SEC/ 75/2024-2025 **November 19, 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 and Half year ended on 30th September, 2024 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: 2024.11.19 09:37:52 +05'30'

Jishnu RG
Company Secretary & Compliance Officer

"Kalyan Jewellers Limited

Q2 FY '25 Earnings Conference Call"

November 13, 2024

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 13th November 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 Kalyan Jewellers India Limited Q2 and FY '25 Earnings Conference Call. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Agarwal from Strategic Growth Advisors. Thank you, and over to you, Mr. Agarwal.

Rahul Agarwal: Thank you. Good evening, everyone. And thank you for joining us on Kalyan Jewellers India Limited Q2 and H1 FY '25 Earnings Conference 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 the company's website and stock exchanges.

We will begin the call with opening remarks from management, following which we will have the forum open for a question-and-answer session. Before we start, I would like to point out that some of the 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 opening remarks. Thank you, and over to you.

Ramesh Kalyanaraman: Thank you. Good evening, all of you, and welcome, everyone, to the call. It's been a fantastic year so far; both the quarters have been excellent revenue growth for the first half of the current financial year is around 32% on a consol basis and 34% in India with quarter 2 growing by around 37% on consol and 39% India. Growth has been broad-based with robust growth across gold and studded categories.

Adjusting for the loss due to reduction of customs duty, gross margins at showroom level and PBT margins were marginally higher Y-o-Y. This financial year so far, we have launched 49 Kalyan showrooms and 34 Candere showrooms in India, and we are on track for the targeted 80 Kalyan and 50 Candere for the current financial year.

There has been a delay in the launch of the first showroom in the U.S., and we expect to open the showroom by the end of the current quarter. Regarding the debt reduction plan, we are well on track for the current financial year, having already achieved almost half of the total debt reduction plan for the year. Non-GML working capital loan in India has been reduced by around INR 143 crores.

We are still working with the banks for the release of the real estate collateral pertaining to the loan that we repaid in the last financial year. We are extremely excited with the way the current quarter has progressed despite volatile gold prices. We have witnessed SSG in the excess of 20% for Diwali minus 30 days period when compared to the base year. We are upbeat about the ongoing wedding season across the country and hope to end the calendar year on a very strong note.

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

Sanjay Raghuraman Thank you, Ramesh. Good evening, everybody. We are really happy to be talking to you all after a very satisfying quarter. I assume you might have all gone through the numbers and the investor presentation. Hence, I will just highlight the major points now. For this quarter just ended, we reported a consolidated revenue of INR 6,065 crores, a 37% growth over the corresponding quarter in the previous year. Consolidated profit before tax came in at INR 178 crores for Q2 of the current year. After adjusting for the loss because of custom duty cut, profit before tax growth would be 39%. Consolidated PAT for the quarter came in at INR 130 crores versus INR 135 crores compared to the corresponding quarter of the previous year, a 3% degrowth.

I would like to just add here that the tax rate in India for the current quarter is 28% versus 25% in the base year on account of a disallowance of some donations given towards strategies. Our India business revenue grew by 39%, while profit before tax degrowth was 1%. Again, adjusting for the loss due to the customs duty cut, growth in profit before tax would have been 40%. India profit after tax for the period was INR 120 crores versus INR 126 crores, a 4% degrowth.

Talking now about the first half of this financial year. Consolidated revenue came in at INR 11,601 crores, a growth of 32% compared to the corresponding first half in the previous year. And consolidated profit before tax came in at INR 415 crores, a 13% growth compared to the first half in the previous year. Adjusting for the loss due to the custom duty cut, profit before tax would be around 32%. Profit after tax came in at INR 308 crores, a growth of 11%. In this quarter just ended, we opened 26 stores net, 14 in the Kalyan Jewellers brand and 12 in Candere.

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

Moderator: Thank you. The first question comes from the line of Gaurav Jogani with JM Financial.

Gaurav Jogani: Congrats on a great set of numbers. Sir, my first question is with regards to the studded share for you. The studded share now is like 30% odd and it has seen a robust growth versus the Titan, if you see, they had actually seen a decline in the studded share and they had also highlighted some pain in the consumption. So if you can highlight why there is a difference in the demand that you are seeing in the studded share versus them?

Ramesh Kalyanaraman: So studded has been strong, majorly because maybe there are only a few markets where solitaire is looked upon as a commodity, wherein they just buy it for an investment, predominantly in Delhi, Punjab, and all. Otherwise, in South India, people don't see diamond jewellery or any studded jewellery. They don't buy only a piece of solitaire and keep it with them as an investment.

They use it well. So our focus also is to cater those kind of customers even from the past. So for us, high carat solitaire has always been very low in terms of revenue share. So maybe because of that, we are unaffected, but we don't see any pressure on studded products.

Gaurav Jogani: Okay. Sure. Sir, a follow-up to this question that also recently, we have seen some cut in the gold prices, the recent correction in the gold prices. So do you see any positive reaction of the same on the consumer demand, though the consumer demand already has been so robust. But any signs of some pickup in the footfall because of this?

Ramesh Kalyanaraman: Yes. So here, first of all, even without that, Diwali minus 30 days is how we calculate our season revenue that itself have a very robust revenue growth. SSGs are very strong, very comparable to Q2. And yes, as you said, last weekend was very strong. Gold prices have come down a bit. So people can prepone their purchase, maybe people who are waiting because the gold prices were high, might have come back to the stores. So momentum is very strong as we speak. Even without the gold price reduction, which came in the last 4, 5 days, demand was very strong.

Gaurav Jogani: Sir, one last question, if I may slip in. The margin -- the gross margin, so to say, that has been, I would say, relatively better versus the expectations despite the higher increase in the franchisee counts that have been seen. So any light you can throw here because given that the franchisee share would almost be approximately 50%, if I'm not wrong. So shouldn't the dilution in the gross margin a bit higher? Or would it be come with a lag?

Ramesh Kalyanaraman: First of all, franchisee revenue share is not 50%. It is maybe 1/3, maybe in the -- what, 32%, 33%. So gross margins at the store level has been fairly steady, even if it has not improved. Studded share was higher, and we saw a marginal improvement in gross margin at the showroom level, but not major improvement in the showroom level gross margin. While you calculate that way is because you estimated 50% franchisee revenue, it is only, what, 32%, 33%.

Moderator: Next question comes from the line of Vikrant Kashyap with Asian Market Securities.

Vikrant Kashyap: Congratulations on a very strong set of numbers. My first question pertains to volume growth. So during the quarter, have you seen like-to-like volume growth in gold as well as diamond products?

Ramesh Kalyanaraman: Yes, so volume growth, if you look at, about 10% to 11% is where the gold price have gone up, but the revenue has gone up by what SSG said, was 23%. So volume growth should have been there, but the studded ratio is going up, studded also sells, we don't look at only volume. Because we also, as a brand, try to push the customer from gold to studded, and customer also comes now for studded more than gold, right? So if you look at it in this view, where gold price have increased only by 10%, 11%, SSG itself is 23%. So that is how we should look at it.

Vikrant Kashyap: Okay. My second question pertains to lab-grown diamonds. So after Westside ventured into LGD products, there has been a strong buzz into, say, Northern and Western part of India, but in South, we haven't seen anything. So how do you see this portfolio shaping up going ahead since you are expanding majorly into Northern and Western part of India?

Ramesh Kalyanaraman: So we don't see any demand at the store level because as I have told before, we are retailers. When there is demand, we will surely go and supply, right? So at the store level, we don't see any demand for lab-grown diamonds. And because the price itself has not got stabilized, big brands, major brands are not pushing that also because people believe the brand more than the product. So when the prices are not steady, we, as brands don't promote LGD also, right? So 1 or 2 players whom you are mentioning are treating it as a fashion accessory, very low-ticket size, et cetera, which can -- may be a substitute of an artificial jewellery.

Vikrant Kashyap: Yes. The next question is on Candere. So in the last call, you had mentioned you will come with a strong branding for Candere post Diwali or maybe near to Deepawali. So how has been the strategy? And how is the way forward for Candere portfolio?

Ramesh Kalyanaraman: So Candere, still we are focusing on expanding our footprint. And you know that we have opened showrooms across, and we are still in the pipeline of opening stores. So maybe before the end of the financial year, we will surely expand. We will surely start our campaigns. So as of now you know that this year, we had 50-plus stores is what we needed for Candere. We are at 46 showrooms.

Ramesh Kalyanaraman: I am not able to hear you. Can you repeat that question? I'm not able to hear you. I missed out something.

Vikrant Kashyap: Okay. So my question is on international markets. So on Middle East, you have now 4 FOCO stores. So last quarter, you had mentioned that you have been a little slow in the Middle East expansion and debt reduction. So where do we stand right now? And what are the goals for '25?

Ramesh Kalyanaraman: So international, you are right, the kind of momentum which we get for the expansion there, especially in Middle East. And if you look at our weakness for the financial year, wherein our expansion has been predominantly, for the last 2 years, has been in the non-South markets, right? Majorly because of 2 reasons: One, margins are higher non-South and more number of markets are open there. So franchisee interest is also more in the non-South of India. If you look at, we are strong in South, but we are not able to expand in the southern part of India. And Middle East, we have already set the base, and we are not able to expand as planned.

So we are trying to come with a solution wherein we are trying to bucket the low-margin, mid-margin and high-margin in international markets so that we can scale up in these markets also in the next financial year. So we are trying to find a solution. I think we are almost, almost solving it. If that happens, then our focus for the next financial year will not only be in non-South markets, but also we will be expanding in South, Middle East and other international markets like new towns in the U.S., U.K. and stuff.

Moderator: Next question comes from the line of Shirish Pardeshi with Centrum Broking.

Shirish Pardeshi: Starting with the good strong result, just a few observations. In India, we have 231 stores, out of that 105 are franchise, and our non-South ratio is about 49%. You did mention that it's about 30% franchise contribution. But I was expecting this contribution is higher, and you said that the studded portion is steady at 30%, the gross margin expansion and the mix is not showing. So that means you are trying to say that this quarter, there is a strong promotion activity would have cut the gross margin?

Ramesh Kalyanaraman: No, gross margin will not expand because of the franchisee. If you look at gross margins will be only 8% for franchisee stores. Owned store will be always in between 15.5%, 16%. And that is where we are for Q2 also, if you look at -- if you work backwards, okay? That is where we are. So there is no gross margin pressure this quarter. There is one thing, which has come this quarter is the onetime write-off of around INR 70 crores for customs duty. So that has to be negated and then only you put the math.

Shirish Pardeshi: Okay. Okay. But the hypothetical question is that if the franchise revenue is driven by -- in the North by studded and high-value studded, do you think this margin can go another 50, 60 basis points improved in the second half?

Ramesh Kalyanaraman: So franchisee, the gross margin, which I am talking about 8%...

Shirish Pardeshi: But we have done some tweaking, Ramesh?

Ramesh Kalyanaraman: No, tweaking is in a different model wherein the showroom should almost complete 1 year and then we get some more share from the franchisee partner and stuff. That is only 0.25%, and that's for the new stores. So that overall numbers, you will see very minute difference, from 8%, can be 8.1% for the next financial year.

Shirish Pardeshi: The reason why I'm asking -- sorry, I'm harping on this.

Ramesh Kalyanaraman: Yes, yes, please.

Shirish Pardeshi: This quarter has come down by almost 160 basis points. I understand there is a gold portion and there is a write-off, which has happened. But I think historically, we were delivering between 13%, 13.5%. So I'm thinking second half number should look up.

Ramesh Kalyanaraman: Yes. But if the franchisee revenue goes up, again, gross margin will come down, no?

Shirish Pardeshi: Okay. Okay. My second question, you mentioned on Slide 33 that we have done onetime loss of INR 692 million. Is it really onetime or there is some inventory adjustment will also happen in the second half, second -- third quarter also? Or this is onetime you have taken the hit?

Ramesh Kalyanaraman: INR 120-odd crores, out of which INR 70 crores has come. So, we will have to expect INR 50-odd crores more in Q3.

Shirish Pardeshi: That is on the existing inventory?

Ramesh Kalyanaraman: Yes.

Shirish Pardeshi: Will it be outside that? I'm just saying INR 70 crores should not repeat again. I mean...

Ramesh Kalyanaraman: No, no. That is gone, no. That has hold.

Shirish Pardeshi: Yes, maximum another INR 50 crores you are expecting?

Ramesh Kalyanaraman: So total will be INR120 crores plus. Total will be INR120 crores plus, out of which INR70 crores have come. Rest will come in Q3.

Shirish Pardeshi: Okay. Got it. On the international front, we have opened 4 stores, so which are the locations, which you have opened these franchise stores?

Ramesh Kalyanaraman: No, we have not opened 4 stores. We converted 3 existing showrooms. And already, we had 1 FOCO, plus 3 converted. So it became 4.

Shirish Pardeshi: Okay. No, no. I was more interested in the location where we have converted this.

Ramesh Kalyanaraman: Converted was in Oman.

Shirish Pardeshi: Oman?

Ramesh Kalyanaraman: Yes.

Shirish Pardeshi: All are in Oman only?

Ramesh Kalyanaraman: All 3 are in Oman.

Shirish Pardeshi: Okay. And the one which we have opened new under franchise, what is -- you can share some numbers, colour, how it is going? What is it that you're expecting?

Ramesh Kalyanaraman: U.S., you mean?

Shirish Pardeshi: In the Middle East, we have opened 1 new franchise store.

Ramesh Kalyanaraman: Yes, yes. That's going well. So the first one is doing well.

Shirish Pardeshi: So any number would like to highlight, what is their rate -- run rate, maybe SSG, something like that?

Ramesh Kalyanaraman: It's just passed 1 year now. So yet to give you a solid number. But yes, things are doing well. Stock turn is as per what we want. Margins are also going in the right direction.

Shirish Pardeshi: Is it tracking to the similar number what we are delivering on a monthly basis to our own stores, or it is better?

Ramesh Kalyanaraman: So that store is not as big as our own store. So always, if you look at additional new stores will always come with a lesser bucket size when compared to our own stores because own stores would have been in the Tier 1 markets initially. So going to stock turn, it will be very similar to our existing. But total revenue in number might be smaller than our existing stores because our existing stores will be in the Tier 1 super tier markets. That's same in India also, you see.

Shirish Pardeshi: Okay. Just last question. We as on date, we have 105 franchise. So say, March '25, how many franchise you would add because you mentioned in the PPT that we have LOI about 80-odd LOIs there.

Ramesh Kalyanaraman: You're talking about the next financial year?

Shirish Pardeshi: No, no. Between now and March '25.

Ramesh Kalyanaraman: Just as we speak itself, okay, we have around 132 franchise in India.

Shirish Pardeshi: So that means around 25, 26, you have already added between September and Diwali.

Ramesh Kalyanaraman: Yes, yes. We opened many showrooms in -- before festive. So as we speak, we have total KJ stores is 288 globally. India is 252, out of which Kalyan-owned store in India is 120, franchisee is 132.

Shirish Pardeshi: Okay. And this number will get -- likely to go up to what by March?

Ramesh Kalyanaraman: By this financial year end, right?

Shirish Pardeshi: Yes.

Ramesh Kalyanaraman: Yes. So our plan is to open 80 showrooms. So now we have opened 49. So another, what, 31 stores will come.

Shirish Pardeshi: Okay. But this will be back-ended post January, I mean, quarter 4 or you will still even it out?

Ramesh Kalyanaraman: No, Q4, we will open the 30 showrooms.

Moderator: Next question comes from the line of Ashish Kanodia with Citi.

Ashish Kanodia: So Ramesh, the first question was on the store expansion plan for FY '26, given the new model, which you are trying to plan and anyways, FY '25, we are more than halfway around. So more on FY '26, what's the store expansion plan? And also, if you can touch upon the debt reduction plan for next year?

Ramesh Kalyanaraman: Yes. So we will do 80 for this year. So if you ask me ideally for next year, it should be anyway higher number than 80. And exact number, we'll be able to give later because if you look at -- I told you last 2 years, we were only focusing on non-South. And now we want to not only focus on non-South, but also do South India, Middle East and international, for which we are trying to create a new solution, and we are almost in verge of cracking that. If that goes well, then the new showrooms during the next financial year can be much higher than what we were talking about now.

Ashish Kanodia: Sure, Ramesh. And debt reduction plans?

Ramesh Kalyanaraman: So, debt reduction this year, our plan was INR 300 crores. Next year should be in the range of what? INR 350 crores to INR 400 crores.

Ashish Kanodia: Sure. And then just a couple of questions on the SSG and demand side. So one, when you say the same-store sales growth of 20% plus for Diwali minus 30 days, this is Diwali minus 30 days of current financial -- current year versus Diwali minus 30 days of last year. Is that how we are looking at 20% for same-store sales growth?

Ramesh Kalyanaraman: Correct. Like-for-like, yes.

Ashish Kanodia: Like-for-like. Sure. And then just on the discussion around studded mix, gross margin at showroom level, et cetera. So I mean, from a competition perspective, have you seen anything changing, especially in your existing markets, right, where you have been present for, say, 2, 3 years now or more than that? Any remarkable change in the competitive intensity, whether from large players or from local regional players?

Ramesh Kalyanaraman: No, competition has always been there. But as you know, we have always -- if you look at our revenue growth for the past many quarters, if you look at our gross margins over the last many quarters, you don't see any impact, wherein -- because maybe the network effect is really playing out for us. And maybe that is the major reason.

But our SSGs are strong, revenue growth is strong. Competition on the pricing level, we don't see any new competition coming in. Competition is always here to stay. But of course, branding or spending by local players have increased. They are also active now during festive. They are active when we open a new store in a new market. The local competition is also getting active. All those kind of things, which we see now was not there before. But otherwise, on pricing and stuff, it remains constant for the past many quarters now.

Ashish Kanodia: Sure. Just last question around the depreciation and interest cost. So, first is, when I look at quarter-on-quarter, the depreciation cost has increased by almost INR 100 million. And then secondly, so just wanted to understand why this kind of a growth because from a store expansion perspective, we have seen store expanding earlier as well, but not this kind of a depreciation cost. And secondly, when I look at the interest cost, say, in 4Q, your interest cost was around INR 780 million, and now it's almost INR 900 million. While if I look at the debt levels and even the GML, I'm talking about consol level, so debt has actually gone down in the last 6 months. GML are also broadly stable. So anything, which stands out on the depreciation and interest cost?

Ramesh Kalyanaraman: Yes. So depreciation is because even though it's a franchisee model, we take the lease on our name and sublease it to the franchisee partner because if tomorrow, the franchisee partner, if the relationship, something goes wrong also, we want the real estate to be with us. So that is why your depreciation is going up.

Ashish Kanodia: Okay. Maybe I will just take it offline to understand it better.

Ramesh Kalyanaraman: Okay.

Moderator: Next question comes from the line of Semanto Saini with HS Securities.

Semanto Saini: My question has been answered.

Moderator: Next question comes from the line of Gaurav Jogani with JM Financial.

Gaurav Jogani: So my question is with regards to the gold metal loan specifically. In the stand-alone numbers, we see that the gold metal loan has come down, whereas on the consolidated level, I think it has marginally gone -- so why this is the case? And second, if you can also highlight that going ahead, given that we'll be generating good free cash flows from the operations and given that more and more stores will be opening up on franchise, which means the cash requirements will be even lesser. So, in that context, shouldn't be the debt repayment a bit higher versus the targeted INR 350 crores to INR 400 crores?

Abraham George: Yes, Gaurav, Abraham here. So, on the GML, we have repaid -- the GML in India is down by approximately INR 54 crores in India. And that you don't read too much into it because it's because of some closures that happened towards the end of September. So that might come back to the same level. In the Middle East, what has happened is about INR 118 crores of non-GML got converted into GML. And in addition, we took some INR 60-odd crores of GML for additional inventory for our international expansion in the U.S. So that is the reason why you're seeing at a consolidated level, a marginal increase in GML.

Now on the debt repayment, yes, I agree with you. This year, we've already repaid about INR 144 crores of non-GML. The target was about INR 300 crores. So we are on track for repayment in India. And next year, yes, with additional cash flow because of this new franchise model, we should be able to do a higher debt repayment, which is why Ramesh was mentioning INR 350 crores to INR 400 crores next year.

Gaurav Jogani: Sure. And then can you also tell us in terms of the GML level, what kind of GML levels are expected going ahead? Because can the additional cash flow that is generated can be used to pay off the non-GML loan and increase the GML, which is a lower cost mechanism?

Abraham George: So the focus is not to repay the GML. The focus is to repay the non-GML. In the process, if we are able to kind of get to a structure where we can have a higher GML with a structure, which is more palatable to us, we will go for it. Otherwise, the focus is more to repay the non-GML than increase the GML now. And GML should be in that -- in the current range, which will be for at least next 1 year.

Moderator: Next question comes from the line of Anjana Shah with Shah Investment.

Anjana Shah: A couple of questions from my end. Sir, can you highlight how is the progress in converting existing stores into franchisee in Southern market panning out for us? And how many stores in South market we plan to convert to franchise stores?

Ramesh Kalyanaraman: Yes. So Southern markets, we have tried out a few stores and South cannot be seen as one. So South itself, we'll have to treat it differently in Kerala versus Tamil Nadu versus Karnataka and Andhra and Telangana. So we are trying out options in states. And if you look at the momentum in South India, I told you because the margins are low when compared to non-South. So the traction is not as good as non-South. And that is why our new solution, which we are working on, wherein we are trying to club the low margin, mid-margin and high margin together so that we'll be able to sell it.

Moderator: Next question comes from the line of Pulkit Singhal with Dalmus Capital Management.

Pulkit Singhal: Congrats on a good set of numbers. The first question is on the international foray. Can you talk a bit about what could be the estimated TAM for you when you address U.S. and U.K.? What is our right to win? And what -- why enter now? I mean, what has changed that allows us to address this market because we may be a relatively unknown brand there. Obviously, we'll be known among the Indian community, but otherwise relatively unknown. So just trying to understand how you think about the whole market.

Ramesh Kalyanaraman: Yes. So international markets are really growing, and we are only catering Indians there, and we have seen a couple of brands doing well there. And according to our market understanding and research, we thought this is the right time to enter. And we also have capital availability. And we are also trying to bucket this opportunity to even grow in the southern markets and Middle East also. So everything aligns to be where we want. So then why should we not do it? That's why we are trying to expand there.

Pulkit Singhal: Okay. But the product assortment, will it continue to remain quite similar or to that extent, I mean, we try to make a lot more non...

Ramesh Kalyanaraman: No, on certain markets wherein even within -- because even within the U.S. or even within London, U.K. markets, each market has to be treated differently in terms of what population stays there predominantly, even within Indians. So there are markets in U.K. where certain segment of Indians stay more than other segments. So, the inventory allocation has to be that way. Same applies to New Jersey versus an L.A. versus other markets in the U.S., wherein the type of Indians who stay, we address to them more, right? So there can be minor tweaking in inventory. But otherwise, yes, we cater to Indians there.

Pulkit Singhal: Understood. And your current market survey, I mean, does it show the potential to open like it could be another similar Kalyan Jewellers, just purely U.S. and U.K., 250, 300 stores or more?

Ramesh Kalyanaraman: No, no, not that much. But Middle East, yes, there can be more markets availability to open. But U.S., U.K., Canada, Australia, Singapore, everything put together can be maybe what, 25, 30 showrooms.

Pulkit Singhal: Okay. Okay. Just second last question was again on the margin bit. I mean we have PBT growth almost similar to revenue growth. When do you see the PBT growth becoming higher? Is that expected this year or you're thinking that will be more next year?

Ramesh Kalyanaraman: So, we are trying to do this for -- even if you look at, if you are adjusting the INR 70 crores write-off, PBT growth is actually marginally higher than our revenue growth, even this year.

Pulkit Singhal: Yes, by 1%, 39% and 40%. So...

Ramesh Kalyanaraman: Marginally. That's what I told you marginally. But this margin can increase over time. So I don't want to commit for this financial year, but all of us are aligned to work for that only, right? And one thing what we should understand, again, where I left out is, this is even after we starting our advertisement campaigns, etcetera, in Q2 in this financial year because majorly Q2 was very good, okay?

And we had a lot of revenue coming in because of the customs duty reduction. And the last 2 weeks of Q2 was very soft. So, we actually estimated a very soft festive, and we did not want to go wrong. So we started our campaigns, festive campaigns, et cetera, much earlier so that this festive season also goes well.

But yes, things fell on track and Diwali minus 30 days is very good. And of course, this would have resulted in some EBITDA margin compression in Q2, but things are really working out good for Q3 because Diwali minus 30 days revenue growth and SSGs and existing momentum, everything is strong.

Moderator: Next question comes from the line of Abhishek Kumar with Sanctum Wealth.

Abhishek Kumar: So my question is mostly on the kind of stores, which you are opening? Or do we have any plans with respect to open or have a few more sub-brands per se or maybe stop and shop catering to the luxury end of the markets as one of our competitors do have. And also at the same time, we keep it to lightweight segment or more focus on that. Do we have any plan on that?

Ramesh Kalyanaraman: So now you know that Candere itself this year, we have a lot of things to do there. Candere, we have 46 showrooms as we speak. This year itself, we opened 34. Our plan for this financial year was to open 50 out of which 46 is already done. Another 20 more is in the pipeline. So store expansion is really focused for Candere as well other than Kalyan Jewellers, right? So we are waiting for Candere to fall in place. Maybe in the next financial year, things should fall in place for Candere.

And once that settle down, of course, you are right, there are 1 or 2 more verticals where Kalyan can surely enter. But we will -- if you look at a midterm, long-term plan for Kalyan, medium term, where you know jewellery in an organized space today, if you bifurcate it into, say, 4, okay, there are quite a number of players in the low-margin high stock turn, more stapled regional players. There are many players in that bucket. Kalyan is another bucket where we are, what, 30%, 40% hyperlocal, rest is national kind of. That's where we place ourselves. Third vertical now is really the Candere vertical, where lightweight jewellery, daily wear, working women, Gen Z kind of.

There is one more vertical, luxury brand is really picking up where again, stock turn can be lesser, but high margin, more private and more personal kind of space. And so there are 4 major verticals in jewellery today, out of which Kalyan is there in one bucket and Candere is there in another bucket. We can, in the future, medium term, we can enter into the other 2 segments, value for money segment and the luxury segment. But as we speak today, if you ask me, will we do it for next year? Might be no because we are waiting for Candere to settle down.

Abhishek Kumar: Okay. Okay. Got it. And so with respect to Candere, so if you could like share some insights as in what kind of customer cohorts, which we usually see with respect to Candere because it's also, again, omnichannel. So how are the conversion rates there? What kind of like generally the customer segment do we see are preferring and actually end up in our stores? If you could throw some light on these aspects?

Ramesh Kalyanaraman: The Candere target is working women, youngsters, Gen Z, Gen Z at heart, okay? And working women need not be young. They can be between 18 to 50. And youngsters, gifting is a huge category in Candere. Self-gifting is also a category in Candere. So that is where we see customers coming in. Footfalls have started increasing, but not to the level, which we want because we have not started our campaigns well. So our focus now is to build the team to increase the footprint and campaigns will follow. Initial target was to do campaigns around Diwali. But yes, we have pushed it to maybe a couple of months more, and we are now focusing on increasing the footprint.

Moderator: Our next question comes from the line of Ashish Kanodia with Citi.

Ashish Kanodia: So the first question was on the salaries and wages. So say, a couple of quarters back, the employee cost was kind of increasing at a higher pace because you were opening stores and hiring people in advance. But this quarter, we have seen sequentially employee costs going down. This is despite more number of stores being opened in 2Q.

And then even for the festive season, the stores, which you have opened, you might have hired people in advance. So anything which stands out on the employee cost? And secondly, do you see more operating leverage coming in from the employee cost?

Ramesh Kalyanaraman: Yes. So one was that we had recruited some people in advance because training can be better. Our objective was to open as many stores possible without losing the quality of the salesmanship, right? So our focus was that. So we had adequate staff to open for even Q3. That is the reason why the salary cost has not increased, rather it has decreased. So that issue is not there now. And again, one -- because your existing number of stores are also more. Now the base of the staff -- number of staff are more, now the 0.2, 0.3, 0.4 EBITDA compression because of employee cost will not surely come for the next financial year, right? Because our base have increased.

Ashish Kanodia: Sure, sure. Got it. And just second question, in terms of the COCO store, if you can just give us the breakup between South and non-South as of 2Q, like how many COCO stores? I think my calculation suggests maybe 76 COCO stores in South India and 50 COCO stores in non-South. But if you can just reconfirm if that's the right number?

Ramesh Kalyanaraman: It will be in the range of 120 in India, out of which 70, 70-odd is in South India and the rest is in non-South. You're right.

Ashish Kanodia: So just on that, have we converted a few stores in non-South from COCO to franchisee? Or have we closed some stores because like if I look at 3Q, non-South, we had 60 stores, and that has kind of come down to around 50 stores. So has there been any conversion in the last almost 2 years or some closure in the non-South?

Ramesh Kalyanaraman: One non-South, we converted to Candere. And yes, 2 or 3 showrooms we have converted because we might have given a new store near our own store. But what, 4 showrooms may be converted to FOCO, non-South. And 1 in Q2.

Moderator: Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to turn the conference over to Ramesh Kalyanaraman for closing comments.

Ramesh Kalyanaraman: Yes, thank you very much for participating, and we really look forward for a wonderful Q3 and finish the year also on an excellent note. Thank you very much. See you all very soon.

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