 31.1% YoY (SSG: 16%) in Q2FY26



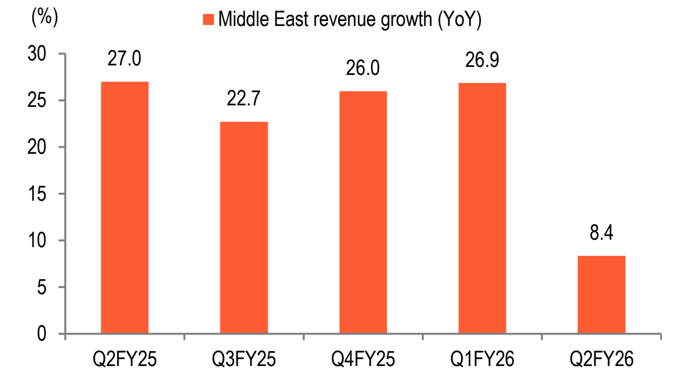
Source: Company, BOBCAPS Research

Fig 4 – Kalyan Indian operations EBITDA margin improved sharply in Q2FY26 due to a weak base effect



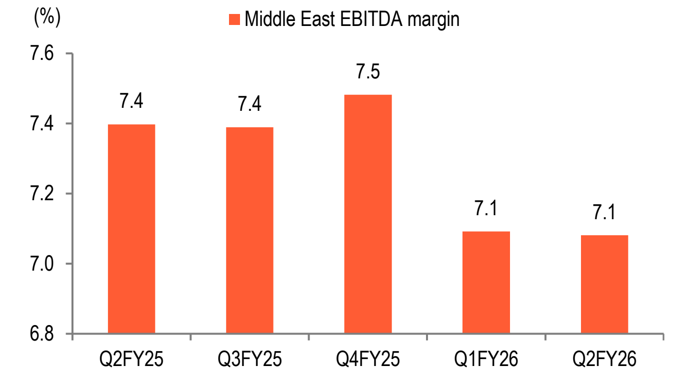
Source: Company, BOBCAPS Research

Fig 5 – Middle East operations revenue grew at a muted pace of 8.4% YoY (SSG: +7%) in Q2FY26



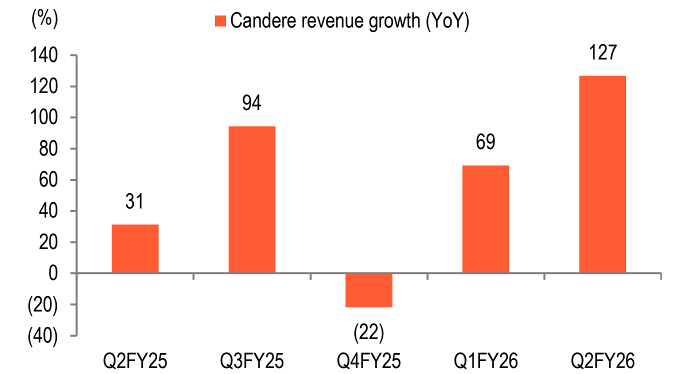
Source: Company, BOBCAPS Research

Fig 6 – Middle East operations EBITDA margin fell by 32bps YoY to 7.1% in Q2FY26



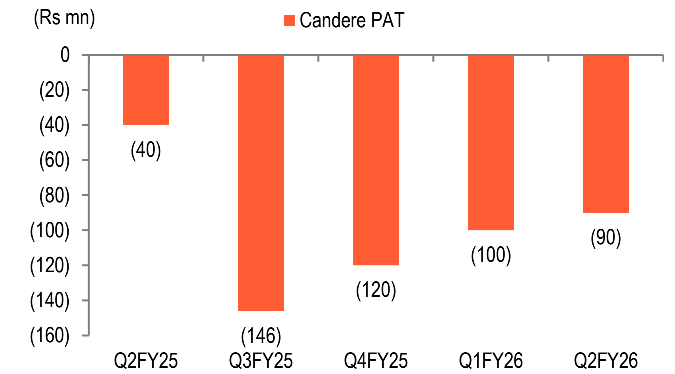
Source: Company, BOBCAPS Research

Fig 7 – Candere revenue grew sharply by 127% YoY, in Q2FY26 driven by aggressive store expansion



Source: Company, BOBCAPS Research

Fig 8 – Candere posted a loss of Rs 90mn in Q2FY26 (vs - Rs 40mn in Q2FY25)



Source: Company, BOBCAPS Research

Valuation Methodology

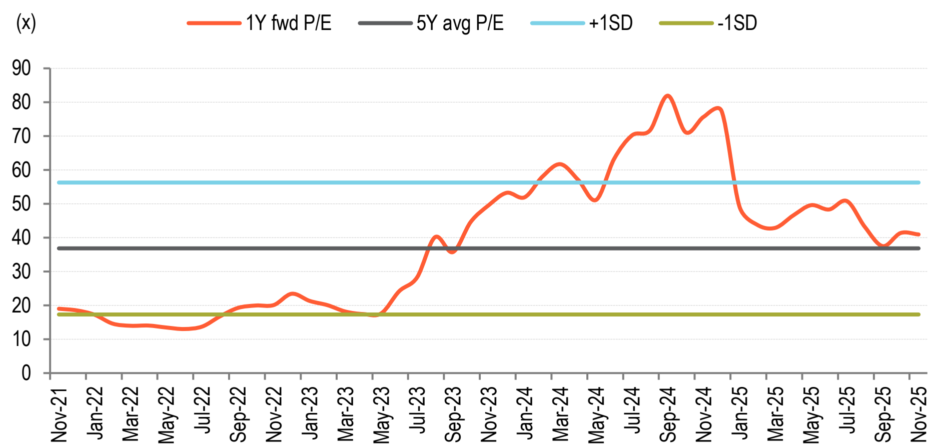
We maintain our HOLD rating on the stock as we believe the company's strong earnings growth prospects (EPS to grow at 30.9% CAGR over FY25-FY28E) are quite well captured in the current valuation (trades at 41.0x on 1Y forward P/E vs average of 36.8x since IPO). We have slightly tweaked our EPS estimates based on Q2FY26 result. Our target P/E multiple remains unchanged at 35x on Sep'27 estimate.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	323.0	406.1	469.5	323.6	404.5	466.6	(0.2)	0.4	0.6
EBITDA	21.1	25.9	30.2	21.3	26.1	30.4	(1.0)	(0.9)	(0.6)
EBITDA Margin (%)	6.5	6.4	6.4	6.6	6.4	6.5	(5bps)	(8bps)	(8bps)
Adjusted PAT	11.2	13.8	16.0	11.1	13.8	16.0	1.5	0.0	(0.1)
EPS (Rs)	10.9	13.3	15.5	10.7	13.3	15.6	1.5	0.0	(0.1)

Source: BOBCAPS Research

Fig 10 – Trading at 41.0x on 1YF P/E vs historical average of 36.8x since IPO



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars	FY24	FY25	FY26E	FY27E	FY28E
No. of stores					
India	204	278	362	398	438
- COCO	128	126	126	139	152
- FOCO	76	152	236	260	286
Middle East	36	36	40	44	48
- COCO	35	32	34	34	34
- FOCO	1	4	6	10	14
Candere	13	73	153	233	256
- COCO	5	36	66	96	106
- FOCO	8	37	87	137	151
Total	253	387	555	675	742
- COCO	168	194	226	269	292
- FOCO	85	193	329	407	450

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue (Rs bn)	185	250	323	406	470
- India	158	216	281	354	409
- Middle East	26	32	37	44	51
- Candere	1	2	4	8	10
Average revenue per store (Rs mn)					
- India	773	778	778	889	934
- Middle East	732	897	937	1004	1058
- Candere	NM	22	26	33	38
EBITDA Margin (%)	7.1	6.1	6.5	6.4	6.4
- India	7.1	5.9	6.5	6.3	6.3
- Middle East	7.6	7.6	7.0	7.1	7.3
- Candere	(1.9)	(4.1)	2.9	5.1	6.0
PAT Margin (%)	3.2	2.9	3.5	3.4	3.4
Inventory days	163	141	128	121	124
Franchise revenue share for Indian operations (%)	20.0	36.0	50.0	55.4	55.4
ROCE (%)	21.2	22.9	26.2	26.4	26.2
Net Debt/EBITDA (x)	1.78	1.49	1.42	1.56	1.69

Source: Company, BOBCAPS Research

Key Risks

Key upside/downside risks to our estimates:

- Steep increase in the gold price volatility, regulatory risks and slower-than-expected rollout of new stores or early termination of franchisee stores would be the key downside risks.
- Market share gain in Kalyan Indian operations would be a key upside risk.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26A	FY27E	FY28E
Total revenue	**1,85,483**	**2,50,451**	**3,22,955**	**4,06,062**	**4,69,516**
EBITDA	13,127	15,172	21,117	25,862	30,202
Depreciation	2,743	3,427	4,025	4,611	5,198
EBIT	10,384	11,745	17,092	21,251	25,005
Net interest inc./(exp.)	(3,232)	(3,595)	(3,920)	(4,619)	(5,547)
Other inc./(exp.)	737	1,446	1,845	1,737	1,937
Exceptional items	0	0	0	0	0
EBT	7,888	9,596	15,017	18,369	21,394
Income taxes	1,925	2,454	3,796	4,623	5,385
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	11	6	8	10	12
Reported net profit	**5,973**	**7,148**	**11,229**	**13,755**	**16,021**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,973**	**7,148**	**11,229**	**13,755**	**16,021**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26A	FY27E	FY28E
Accounts payables	19,441	23,503	24,246	24,388	25,379
Other current liabilities	23,026	31,315	31,315	31,315	31,315
Provisions	187	356	356	356	356
Debt funds	10,643	9,497	15,246	19,170	22,165
Other liabilities	10,472	15,117	15,117	15,117	15,117
Equity capital	10,301	10,314	10,314	10,314	10,314
Reserves & surplus	31,590	37,721	46,704	57,709	70,526
Shareholders' fund	41,878	48,036	57,011	68,005	80,810
Total liab. and equities	**1,05,648**	**1,27,823**	**1,43,290**	**1,58,350**	**1,75,142**
Cash and cash eq.	9,751	10,311	15,494	16,702	15,136
Accounts receivables	3,283	3,999	5,157	6,484	7,497
Inventories	82,976	96,811	1,13,247	1,34,660	1,59,640
Other current assets	2,141	2,872	2,872	2,872	2,872
Investments	0	0	0	0	0
Net fixed assets	10,904	13,056	12,530	11,419	9,721
CWIP	485	77	77	77	77
Intangible assets	11,479	14,795	14,795	14,795	14,795
Deferred tax assets, net	662	1,125	1,125	1,125	1,125
Other assets	5,157	8,213	8,213	8,213	8,213
Total assets	**1,26,838**	**1,51,259**	**1,73,511**	**1,96,348**	**2,19,077**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26A	FY27E	FY28E
Cash flow from operations	**11,681**	**12,428**	**470**	**(1,359)**	**(184)**
Capital expenditures	(6,988)	(8,488)	(3,500)	(3,500)	(3,500)
Change in investments	(1)	(9)	0	0	0
Other investing cash flows	737	1,446	1,845	1,737	1,937
Cash flow from investing	**(6,252)**	**(7,050)**	**(1,655)**	**(1,763)**	**(1,563)**
Equities issued/Others	0	14	0	0	0
Debt raised/repaid	(1,835)	(240)	12,534	11,700	8,933
Interest expenses	(3,232)	(3,595)	(3,920)	(4,619)	(5,547)
Dividends paid	(1,236)	(1,547)	(2,246)	(2,751)	(3,204)
Other financing cash flows	806	550	0	0	0
Cash flow from financing	**(5,497)**	**(4,818)**	**6,368**	**4,331**	**182**
Chg in cash & cash eq.	**(68)**	**560**	**5,183**	**1,208**	**(1,566)**
Closing cash & cash eq.	**9,751**	**10,311**	**15,494**	**16,702**	**15,136**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26A	FY27E	FY28E
Reported EPS	5.8	6.9	10.9	13.3	15.5
Adjusted EPS	5.8	6.9	10.9	13.3	15.5
Dividend per share	1.2	1.5	2.2	2.7	3.1
Book value per share	40.7	46.6	55.3	65.9	78.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26A	FY27E	FY28E
EV/Sales	3.0	2.2	1.7	1.4	1.2
EV/EBITDA	42.1	36.4	26.3	21.8	19.0
Adjusted P/E	88.4	74.0	47.1	38.5	33.0
P/BV	12.6	11.0	9.3	7.8	6.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26A	FY27E	FY28E
Tax burden (Net profit/PBT)	75.7	74.5	74.8	74.9	74.9
Interest burden (PBT/EBIT)	76.0	81.7	87.9	86.4	85.6
EBIT margin (EBIT/Revenue)	5.6	4.7	5.3	5.2	5.3
Asset turnover (Rev./Avg TA)	146.2	165.6	186.1	206.8	214.3
Leverage (Avg TA/Avg Equity)	3.0	3.1	3.0	2.9	2.7
Adjusted ROAE	14.3	14.9	19.7	20.2	19.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26A	FY27E	FY28E
YoY growth (%)					
Revenue	31.8	35.0	28.9	25.7	15.6
EBITDA	17.8	15.6	39.2	22.5	16.8
Adjusted EPS	37.9	19.5	57.1	22.5	16.5
Profitability & Return ratios (%)					
EBITDA margin	7.1	6.1	6.5	6.4	6.4
EBIT margin	5.6	4.7	5.3	5.2	5.3
Adjusted profit margin	3.2	2.9	3.5	3.4	3.4
Adjusted ROAE	15.3	15.9	21.4	22.0	21.5
ROCE	21.2	22.9	26.2	26.4	26.2
Working capital days (days)					
Receivables	6	6	6	6	6
Inventory	163	141	128	121	124
Payables	38	34	27	22	20
Ratios (x)					
Gross asset turnover	10.9	12.2	13.4	14.7	15.1
Current ratio	1.8	1.8	1.9	2.1	2.3
Net interest coverage ratio	3.2	3.3	4.4	4.6	4.5
Adjusted debt/equity	0.6	0.5	0.5	0.6	0.6

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

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HOLD – Expected return from -6% to +15%
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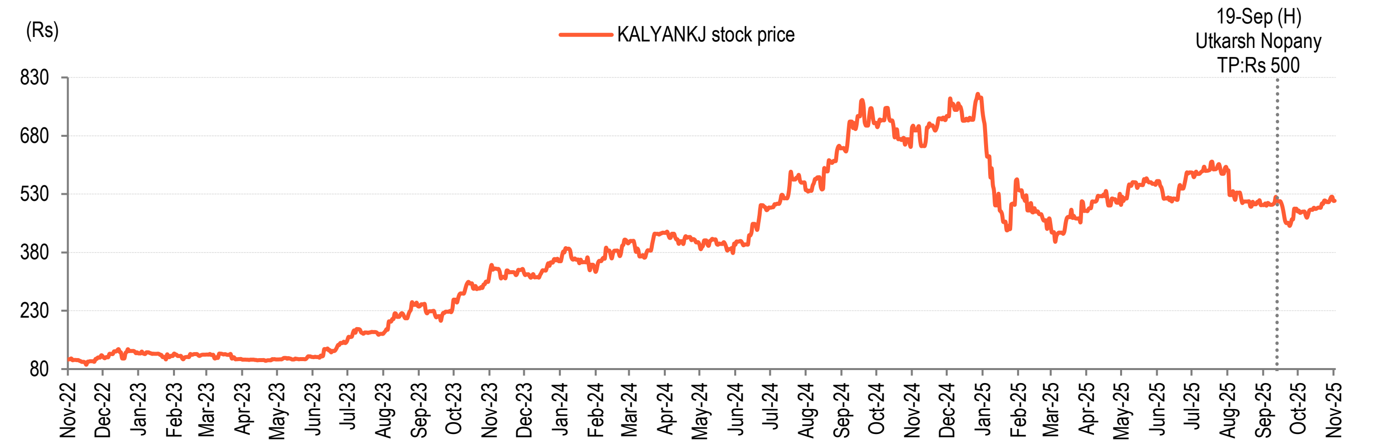
Ratings and Target Price (3-year history): KALYAN JEWELLERS (KALYANKJ IN)



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