Quarterly Update-Q2FY27

Deepa Jewellers Ltd.

Q2 FY27 performance: Deepa Jewellers delivered 25% YoY revenue growth and 36% YoY PAT growth in Q2 FY27, despite pressure on EBITDA margins from an unfavorable product mix and initial costs at its new manufacturing facility.

Geographic expansion and established customer franchise: Deepa's established relationships with organized retail chains, including Joyalukkas, Kalyan Jewellers, Lalithaa Jewellery and Bhima Jewellers, provide a platform for growth as these retailers expand their store networks. The company plans to open sales offices in Chennai by December 2026 and Bengaluru in April-May 2027, replicating the Vijayawada model to penetrate Tier 2 and Tier 3 markets and acquire regional chains and standalone retailers. Management expects these initiatives, alongside replenishment demand from existing customers, to support 40-45% CAGR revenue growth in FY27-FY29.

Product-mix improvement provides margin upside: The share of studded jewellery declined from 65% in FY26 to 57% in H1 FY27, weighing on gross margins as plain gold jewellery typically offers lower margins. Management aims to increase studded jewellery's contribution to 75% over the next four quarters through new SKUs and greater emphasis on higher-value products such as temple-style vaddanam. The company has already launched 16 new SKUs and is expanding into studded casting, nakshi and thappa jewellery. A recovery in studded jewellery mix, combined with higher-margin standalone-store sales, is expected to support the guided 80-120 bps EBITDA margin expansion over the next four to six quarters.

In-house manufacturing can improve profitability: The Hyderabad facility commenced operations in September 2026, processing 21% of total Q2 volumes compared with 13% in Q1. Management targets this contribution to rise to 40% in Q3 and 50% in Q4, with a long-term manufacturing mix of 65% in-house and 35% outsourced. In-house production should reduce manufacturing costs and improve control over quality and delivery, although initial depreciation and employee expenses have temporarily weighed on margins.

Job-work growth and financial discipline support scalability: Job-work volumes increased 44% YoY in Q2 and 51% in H1, supported partly by retailers shifting towards old-gold exchanges amid elevated gold prices. The model requires less working capital and limits direct gold-price exposure because customers supply the metal. Deepa had hedged 94% of its gold holdings as of September 2026 and targets nearly 100% hedging over the next two to three quarters. Management expects the combined inventory and receivable cycle to remain at 55-65 days, while IPO proceeds and internal accruals are expected to support growth through FY29.

Outlook and Guidance:

Deepa Jewellers is well-positioned to sustain strong growth, with revenue/EBITDA/PAT expected to register a CAGR of 43%/42%/43% over FY26-29E, driven by expansion into new geographies, increasing contribution from studded jewellery and job-work, and scaling up of in-house manufacturing. New sales offices in Chennai and Bengaluru, alongside growth among existing retail-chain customers, provide additional growth levers. Management targets an increase in studded jewellery contribution to 75% and expects EBITDA margin expansion of 80-120 bps over the next four to six quarters, supporting sustained earnings growth.

At CMP, the stock is trading at a P/E multiple of 10x FY28E earnings and 7x FY29E earnings. Given the company's strong growth outlook, established customer relationships, improving manufacturing capabilities and potential for margin expansion, the valuation appears extremely attractive relative to its projected earnings growth.

Using DCF based valuation, we arrive at a TP of ₹352 for Deepa Jewellers, implying an upside of 65%, and assign BUY rating for the company.

CMP: ₹213
Reco: BUY
Target Price: ₹352

Stock Info	
BSE	544903
NSE	DEEPA
Sector	Jewellery
Face Value (₹)	2
Equity Capital (₹ Cr)	18.2
Mkt Cap (₹ Cr)	2,032
Avg volume (1 year)	76,94,689
Dividend yield (%)	0
52w H/L (₹)	277/ 165

Source: Company filings, PESB research

Shareholding Pattern (Sep 2026)	
Promoters	72.98%
FII	2.64%
DII	6.64%
Public	17.74%

Source: Company filings, PESB research

Returns	DEEPA (%)	NIFTY 500 (%)
1M	5.28	-3.00
3M (Since IPO)	9.70	-6.59
1 year (Since IPO)	9.70	-9.44

Source: Company filings, PESB research

Deepa Jewellers IC link:

Deepa jewellers IC.pdf

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Concall Highlights

Management targets 40-45% revenue growth
Management attributed the moderation in Q2 growth partly to festive demand shifting towards H2 and expects 40-45% revenue growth for FY27-FY29 CAGR, supported by new geographies, product expansion and growth among existing retail-chain customers.

Margins impacted by product mix, recovery expected
Q2 EBITDA margin was 7.24%, compared with 7.95% in H1, as gross margins declined due to a shift towards plain gold jewellery, which carries lower margins than studded jewellery. The share of studded jewellery declined from 65% in FY26 to 57% in H1 FY27. Management expects this to increase to 75% over the next four quarters, supported by new SKUs and in-house manufacturing. It guided for an 80-120 bps improvement in EBITDA margins over the next four to six quarters.

In-house manufacturing to improve margins and control
The Hyderabad manufacturing facility commenced operations in September 2026. Its contribution to total volumes increased from 13% in Q1 to 21% in Q2, with management targeting approximately 40% in Q3 and 50% in Q4. Initial depreciation and employee expenses weighed on margins, but management expects the facility to contribute positively from Q3 onwards. From Q4, the company plans to shift more outsourced production in-house, targeting a long-term manufacturing mix of 65% in-house and 35% outsourced.

Job-work volumes gain share
Q2 operating volumes increased 13% YoY to 809 kg, while H1 volumes rose 12% to 1,327 kg. H1 manufacturing volumes declined 5% to 783 kg, whereas job-work volumes grew 51% to 544 kg. The shift towards job-work is partly driven by retailers accepting more old-gold exchanges rather than cash purchases amid higher gold prices. Job-work requires less working capital and carries no direct gold-price exposure because customers provide the gold, making it strategically attractive for the business.

Expansion into new geographies and product categories
Management identified three key growth drivers: geographic expansion, new product categories, and existing customer growth. Following the Vijayawada sales office, a Chennai office is planned for December 2026 and a Bengaluru office for April-May 2027. These offices will help penetrate Tier 2 and Tier 3 markets, regional chains and large standalone stores, which management believes offer better conversion margins. The company is also expanding into studded casting, nakshi and thappa jewellery, while existing retail partners such as Joyalukkas, Kalyan Jewellers and Lalithaa Jewellery are expanding their store networks.

Gold-price risk and hedging
As of September 30, approximately 94% of gold holdings were hedged through gold metal loans, short positions on MCX and back-to-back pricing with bullion suppliers. Management aims to increase hedging to nearly 100% over the next two to three quarters. It also indicated that the impact of gold-price movements on margins is limited: the approximately 50% rise in average gold prices between FY25 and FY26 contributed around 62 bps to margin expansion through operating leverage, with a comparable price decline potentially reversing roughly 60 bps of gross margin.

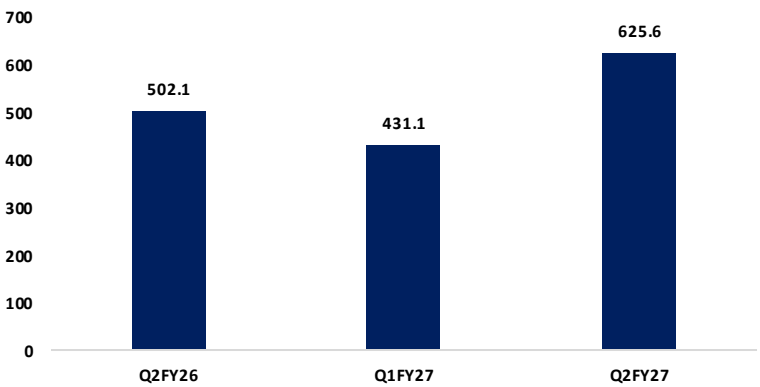
Working capital and promoter commitment
Management expects the combined inventory and receivable cycle to remain within 55-65 days, acknowledging that individual metrics fluctuate with seasonality. The recent increase in inventory partly reflects stocking for the Vijayawada office and the deployment of IPO proceeds ahead of the festive season. Normalization is expected from the following quarter. IPO proceeds, internal accruals and existing debt are expected to fund the company's targeted growth through FY29. Additionally, both executive promoters stopped drawing salaries from October 2026 and indicated they do not intend to draw salaries for at least the next 10 quarters.

Q2 FY27 Financials

Particulars (₹Cr)	Q2FY27	Q1FY27	QoQ	Q2FY26	YoY
Revenue from Operations	626	431	45%	502	25%
Expenses					
Employee Exp	2	2	33%	1	141%
Other Exp	578	391	48%	463	25%
EBITDA	**45**	**39**	**17%**	**39**	**17%**
EBITDA Margin	***7%***	***9%***	***-173bps***	***8%***	***-47bps***
Depreciation & Amortization	1	0	25%	0	272%
EBIT	**45**	**38**	**17%**	**39**	**16%**
EBIT Margin	***7%***	***9%***	***-172bps***	***8%***	***-53bps***
Finance Cost	2	2	-13%	2	11%
Other Income	0	0	2635%	0	675%
EBT	**43**	**36**	**20%**	**37**	**17%**
Tax Expense	6	9	-35%	9	-37%
PAT	**37**	**27**	**39%**	**27**	**36%**
PAT Margin	***6%***	***6%***	***-27bps***	***5%***	***50bps***

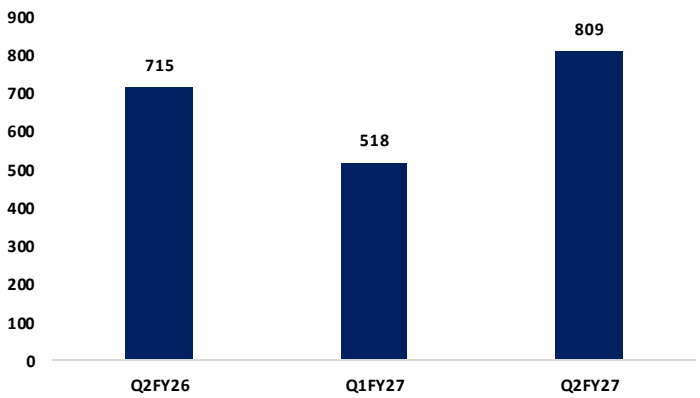
Source: Company filings, PESB research

Total revenue from operations (₹ Cr)



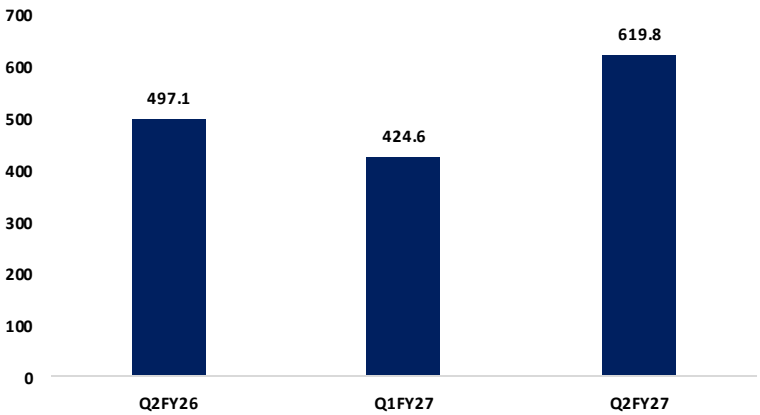
Source: Company filings, PESB research

Total volume sold in Kgs



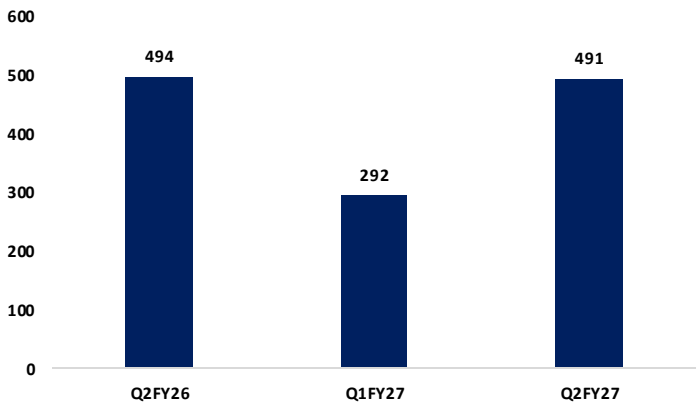
Source: Company filings, PESB research

Processing and manufacturing revenue (₹ Cr)



Source: Company filings, PESB research

Processing and manufacturing volume in Kgs



Source: Company filings, PESB research

Financials

INCOME STATEMENT

Particulars (₹ Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue from Operations	1,025	1,397	1,927	2,732	3,924	5,659
Expenses						
Cost of operations	985	1336	1773	2531	3635	5228
Employee Expense	2	2	4	3	4	5
Other Expense	2	3	4	5	7	11
EBITDA	**36**	**56**	**146**	**194**	**278**	**415**
EBITDA Margin	***3%***	***4%***	***8%***	***7%***	***7%***	***7%***
EBITDA Growth rate		***57%***	***161%***	***32%***	***44%***	***49%***
Depreciation and Amortization	0	0	1	2	4	6
EBIT	**35**	**56**	**146**	**192**	**274**	**409**
EBIT Margin	***3%***	***4%***	***8%***	***7%***	***7%***	***7%***
EBIT Growth rate		***57%***	***161%***	***32%***	***43%***	***49%***
Finance Cost	4	4	6	8	3	3
Other Income	1	3	1	1	2	3
EBT	**33**	**54**	**140**	**186**	**273**	**409**
EBT Margin	***3%***	***4%***	***7%***	***7%***	***7%***	***7%***
EBT Growth rate		***67%***	***158%***	***32%***	***47%***	***50%***
Tax expense	8	14	36	47	69	104
PAT	**24**	**41**	**105**	**138**	**204**	**305**
PAT Margin	***2%***	***3%***	***5%***	***5%***	***5%***	***5%***
PAT Growth rate		***67%***	***158%***	***32%***	***47%***	***50%***
EPS	***2.5***	***4.2***	***10.9***	***14.4***	***21.2***	***31.7***

	FY24-26	FY26-29
Revenue CAGR	37%	43%
EBITDA CAGR	102%	42%
PAT CAGR	107%	43%

Source: Company filings, PESB research

BALANCE SHEET

Particulars (₹ Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Assets						
Net Block	1	1	8	10	14	18
Capital WIP	0	0	2	2	2	2
Other Non Current Assets	0	0	0	0	0	0
Inventories	72	83	87	173	199	258
Trade Receivables	88	132	252	374	591	806
Cash and Bank	11	0	0	135	42	60
Other Current Assets	2	2	7	7	7	7
Total Assets	**175**	**218**	**357**	**702**	**856**	**1,151**
Equity						
Equity Share Capital	4	4	16	16	16	16
Other Equity	88	129	222	587	791	1096
Total Equity	**93**	**133**	**238**	**604**	**808**	**1,112**
Liabilities						
Long Term Borrowings	41	38	44	35	15	10
Other Non Current Liabilities	0	0	5	5	5	5
Short Term Borrowings	37	43	67	55	25	20
Trade Payables	0	1	0	0	1	1
Other Current Liabilities	4	3	3	3	3	3
Total Equity and Liabilities	**175**	**218**	**357**	**702**	**856**	**1,151**

Source: Company filings, PESB research

CASH FLOW

Particulars (₹ Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net cash from operations	5	-10	-15	-60	-32	40
Net cash from Investing	6	10	-4	-4	-8	-10
Net cash from Financing	-9	-1	19	198	-53	-13

Source: Company filings, PESB research

RATIOS

	FY24	FY25	FY26	FY27E	FY28E	FY29E
Margin Analysis						
Gross Margins	4%	4%	8%	7%	7%	8%
EBITDA Margin	3%	4%	8%	7%	7%	7%
PAT Margin	2%	3%	5%	5%	5%	5%
	FY24	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Profitability						
ROA	14%	19%	29%	20%	24%	26%
ROCE	21%	26%	42%	28%	32%	36%
ROE	26%	30%	44%	23%	25%	27%
	FY24	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Liquidity and Solvency						
Current ratio (x)	4.3	4.7	4.9	11.9	29.7	48.0
Quick ratio (x)	2.5	2.9	3.7	8.9	22.6	37.1
fixed asset turnover (x)	1288.8	2224.5	191.2	226.5	234.9	279.7
Total Debt/ Equity (x)	0.8	0.6	0.5	0.1	0.0	0.0
Interest Coverage Ratio (x)	9.0	12.8	23.1	25.1	80.7	160.3
	FY24	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Valuation Ratios						
EV/EBITDA (x)			15	10	7	5
P/E (x)			20	15	10	7
P/B (x)			9	3	3	2
EV/Sales (x)			1	1	1	0

Source: Company filings, PESB research

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Stock Rating	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%