SEC/44 /2024-2025 **August 05, 2024**

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, 2024 is attached herewith.

Kindly take the same into your records.

Thanking You
For Kalyan Jewellers India Limited

RETNAVILASAM GOPINATHAN NAIR JISHNU
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Date: 2024.08.05 12:13:08 +05'30'

Jishnu RG
Company Secretary & Compliance Officer

“Kalyan Jewellers Limited
Q1 FY '25 Earnings Conference Call”
August 01, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 1st August 2024 will prevail.”

MANAGEMENT: **MR. RAMESH KALYANARAMAN – EXECUTIVE DIRECTOR – KALYAN JEWELLERS LIMITED**
MR. SANJAY RAGHURAMAN– CHIEF EXECUTIVE OFFICER – KALYAN JEWELLERS LIMITED
MR. V. SWAMINATHAN – CHIEF FINANCIAL OFFICER – KALYAN JEWELLERS LIMITED
MR. SANJAY MEHROTTRA – HEAD OF STRATEGY AND CORPORATE AFFAIRS – KALYAN JEWELLERS LIMITED
MR. ABRAHAM GEORGE -- HEAD OF INVESTOR RELATIONS AND TREASURY – KALYAN JEWELLERS LIMITED

MODERATOR: **MR. RAHUL AGARWAL – STRATEGIC GROWTH ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '25 Earnings Conference Call of Kalyan Jewellers India Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations 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 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 touchtone 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 dialing us on Kalyan Jewellers India Limited Q1 FY '25 Earnings Conference Call. On the call, we have with us Mr. Ramesh Kalyanaraman, Executive Director; Mr. Sanjay Raghuraman, CEO; Mr. V. Swaminathan, CFO; Mr. Sanjay Mehrottra, 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 company's website and stock exchange. We will begin the call with opening remarks from management, following which we will open the forum for 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 you the opening remarks. Thank you, and over to you, sir.

Ramesh Kalyanaraman: Thank you. Good afternoon, and let me welcome everyone to the call. There could be some disruption in the phone because Kerala is raining heavily and you know about the Kerala floods.

The quarter was a fantastic one, and we recorded consolidated revenue growth of around 27% and stand-alone India revenue grew by around 29%. The SSSGs were also very strong. We witnessed robust operating performance across all our markets in India and Middle East despite extreme volatility in gold prices and a strong base quarter.

We continue to see encouraging trends around the share of new customers, which was in excess of 35% for the recently concluded quarter. Our share of revenue from the non-South market is now at 49%, up from 44% in the prior year. Gross margins at the showroom level improved marginally, driven largely by higher share of studded jewelry in both South and non-South market.

Advertisement spends during the recently-concluded quarter has been higher to mitigate the impact of volatile gold prices and to drive market share in certain new markets. Our digital-first jewelry platform, Candere, recorded robust revenue growth in the recently concluded quarter.

We have signed documentation to increase our stake in the business and convert Candere to a wholly-owned subsidiary of Kalyan Jewellers India Limited. Candere has added 13 showrooms in the financial year so far out of the targeted 50 showrooms during the year. We are putting together a brand strategy for Candere, centered around communication and positioning and expect to launch a nationwide campaign before the upcoming festive season.

Let me give you an update about our international markets. Middle East recorded healthy SSSGs during the recently concluded quarter. We plan to convert four showrooms in the region to franchise once during the ongoing quarter and utilize the proceeds to reduce the debt in the region. The first showroom in the U.S. is expected to be launched before Diwali.

Talking about the ongoing quarter, we began the quarter on a very strong note and the recent reduction in customs duty on gold has provided further fillip to demand on the ground. We are updated about the upcoming festive season across the country and are gearing up for the launch of fresh collections and campaigns. During the month of July, we opened five Kalyan and two Candere showrooms and are on track to launch another 35 Kalyan and 20 Candere showrooms before Diwali.

Now I would invite Sanjay to give you Q1 financial update. Over to you, Sanjay.

Sanjay Raghuraman: Thank you, Ramesh. Hello, everybody, and good afternoon. I'm really happy to be talking to you all after a great set of quarterly numbers. In the just concluded quarter, the company reported a consolidated revenue of INR 5,535 crores, a 27% growth over the corresponding quarter in the previous years. Consolidated EBITDA came in at INR 376 crores versus INR 323 crores in the corresponding quarter of the previous year. And consolidated PAT, profit after tax came in at INR 178 crores versus INR 144 crores in the corresponding quarter of the previous year.

Moving now to talk of the breakup of the numbers between India and the Middle East of the just concluded Q1. Our India revenue was INR 4,687 crores versus INR 3,641 crores when compared to the corresponding quarter of the previous year. And India Q1 EBITDA came in at INR 315 crores versus INR 269 crores when compared to the corresponding quarter of the previous years. India Q1 PAT came in at INR 165 crores compared to a PAT of INR 129 crores in the corresponding quarter of the previous year.

Moving on now to talk about the Middle East business. Revenue in the Middle East for the just-concluded quarter came in at about INR 811 crores versus INR 700 crores when compared to the corresponding quarter of the previous yearand EBITDA in the Middle East came in about INR 64 crores versus INR 55 crores for the same period in the previous year. Middle East business reported a profit of INR 19 crores for the quarter, compared to INR 17 crores in the corresponding quarter of the previous year.

Lastly, talking about our e-commerce business, Candere, we posted a revenue of INR 49 crores in the quarter versus INR 34 crores in the corresponding quarter of the previous year. And this quarter recorded a loss of INR2.2 crores, which is the same as what it was for the corresponding quarter of the previous year.

With this, I'm done with the summary of the financials. We'll now open the floor for questions. Thank you.

Moderator: We will now begin the question-and-answer-session. The first question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity, sir. Congrats on a good set of numbers. Sir, my first question is actually a clarification. You said you opened five Kalyan stores in the month of July and you expect to open 35 more showrooms before the quarter end. Did I hear that right?

Ramesh Kalyanaraman: Before Diwali I meant.

Gaurav Jogani: 35 before Diwali, okay. And Candere, how many have you opened in July and how many more are expected going ahead?

Ramesh Kalyanaraman: So Candere, July, we opened, as we speak, 2, and we will open 20 more before Diwali.

Gaurav Jogani: Okay, 20 more before Diwali. And sir, with regards to this custom duty cut, I actually have two questions. One, how much of this has given you an advantage in terms of the footfalls. So for example, post 23rd of July, how much of an increase have you seen in footfall in our showrooms? And second question, related to custom duty is, what is the impact that you will see on your own inventory that is on gold on lease because of this custom duty cut.

Ramesh Kalyanaraman: First coming to footfalls, July itself started off very well. The first 2, 2.5 weeks was good. SSSGs were very similar to what it was in Q1. But post the duty cut, again, when the price comes down by 7%, 8% customers who were waiting would have come in immediately. So the last 10 days have been very good, especially weekends. And it is stronger than Q1 in terms of SSG.

Gaurav Jogani: And sir, what's the impact on the inventory because of this custom duty cut?

Ramesh Kalyanaraman: Approximately, we have -- it will be in the range of INR 120 crores, INR 130 crores.

Gaurav Jogani: Overall, the impact. Okay.

Ramesh Kalyanaraman: Overall impact, yes. It should come out, meaning in Q2 plus Q3.

Gaurav Jogani: Beautiful. But sir, this would be at your level impact, right? I mean your -- even the stocks that will be lying at the franchisee level also. I mean, that impact will not be accounted in this one, right?

Ramesh Kalyanaraman: No, no, that does not come, because we have already sold it, no? and priced in. So that will be only for them. And they are basically hedging their cash flow. So it's not an impact for us.

Gaurav Jogani: Got it, sir. Sir, and my second question also is with regards to -- if you look at the revenue per showroom in the India business, I mean the revenue per showroom has actually gone down to around -- for the quarter, I am saying, is around INR 22 odd-crores versus INR 23.8 odd crores in the base quarter.

Now I understand that because we're opening a lot more franchising the showrooms, and that has been a smaller size that will be impacting this. But any other reason that you can help us to quantify this? And how should we look at the revenue cost for going ahead? If anything you can help us out with that?

Ramesh Kalyanaraman: Yes. You yourself told the answer. Our own showrooms are at INR 90 crores plus when it comes to per showroom revenue. But when you come to franchisee new stores, the revenue will be only in the range of INR50 crores. So the more number of new showrooms you open, the revenue per showroom will come down. It will keep coming down.

Gaurav Jogani: Sure. So it's expected to impact at least for this year, I think because in the next year onwards, you will have a decent size of franchise stores already in the base and so that should not impact going ahead. Is that the right understanding?

Ramesh Kalyanaraman: So, once you have a good number of own showrooms where your revenue per showroom is INR 90 crores. All the additional new showrooms are coming at INR 50 crores. So, since that own store level is at INR 90 crores, the more number of showrooms you open, the per showroom revenue will keep coming down.

Gaurav Jogani: Got it. Got it.

Ramesh Kalyanaraman: Even if we have a number of -- even if you add a number of showrooms, that own stores is at INR 90 crores INR 100 crores, no. So that will be still there.

Gaurav Jogani: Sure, sure. And sir, third is -- the last question is with regard to the interest cost. So, if you look at the interest cost both at the stand-alone and the consolidated level, it seems to have gone up marginally. Ideally because your debt is coming down, we were expecting this number to come down. So, any reason for this to increase?

Ramesh Kalyanaraman: Yes, Swaminathan?

V. Swaminathan: Hello. So with regard to interest cost, the number includes lease interest, which definitely will go up as we increase number of showrooms, if you remove lease interest, you can say Q-o-Q it has come down by INR 3 crores to INR 4 crores. And year-on-year, it has come down by INR 11 crores.

Gaurav Jogani: You mean to say that the interest on the debt, basically largely because of the...

V. Swaminathan: Increase in number of showroom and the impact of Ind AS 116. So notional interest, it is not bank loan interest.

Gaurav Jogani: Yes. But sir, because you are opening stores on franchise, but because and the lease is here and that is why it is coming here, right? Is that the right understanding?

V. Swaminathan: Yes. So own showrooms -- I mean, franchisee showrooms also coming under Ind AS 116. And there will be some setup because of franchisee owning the shop. But net to net, there will be increase in Ind AS 116 impact.

Gaurav Jogani: Sure. And sir, the last question actually is with regards to the newest showroom that you're going to open a franchise basis. I think in those showrooms, you will be -- the capex will also be incurred by the franchise partner only. Also, is there any change in the terms of the margin or anything that will be accruing to you because of this new arrangement?

Ramesh Kalyanaraman: Yes. So, out of the 80 showrooms, which we are opening for the financial year. The first 30, 35 showrooms will be in our old model wherein the capex will be put by Kalyan. The rest of the showrooms, the franchisee partners will put the capex fit out also. So, that is the plan. And margin, as I indicated in the past, there will be an increment of, say, 0.25% on the gross level.

Gaurav Jogani: On the gross level?

Ramesh Kalyanaraman: So, 0.25% margin growth will be there.

Gaurav Jogani: Okay. Okay. Okay. Got it. That's all for me. Thank you.

Ramesh Kalyanaraman: Yeah.

Moderator: The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: Hi, Ramesh and team. Great performance, must say, in whichever context we look at it. Just one thing, I just wanted to understand from you and team is when I look at your same-store growth performance, which has been absolutely top of the street versus being listed -- other listed players. So if you could just elaborate a bit about -- and in fact, the inflationary gap has accelerated, right, which is actually a very good sign. Can you just tell us about, let's say, what has been driving this? What are the interventions you would have done, let's say, versus competition in terms of the faster share gain for you versus income -- other income? Thank you.

Ramesh Kalyanaraman: So, SSSG as you are aware, we have been expanding our store network across the country for the last two or three years okay? And usually, year two and three have higher SSSG and therefore, with every passing year, we should see an uptick on our SSSG. Secondly, in SSSG of our existing stores, the reason according to us is very simple. More number of showrooms, more expansion, thereby meaning more visibility for Kalyan and thereby helping generate more footfalls and revenue.

Manoj Menon: Understood. Network effect. Understood. Understood Yes.

Ramesh Kalyanaraman: And one more thing. While the above reasons help us to have a healthy SSSG, can you compare with existing players in that, there will be naturally a bigger difference since we would have gained market share from the existing players. So just to highlight our SSSG in south are marginally better than north.

Manoj Menon: Understood. Is there anything to do with any changes in assortment or marketing strategy? Anything sure of that, which is -- I mean, which is something which is already there in the market, if you could talk about?

Ramesh Kalyanaraman: So we were very active, especially because the prices were very volatile. So the campaigns were very active. And now the digital marketing also helps us to keep the noise level high in market where we require and we can also check whether the competition is active in that region in terms of marketing. So we increase our marketing spend in the so called store or region.

So all together, we have been active. Our team also have been doing a good job. So all put together the numbers are good. And in South, in certain states, I just want to tell you that we are experiencing higher than usual SSSG. And that I have told you before also majorly we feel that there has been a strategic misstep taken by two players in South, especially in Tamil Nadu where we actually are getting higher than usual SSSG.

Manoj Menon: Interesting, interesting, thank you.

Moderator: Thank you. The next question is from the line of Darshan Jhaveri from Crown Capital. Please go ahead.

Darshan Jhaveri: Thank you so much for taking my question. Congratulations on such a great set of results, sir. So, I just wanted to know like we've been growing at such a great rate right now, both on SSSG and new front, like consolidated we're doing 27%, 30% growth. So will we be able to sustain this for a longer period of time? What kind of revenue guidance would you have maybe FY '25-'26?

Ramesh Kalyanaraman: Yes. So I will not be able to give a guidance, but what we will say is that you know the store expansion plan, which we have 80 showrooms. SSSG for the year 2, year three are usually higher than insurance. And again, July if you see, the SSSGs are even stronger than in Q1, okay? So all put together, I think this will be the range where we need to target for our SSSG and for our revenue growth.

Darshan Jhaveri: Okay. Fair enough, sir. And sir, I just wanted to also know like now as we maybe add more studded, we are growing, so some margins like PBT margins, could we reach the 5% PBT margin that we are maybe trying?

Sanjay Raghuraman: Yes, ideally, we should. But Q1 also we missed because as I mentioned now, the marketing spend was a bit on a higher note than it should have been, especially because of the high gold prices and competition in the local -- by the local players. Regional players were very high in certain markets, so we do not want to lose market share.

So again, the operating leverage we thought would come from marketing, did not come. And that is why the PBT did not grow more than our revenue. But Q2, I think we should because the revenue growth which we see now on ground, I think roughly it will happen. So the competition -- if competition reacts then we'll have to react in terms of marketing. That's why we are not able to do it. But I think on a yearly basis, the objective will be achieved. In India, we are already at 4.8% PBT, just to – in our view.

Ramesh Kalyanaraman: Yes. So for the full year, maybe we can see the PBT target plus, yes.

Darshan Jhaveri: That's great to hear, sir. And I just wanted to know on a more broad base just like maybe questions have already been repeated in the past. So like do we see some competition from fast jewelry or like how now then the lab-grown diamonds or something. Will that overall impact in longer term? Or how are we just seeing these to be two different markets, some colour on that?

Ramesh Kalyanaraman: Yes, lab-grown, we have not seen any demand so far in the store level. There is no -- it's like literally 0 demand at our store level. Customer inquiry is very minimalistic and we are surely looking into what is happening on ground. And once there is demand we supply, so that we are retailers, if there is demand then we should supply. But why we are not promoting lab-grown diamonds because the price has not been stabilized. So, if the price crashes for the lab-grown diamonds, customer is buying those diamonds because they trust Kalyan as a brand. So if the price goes down, they will feel very offended. So that's why we are not encouraging lab diamonds, but we are closely watching.

Darshan Jhaveri: Okay. Okay. Fair enough, sir. And just my last question, sir, with -- I just want to clarify, like the impact of the duty cut you're seeing, it would be around INR 120 crores, INR 130 crores, that would be the impact on profitability?

Sanjay Raghuraman: Yes, that will be the range.

Darshan Jhaveri: Yes, okay, okay. Fair enough, sir. Yes, I think that answers all my question, sir. All the best. Thank you so much, sir.

Sanjay Raghuraman: Thanks.

Moderator: The next question is from the line of Vikrant Kashyap from Asian Markets Securities. Please go ahead.

Vikrant Kashyap: Good evening, sir. Congrats on a very good set of numbers. First question is on the performance of Middle East businesses, so your revenue growth has been 16% but PAT growth has been 11%.

Ramesh Kalyanaraman: We have already received that. I think it was summarized this. Because I told you that we've got some disturbance in the line because of the flood. Can you repeat the question?

Vikrant Kashyap: Okay. Yes, yes, I will repeat again. So my question is pertaining to the Middle East performance. Our revenue growth has been very strong at 16%, SSSG at 10%, but PAT growth is 11%. You have highlighted two points so far that FOCO showroom, expense has impacted some of the gross margin and also on the pricing and finance cost. Sir, my question is how are you going to address this? Because if you continue to grow at a higher level, but bottom line is not expanding related to the top line, it will going to impact your overall performance? So, what are the steps you are taking to improve the bottom line in the businesses

Sanjay Raghuraman: Finance costs will be taken care because we told you when we convert stores, that money is going to reduce our debt. Okay. And again, FOCO, when you do FOCO showrooms, the margins will come down. And surely, that will have an impact on the gross margin. Okay. And interest, if you look at actually, the interest rates have been going up last year. So next year, that will be the base, right? So then again, we will not have this kind of issue is what we feel. So interest rates have been going up over the past year, one year, in that region.

And we are also beginning to repay loans now because of conversion. So all put together, interest part will be taken care but other area where FOCO showrooms will surely reduce our margin. We cannot have the own store margin. So that should be the way we should look at it.

Vikrant Kashyap: Have you -- are you able to reduce any debt in quarter one in Middle East and India?

Ramesh Kalyanaraman: So India, we are not reduced, but the cash balance has been increased to around INR75 crores, but we have not reduced any debt in Q1 in India and Middle East because Middle East we have not converted any showroom in Q1.

Vikrant Kashyap: Yes. Okay. And your presentation also mentioned that you have converted three showrooms in South markets. So could you please discuss the model and how we are dealing with franchise. I mean is it similar to non-South? Or it is different from non-South markets?

Ramesh Kalyanaraman: Yes. I told you, South itself each state behaves differently. We are still doing a pilot. So very tough for us to give a clarity on the numbers and the workings. But we know that the margins are lesser in South. (inaudible)are a bit more than North-South. And the expectation for the brand is also lesser than non-south in terms of margin. Franchise partner also expects lesser than a non-South. So that is the model where we are looking at. And maybe in a couple of quarters, we can give you an idea of the model.

Vikrant Kashyap: Okay. One question on competitive intensity. So, in the recent, the last week event one of the big players given a signal that they are entering into a jewelry retailing business and they have given a guidance of investing INR 5,000 crores. And most of the showrooms that they're targeting non-south markets, where you have been also expanding there. So given this increasing competitive intensity, how do you place Kalyan going ahead?

Ramesh Kalyanaraman: It has to be -- even now we are talking the 35%, 40% of organized segment. So there are -- there is an easy vacuum or easy space for at least three or four more players in the sector. That is the first thing which we have to understand.

Second thing is that if a good player comes, it is good for all organized players and market is also big enough. And if you look at your comment on one particular brand it is too early to comment because each brand will have their own strategy. And the strategy has not been revealed yet because it's too early for us to understand the strategy of the brand, which launched recently.

But Kalyan, it's a very unique kind of strategy which we have where it's a hyper-local brand. In each region, we behave in such a way that it's a part of the region. So it takes time even for a new brand to come and do the same, it takes good number of years to do the same if they intend to replica. So we don't see any immediate competition coming in. But of course, there will be new stores of the brands coming near to us, and they will also be catering a different segment of customers.

Vikrant Kashyap: Okay. Great. I have one last question on -- related to a recent increase foot-fall in duty cut. So sir, could you allude this? Are we seeing wedding buying because of the price cuts? Or do you see that it is only a daily wear products have been selling at a much higher pace?

Ramesh Kalyanaraman: Both are there. But again, one thing I will tell you this demand increase, which we see over the past 10 days is not going to stay very long. So it might end up any time as we speak. Because people would have been waiting for many reasons because they would have thought that the gold price were high according to their estimates.

Suddenly, when 7% to 8% came down, people came in and bought. It can be a wedding purchase again, they would have preponed their purchase. A lot of discretionary purchase, which was pending because of the high gold prices would have come back immediately? So both are there. And we also believe that it cannot last too long. It can be maybe one week, 10 days or 15 days. That is what we also think will be the case.

Vikrant Kashyap: Okay, great sir. Thank you for answering my question. And wish you the best of luck.

Moderator: The next question is from the line of Ashish Kanodia from Citibank. Please go ahead.

Ashish Kanodia: Hi, team. Congrats on a good set of numbers. Ramesh the first question was on the operating leverage. So I understand that ad spend was higher because of the volatility in gold price. But if I just look at the employee cost and other expenses, I think that has also increased on a Y-o-Y basis. So, is it more to do with the fact that some of the expenses have been front loaded because we plan to bring 35 stores over the next 2 months or so. So -- and maybe in the second half, we will see a much higher operating leverage, Is that the right way to look at the employee cost and other expenses?

Ramesh Kalyanaraman: Yeah, that's what I told you before, because we are -- employee cost, we are, of course, adding a lot of employees or showrooms, which has to come in the Q2 because we want to add as many as showrooms possible before the festive Diwali. So there are some front-end expenses. And advertisement, it is related to the local competition activity about -- meaning their noise level, we all put together.

So it can vary, wherein, in Q2 as we speak, we think that this is going to come out, because of the revenue growth, which we have. And expenses about employees surely, there are some front-ended expenses. As we are very, very simple is that our SSGs are in the range of 20% to 30%, but our ad spend increased – are in the range of 20%. So that is the gap, which we are seeing mainly focusing.

Ashish Kanodia: Sure, sure. And the second question is on the MyKalyan front. So has there been any change in strategy, because when I look at the number of employees under MyKalyan, that has declined for the first time in the last few quarters. So has there been any change in that?

Ramesh Kalyanaraman: No. So what will happen usually MyKalyan also use a lot of front-ended staff, because we keep on growing the MyKalyan network, okay? But now it is the franchisees call whether they need a MyKalyan or local marketing. So we give them two options, whether they want local marketing to be done in that region, or they want MyKalyan infrastructure. So as we speak now, people have started coming back because it's all one year, 1.5 year showroom, almost a year done. So now they are enough of local marketing, and they want us to open MyKalyan. So now you should ideally see ramp up of MyKalyan and employees also.

Ashish Kanodia: Sure, sure. Sir, lastly, on the procurement center addition, you have added two new procurement centers. So where are these located, and maybe if you can also just help us understand some of procurement center facility. What is the kind of capex, which was done for these two centers?

Ramesh Kalyanaraman: Yes. The capex will be very minimal. So it's not about capex. It's more about networking of local artisans and what you call vendor ecosystem, more than a capex. So majorly, the new offices were started in regions where we expanded heavily like Bihar and UP.

Ashish Kanodia: Sure, sure. Okay. That's all from my side. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Karan Mera from Mehta Investments. Please go ahead.

Karan Mera: Hello sir. Thank you for the opportunity. A couple of questions. Sir, what is the update on Candere expansion? And how many store openings can we expect before Diwali?

Ramesh Kalyanaraman: Candere this year, we opened 11 in Q1, two in July. We should open 20 more before Diwali. 50 was our target for the year.

Karan Mera: Sorry.

Ramesh Kalyanaraman: 50 is the target for the year.

Karan Mera: Understood. Sir, the non-south share in overall revenue has increased to 49%, whereas, the studded share inched up to 30%. Where do you see the studded mix going ahead given that now even consumer behaviour in the southern market is increasing in studded jewelry?

Ramesh Kalyanaraman: So I think this will settle down in this level for some time because the expansion now, the 80 showrooms which we are opening in this financial year are predominantly in non-South tier two, tier three markets where studded ratio cannot be like tier 1 or Metro. Major showroom network expansion is happening in that area. So I think mid to late 20s, studded ratio will be the ideal number for maybe in the next couple of years -- next couple of quarters sorry.

Karan Mera: Understood. That answers my question. Thank you and all the very best.

Moderator: Next question is from the line of Jainam Doshi from Kriis Portfolio. Please go ahead.

Jainam Doshi: Yes. My questions have been answered. Thank you so much.

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

Pulkit Singhal: Thank you for the opportunity and congrats on the good set of performance. Just the first question is really on the margins, which seems to have been elusive. I mean looking at the company for the last two years, we seem to be executing quite well in terms of store expansions and revenue growth and clearly delivering higher than expected there. But margin expansion just has been completely elusive.

And I find it surprising your comment that while growing at 30% growth and 12% SSSG, I mean, which is quite healthy, you're still talking about high competitive intensity kind of quite contradictory that with such high growth rates, we have to invest so high. So can you talk about this a bit more? I mean we don't expect with lower revenue growth rates that you would not have to invest in the business. And it's only during a higher revenue growth that you expect margin expansion.

Ramesh Kalyanaraman: Yes. So you're right. We are -- meaning somewhere we have missed out on the operating leverage for advertisements that's why I told you that even Q1, it was a miss. And regarding competition, I will tell you where in new markets, where we assume that we will not spend too much because the brand is already aware and the location is the only thing which has to be communicated.

When you see the local players, regional players or the micro market players there becoming extremely active because of our showroom launch then we will have to increase the noise level there. Otherwise, we will lose our market share. And existing local players they increase their activity around our launch time. So that is where we also put more money so that we don't end up losing the market share or we don't end up taking out lesser from the competition.

Pulkit Singhal: Okay. So how do you see this play out on -- so I mean, to that extent, you have to keep investing in the business to just continue the revenue growth momentum, which is a great strategy. But I think -- is that the thought process that let's keep margins stable and grow revenue growth at a healthy way?

Ramesh Kalyanaraman: I think we should take the business after a couple of quarters because with the time, we should be able to optimize this, especially when it comes to as we speak, Q2, which we see it's going to happen. And maybe a couple of quarters we'll decide.

Pulkit Singhal: Okay. Secondly, I mean, on this custom--

Ramesh Kalyanaraman: If you ask me, I am still confident of margin expansion for the financial year, that's why I'm asking for a two quarter wait to decide whether we should forecast numbers.

Pulkit Singhal: So just knowing what your strategy is? I mean either strategy, I mean, long-term so if you're deciding on market share, that's your call, but it will be good to just know as to how you think about things. And sir just secondly is on terms of custom duty cut. I mean given the kind of competition you face, do you think this gives you an edge now, therefore, going ahead? That where your ability to compete gets a lot higher?

Ramesh Kalyanaraman: Yes two ways we think that customs duty deduction is going to help us. First thing is that if we push the unorganized players to buy with invoice. If they buy with invoice, then they like to sell it with invoice. That is one advantage. Second is that, if you look at the last two, three years, the unorganized segment because they do a cash flow hedge usually, okay? They don't reduce their volume inventory even if the price goes up.

But we -- because we are not a cash flow hedge, we are a P&L hedged company, we will have to decrease the volume of inventory, not exactly by the way of gold price increase, if gold increase, let's say 15%, we would at least bring down the inventory by volume by around 10%, right?

So this has been the case over the last two, three years. But now if you see, we are on the other side, wherein they will maintain the same volume at the store. We will be able to increase the volume at the store, meaning inventory level by volume can be increased without in further investment, which we think that is going to help to gain more market share for an organized player. So, it's a two way help secondly.

Pulkit Singhal: So actually, the question like was -- that's interesting to know. The question also was to try to see if the people are competing with are actually having that custom duty arbitrage, which was allowing them to be profitable, et cetera. And now that arbitrage goes away from them.

Ramesh Kalyanaraman: So because of this custom duty, high customs duty, it is always an incentive to do -- without invoice and buying without invoice and stuff for unorganized players, right? That can be an incentive for the customer also, because they can tell the customer that the price can be lesser or GST will not be paid and stuff. But now, things are becoming more transparent because the margins are lesser, no. Hope you understood.

Pulkit Singhal: Yes. Yes. So as they get to do, I mean, if the customer has to invoice, then he doesn't necessarily need to now deal with them. I mean you might have a deal with a branded player.

Ramesh Kalyanaraman: Yes. Correct. That's right.

Pulkit Singhal: Now understood. Great. Thank you and all the best.

Ramesh Kalyanaraman: Thanks.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Yes. Hi Ramesh. Good evening. I joined the call late. Maybe if you can share your thoughts on Candere, the thought process. Do you stick to the store guidance and as well for us store?

Ramesh Kalyanaraman: Yes. So, I'm not able to hear you. I don't know whether my line…

Moderator: Mr. Pardeshi, I request you to come a bit close to your handset and ask the question.

Shirish Pardeshi: What I was asking on the Candere, if you have already covered, I just joined the call.

Ramesh Kalyanaraman: Yes. Candere, the number of showrooms, right?

Shirish Pardeshi: Yes. And what is the throughput you're getting now? What is the run rate we are happening, what's happening now?

Ramesh Kalyanaraman: Okay. Candere, what I will tell you about store expansion wherein we opened 11 showrooms in Q1 and two in July. We will be opening 20 more before Diwali. And now Candere the throughput at the store level is not great, because we have not started campaigning around Candere. We are waiting for Candere to have a minimal number of stores so that we can start our campaigns on an actual level. So, that is what we think we are going to do for -- meaning that's what our plan is for Candere.

Shirish Pardeshi: Okay. Thank you, and all the best.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of our question-and-answer session. I would now like to hand the conference over to Mr. Ramesh Kalyanaraman for closing comments.

Ramesh Kalyanaraman: Thank you very much, everyone, and hope to see you all soon. Thank you.

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