



BlueStone Jewellery and Lifestyle Limited

Q2FY27 Earnings Conference Call

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MODERATOR: **MS. RHEA DHARIA – INVESTOR RELATIONS – EY**



Moderator: Ladies and gentlemen, good day and welcome to BlueStone Jewellery and Lifestyle Limited Q2 and H1 FY27 Earnings Conference Call. 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 Ms. Rhea Dharia from EY Investor Relations. Thank you, and over to you, Rhea.

Rhea Dharia: Thank you, Danish. Good morning to all the participants on the call. Welcome to the Q2 and H1 FY27 earnings call of BlueStone Jewellery and Lifestyle Limited. Before we proceed with the call, let me remind you that the discussion may contain forward-looking statements that may involve known and unknown risks, uncertainties, and other factors.

It must be viewed in conjunction with our business risks that could cause future results, performance, or achievements to differ significantly from what is expressed or implied in such forward-looking statements. Please note that we have mailed the results, and the same is available on the exchange. In case you have not received the same, you can write to us, and we'd be happy to send the same over to you.

To take us through the results today and answer your questions, we have the management of BlueStone represented by Mr. Gaurav Singh Kushwaha, Founder and CEO, and Mr. Rumit Dugar, CFO. We will start the call with a brief overview of how the quarter has gone and then conduct the Q&A session.

With that said, I'll hand over the call to Gaurav. Over to you.

Gaurav Singh Kushwaha: Thank you, Rhea. Good morning, everyone, and thank you for joining BlueStone's Q2FY27 Earnings Call.

Revenue grew 44% year-on-year to INR 738 crores, EBITDA more than doubled, and this is our fourth consecutive profitable quarter on a standalone basis. Strong growth with profit rising faster than revenue, that is exactly the business we set out to be. The detailed disclosures are on the exchanges, so I will use my time on what sits underneath these numbers, which is our customers.

During the quarter, BlueStone crossed 1 million customers. That is a million people who chose to buy something precious for themselves and for



someone they love, from a brand that started life as a website to one that gets picked every day.

A million customers teach you things no survey ever can, and we watch closely on our own platform, what they want. The clearest lesson is that today's customer wants to feel elegant and aspirational, and she wants her jewellery to do that for her. With a touch of the contemporary and a touch of the classic.

When the customer wants it all, the only way to keep up is a design language wide enough to deliver it. And that is only possible because we design and make our jewellery ourselves. That is how we have reached more than 10,500 designs. The newest, a handcrafted and antique range, launched this quarter at our flagship store on Park Street in Kolkata.

The second lesson is that aspiration in India no longer has a pin code. Because BlueStone started online, we were delivering to customers in towns across India years before we opened a store there. That gives us an advantage a store-first jeweller does not have. We know where our customers are before we decide where to open.

All seven new cities we entered this quarter were Tier-2 and Tier-3 cities, and customers there chose the same contemporary BlueStone designs as customers in the metros. So, when a BlueStone store opens in a new city, we're not starting from scratch. We are opening our doors to customers who already know us.

The third lesson is about price. Anyone can make a beautiful piece, making one for every budget is the real craft. That is where most of our design effort has gone this year. Our redesigned entry-level range is now taking more space in our stores, which brings a first BlueStone piece within reach of many more people. The first purchase is a charm, the second is a choice. And as more of our customers make that choice, we're moving from being a brand they shop to a brand they cannot imagine shopping without.

And let me come back to where I started. A million customers is the point at which a brand becomes a legacy. And while legacy jewellers are built across generations, ours was built in one. It took us 15 years to reach our first million customers. The next million will come much faster. Not because we already have a million to rely on, but because we never take a single one of them for granted. We earn them every day, and that is where our focus will stay.

Thank you, and over to the operator for questions.



Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin with a question-and-answer session. First question comes from the line of Percy with IIFL Capital. Please go ahead.

Percy: So, my question is on your strategy going ahead for growth. Right now, we are seeing a significant AOV growth. This quarter also was close to 30% AOV growth and, at least, if not entirely, a large part of it is coming from the gold price inflation. As the gold price anniversaries in the next couple of quarters, this AOV growth would sort of come off. At that time, obviously, as affordability improves, the bills cut per store would probably increase. My question is that what kind of increase do you see in the bills cut per store versus what you are seeing right now? And is there any other lever you have, to keep the growth afloat in terms of either increasing the karatage or something like that, so that even the AOV growth keeps sort of on an upward trajectory. So, just to summarize, my question is that, do you think that AOV growth can continue even if the gold price sort of is Y-o-Y flat or do you think that as the gold price becomes flat, the AOV also becomes flat and then the entire growth is based on the bills cut?

Gaurav Singh Kushwaha: Yes, so Percy as we have spoken several times earlier also, historically we have generally not seen our overall growth numbers swinging highly when gold rate remains flat or when gold rate increases. In fact, last year was one of the most, toughest year for us in terms of SSG and growth when the gold prices were actually moving very rapidly.

So, overall, let's say if the growth for this year is 44% and around 29% of that is, I think, AOV increase. It naturally happens because all the pieces just sitting in the store, everything moves up. But there is significant buyer growth also.

So, 10%, 15% kind of ticket growth or AOV growth is something that historically, even when gold remained flat, happens as people mature in your system. As you have more and more repeat and those repeat actually start buying at higher value, there's a natural, let's say, 10%, 15% ticket growth which is always sitting there.

And hence the buyer growth is also pretty strong. And as gold remains stable, more and more people are comfortable buying it. It's much easier to kind of acquire people at the entry price points, etcetera. So, a larger part of that growth will be driven by buyer growth. I mean, that always naturally happens. It's either this or that. And I think in Q3, we'll see it very, very clearly, that thing kind of happening and panning out.



Percy: Understood. Secondly, on the inventory do you expect the inventory also to grow now very slowly, given that the gold price inflation is not happening and that would improve the sort of inventory turns also? Do you think that's on the anvil now very soon?

Rumit Dugar: I think from an inventory turn perspective I think we've already communicated that capital productivity for our older cohorts is significantly better. So, there is going to be fundamental leverage on the inventory productivity that will continue to come as vintage builds of our older cohorts.

There is going to be continued improvement in inventory turns at an aggregate level. Further, there is going to be some normalization of manufacturing inventory over time, which will if the gold price remains stable, then the reallocation of designs, etcetera, doesn't need to be at the same pace as when the gold is moving a lot. Thus, at an aggregate level, I think we are quite comfortable from an inventory turn perspective and we should continue to see progression there on the positive side.

Percy: Got it. Rumit those points are well understood.

Moderator: Our next question comes from the line of Harish Advani from Axis Capital. Please go ahead.

Harish Advani: Congrats on a great set of numbers and thank you for the opportunity. My first question was on the SSSG that we've reported of about 28% in the second quarter. So, as we've read through the management commentary that there has been an element of festive shift which has gone into Q3. So, could you kind of in a way quantify what would have been that shift of SSSG, which would have probably gone into Q3?

Rumit Dugar: It's very hard to quantify that shift, right? So, I think what we had mentioned is that, obviously, there is a natural shift from a base seasonality perspective. But the operating environments are different, right? I mean, last year versus this year, consumer demand, etcetera. So, it's hard to quantify what that exact number is. But there is a reasonable impact of that shift and that is what we've called out. Nothing further to add, really, in terms of quantification there.

Harish Advani: Okay. And my second question is that now that the entry price assortment has been reset, how are we seeing some of the trends in terms of say, traffic both at the app or on the store, or in terms of the conversions that we had say prior in say, Q4 or Q1?



Has that been on an improving trajectory? And are we expecting any further improvement out here given that it takes some time for the customer to kind of realize that the prices have now become far more affordable than prior quarters? Thank you.

Gaurav Singh Kushwaha: Yes, so all those efforts are largely playing out as we had expected. In fact, if you see sequentially, our AOV has also dropped. And AOV, essentially if we start doing better, if we keep doing good in entry-level price points, AOV will naturally fall down. So, I think that was a very conscious effort that we had taken up, and that is producing results.

And you're absolutely right, it takes time to kind of take this messaging and take these products to customers also. And we largely use online marketing channels to actually do that. Like any other marketing, it kind of takes time for the message to propagate. But that is happening. And there should be more gains sitting in those price points going forward.

Moderator: Thank you. Our next question comes from the line of Abhishek Shankar with ICICI Securities. Please go ahead.

Abhishek Shankar: Yes. Thanks for taking my question. So, my first question is regarding the early trends into Q3. So, how are we seeing the festive trends in Q3? And are we seeing any incremental impact, and how has been the SSSG growth going into Q3?

And the other question is can you just help me with how has been the cohort performance, because I think previous quarters, we have given information on the cohorts, but I don't find that in this quarter. So, can you just help me with the commentary on the same?

Gaurav Singh Kushwaha: Right. So, because the festive or Navratri started very late, so we have only seen 10-11 days of that, right? Most of the bigger buying days like Karwa Chauth, Dhanteras, etcetera are still ahead of us.

So, it's very difficult to kind of quantify the exact kind of growth that we expect, and we'll get clarity on that more in next 10 to 15 days. But at a very fundamental level, I'm not seeing much changes or it's kind of more or less where we would have expected or wanted it to be.

Another thing is that historically, what we've seen is jewellery does not kind of operate in tandem with lots of other consumer categories. So, essentially, the softness or bullishness in other categories generally does not translate to jewellery. Jewellery has its own cycles. For example, 2 years back, when there



was duty cut, the demand was off the charts. And there has been softness also, but for its own reasons. In general, it does not operate in tandem with other categories.

Rumit Dugar: On the cohort question, look, I think there is no point in giving cohort data every quarter, and there is no intention to do that, as well. I think the objective function of really giving cohort data is so that you can see how the vintage kind of plays out. And it is better to look at that data on blocks, right?

Like the vintage doesn't build in like a quarter or a couple of quarters, so it's better to look at it in blocks. So that is not the objective of giving cohorts. I think we have a fair amount of disclosure that is already there, and hopefully that helps.

Moderator: Our next question comes from the line of Videesha Sheth with Ambit Capital. Please go ahead.

Videesha Sheth: Yes, hi. My first question was on given that incremental store openings would be skewed towards Tier-2, Tier-3 markets, how does the assortment, customer outreach, or marketing differ versus the existing strategy or approach? Is there any tweak undertaken to expand in the same?

Gaurav Singh Kushwaha: Yes, hi. So, basically, we are expanding cities, so I think in our commentary also, you would have seen we expanded to 7 more cities, but the stores that we opened were 27, right? So, a lot of those stores are actually opened in the cities where we're already present, be it metros, Tier-1, and so on. So, when you look at city expansion, city expansion would largely be Tier-2, Tier-3, but when you look at store expansion, it would still be in metros, Tier-1, Tier-2, and Tier-3, and so on.

Now, about the specific marketing initiatives, we don't do any BTL; we generally do top-down marketing, and we use online marketing channels largely. Our core belief and our operating model essentially is to pull people in online, get them or engage them on the website. Once they are engaged, and once they know what products we sell, once they've gone through our designs, once they know us better, then they naturally walk into the store, because that messaging is also very, very clear on the website. We very fundamentally believe that online is the right way to discover new products in this category, because honestly, you cannot walk into a jewellery store and look at 10,000 designs. It does not happen.

It can happen in other categories like apparels, shoes, etcetera. You can go to Shoppers Stop, Zara. You can spend 2 hours there. You can spend 2 hours for



7 days consecutively and look at each and every product. However, you cannot do that in a regular jewellery store.

So, in categories like cars, jewellery, house, etcetera, a lot of research is done online, and that behavior is not different in metros, Tier-1, Tier-2, Tier-3. They're also on internet, they're also consumers, and they also aspire for similar things. And this is the core behavior that we target to operate our business, and hence, essentially, things are the way those are.

We don't go to apartments to do BTL. We don't go outdoors etcetera, as you would have also seen. There are things that work very well for us. We intend to double down on that, and we don't see behavioural difference between Tier-1, Tier-2, Tier-3 when it comes to that.

Videesha Sheth: So, just one clarification over here. So, is it that even in Tier-2, Tier-3, you don't think that the placement or the requirement for entry price points would be a little higher versus the top 15, 20 cities in the country? That's not the case, is it?

Gaurav Singh Kushwaha: Yes, if your question is on assortment, even in Tier-1, most of the stores that we started, we started with lower price points. And it's not that people in Tier-2, Tier-3 have less purchasing power when it comes to jewellery. It's a very well-penetrated category. There are people who spend significant money on jewellery in Tier-2, Tier-3 cities, etcetera also. So, we don't see too much of a price point difference between Tier-2, Tier-3.

A lot of customer acquisition, actually, in this category happens at younger age, relatively younger age, for example, 28, 30, 35, and so on. Now, the typical price point at that age is lower than if you compare it with someone who is 40, 45-year-old, and so on, because people naturally grow in their lifecycle, they have more disposable income also. So, those are the real nuances, and it's not Tier-1, Tier-2, or Tier-3 difference. And we don't operate for middle class. We don't operate for, let's say, uber-rich, and so on.

Moderator: Our next question comes from the line of Jaykumar Doshi with Kotak Bank. Please go ahead.

Jaykumar Doshi: Hey, hi. Thanks for the opportunity. My question is, in the last couple of quarters, we have seen very strong growth in plain gold jewellery. So, is that a conscious push from your side, or it's still a pull demand? What I want to understand is, are you changing your inventory mix at a store level in terms of the number of SKUs of plain gold jewellery that you now have versus



maybe a year ago, or with the same level of inventory, you are actually seeing much higher sales in plain gold jewellery?

Rumit Dugar:

So, Jay, there is there is no conscious push towards any specific mix or specific type. So, I think there will be these quarterly variances. I think those are more reflective of the consumer behavior for that quarter. I think what you need to look at it is that across vectors such as consumer lifecycle and their own income growth and own income journey, they would like to see and purchase different kind of products with different price points, right?

So, as our user base is growing, our range is expanding across studded, across non-studded, and this mix is more an output metric and a reflection of consumer behavior, nothing specific that we are doing from an input perspective to drive a particular mix as an outcome. So, our focus pretty much remains on making sure that there is a wide variety of products available across studded, across price points, across different consumer use cases, occasions. So, this is more a consumer behavior outcome, Jay.

Jaykumar Doshi:

Sure. And but do you have a target in mind in terms of where you would like this mix to settle? Given that you have an aspiration to get to a certain level of margin in the next 3 years to 5 years, so what is the optimal mix that is required for you to be able to sort of meet those aspirations on margins?

Rumit Dugar:

So, I think the way to think about this, Jay, is there is no specific target mix, right? I think the way to think about this is that do we have the right product range which can drive more repeats, and we are able to address all consumer use cases with that customer. Second is, from an ROIC perspective, I think margin is a very narrow lens to look at this mix and deduce that what happens to sort of operating margins and ROICs effectively, because the GMROI are not very different, right?

So, a studded has a higher margin, but generally a lower turn. Non-studded has lower margin, but much higher turn. So, the capital productivity that you get from these two is a function of the brand, the pricing power, and thus the GMROIs are not very different, right? So, what happens with the margin mix is not necessarily going to translate into a lower or a higher ROIC. So, in all scenarios, I think our focus remains on GMROI and the kind of ROICs that we are able to generate from each of these products. So, I don't think that should change anything from an ROIC or GMROI perspective either ways.

Moderator:

Our next question comes from the line of Manish Ostwal with Nirmal Bang Securities Private Limited. Please go ahead.



Manish Ostwal: Thank you for the opportunity. My question is on the demand environment or the growth we are seeing in our business. So, if you can make qualitative comment in terms of urban centers or the metro cities versus the Tier-2 and Tier-3 cities and how is the split of growth?

And second question is more on the long term. We have guided INR 12,000 crores of revenue by 2030. What is the underlying assumption on the inventory turns because that will require you to fund your inventory. At the time of IPO, the company raised money of INR 750 crores for the working capital, and which is completely exhausted now. So, to reach that journey of INR 12,000 crores, what kind of additional equity capital we require to achieve that outcome? Thank you.

Gaurav Singh Kushwaha: Yes. Hi. So, in terms of behavioural changes or growth numbers, we don't see much of a difference when we actually slice the stores by their tiers or by their age, and we spoke about it earlier also. So, in terms of the fundamental growth trends, we see more or less same growth trends. Behaviourally also, our merchandise is also not kind of regional, and it's kind of same whether it's Tier-1, Tier-2, and when we compare the performance of that also, we don't see much difference. So, the growth and all the trends are generally broad-based.

And in terms of the overall trend, there is not much of a difference in trend between Tier-1, Tier-2, Tier-3, etcetera. I think overall trend that we're seeing, we are basing our hypothesis. We're basing our hypothesis on three broad trends which are happening. One is move towards omnichannel, where people are doing more and more research online before deciding to purchase anything.

Second is the move towards lightweight jewellery, where we have a significant play, and third is move from unorganized to organized, and we are beneficiary of all these three tailwinds. That's largely the behavioural shift that we are seeing across our cohorts, across different cities, and so on.

On the inventory turn, Rumit?

Rumit Dugar: Yes. So, see, essentially, I think the way to think about this construct is there is the EBITDA generation and internal accruals, right? And as we've explained earlier, we have a fairly fixed-cost business, and all the stores are not vintage yet.

So, as the vintage of the store picks up, the capital productivity of those stores and ROICs and the internal accruals that those stores generate continue to



move up. And there is a significant portion of our stores which have still not hit the vintage. So, that is going to be one big driver.

Second is, from a balance sheet perspective, there is a lot of flexibility at the balance sheet level, both in terms of -- if you look at our net debt to equity, that's still very low. We are focused on third-party liabilities like customer advances, customer schemes, etcetera, and that has been growing extremely well for us.

So, as the network of our stores expands, as we bring in more consumers into our fold and with their income growth, generally, this is again an avenue which we can use to fund the growth efficiently. So, I think there is a fair amount of flexibility from a capital perspective across these three vectors, so we don't see a challenge.

Moderator: Next question comes from the line of Jaykumar Doshi with Kotak Securities. Please go ahead.

Jaykumar Doshi: Hey. Hi. Thanks for the opportunity again. I want to understand, you know, your contribution margin has declined 50 bps YoY, which is remarkable, you know, when I take into consideration the change in studded mix and gold mix. So, what has helped you, you know, deliver a much resilient contribution margin, and do you have more lever there from current levels?

Rumit Dugar: So, there are multiple other variables, Jay, that we kind of look at which can support margins, right, in terms of the quantum of diamond per gram of gold, etcetera. So, those are some of the examples, but there are a few more that we typically use.

But I think the idea is not to keep pushing contribution margin. I think the focus is to build more market share, get more repeats, work with the consumer across their use cases and life cycle. And our margin levels are already quite healthy, right? So, the flow-through from an ROIC perspective is still pretty good. So, I don't think the idea is to keep pushing those margins. It will have some deviations depending on the product mix, consumer mix, which is more driven by consumer. But, Yes.

Jaykumar Doshi: Understood. And my next second question is on A&P spends. Now, this quarter, I think it was about 5.7%. Should we consider this as a, you know, more normalized range for the next 1 year or 2 years, or you think that with scale, even in the next 1 year or 2 years, this number can go down further? And any plans you may have on, you know, going ahead with any big mass media



campaign of brand ambassadors at any point of time in the next, you know, 12 months, 15 months or so.

Gaurav Singh Kushwaha: Yes, Jay, so in medium term, we believe that over the next four years or so, it should come down. In percentage terms, it should come down to around 4.5% or so. In general, we have not seen too much variances between, let's say, Q2, Q3, Q4. So, while there is seasonality in sales, if you look at our historical numbers also, that seasonality does not correspond to seasonality in marketing. Okay. So, between Q2, Q3, Q4, we don't see any much change or any significant deviation from how we are operating our marketing.

On the second part of mass media or a brand ambassador, mass media is something that -- So, by mass media, I'm assuming you mean TV, print, outdoor, etcetera. Those, for the way we do our business, and I have told you that how we look at marketing, etcetera, we see online as the most efficient marketing channels.

A lot of traditional marketers are also using or trying to use online as efficiently as they can. Traditional marketing, TV specially, has lost its efficacy over time. When people moved to OTT, everything became CPM, etcetera. There are reasons for us to believe why it's not going to be as effective as it used to be. Brand ambassador is a separate thing, because brand ambassador is not necessarily linked to usage of mass media, etcetera.

So, brand ambassador, we cannot comment on that. That is something that we keep on debating, and that where we decide to take a call this way or that way. But in terms of marketing channel, online is going to remain the primary marketing channel for us, be it for brand building or be it for performance marketing.

Online as a channel can be used for both, for brand building as well as for performance marketing, and we use it for both those things. Mass media like TV, etcetera is not something that we are very keen on.

Moderator: Thank you. Our next question comes from the line of Harsh Shah with Bandhan Mutual Fund. Please go ahead.

Harsh Shah: Yes, so there's two questions, Runit and Gaurav, and there're two these are actually follow-ups of what Jay was asking on the same line. One is see, Runit, on the gross margin bit, right, your studded share has come down from low 60% to 55.7% in this quarter, right? Ideally, your contribution margin is, you know, a factor of basically, making charges plus markup on gold, which is negligible, plus markup on diamond, right?



So, when your stud share is actually coming down, 50 basis point gross margin decline is actually quite a good thing, right? It actually means that you are pushing the pedal on getting the contribution margins higher. I mean, theoretically and mathematically, your margin should actually fall much more than that. Is that understanding, correct?

Rumit Dugar:

I think I explained this that at the contribution margin level, there are multiple factors, right? So, there is a composition while you're only looking at studded and non-studded, there are multiple other levers within studded and non-studded. Even the non-studded, the margin profile is not homogeneous, right? So, different products, basis different designs, what kind of margin premiums, etcetera that we are able to charge, right? So, it's not a very homogeneous kind of view that you may be taking on studded and non-studded.

Second is at a contribution margin level, there has been a significant improvement even in our manufacturing productivity over the last 4 quarters to 5 quarters, right? So, when you're looking at it from a Y-o-Y basis, or if you're looking at it even from a six, seven quarter perspective, there has been a lot of work that has gone in factory consolidation. There were new factories that had come in which have built more productivity. So, all of those things also contribute to holding the contribution margin.

And the third is that there are other expenses that are also included as part of direct costs, such as logistics, hallmarking, certification, payment gateway charges, etcetera where we continuously look at cost optimization. So, it's multiple things which have driven this. But as I said, it's not homogeneous, and product mix can also matter in terms of what eventually contribution margins are.

Harsh Shah:

Basically, if we were to split between the factory productivity, right, and the margin profile within the non-stud part improving, how much would that be, if you could give a sense?

Rumit Dugar:

I think that is nitpicking now, right? Like I think we've mentioned that we want to be in a broad range, and I think we take all efforts to make sure that we stay in that band. But as I said, a lot of this also depends at the end-consumer behavior and end-consumer end, because we inventorise at a certain margin configuration, and then the eventual offtake of that product will decide the outcome, right, within those quarters, right? So, I think I wouldn't want to comment on and break it down any further.



Moderator: Next question comes from the line of Pratik Gothi with HSBC Bank. Please go ahead.

Pratik Gothi: Hello. Great. My first question is on your hedging policy. I remember you have a 50% hedging policy that you also elaborated on in your Investor Day. Any update there in the current environment? Any tactical changes you guys make, or any color there?

Rumit Dugar: No, there is no change. We have a communicated policy, and we are operating with that. So, nothing to update, really, there.

Pratik Gothi: Sure. And second question, slightly different. So, we've seen and I guess you guys have seen this question before. So, LGDs, lab-grown diamonds, the average order value there is somewhat similar to what you guys have. So, have you seen any customer behavior changes in terms of customers asking for LGDs at your stores, on your websites, any new information on that front?

Gaurav Singh Kushwaha: So, in general, we've not seen people, consumers in our stores kind of asking for LGD. We have a subsidiary, Ethera, which is operating in that space. We get some of the data through them, and I think what we are seeing right now is that the lab-grown and natural customers are kind of very distinct.

Most of the people still prefer natural diamonds. There are certain who want lab-grown, but that is taking share more from the solitaire space. People who used to buy bigger diamonds like in INR 3 lakh, INR 4 lakh, INR 10 lakh, those kind of diamonds, big diamonds which are called solitaires.

So, those kind of customers are kind of opening up to LGD, and that was a space which was not a big space for us anyways. Our share of solitaire was less than 1%. I think, in general, the overall share of solitaire in Indian jewellery market is relatively very low. Solitaire, which is again, as I said, 1 carat diamond and above, those are commonly sold products in Western markets, in US, Europe, etcetera.

In India, those do not command a very high share of jewellery market largely because Indian market is driven by designs. For example, in earrings, you have jhumka, chandbali, etcetera. And designs and the cultural nuancing in India when it comes to jewellery is very deep. So in India, there would be some 200, 300 different types of jewelleries, which is not the case with Western market.

Western markets typically have engagement ring, and so on. Engagement ring is like bulk of the jewellery market in Western markets, and that is something



where the lab-grown and natural kind of game played out. In India, that category itself never picked up. Very few people actually go for those big solitaire engagement rings, and that is where largely this plays. For design-led products, people still prefer natural diamonds.

And even otherwise, I think, for in design-led products, like say, for example, if you are buying a jhumka or chandbali, the share of gold itself is very high. So, so lab-grown diamond cannot create too much of a disruption when it comes to pricing the product. And, I think, those are it's kind of very nuanced discussion. We are seeing some traction in lab-grown, but largely coming from solitaire side and not from jewellery side.

Moderator: Next question comes from the line of Devanshu Bansal with Emkay Global Financial Services Limited. Please go ahead.

Devanshu Bansal: Sir, hi. Thanks for the opportunity, and congratulations on very strong numbers. Sir, yesterday, there has been some noise around creation of lab-grown gold, right? So, obviously, it is very far from reality, we all understand that. But as an industry, are you sort of thinking about taking some steps to educate consumers about this, because this may sort of create some deferment because there is there is some level of uncertainty. So, any initial thoughts if you could just highlight?

Gaurav Singh Kushwaha: Right. So, okay, so here's the thing. Making gold, actually, is changing atoms at a nuclear level, which is actually playing with neutrons and protons in a nucleus of an atom. Now, that is something that has never been done on planet Earth except in fusion reactors, which actually produce electricity. What you're talking about, essentially, is a hypothetical scenario wherein a company creates fusion power, and fusion has never been done on planet Earth. It's done on Sun, where two hydrogen atoms are combined to make helium.

And beyond helium, even Sun can't combine. So, it's not as easy a thing as it is depicted. It's an experimental thing which created few picograms of gold by using immense power. That is also actually unstable. It's a radioactive gold. No one would want to wear a radioactive gold. It will actually cause cancer. So, lots and lots of problems with that. It's kind of very hypothetical, very experimental. Definitely not something that one should even be concerned about.

Devanshu Bansal: Yes, that's fair. So, that's exactly what my view is also on similar lines, but any concerns that you might witness?



Gaurav Singh Kushwaha: That's a PR gimmick. I think first thing that will come out is a fusion reaction.

Devanshu Bansal: Okay.

Gaurav Singh Kushwaha: So okay. Producing electricity from fusion reaction, which has been ongoing for last 30 years, okay, because you have to stabilize those hydrogen atoms. And first someone needs to do that, that itself is 5, 10 years away. After that operating on mercury's nucleus to create gold out of it, far-fetched. Science fiction right now.

Moderator: Next question comes from the line of Pranav with Prudens Capital. Please go ahead.

Pranav: Thank you for the opportunity. Sir, just wanted to understand a few things. Sir, I saw that on our list of approvals, we had a fundraising worth INR 300 crores via NCD, right? So, just wanted to understand two things in that. One is, what are we refinancing? What are we using that money for, and the second thing is, what will be our coupon and the tenure on the same?

Rumit Dugar: So, the primary purpose of this is there is some higher-cost debt, and we are able to access financing at more competitive cost right now. So, we are looking at all the avenues to bring that cost of debt down. So, it's largely primary objective is for looking at the debt stack, blended cost of debt, and some high-cost debt to be retired. This is still an in-principle approval that we've got from the Board. As and when we have more details, we will do the requisite announcements and that should be there. Needless to say, the objective is to bring the cost down.

Pranav: Okay. Sir, just to follow up on the same, sir, what will be our current cost of debt, and how much are we expecting that cost to reduce by?

Rumit Dugar: I think we need to this is still an in-principle approval from the Board, which we have received yesterday. We will evaluate the cost that we are able to get at. We have some initial figures, but I think it's too micro for me to comment at this stage when we have not rolled it out. As and when we roll it out, we will make the requisite announcements that are required, and you will have those details at that time.

Moderator: Thank you. Our next question comes from the line of Sachin Pal with Monarch PMS. Please go ahead.



Sachin Pal: Yes. So, I just wanted to understand some bits on the inventory side. So, I guess we are in holding inventory somewhere closer to INR 3,000 crores. So, what would be the average price of the gold per gram inventory that we are holding? And the second is a related question, how do you see this number basically going forward, considering that the capital intensity per store would be, I guess, would subside as we kind of scale up the stores from say, 340 in FY26 to around 380 at this point of time, maybe closer to 500 in the next few months from now?

Rumit Dugar: So, I think from a store inventory productivity and store capital-employed perspective, I think, yes, there will be, in terms of cash outflow, that'll be slightly lower. But I think keep in mind that the business has also scaled, right? So, as we progressively bring in new stores, we have a lot more designs, the brand is much stronger, the store network is much stronger, and thus, when we start with a better level of inventory, we are able to get greater traction from a revenue productivity level, right? So, we keep looking at kind of those metrics.

Second is, from a vintage perspective, the old stores, where there is a large repeat base, growth is still pretty strong, there will be more addition to those stores as they continue to perform. They will win more inventory if they're continuing to deliver growth and capital productivity. So, some part of capital allocation will also go in those stores, in supporting those stores. I think, in terms of the kilogram inventory, effectively, that's what you're asking. I think we've told this before, that is that is competitive. We don't want to break it down at a kilogram level, etcetera.

Moderator: Our next question comes from the line of Manish Ostwal with Nirmal Bang Securities Private Limited. Please go ahead.

Manish Ostwal: Yes. Sir, my question on this flagship store launch in Park Street, Kolkata. So, the way our customer discovers is online and then convert to sales through our stores. So, this flagship store format, what is the strategy behind? Whether you want to keep one flagship store in major cities? How we should think of that strategy of flagship store launching?

Gaurav Singh Kushwaha: Yes, so this is this is a new experiment that we are trying. We have not strategized as to how much to expand, etc. We might try with one or two more stores. Essentially, here, the idea is to expand our product lines also, to handle a lot more use cases, and to expand beyond the casted jewellery, so basically to also try with, let's say, handmade, Kundan, and few other techniques which work very well for a certain customer segment.



So this is more of an experiment, and it would not be right for me to kind of already decide on the outcome of that experiment. So far, the signs seem positive. Once we have more data collected from that store, once we have more learnings from that store, after that, we'll strategize as to how to double down on that.

Moderator: Next question comes from the line of Karan Gupta with Asit C. Mehta Investment. Please go ahead.

Karan Gupta: Yes. So, my question is again on the contribution margin side. I missed your commentary on that. So, the reduction on Y-o-Y basis, what implies to that? And second one, on the GMROI side that you are focusing on, in H1, I think it's somewhere around 26%, right, which is again lower than FY25 and FY26 number. So, how are you looking at that number going forward in FY27 and '28?

Rumit Dugar: Okay, I think contribution margin, I have already explained. I will take up the GMROI one. See, on GMROI, if you look at the broad GMROI, you are effectively doing a blending of the inventory turn across various store cohorts, right?

So, the way to look at it is that a typical store, when it starts and when it starts to get to the full productivity, because fundamentally, in this category, there are three big drivers from an SSSG and growth perspective, right, which is recruitment, repeat, and AOV. Now, this is pretty unique to this category, where all three vectors can continue to work, and thus the category underlying SSSG trends are higher for longer.

And thus, in the new stores, as they continue to build vintage, the larger consumer base then translates into repeat and then also translates into AOV. So, the inventory productivity and the GMROI, the full extraction of the GMROI gets visible when there is a certain vintage of the store that happens.

And thus, you should not look at the reported ones, because there is a lot of new stores that we have opened in the last two to three years, and thus the average age of our stores is still very low.

So, the way to see this is we have shared some of our old cohort data. I would recommend that you look at some of our old cohort data, and you look at the inventory turn, the margin, the productivity there, and that will give you the color of the underlying GMROI of the business. And this will unfold as more of our portfolio starts to build vintage.



So, this is how you should kind of think about it, and not look at just the reported number, because that will never give you the right ROIC and GMROIs of the underlying business, which will unfold over the next few years.

Moderator: Thank you. Next question comes from the line of Aditya Sharma with Shikhara Investment Managers. Please go ahead.

Aditya Sharma: Yes, hi sir. Thanks for the opportunity. My first question is in one of your comments, you highlighted that you would have to invest more in the stores that are doing well, so you have to deploy more articles, items, and the inventory would increase. So, I am just trying to understand how should one think in terms of while projecting per store inventory for FY29, '30 for the longer term, what would be the kind of growth rate? It's the current number is around INR 7 odd crores right now.

Rumit Dugar: So, look, there is there is no target per se, right, that we are trying to get to in the older cohorts in terms of the inventory level, right? So, the way this works is our older cohorts, once they reach 1.8, 2 kind of turn, and we still see underlying growth, we they will have to win inventory, right?

So, it's not an entitlement that the older cohorts get that, okay, after 5 years, you will get this much, or after 2 years, you will get this much of inventory. So, that one moves in tandem with the kind of underlying performance that each of these stores at a cohort level are demonstrating. So, there is no target mix that or target inventory level that we have, right? So, we are very cognizant of the capital productivity.

So, those stores, we know that there is a baseline, and we have a clear playbook, because our cohorts are 5 to 7 years old, the oldest ones, and we know what kind of inventory productivity, what kind of revenue productivity across tiers, regions, size, what absolute revenues that some of our cohorts are generating.

So, we have a clear grid map of what we have already seen, what the historical stores have achieved in different buckets, different baskets, different product mix. And when we see signs of some of these older cohorts demonstrating the same playbook that we have already seen, and they are already at the kind of ROICs and GMROIs where we want them to be, then they win more inventory.

So, it's not an entitlement, and there is no target. If we can see capital productivity, we will give more inventory to them. If we do not see capital productivity, they will not get that inventory.



Aditya Sharma: Got it. And my second question would be in terms you highlighted that the three levers are the recruitment, repeat, and the AOV. Till now, like last few quarters, several quarters, the repeat and recruitment has been quite flattish, and large part is done by the AOV, which flattens out next quarter. So, I am just trying to understand what are we doing in terms of increasing the repeat and the recruitment?

Rumit Dugar: So, just a correction there. Repeat is not flattish. Repeat is pretty strong for us, right? And the way to contextualize repeat is the same customer who comes back, as they are also, when we acquire them, they are much younger, so they are at also at the peak of their income curve, right? So, their repeat AOVs are naturally higher than the new AOVs. So, both at the repeat level, in terms of customer itself, as well as AOVs, there has been very, very strong traction.

On the new side also, I think we have highlighted this in multiple calls, when gold was moving a lot last year, what fundamentally happens is the entry-level price point, when gold sees such a large shift which it saw last year of 50%, 70%, the entry-level price points get dislocated. So, a INR 20,000, INR 30,000 price point would have moved to like INR 50,000, right? And thus, there is a product gap that gets created.

And thus, our new growth last year was slower, and which had impacted growth last year, but we started those corrections of redesign and repopulating those price points in Q3 of last year. And I think over the last three quarters, you have already seen that there has been an improvement from the growth that we typically see. So, we are seeing good progression there. I think Gaurav also spoke about that in terms of, the marginal AOV decline, etcetera., that we have seen in this quarter sequentially.

So, the fundamental idea is that we there is no target mix. We want to make sure that we are able to get more wallet share from the customers that we have acquired, and we are able to acquire a lot more customers, right? So, those two are run independently, and the mix is more an outcome, right, like depending on what is growing at what rate, right?

So, we are growing with all of these three vectors. Some vector of new is starting to see some improvement. And obviously, there is a fair amount of runway in terms of growth across all three.

Moderator: Thank you so much, sir. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you team.



Rumit Dugar: Thank you, everyone. Thank you for taking time to attend the call today. Look forward to speaking with you next quarter.

Moderator: Thank you so much sir. Ladies and gentlemen on behalf of BlueStone Jewellery and Lifestyle Limited that concludes today's call. Thank you for joining us and you may now disconnect your lines.

(This transcript has been edited, without altering the content, to ensure clarity and improve readability).

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