BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 2,600 | ⩒ 0%

THANGAMAYIL JEWELLERY | Retail | 03 November 2025

Beat on all fronts; Maintain HOLD on rich valuation

- **Sharp earnings beat as the company managed to post positive volume growth, despite the steep rise in gold prices**
- **Targets to open 10 new stores in around Chennai areas over the next 15 months and maintain net debt/EBITDA ratio of 2.0x in FY28**
- **Maintain HOLD as the stock appears to be fully valued; TP raise by 27% to Rs 2,600 per share**

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Strong Q2: TJL beats our Q2FY26 estimate (Revenue: +13%; EBITDA: +32%; PAT: +39%) as it posted better gold volume growth (+1.7% YoY, despite steep rise in gold prices) and improved EBITDA margin (+40bps QoQ to 5.8% vs 5.0% estimated). Gross margin improved to 5Y high level for a seasonally lean Q2 – which we believe could be due to inventory gain. However, net debt/EBITDA (TTM) ratio has gone up from 2.32x in Mar'25 to 2.61x in Sep'25 due to higher inventory per store (from Rs 330mn in Q4FY25 to Rs 396mn in Q2FY26). Other current liabilities also moved up sharply from Rs 6.1bn in Mar'25 to Rs 9.0bn in Sep'25.

Highlights: No. of net store count has risen by 12% YoY to 66 in Q2FY26. Retail sales grew by 44.7% YoY in Q2FY26, driven by higher gold volume (+1.7% YoY) and better realisation (+41.6%). SSG stood at 10.31% YoY in H1FY26. Revenue per square foot has gone down by 4.6% YoY to Rs 0.48mn in H1FY26 due to impact of stores expansion. The number of gold jewellery invoices was up by 19.7% YoY in H1FY26. Average gold jewellery ticket size has increased by 13% YoY to Rs90,961 in H1FY26. Inventory hedging ratio stood at 95.1% in H1FY26 (vs 90.4% in H1FY25). Urban revenue share has gone up from 29% in Q2FY25 to 40% in Q2FY26.

Outlook: TJL posted strong revenue growth of 178% YoY in Oct'25 led by higher gold volume (+77%). Targets to open 10 stores in the surrounding areas of Chennai over the next 15 months (3 by Q4FY26 and 7 by Q4FY27) at a capex of Rs 7bn. Targets to maintain net debt/EBITDA ratio of 2.0x by FY28 – which we believe is not likely to be achieved, given the aggressive store expansion plan.

Maintain HOLD; TP raise by 27% to Rs 2,600: We maintain our HOLD rating as the stock appears to be fairly valued (trades at 28.4x on 1Y forward P/E vs 5Y avg of 23.8x) even if we assume TJL opens its new store at a much better pace vs past (i.e. annual new store run rate of 6-7 store vs historical run rate of 3-4 store) and operate at a better EBITDA margin profile of 5.7% (vs 10Y avg of 4.9%) over FY27-FY28. We have raised TP to Rs 2,600 (Rs 2,050 per share) due to earnings upgrade (+26.8%/+24.9%/+28.0% for FY26E/FY27E/FY28E) based on strong Q2FY26 result and increase in our target P/E multiple (from 25x to 30x).

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	TJL IN/Rs 2,604
Market cap	US$ 911.4mn
Free float	39%
3M ADV	US$ 1.3mn
52wk high/low	Rs 2,604/Rs 1,523
Promoter/FPI/DII	62%/5%/15%

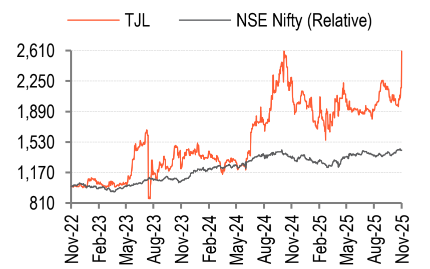
Source: NSE | Price as of 3 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	49,106	71,790	87,124
EBITDA (Rs mn)	2,190	4,086	5,002
Adj. net profit (Rs mn)	1,187	2,502	3,027
Adj. EPS (Rs)	38.2	80.5	97.4
Consensus EPS (Rs)	38.2	60.3	80.4
Adj. ROAE (%)	14.9	20.7	21.1
Adj. P/E (x)	68.2	32.3	26.7
EV/EBITDA (x)	38.9	21.7	18.6
Adj. EPS growth (%)	(15.0)	110.7	21.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance – Consolidated

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Operating income	17,046	11,781	44.7	15,553	9.6	32,599	23,984	35.9
Raw-Material expense	15,203	11,295	34.6	13,883	9.5	29,085	22,025	32.1
Gross Profit	1,844	486	279.2	1,671	10.4	3,514	1,960	79.3
Employee expense	347	228	52.0	324	7.3	671	422	58.9
Advertisement expense	215	122	75.8	245	(12.3)	460	189	143.2
Other expense	288	240	20.3	258	11.8	546	554	(1.4)
EBITDA	994	(104)	(1,056.2)	844	17.7	1,838	794	131.3
D&A	111	55	100.7	68	62.2	179	109	63.9
EBIT	883	(159)	(655.3)	776	13.8	1,659	685	142.0
Interest cost	162	106	52.8	150	7.9	312	196	59.4
Other income	63	30	113.6	25	148.0	88	47	88.5
PBT	784	(235)	(432.9)	651	20.4	1,435	536	167.6
Tax	199	(61)	(425.4)	194	2.4	393	145	170.7
Reported PAT	585	(174)	(435.5)	457	28.0	1,042	391	166.4
Adjusted PAT	585	(174)	(435.5)	457	28.0	1,042	391	166.4
As % of net revenues			**(bps)**		**(bps)**			**(bps)**
Gross margin	10.8	4.1	669	10.7	7	10.8	8.2	261
Employee cost	2.0	1.9	10	2.1	(4)	2.1	1.8	30
Advertisement cost	1.3	1.0	22	1.6	(32)	1.4	0.8	62
Other cost	1.7	2.0	(34)	1.7	3	1.7	2.3	(63)
EBITDA margin	5.8	(0.9)	671	5.4	40	5.6	3.3	232
Tax rate	25.4	25.9	(58)	29.8	(446)	27.4	27.1	31
APAT margin	3.4	(1.5)	491	2.9	49	3.2	1.6	157

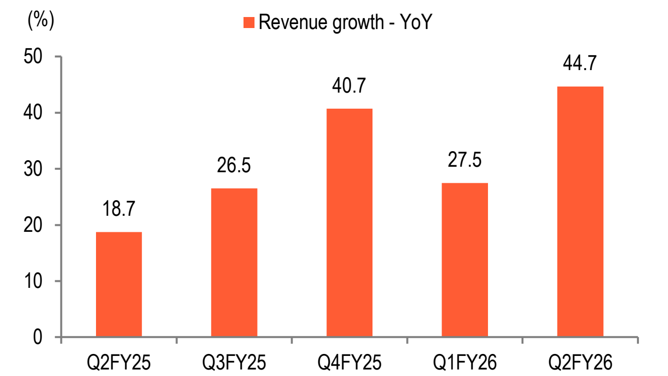
Source: Company, BOBCAPS Research

Fig 2 – Key operating metrics

Particulars	Q2FY24	Q3FY24	Q4FY25	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
No. of stores	56	58	58	59	59	59	60	62	66
Gold volume growth (YoY)	15.7	8.4	16.1	8.6	(3.1)	1.6	4.0	(3.9)	1.7
Average revenue per store (Rs mn)	171	147	164	200	192	186	219	243	248
Retail sales share (%)	96.3	95.4	97.0	96.6	96.0	96.8	95.3	96.8	96.0
Studded share (%)	7.6	9.7	7.8	8.2	7.9	8.7	7.1	8.6	8.3
Gross margin (%)	5.7	10.9	10.0	12.1	4.1	11.9	9.1	10.7	10.8
Employee cost (%)	1.7	1.9	2.0	1.6	1.9	2.1	2.0	2.1	2.0
Advertisement cost (%)	0.5	0.5	0.8	0.5	1.0	0.7	1.3	1.6	1.3
Other cost (%)	1.3	2.9	2.3	2.6	2.0	1.8	1.7	1.7	1.7
EBITDA margin (%)	2.3	5.6	4.9	7.4	(0.9)	7.3	4.1	5.4	5.8
Inventory turn (x)	3.6	3.1	3.3	3.6	3.3	3.0	3.2	2.9	2.9

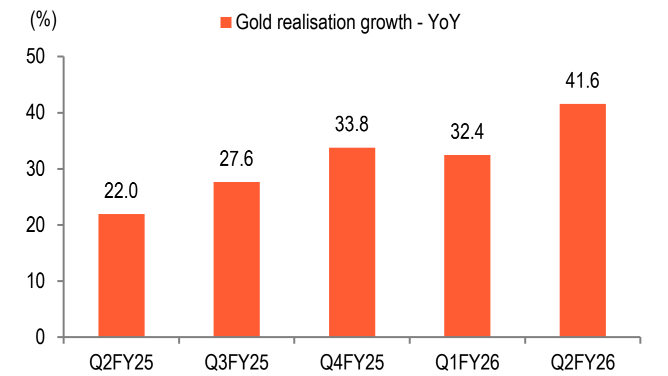
Source: Company, BOBCAPS Research

Fig 3 – TJL revenue grew sharply by 44.7% YoY in Q2FY26..



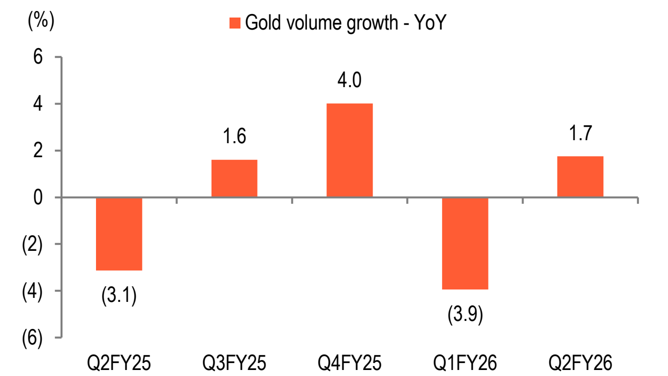
Source: Company, BOBCAPS Research

Fig 4 – ..mainly driven by steep rise in gold jewellery realisation (+41.6% YoY)



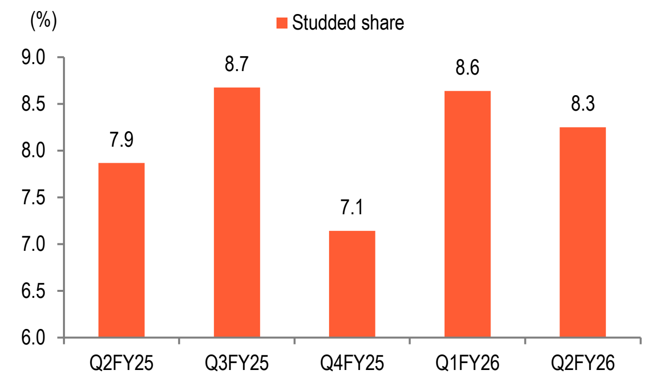
Source: Company, BOBCAPS Research

Fig 5 – Gold volume grew by 1.7% YoY in Q2FY26, despite steep rise in gold prices



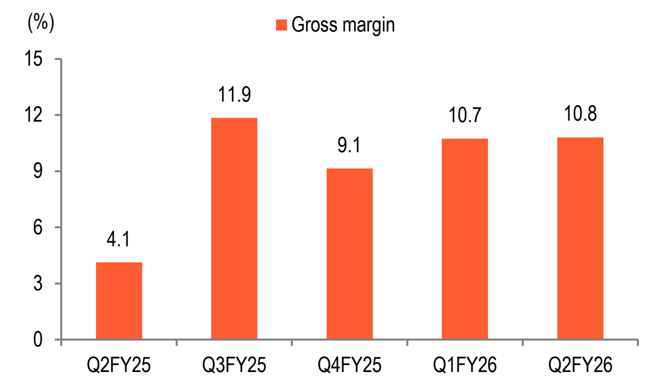
Source: Company, BOBCAPS Research

Fig 6 – Studded share ratio has slightly improved from 7.9% in Q2FY25 to 8.3% in Q2FY26



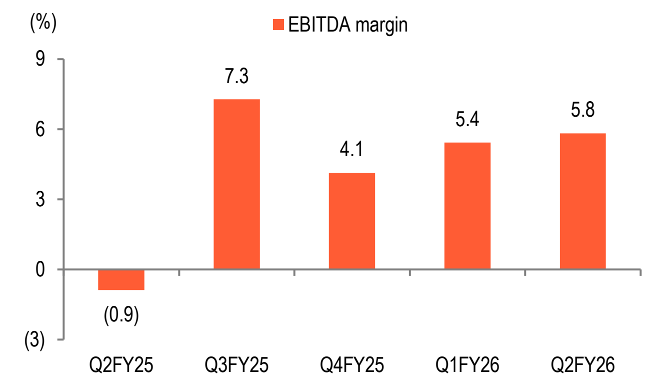
Source: Company, BOBCAPS Research

Fig 7 – Gross margin improved to a 5Y high for a seasonally lean Q2, which could be due to inventory gain



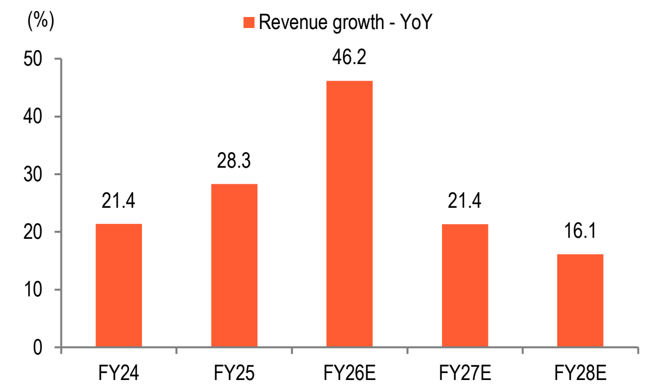
Source: Company, BOBCAPS Research

Fig 8 – EBITDA margin improved by 40bps QoQ to 5.8% in Q2FY26



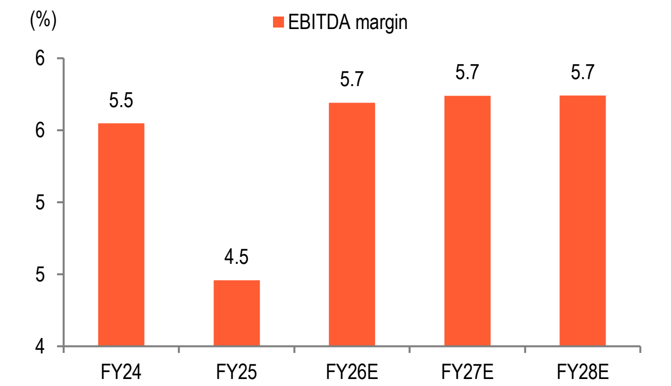
Source: Company, BOBCAPS Research

Fig 9 – Revenue is forecast to grow at 27.2% CAGR over FY25-FY28E led by store expansion and high gold prices



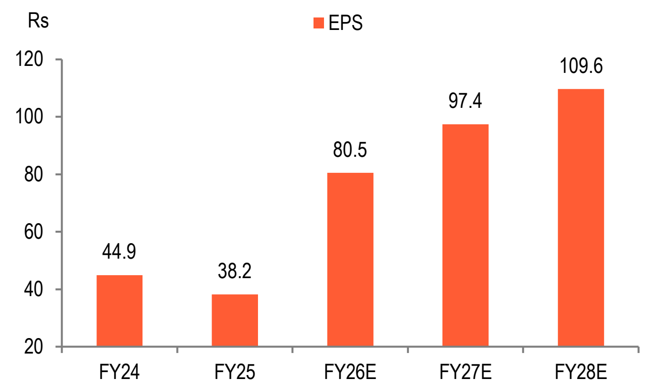
Source: Company, BOBCAPS Research

Fig 10 – EBITDA margin is projected to be ~5.7% over FY26-FY28E vs 10Y avg of 4.9%



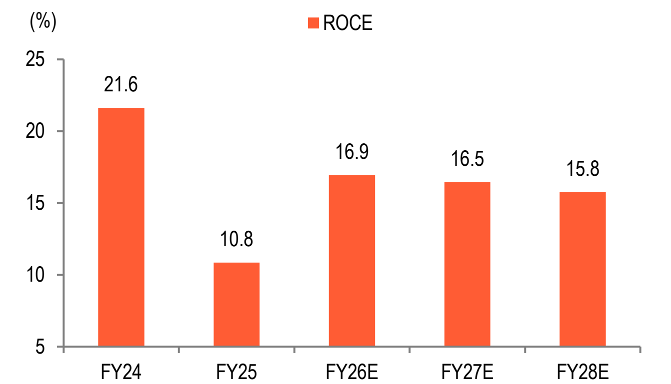
Source: Company, BOBCAPS Research

Fig 11 – TJL's EPS is projected to grow at a healthy 42.1% CAGR over FY25-FY28E over a weak base



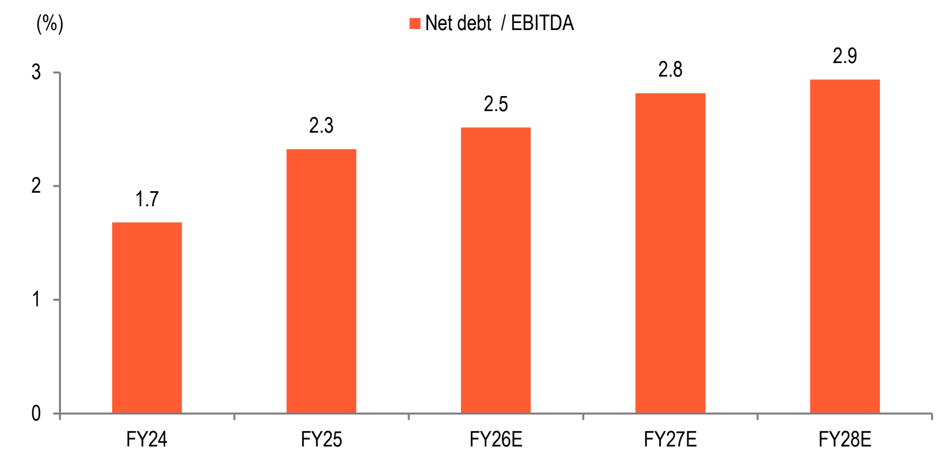
Source: Company, BOBCAPS Research

Fig 12 – TJL is likely to post healthy ROCE of ~16-17% over FY26E-FY28E



Source: Company, BOBCAPS Research

Fig 13 – TJL net debt/EBITDA ratio is likely to rise from 2.3x in FY25 to 2.9x in FY28E



Source: Company, BOBCAPS Research

Valuation Methodology

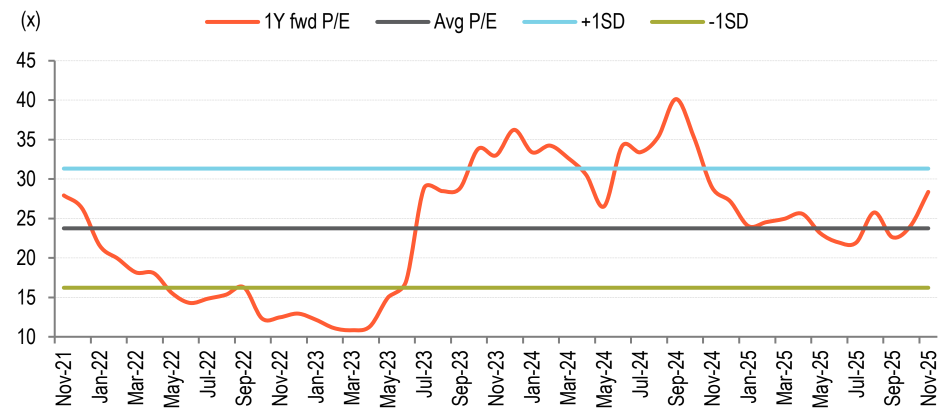
We maintain our HOLD rating as the stock appears to be fairly valued (trades at 28.4x on 1Y forward P/E vs 5Y avg of 23.8x) even if we assume TJL opens its new store at a much better pace vs past (i.e. annual new store run rate of 6-7 stores vs historical run rate of 3-4 stores) and operates at a better EBITDA margin profile of 5.7% (vs 10Y avg of 4.9%). We have raised TP to Rs 2,600 (Rs 2,050 per share) due to earnings upgrade (+26.8%/+24.9%/+28.0% for FY26E/FY27E/FY28E) based on the strong Q2FY26 result and increase in our target P/E multiple (from 25x to 30x).

Fig 14 – Revised estimates

Standalone (Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Operating income	71,790	87,124	101,164	64,561	76,978	88,786	11.2	13.2	13.9
EBITDA	4,086	5,002	5,809	3,386	4,109	4,673	20.7	21.7	24.3
EBITDA Margin (%)	5.7	5.7	5.7	5.2	5.3	5.3	45bps	40bps	48bps
Adjusted PAT	2,502	3,027	3,408	1,973	2,425	2,662	26.8	24.9	28.0
EPS (Rs)	80.5	97.4	109.6	63.5	78.0	85.6	26.8	24.9	28.0

Source: BOBCAPS Research

Fig 15 – TJL stock trades at 28.4x on 1YF P/E vs 5Y average of 23.8x



Source: Bloomberg, BOBCAPS Research

Fig 16 – Key assumptions

Particulars	FY24	FY25	FY26E	FY27E	FY28E
No. of stores	58	60	69	76	82
Retail revenue per store (Rs mn)	659	800	1,071	1,156	1,231
EBITDA margin (%)	5.5	4.5	5.7	5.7	5.7
PAT margin (%)	3.2	2.4	3.5	3.5	3.4
Inventory (days)	113	147	134	134	135
Net debt/EBITDA (x)	1.7	2.3	2.5	2.8	2.9
ROCE (%)	21.6	10.8	16.9	16.5	15.8

Source: Company, BOBCAPS Research

Key risks

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**38,268**	**49,106**	**71,790**	**87,124**	**1,01,164**
EBITDA	2,124	2,190	4,086	5,002	5,809
Depreciation	164	237	280	337	397
EBIT	1,960	1,953	3,806	4,665	5,412
Net interest inc./(exp.)	(363)	(411)	(635)	(872)	(1,110)
Other inc./(exp.)	54	57	214	252	252
Exceptional items	0	0	0	0	0
EBT	1,651	1,599	3,386	4,046	4,554
Income taxes	418	412	884	1,018	1,146
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**1,232**	**1,187**	**2,502**	**3,027**	**3,408**
Adjustments	0	0	0	0	0
Adjusted net profit	**1,232**	**1,187**	**2,502**	**3,027**	**3,408**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	175	331	483	587	681
Other current liabilities	5,048	6,369	6,369	6,369	6,369
Provisions	34	0	0	0	0
Debt funds	4,383	7,506	10,641	14,260	17,442
Other liabilities	239	363	363	363	363
Equity capital	274	311	311	311	311
Reserves & surplus	4,657	10,713	12,779	15,309	18,158
Shareholders' fund	4,932	11,024	13,090	15,620	18,469
Total liab. and equities	**14,811**	**25,592**	**30,946**	**37,199**	**43,324**
Cash and cash eq.	818	2,418	362	170	381
Accounts receivables	43	86	80	97	113
Inventories	11,892	19,786	26,356	32,081	37,313
Other current assets	324	923	1,350	1,638	1,902
Investments	0	0	0	0	0
Net fixed assets	1,535	1,990	2,409	2,823	3,226
CWIP	24	113	113	113	113
Intangible assets	0	17	17	17	17
Deferred tax assets, net	25	40	40	40	40
Other assets	151	216	216	216	216
Total assets	**14,811**	**25,588**	**30,942**	**37,195**	**43,319**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**1,749**	**(5,273)**	**(3,635)**	**(1,944)**	**(755)**
Capital expenditures	(505)	(797)	(700)	(750)	(800)
Change in investments	0	0	0	0	0
Other investing cash flows	54	57	214	252	252
Cash flow from investing	**(451)**	**(740)**	**(486)**	**(498)**	**(548)**
Equities issued/Others	137	36	0	0	0
Debt raised/repaid	(692)	3,123	3,135	3,619	3,182
Interest expenses	(363)	(411)	(635)	(872)	(1,110)
Dividends paid	(274)	(389)	(435)	(497)	(559)
Other financing cash flows	(51)	5,257	0	0	0
Cash flow from financing	**(1,244)**	**7,617**	**2,065**	**2,250**	**1,513**
Chg in cash & cash eq.	**54**	**1,604**	**(2,056)**	**(192)**	**210**
Closing cash & cash eq.	**818**	**2,422**	**366**	**174**	**385**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	44.9	38.2	80.5	97.4	109.6
Adjusted EPS	44.9	38.2	80.5	97.4	109.6
Dividend per share	10.0	12.5	14.0	16.0	18.0
Book value per share	179.7	354.7	421.2	502.6	594.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.2	1.7	1.2	1.1	1.0
EV/EBITDA	40.0	38.9	21.7	18.6	16.6
Adjusted P/E	58.0	68.2	32.3	26.7	23.7
P/BV	14.5	7.3	6.2	5.2	4.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.7	74.2	73.9	74.8	74.8
Interest burden (PBT/EBIT)	84.2	81.9	88.9	86.7	84.2
EBIT margin (EBIT/Revenue)	5.1	4.0	5.3	5.4	5.3
Asset turnover (Rev./Avg TA)	258.4	191.9	232.0	234.2	233.5
Leverage (Avg TA/Avg Equity)	3.4	3.2	2.6	2.6	2.5
Adjusted ROAE	27.9	14.9	20.7	21.1	20.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	21.4	28.3	46.2	21.4	16.1
EBITDA	38.9	3.1	86.6	22.4	16.1
Adjusted EPS	54.5	(15.0)	110.7	21.0	12.6
Profitability & Return ratios (%)					
EBITDA margin	5.5	4.5	5.7	5.7	5.7
EBIT margin	5.1	4.0	5.3	5.4	5.3
Adjusted profit margin	3.2	2.4	3.5	3.5	3.4
Adjusted ROAE	27.9	14.9	20.7	21.1	20.0
ROCE	21.6	10.8	16.9	16.5	15.8
Working capital days (days)					
Receivables	0	1	0	0	0
Inventory	113	147	134	134	135
Payables	2	2	2	2	2
Ratios (x)					
Gross asset turnover	16.6	17.0	20.0	20.2	19.9
Current ratio	1.5	1.7	1.7	1.7	1.7
Net interest coverage ratio	5.4	4.8	6.0	5.4	4.9
Adjusted debt/equity	0.7	0.5	0.8	0.9	0.9

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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