COMPANY UPDATE

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BUY
TP: Rs 6,314 | ⮝ 28%

THANGAMAYIL JEWELLERY | Retail - Jewellery | 21 September 2026

Management Meet: Business Update & Key Insights

- **15% gold-price correction in July improved customer participation, supporting expectations of deferred purchases returning in H2FY27**
- **Targeting 20-25% revenue CAGR over the medium term, driven by an aggressive store expansion strategy across Tamil Nadu**
- **We expect 24% EPS CAGR over FY26-28E and maintain a BUY view on the long-term growth opportunity**

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We had a management meeting with the Promoter B.A Ramesh and VP Gokul Ramesh and Mr. S.M. Lakshmanan where the management team discussed its business and its future strategies in detail.

Tamil Nadu Remains the Core Expansion Market: Co strategy remains focused on Tamil Nadu, with Chennai as the key growth driver. Management aims to expand its Greater Chennai network from 14 to 25 stores over the next 18 months through a hub-and-spoke model centred on the T. Nagar flagship store and supported by smaller residential catchment stores. With Chennai already contributing 20–23% of revenue, the company plans to continue expanding across Tamil Nadu at a pace of ~10 store additions annually over the next 3–4 years before evaluating opportunities in other states. Store economics are evaluated through inventory rotation, with more than 2x rotation considered breakeven, 2.5–3x targeted, and current levels at pproximately 3.2x, indicating healthy productivity for a typical medium-sized store requires with ₹100 crore of investment.

H2 Demand Recovery Supports Growth and Margin Outlook: Management remains confident of delivering ~25% rev growth while sustaining ~6% EBITDA margins, supported by ongoing store expansion in Tamil Nadu, strong inventory rotation, and a capital-efficient business model. Although, demand has been subdued since Q1 due to gold-price-driven affordability pressures, the recent correction in gold prices has improved customer engagement. With many purchases deferred rather than cancelled, management expects pent-up demand to drive a recovery in H2'27, particularly during the festive and wedding season in Q3 and Q4, including Diwali.

Upgrade to BUY: Attractive Risk-Reward Following Correction: With a strong balance sheet, disciplined working capital management, and improving return ratios, the company is well positioned to deliver consistent earnings growth. We forecast a 24% EPS CAGR over FY26-29E. We believe the current valuation offers an attractive risk-reward opportunity and hence upgrade the stock to BUY (from HOLD) and value it at 35x Sep'28 EPS, implying a revised target price of Rs 6,355.

Key changes

Target	Rating
▼	▲

Ticker/Price	TJL IN/Rs 4,931
Market cap	US$ 1.6bn
Free float	39%
3M ADV	US$ 13.5mn
52wk high/low	Rs 7,430/Rs 1,940
Promoter/FPI/DII	62%/5%/15%

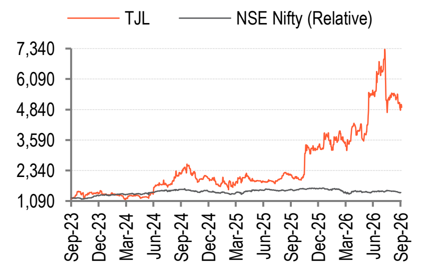
Source: NSE | Price as of 21 Sep 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	84,993	109,875	137,914
EBITDA (Rs mn)	5,647	6,262	8,275
Adj. net profit (Rs mn)	3,542	3,891	5,247
Adj. EPS (Rs)	114.0	125.2	168.8
Consensus EPS (Rs)	114.0	134.2	154.6
Adj. ROAE (%)	28.1	24.5	26.4
Adj. P/E (x)	43.3	39.4	29.2
EV/EBITDA (x)	28.0	25.2	19.4
Adj. EPS growth (%)	198.4	9.9	34.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Management KTAs

Management Expects H2 Demand Recovery: Management indicated resistance in customer behaviour since Q1, particularly among outright buyers and new savers, as customer incomes have not risen proportionately with gold prices. For a ₹1 lakh purchase, ~92% represents the gold component, making affordability highly sensitive to gold-price movements. The ~15% correction in July brought customers back, although the response was lower than historically seen as other household expenses have also increased. Management expects postponed purchases to create pent-up demand, with pickup anticipated in Q3/Q4, particularly around Diwali.

Customer Schemes Are Becoming an Increasingly Important Purchase-enabler: Management highlighted increasing customer preference for saving before purchasing jewellery, supported by multiple schemes targeting different customer segments. The company offers monthly instalment schemes, lump-sum/11-month schemes, old-gold conversion schemes and Digi Gold, with the first three offering ~75% off on value addition after 11 months. Digi Gold enables flexible transactions through the app, including investments starting from ₹100. Customer advances increased to ~₹1,200–1,400cr in FY26 from ~₹600–650cr in FY25, while ~50% of the advance amount is now generated digitally.

Chennai Expansion Provides a Significant Multi-year Growth Runway: Management has a clear roadmap to reach ~25 stores in the Greater Chennai region versus ~14 currently, with the target expected within the next ~18 months. The strategy is centred on one large T. Nagar flagship supported by multiple ~60kg, ~4,000 sq ft medium-sized stores in residential catchments. These stores are intended to serve regular purchases and act as feeder stores for larger wedding purchases at the T. Nagar flagship. Smaller stores are ramping faster, while T. Nagar is expected to take ~2 years to mature. Chennai currently contributes ~20–23% of total revenue.

Tamil Nadu Remains the Core Expansion Market: Company intends to remain focused on Tamil Nadu for the next 3–4 years, followed by a year of consolidation before potentially entering other states. The company follows a hub-and-spoke model, with larger stores acting as hubs and smaller stores supporting surrounding catchments. Management plans ~10 store additions annually, which it described as an aggressive target relative to the historical post-Covid run-rate of ~9–10 stores.

Company-owned Expansion Preferred given low gross margins: Thangamayil does not intend to pursue the franchise model, as its gross margin is in single digits and therefore leaves limited scope to share economics with franchisees. Management also highlighted that customer experience and operations need to remain under its control. Instead, customer advance schemes effectively provide an alternative source of funding, alongside bank loans and internal accruals.

Value-for-money positioning: Management targets middle-class, upper-middle-class and aspirational consumers with household incomes of >₹10–12 lakh, for whom gold serves both investment and emergency-liquidity needs. The core proposition is to provide maximum gold for the customer's money through operating efficiency. Management indicated that its pricing is targeted at ~2–3% below the market, while making charges remain consistent across locations.

Brand Familiarity: Thangamayil caters to both rural and urban customers across Tamil Nadu, with Chennai, Coimbatore, Trichy and Madurai collectively contributing >40% of revenue. Management believes Chennai offers significant untapped potential given its large population and the presence of customers who have migrated from other parts of Tamil Nadu, where the brand already has familiarity. Chennai currently contributes ~20–23% of revenue despite having only ~12–14 stores.

Inventory Rotation: Management evaluates store economics primarily through inventory rotation rather than a traditional payback framework. >2x inventory rotation is considered breakeven, 2.5–3x is the target and ~3x is expected within ~2 years; management indicated current rotation at ~3.2x. Two rotations correspond to ~180 inventory days, while three rotations imply ~90 days. A ~60kg gold with ~ 4000 sq.tft medium-sized store requires ~₹100cr investment, of which ~90–92% is inventory and only ~8–10% is interiors, systems and other capex.

Low-cost Funding: The company does not invest in land and buildings, with the majority of new-store investment deployed toward inventory. Management indicated adequate funding availability through customer advances, bank loans and internal cash flows. Blended interest cost stood at ~5.70% (lowest among peers), the lowest historically, supported by balance-sheet strength and competition among private-sector bankers. Gold metal loan facilities increased from ~₹912cr to ~₹1,412cr, with the incremental borrowing distributed across six-seven banking relationships.

Inventory Management: Management highlighted technology-led inventory management, where SKU-level movement is tracked and assortments are adjusted based on customer demand. The company follows a customer-led approach of stocking the specific product/weight demanded rather than pushing existing inventory. SKUs that do not move for ~90 days are flagged through the system, helping optimise replenishment and reduce inventory inefficiency.

Hedging policy: Thangamayil has maintained ~95% gold hedging for nearly two years, with management focused on limiting the impact of gold-price volatility rather than maximising short-term inventory gains. Q1 included ~₹31cr of inventory gains, but management reiterated that sustainable EBITDA margin remains the key operating objective. Margin expansion is expected to come from higher value addition/making charges and operating leverage as the store network scales.

~6% EBITDA Margin Remains the Sustainable Target: Q1FY27 EBITDA margin was ~5.76%, broadly in line with ~5.78% in Q1FY26. Management attributed the sequential margin moderation to lower order sizes/footfalls, higher promotional activity and seasonal differences between Q4 and Q1, while stressing that YoY is the more appropriate comparison. The company continues to target ~6% EBITDA margin, with incremental operating leverage expected as the network expands.

Customer Trust is built strongly for Thangamayil brand over years: Management discussed five customer promises around quality, pricing, placement/convenience, service and buyback of jewellery. The company has sold 916-purity jewellery since 1997, before it became mandatory, helping establish long-term trust. Its buyback policy allows customers to exchange or sell jewellery at the prevailing gold rate, with management indicating that cash proceeds can be credited within ~three hours.

South India Remains Predominantly 22-carat and Investment-led: Management indicated that customer demand in its core South Indian markets remains centered on 22-carat jewellery, with limited requests for lower-carat products. The region's jewellery consumption remains culturally and investment driven, with gold viewed both as a store of value and as a form of emergency liquidity. Younger customers are, however, increasingly opting for lighter pieces, with management citing a shift from ~40–60g necklaces among older generations toward ~20–25g among younger consumers.

Outlook: Management remains confident of sustaining ~25% revenue growth while retaining a ~6% EBITDA margin target over medium to long term. Growth is expected to be led by the Chennai expansion, continued store additions across Tamil Nadu and higher customer advances, while near-term demand remains sensitive to gold-price volatility and affordability. The company's focus on inventory rotation, asset-light expansion, low-cost funding and high gold hedging should support capital efficiency and reduce balance-sheet volatility as the network scales.

Fig 1 – Key Operating Performance Indicators

Particulars	2025-26	2024-25	Increase / Decrease
5 years retail revenue CAGR %	40.00%	26.93%	49%
New Outlet contribution to sales	14.99%	9.79%	53%
Gross profit margin	10.81%	8.76%	23%
Gross profit in value (better unit realisation)	₹91,891 lakhs	₹43,041 lakhs	113%
Per Sq. Ft sales	₹6.16 lakhs	₹4.54 lakhs	36%
Retail Space	1,32,000 sq. ft	1,04,000 sq. ft	27%
Per employee sales (weighted basis for FY 25)	₹250 lakhs	₹195 lakhs	28%
Non-gold products sales in value	₹69,253lakhs	₹37,561 lakhs	84%
Expenses as a% on sales (Huge Advertisement spent)	4.99%	5.14%	-3%
Net worth -(includes Rights issue Premium)	₹141,600 lakhs	₹110,235 lakhs	28%
Book value per share (Face value of Rs.10)	456	355	28%
Stock turnover times (weighted basis for Fy 25) -(Last month expansion stores)	3.45	3.25	6%
Return on Equity	27.93%	21.47%	30%
Composition of liquid assets in the Balance sheet	91.46%	90.70%	1%
Hedging of gold inventory	95%	96%	-1%
Average cost of funds (Metal loan interest increase in last quarter)	5.70%	4.99%	14%
Interest cover in times	8.52	5.47	56%

Source: Company AR, BOBCAPS Research

Fig 2 – Quarterly Trend

Consolidated (mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Total Revenues	13805	15553	17046	24012	28382	26625
YoY (%)	40.7	27.5	44.7	112.2	105.6	71.2
COGS	12542	13883	15203	21451	25268	24159
Gross Profit	1263	1671	1844	2561	3115	2465
Gross margin (%)	9.1	10.7	10.8	10.7	11.0	9.3
Employee costs	275	324	347	390	351	405
Other expenses	230	258	288	312	355	414
EBITDA	571	844	993	1675	2134	1407
YoY (%)	18.3	(6.0)	(1056.2)	103.4	273.5	66.7
EBITDA margin (%)	4.1	5.4	5.8	7.0	7.5	5.3
D&A	74	68	111	105	118	115
Interest cost	111	150	162	161	204	177
Other income	2	25	63	46	10	39
PBT	388	651	784	1432	1822	1155
Tax	74	194	199	384	396	304
Reported PAT	314	457	585	1048	1427	851
YoY (%)	11.2	(19.2)	(435.5)	117.4	354.3	86.2
PAT margin	2.3	2.9	3.4	4.4	5.0	3.2

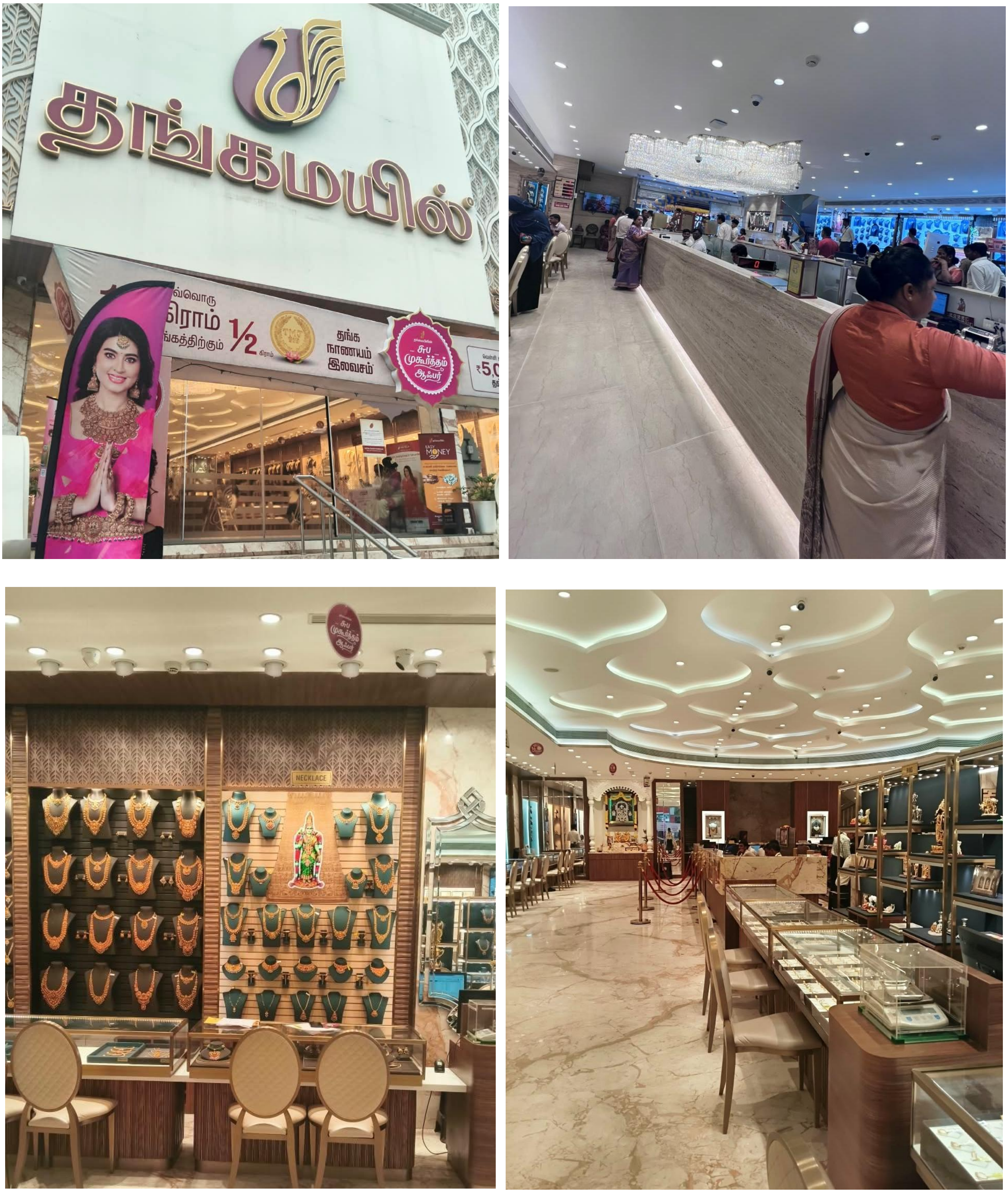
Source: Company, BOBCAPS Research

Fig 3 – Key Metrics

Particulars	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
SSSG (%)	NA	7	NA	61	72	44
Gold ornaments (kg)	1477	1486	1513	1743	1812	1620
Silver Ornaments (kg)	4392	6104	5636	6691	4918	5727
Diamond Studded (cts)	3461	4058	4184	4687	4994	4987
Average realisation for gold (per gm)	8274	9253	9921	11974	13813	14031
Store Addition	1	2	4	0	0	0
Studded Share	7	9	8	9	10	10

Source: Company, BOBCAPS Research

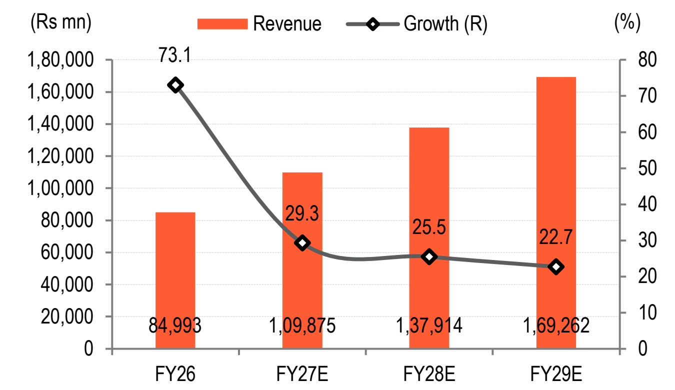
Fig 4 – Flagship Store



Source: Company, BOBCAPS Research

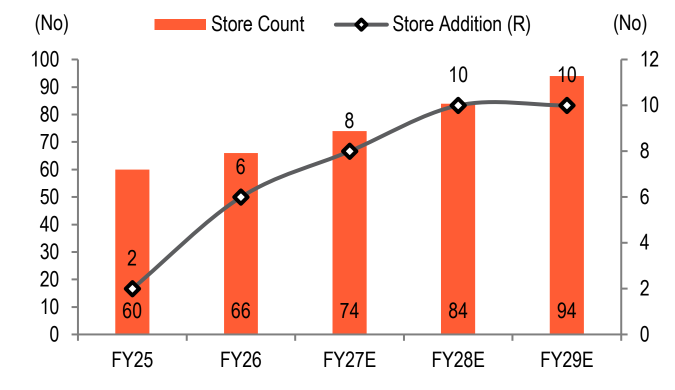
Financials

Fig 5 – Revenue & its Growth



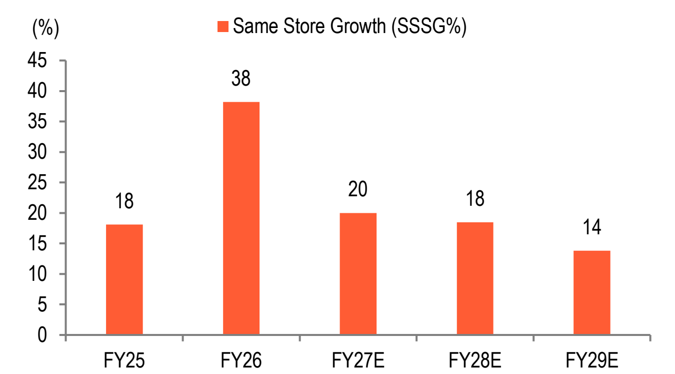
Source: Company, BOBCAPS Research

Fig 6 – Store count & Additions



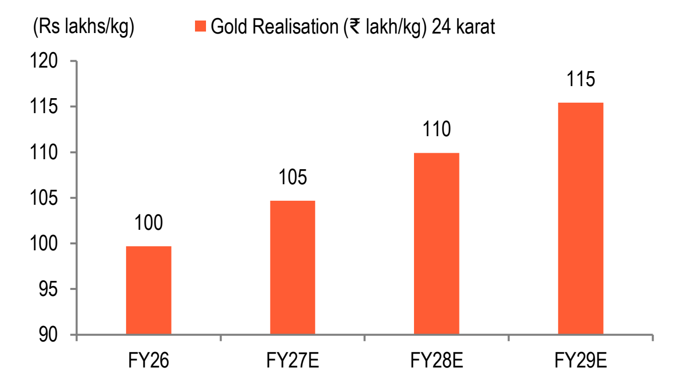
Source: Company, BOBCAPS Research

Fig 7 – SSSG %



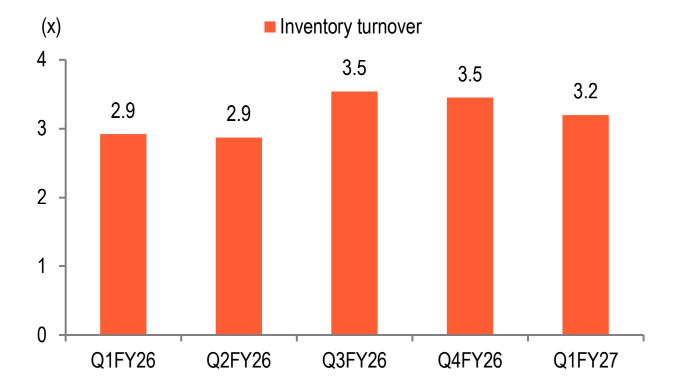
Source: Company, BOBCAPS Research

Fig 8 – Gold Realisation



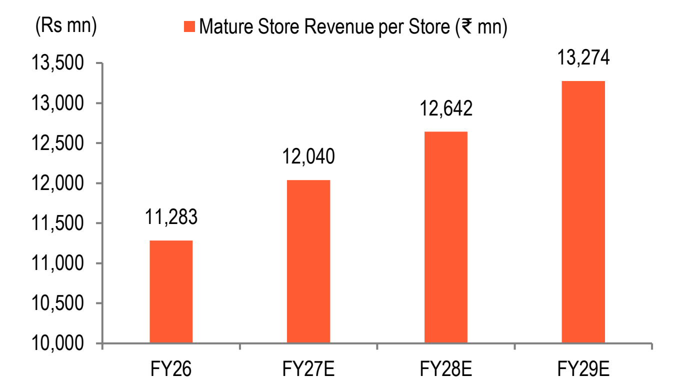
Source: Company, BOBCAPS Research

Fig 9 – Inventory Turns



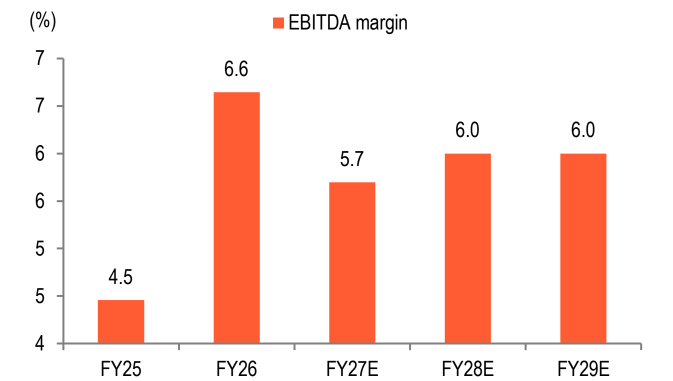
Source: Company, BOBCAPS Research

Fig 10 – Mature Store Revenue per Store



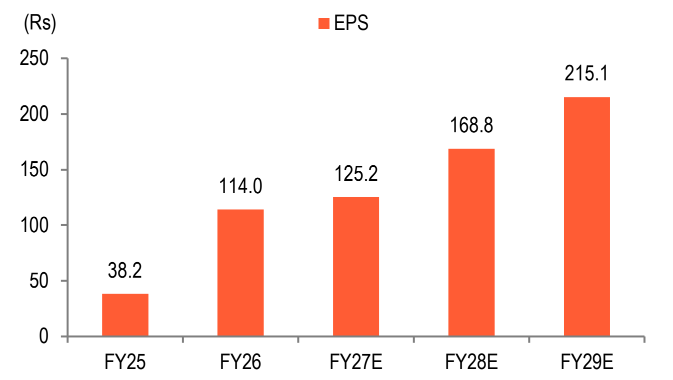
Source: Company, BOBCAPS Research

Fig 11 – EBITDA Margin



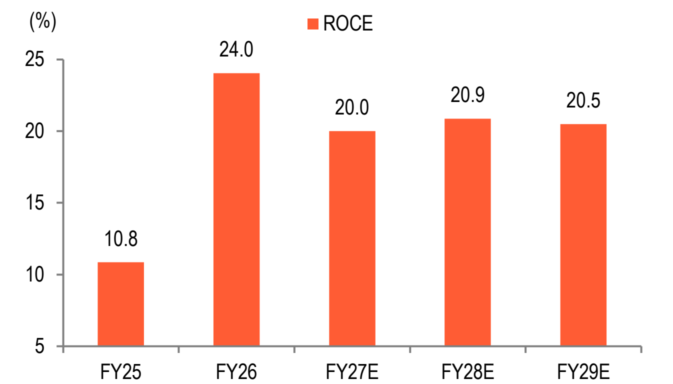
Source: Company, BOBCAPS Research

Fig 12 – Earnings Per Share



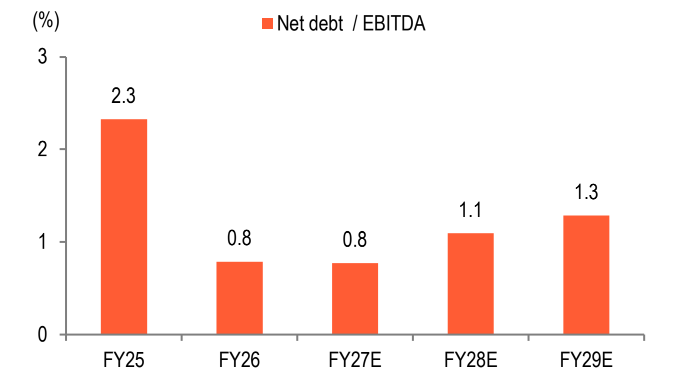
Source: Company, BOBCAPS Research

Fig 13 – Return on Capital Employed



Source: Company, BOBCAPS Research

Fig 14 – Net Debt to Equity



Source: Company, BOBCAPS Research

Valuation

The company's long-term growth outlook remains supported by its focused Tamil Nadu expansion strategy, led by Chennai, along with healthy inventory rotation, a capital-efficient store rollout model, low-cost funding, and prudent gold hedging. These factors should support sustained growth and profitability, with the company well positioned to deliver revenue/EBITDA/EPS CAGR of 25%/21%/24% over FY26-29E. We believe the current valuation offers an attractive risk-reward opportunity and hence upgrade the stock to BUY (from HOLD) and value it at 35x Sep'28 EPS, implying a revised target price of Rs 6,355.

Fig 15 – Revised estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Operating income	1,09,875	1,37,914	1,69,262	1,12,949	1,35,378	1,61,589	(2.7)	1.9	4.7
EBITDA	6,262	8,275	10,156	6,076	8,092	9,647	3.1	2.3	5.3
EBITDA Margin (%)	5.70	6.00	6.00	5.38	5.98	5.97	32bps	2.3bps	3.0bps
Adjusted PAT	3,891	5,247	6,686	3,545	5,225	6,900	9.8	0.4	(3.1)
EPS (Rs)	125.2	168.8	215.1	114.1	168.1	222.0	9.7	0.4	(3.1)

Source: BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

- Steep increase in the volatility of gold prices and regulatory risks
- Loss of market share due to a steep rise in competitive intensity in Tamil Nadu

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**49,106**	**84,993**	**109,875**	**137,914**	**169,262**
EBITDA	2,190	5,647	6,262	8,275	10,156
Depreciation	237	402	503	606	525
EBIT	1,953	5,245	5,759	7,669	9,631
Net interest inc./(exp.)	(411)	(677)	(708)	(976)	(1,089)
Other inc./(exp.)	57	144	157	303	372
Exceptional items	0	0	0	0	0
EBT	1,599	4,713	5,209	6,996	8,914
Income taxes	412	1,172	1,317	1,749	2,229
Extraordinary items	0	24	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**1,187**	**3,517**	**3,891**	**5,247**	**6,686**
Adjustments	0	25	0	0	0
Adjusted net profit	**1,187**	**3,542**	**3,891**	**5,247**	**6,686**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	331	199	257	323	397
Other current liabilities	6,370	14,806	14,806	14,806	14,806
Provisions	0	0	0	0	0
Debt funds	7,506	8,256	12,022	15,959	20,469
Other liabilities	363	784	784	784	784
Equity capital	311	311	311	311	311
Reserves & surplus	10,713	13,849	17,243	21,930	28,057
Shareholders' fund	11,024	14,160	17,554	22,241	28,367
Total liab. and equities	**25,592**	**38,205**	**45,423**	**54,113**	**64,823**
Cash and cash eq.	2,418	3,812	7,195	6,928	7,416
Accounts receivables	86	239	308	387	475
Inventories	19,786	29,536	32,691	40,928	50,287
Other current assets	923	1,356	1,753	2,200	2,700
Investments	0	0	0	0	0
Net fixed assets	1,537	2,051	2,265	2,459	2,734
CWIP	113	69	69	69	69
Intangible assets	17	16	16	16	16
Deferred tax assets, net	40	52	52	52	52
Other assets	673	1,074	1,074	1,074	1,074
Total assets	**25,592**	**38,205**	**45,423**	**54,113**	**64,823**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**(5,277)**	**2,867**	**1,381**	**(2,171)**	**(1,946)**
Capital expenditures	(797)	(1,286)	(717)	(800)	(800)
Change in investments	0	0	0	0	0
Other investing cash flows	57	120	157	303	372
Cash flow from investing	**(740)**	**(1,166)**	**(560)**	**(497)**	**(428)**
Equities issued/Others	36	0	0	0	0
Debt raised/repaid	3,123	750	3,766	3,937	4,511
Interest expenses	(411)	(677)	(708)	(976)	(1,089)
Dividends paid	(389)	(559)	(497)	(559)	(559)
Other financing cash flows	5,257	179	0	0	0
Cash flow from financing	**7,617**	**(307)**	**2,561**	**2,401**	**2,862**
Chg in cash & cash eq.	**1,600**	**1,394**	**3,383**	**(267)**	**488**
Closing cash & cash eq.	**2,418**	**3,812**	**7,195**	**6,928**	**7,416**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	38.2	113.1	125.2	168.8	215.1
Adjusted EPS	38.2	114.0	125.2	168.8	215.1
Dividend per share	12.5	18.0	16.0	18.0	18.0
Book value per share	354.7	455.6	564.8	715.6	912.7

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.2	1.9	1.4	1.2	1.0
EV/EBITDA	72.0	28.0	25.2	19.4	16.2
Adjusted P/E	129.1	43.3	39.4	29.2	22.9
P/BV	13.9	10.8	8.7	6.9	5.4

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.2	75.2	74.7	75.0	75.0
Interest burden (PBT/EBIT)	81.9	89.8	90.4	91.2	92.6
EBIT margin (EBIT/Revenue)	4.0	6.2	5.2	5.6	5.7
Asset turnover (Rev./Avg TA)	191.9	222.5	241.9	254.9	261.1
Leverage (Avg TA/Avg Equity)	3.2	3.0	2.9	2.7	2.6
Adjusted ROAE	14.9	28.1	24.5	26.4	26.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	28.3	73.1	29.3	25.5	22.7
EBITDA	3.1	157.9	10.9	32.1	22.7
Adjusted EPS	(15.0)	198.4	9.9	34.8	27.4
Profitability & Return ratios (%)					
EBITDA margin	4.5	6.6	5.7	6.0	6.0
EBIT margin	4.0	6.2	5.2	5.6	5.7
Adjusted profit margin	2.4	4.2	3.5	3.8	3.9
Adjusted ROAE	14.9	28.1	24.5	26.4	26.4
ROCE	10.8	24.0	20.0	20.9	20.5
Working capital days (days)					
Receivables	1	1	1	1	1
Inventory	147	127	109	108	108
Payables	2	1	1	1	1
Ratios (x)					
Gross asset turnover	21.1	28.8	29.8	31.0	32.3
Current ratio	1.7	1.5	1.6	1.6	1.7
Net interest coverage ratio	4.8	7.8	8.1	7.9	8.8
Adjusted debt/equity	0.5	0.3	0.3	0.4	0.5

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

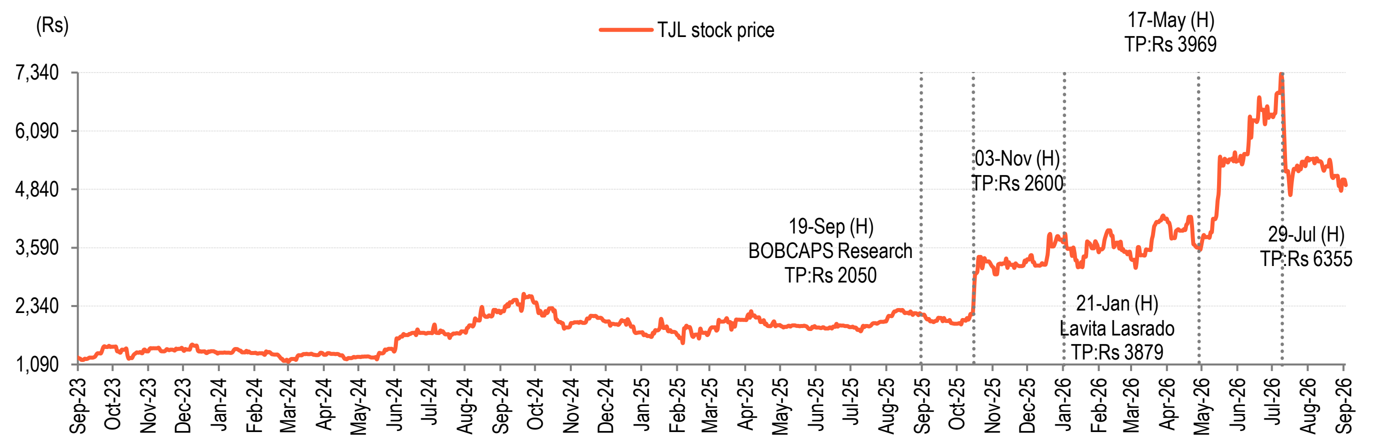
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): THANGAMAYIL JEWELLERY (TJL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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