

RETAIL

Q2FY26 Preview

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Price-led growth masks underlying demand softness

- Our Jewellery universe revenue to grow at a healthy 20.9% YoY in Q2 to be supported by higher gold prices
- Jewellery EBIT margin to improve on YoY basis in Q2 over a weak base, but likely to contract over a 2Y period on higher marketing spend
- Prefer retail jewellers with high share of franchise revenue, low leverage, high hedging ratio and superior ROCE profile

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Jewellery universe revenue to grow at a healthy 20.9% YoY in Q2: Gold jewellery demand for mass economy range (priced below Rs1 lakh) has been significantly impacted in Q2FY26, due to affordability issues, on the back of steep rise in gold prices (+45% YoY). However, our jewellery universe revenue is projected to grow at a healthy 20.9% YoY in Q2FY26 over a strong base (due to the benefit of reduction in custom duty from 15% to 6% in Jul'24). This would be mainly driven by higher gold prices, early onset of festive season, good demand momentum maintained in premium range, rising acceptance of 18 carat vs versus standard of 22-carat jewellery, and higher share of old gold exchange.

Jewellery universe EBIT margin to improve in Q2 over a weak base: Our jewellery universe EBIT margin is projected to improve by 243bps YoY to 7.7% in Q2FY26, mainly due to a weak base effect (one-time MTM loss on gold inventory given the reduction in custom duty rate). However, EBIT margin will likely contract (-105bps) over a 2Y period (Q2FY24-Q2FY26), owing to higher promotional and marketing expenses to stimulate demand amidst rising gold prices.

How to play the sector in a rising gold price environment? We believe the balance sheet of retail jewellers is likely to come under stress considering the higher working capital requirements for existing stores, on the back of a steep rise in gold prices. This, along with a significant increase in capex requirement (from Rs 300 mn to Rs 500-600mn) for opening a new retail jewellery store (with an area of 3,000-4,000 sq.ft) is likely to slow down the pace of new store addition in the industry. Eg – the growth rate of Tanishq new stores has been trending down for the past four consecutive quarters (11.7%/9.7%/8.0%/6.1%/4.9% YoY in Q2FY25/Q3FY25/Q4FY25/Q1FY26/Q2FY26). Going ahead, we believe companies with a high share of franchise revenue, low leverage, high hedging ratio in a volatile gold price environment and superior ROCE profile would grow at a faster pace over long-term. Titan and PNG remain our preferred pick in this space.



Fig 1 – Retail Jewellery earnings estimates – Q2FY26

Particulars	Q2FY26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Titan					
Sales (Rs mn)	1,72,590	1,45,340	18.7	1,65,230	4.5
EBITDA (Rs mn)	17,884	12,360	44.7	18,300	(2.3)
EBITDA margin (%)	10.4	8.5	186bps	11.1	(71bps)
Adjusted PAT (Rs mn)	10,743	7,040	52.6	10,910	(1.5)
Kalyan Jewellers					
Sales (Rs mn)	78,851	60,655	30.0	72,685	8.5
EBITDA (Rs mn)	5,311	3,272	62.3	5,080	4.5
EBITDA margin (%)	6.7	5.4	134bps	7.0	(25bps)
Adjusted PAT (Rs mn)	2,759	1,303	111.7	2,641	4.5
P N Gadgil					
Sales (Rs mn)	21,733	20,013	8.6	17,146	26.8
EBITDA (Rs mn)	1,078	541	99.4	1,100	(1.9)
EBITDA margin (%)	5.0	2.7	226bps	6.4	(145bps)
Adjusted PAT (Rs mn)	653	349	87.1	693	(5.8)
Senco Gold					
Sales (Rs mn)	15,980	15,005	6.5	18,263	(12.5)
EBITDA (Rs mn)	890	519	71.4	1,836	(51.5)
EBITDA margin (%)	5.6	3.5	211bps	10.1	(448bps)
Adjusted PAT (Rs mn)	343	121	182.9	1,047	(67.2)
Thangamayil					
Sales (Rs mn)	15,098	9,921	52.2	12,203	23.7
EBITDA (Rs mn)	755	231	226.7	898	(16.0)
EBITDA margin (%)	5.0	2.3	267bps	7.4	(236bps)
Adjusted PAT (Rs mn)	420	84	401.1	566	(26)

Source: Company, BOBCAPS Research

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