

RETAIL

Q2FY26 Review

18 November 2025

Revenue momentum sustains, but leverage trend worsens

- Our jewellery universe's revenue grew at a healthy 24.1% YoY in Q2FY26, driven by higher gold prices
- Jewellery-adjusted EBIT margin improved by 44bps YoY to 7.7% in Q2, but was down 66bps over Q2FY24 on intense competition
- Long-term winners will be franchise-heavy business with low leverage; PNG remains our preferred pick

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Jewellery universe revenue grew at a healthy 24.1% YoY in Q2: driven by higher gold prices (+45% YoY). Gold jewellery demand for mass economy range (priced below Rs1 lakh) was weak in Q2 due to a steep rise in gold prices, but the demand in mid and premium range recovers during the festive season period. SSSG stood at mid-teens level in Q2FY26. Among the top 5 retail jewellers, Kalyan (+137bps), Thangamayil (+92bps) and PNG (+45bps) gained market share, whereas Titan (-151bps) and Senco (-124bps) lost market share in Q2FY26.

Jewellery-adjusted EBIT margin improved by 44bps to 7.7% in Q2: due to the benefit of operating leverage. However, adjusted EBIT margin was down 66bps over Q2FY24 due to rise in competitive intensity from small and unorganised players (as they tend to partially pass on inventory benefit to consumers in a rising gold price environment). Operating margin for Senco and Thangamayil improved substantially in Q2FY26 vs past trend for September quarter period due to a sharp improvement in gross margin (which we believe could be attributed to inventory gain on unhedged inventory).

Sharp deterioration in balance sheet position on higher inventory funding: Our jewellery universe net debt to EBITDA (TTM) ratio has increased from 1.9x in Mar'24 to 2.2x in Mar'25 and 2.7x in Sep'25, due to higher working capital borrowing to fund the increased inventory per store on account of a steep rise in gold prices.

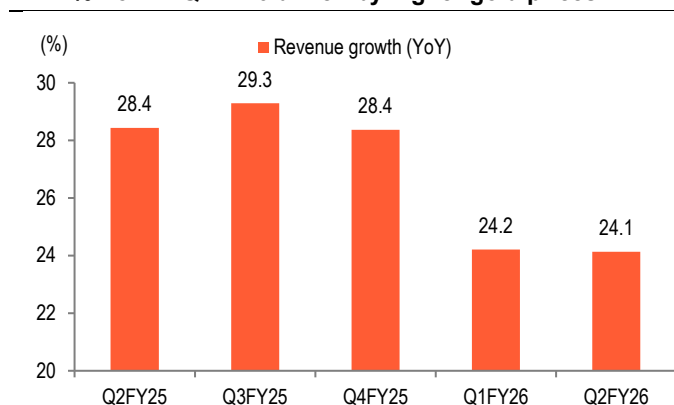
How to play the sector in a rising gold price environment? We believe the companies with high share of franchise revenue, low leverage, good hedging policy in a volatile gold price environment and superior ROCE profile would grow at a faster pace over long term. We have recently downgraded Titan from BUY to HOLD due to limited upside potential. PNG remains our preferred pick in this space.



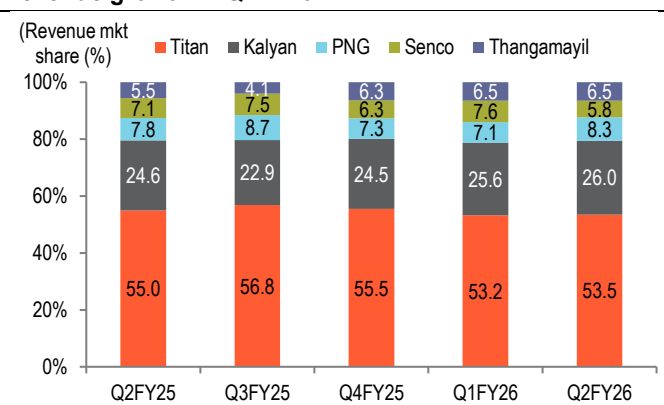
Fig 1 – Retail Jewellery – Relative valuation BOBCAPS vs Bloomberg

Particulars	Revenue (Rs bn)			EBITDA margin (%)			EPS (Rs)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
BOBCAPS									
TTAN	750.1	856.1	988.0	10.4	10.7	10.6	53.8	65.5	77.0
KALYANJ	323.0	406.1	469.5	6.5	6.4	6.4	10.9	13.3	15.5
PNGJL	93.7	122.5	149.4	5.4	5.1	5.4	23.6	27.5	35.3
SESCO	76.9	91.1	101.9	7.9	6.8	6.9	19.2	18.5	20.2
TJL	71.8	87.1	101.2	5.7	5.7	5.7	80.5	97.4	109.6
Bloomberg consensus									
TTAN	717.3	835.5	973.0	10.9	11.3	11.5	53.6	65.8	79.4
KALYANJ	326.0	408.1	490.3	6.6	6.4	6.3	11.3	14.2	17.4
PNGJL	91.5	113.6	135.8	5.5	5.4	5.5	23.3	27.2	34.1
SESCO	75.4	88.9	103.5	7.5	7.2	7.3	16.8	19.0	23.2
TJL	72.2	88.8	105.8	5.6	5.7	5.9	76.5	96.4	117.7

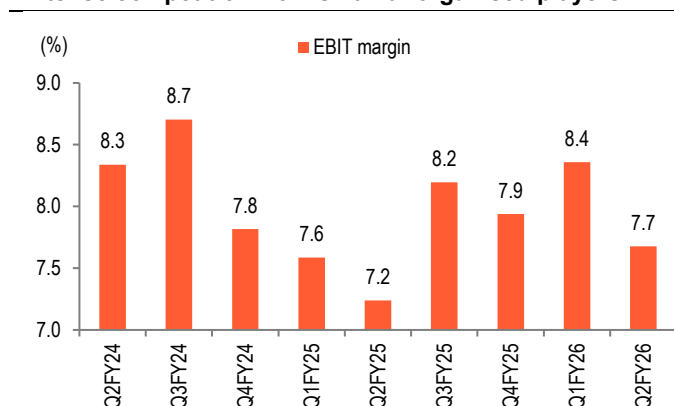
Source: Company, BOBCAPS Research

Fig 2 – Our Jewellery universe revenue grew at a healthy 24.1% YoY in Q2FY26 driven by higher gold prices

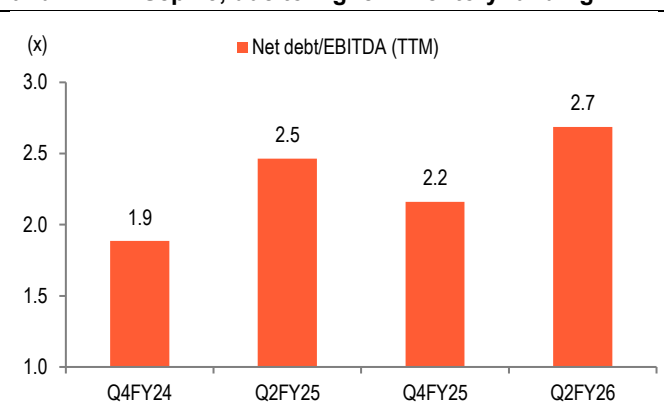
Source: Company, BOBCAPS Research

Fig 3 – Thangamayil, Kalyan, and PNG reported better revenue growth in Q2FY26

Source: Company, BOBCAPS Research

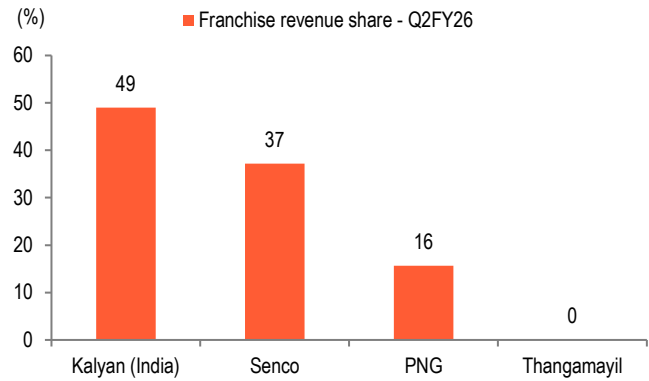
Fig 4 – Our Jewellery universe EBIT margin improved by 44bps YoY in Q2, but was down 66bps over Q2FY24 on intense competition from small/unorganised players

Source: Company, BOBCAPS Research

Fig 5 – Our Jewellery universe net debt to EBITDA (TTM) ratio has increased from 1.9x in Mar'24 to 2.2x in Mar'25 and 2.7x in Sep'25, due to higher inventory funding

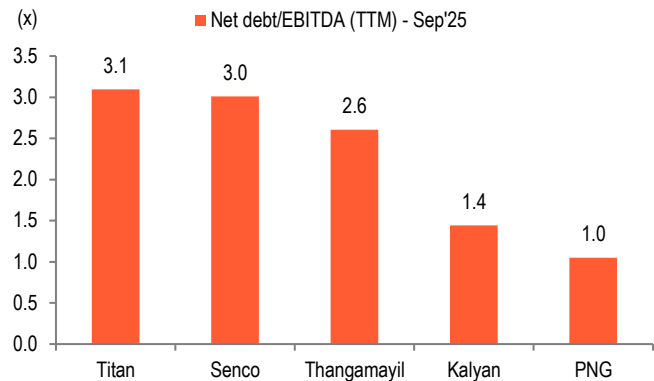
Source: Company, BOBCAPS Research

Fig 6 – We believe retail jewellers with franchise-heavy business, good hedging policy..



Source: Company, BOBCAPS Research

Fig 7 – ..and with low leverage would be the winners over the long term



Source: Company, BOBCAPS Research

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Note: Recommendation structure changed with effect from 21 June 2021

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