

## P N Gadgil Jewellers

Estimate change	↔↔
TP change	↔↔
Rating change	↔↔

Bloomberg	PNGJL IN
Equity Shares (m)	136
M.Cap.(INRb)/(USDb)	73.8 / 0.9
52-Week Range (INR)	848 / 474
1, 6, 12 Rel. Per (%)	-7/-27/-
12M Avg Val (INR M)	568

### Financials & Valuations (INR b)

Y/E March (INR b)	FY25	FY26E	FY27E
Sales	76.9	93.8	115.8
Sales Growth (%)	25.9	22.0	23.5
EBITDA	3.5	4.8	6.1
Margins (%)	4.6	5.1	5.2
Adj. PAT	2.4	2.9	3.7
Adj. EPS (INR)	17.4	21.3	27.4
EPS Growth (%)	32.5	22.1	28.7
BV/Sh.(INR)	114.5	135.8	163.1
<b>Ratios</b>			
Debt/Equity	0.5	0.5	0.5
RoE (%)	22.6	17.0	18.3
RoIC (%)	18.8	16.1	17.5
<b>Valuations</b>			
P/E (x)	31.2	25.6	19.9
EV/EBITDA(x)	19.7	14.1	10.8

### Shareholding Pattern (%)

As On	Mar-25	Dec-24
Promoter	83.1	83.1
DII	5.5	5.3
FII	0.7	1.9
Others	10.8	9.6

FII includes depository receipts

**CMP: INR544**

**TP: INR825 (+52%)**

**Buy**

### Robust retail growth; focus on store expansion

- PN Gadgil Jewellers (PNG) delivered consolidated revenue growth of 5% YoY to INR15.9b (est. INR16.6b) in 4QFY25. Retail revenue surged ~50% YoY, while e-commerce and franchisee revenues grew by 244% and 37% YoY, respectively. Transaction volume increased by 40% YoY and average transaction value (ATV) was at INR77,000. The discontinuation of refinery sales from 3QFY25 onward impacted the reported revenue.
- PNG expanded its footprint with five new store openings in 4Q, bringing the total to 53 (41 COCO, 12 FOCO) across 27 cities. The company plans to add 25 more stores in FY26, with 6-7 COCO stores, 6-7 FOCO stores, and 12-13 stores under the 'LiteStyle by PNG' brand (small-size stores with a focus on youth/modern design).
- Gross margin expanded by 160bp YoY to 12% in 4QFY25 (est. 10.3%). As PNG started hedging after its IPO (Sep'24), there was no inventory gain in 4QFY25, unlike the INR180m inventory gain recorded in FY24 (mainly in 4QFY24). As per our estimates, adjusting for refinery sales and inventory gains in base, like-to-like gross margin was up ~50bp YoY. GP margin improvement was supported by 31% YoY growth in studded jewelry, which led to a 200bp increase in the studded mix to 8% in 4QFY25. The company continues to focus on enhancing its studded jewelry contribution and expanding its LiteStyle format stores, which deliver higher gross margins of 15-16%. We estimate EBITDA margin of 5.1%-5.2% for FY26 and FY27.
- We model a CAGR of 23% in sales, 31% in EBITDA, and 25% in APAT over FY25-27E. With the successful execution of store rollouts, an effective gold hedging policy, and margin expansions, we reiterate our BUY rating on the stock with a TP of INR825 at 30x FY27E EPS.

### Retail performance inspiring; store expansion on track

- **In-line sales growth:** PNG's consolidated sales rose 5% YoY to INR15.9b (est. INR16.6b) in 4QFY25. Retail revenue grew 50% YoY to INR12.9b. Franchisee revenue grew 37% YoY to INR1.9b. E-commerce revenue was up 244% YoY at INR907m. Due to lower bullion sales, reported numbers appear lower than the underlying performance. Footfalls increased by 38%, supported by a strong conversion rate of 92%. The festive season remained a key growth driver, with Gudi Padwa sales rising 40% YoY.
- **Flat operating margins:** Gross margin expanded by 160bp YoY to 12% (est. 10.3%). Employee expenses rose 32% YoY and other expenses increased 45% YoY. EBITDA margin was flat YoY at 5.9% (est. 5.3%). The base quarter included refinery sales and inventory gains. Like-to-like EBITDA margin rose 20bp to 5.9%. Studded ratio improved 200bp YoY to 8% vs. 6% in 4QFY24. Studded revenue grew 31% YoY. EBITDA grew 6% YoY to INR941m. PAT grew by 13% YoY to INR620m. PAT margin was 3.9% vs. 3.6% in 4QFY24.
- In FY25, SSSG was 26.5%, and net sales/EBITDA/APAT grew 26%/30%/52%.

**Naveen Trivedi – Research Analyst** (Naveen.Trivedi@motilaloswal.com)

**Research Analyst: Amey Tiwari** (Amey.Tiwari@MotilalOswal.com) | **Tanu Jindal** (Tanu.Jindal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

### Key takeaways from the management commentary

- PNG has witnessed robust performance at the start of 1QFY26, aided by the extended wedding season and festivals like Akshaya Tritiya.
- Refinery sales stood at INR12b in FY24 and INR7b in FY25, and are expected to be nil in FY26.
- At the retail level, the company expects revenue growth of 30-35% in FY26, with EBITDA margins of 7-8% and PAT margins of ~4%. At the consolidated company level, PAT margins are projected to be in the range of 2.85-3.25%.
- The company plans to open 20-25 new stores in FY26, including 6-7 COCO, 6-7 FOCO, and 12-13 PNG Lifestyle stores.

### Valuation and view

- There is no material change in our FY26 and FY27 EPS estimates.
- With a more favorable product mix, operating leverage and improved sourcing, the company is well-positioned to expand its operating margin. We model an EBITDA margin of 5.1%-5.2% for FY26 and FY27.
- The company has strengthened its balance sheet by reducing debt, having repaid INR3b from IPO proceeds. It has also implemented a robust hedging strategy through gold metal loans (GML), with 100% hedged by Mar'25 and now fully covered. This will lower interest costs and further boost profitability.
- We model a CAGR of 23% in sales, 31% in EBITDA, and 25% in APAT over FY25-27E. With the successful execution of store rollouts, an effective gold hedging policy, and margin expansions, we reiterate our BUY rating on the stock with a TP of INR825 at 30x Mar'27 EPS.

Y/E March	Consol. Quarterly Performance								(INR m)			
	FY24				FY25				FY24	FY25	FY25	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4Q		(%)
<b>Net Sales</b>	<b>12,568</b>	<b>13,715</b>	<b>19,722</b>	<b>15,120</b>	<b>16,682</b>	<b>20,013</b>	<b>24,358</b>	<b>15,882</b>	<b>61,119</b>	<b>76,935</b>	<b>16,588</b>	<b>-4%</b>
YoY change (%)	N/A	N/A	N/A	N/A	32.7	45.9	23.5	5.0	35.6	25.9	9.7	
<b>Gross Profit</b>	<b>919</b>	<b>966</b>	<b>1,681</b>	<b>1,578</b>	<b>1,386</b>	<b>1,531</b>	<b>2,391</b>	<b>1,909</b>	<b>5,147</b>	<b>7,216</b>	<b>1,716</b>	<b>11%</b>
Margins (%)	7.3	7.0	8.5	10.4	8.3	7.6	9.8	12.0	8.4	9.4	10.3	
<b>EBITDA</b>	<b>446</b>	<b>452</b>	<b>921</b>	<b>890</b>	<b>643</b>	<b>721</b>	<b>1,228</b>	<b>941</b>	<b>2,712</b>	<b>3,538</b>	<b>887</b>	<b>6%</b>
Margins (%)	3.5	3.3	4.7	5.9	3.9	3.6	5.0	5.9	4.4	4.6	5.3	
YoY growth (%)	N/A	N/A	N/A	N/A	44.2	59.4	33.3	5.8	121.0	30.5	-0.3	
Depreciation	56	61	60	55	63	72	84	130	232	348	86	
Finance Cost	97	109	112	123	123	129	63	115	459	430	99	
Other Income	10	23	24	22	19	118	70	149	72	351	8	
<b>PBT</b>	<b>303</b>	<b>304</b>	<b>774</b>	<b>734</b>	<b>477</b>	<b>638</b>	<b>1,150</b>	<b>846</b>	<b>2,093</b>	<b>3,111</b>	<b>710</b>	<b>19%</b>
YoY growth (%)	N/A	N/A	N/A	N/A	57.3	110.2	48.6	15.2	77.2	48.6	-3.3	
<b>APAT</b>	<b>222</b>	<b>219</b>	<b>576</b>	<b>549</b>	<b>353</b>	<b>529</b>	<b>860</b>	<b>620</b>	<b>1,550</b>	<b>2,363</b>	<b>532</b>	<b>16%</b>
Margins (%)	1.8	1.6	2.9	3.6	2.1	2.6	3.5	3.9	2.5	3.1	3.2	
YoY change (%)	N/A	N/A	N/A	N/A	59.5	141.1	49.4	12.9	65.4	52.4	-3.1	

E: MOFSL estimates



## Key takeaways from the management commentary

### Financial and operational metrics

- In FY25, the company delivered revenue per store of INR1,450m and PAT of INR41m, reflecting resilient performance.
- Consumer footfalls increased by 38%, supported by a strong conversion rate of 92%.
- Transaction count grew by 40%, and ATV stood at INR77,000.
- Stores launched in 3Q turned operationally profitable, demonstrating strong store-level execution.
- PNG has witnessed robust performance at the start of 1QFY26, aided by the extended wedding season and festivals like Akshaya Tritiya.
- The company has time till Sep'27 to execute the QIP and intends to proceed at an appropriate time and valuation.
- For FY26, the company expects single-digit volume growth and >20% value growth, adjusting for the absence of refinery sales in 1HFY26.
- No inventory gains were recorded during the quarter due to 100% hedging.
- Refinery sales were INR12b in FY24 and INR7b in FY25, and are expected to be nil in FY26.
- At the retail level, the company expects revenue growth of 30-35% in FY26, with EBITDA margins of 7-8% and PAT margins of ~4%.
- At the consolidated company level, PAT margins are projected to be in the range of 2.85-3.25%.
- For the 24 stores included in the SSSG calculation, value growth was 27%, and volume growth stood at 3.5%.
- Newly opened stores achieved higher EBITDA, having benefited from festive-season sales post-Diwali.
- PNG Lifestyle stores require an investment of less than INR100m, and due to higher margins, they achieve breakeven in 12-15 months.
- For COCO stores, breakeven occurs in 15-18 months in Maharashtra and 18-24 months outside the state.
- The current GML rate is 3%.
- In FY24, PNG recorded an inventory gain of INR180m, primarily in 4Q.

### Cost and margins

- Other expenses increased due to higher marketing spending and mark-to-market adjustments for GML.
- The company expects margins to improve further with a higher studded ratio and full gold hedging.
- Other income increased, driven by higher fixed deposits utilized for GML.
- A store opened in 3QFY25 underwent a full structural audit in Jan'25 and was fully capitalized thereafter, leading to an increase in depreciation in 4Q.

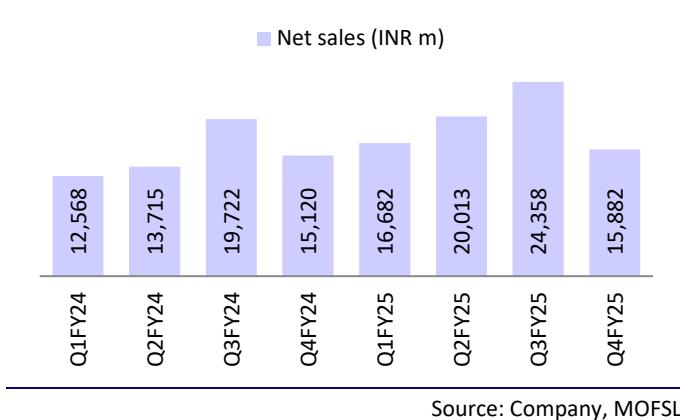
### Store expansion

- The company strengthened its presence in Maharashtra by launching five new stores (4 COCO and 1 FOCO) in 4Q, taking the total store count to 53.

- PNG plans to open 20-25 new stores in FY26, including 6-7 COCO, 6-7 FOCO, and 12-13 PNG Lifestyle stores.
- In FY26, the company plans to open stores in Western Maharashtra, Jalgaon, Dadar, and neighboring states like UP and Bihar.
- A flagship store is scheduled to open in Dadar in 2QFY26, along with expansion into Uttar Pradesh.
- The company also plans to launch 3 stores in Goa, 5-6 in UP, and potentially enter Bihar in FY26.
- PNG Lifestyle stores, typically 1,500-2,000 sq. ft. in size, cater to younger customers seeking fashionable jewelry.
- These stores will offer 18K-22K gold designs with a greater emphasis on diamonds, premium pricing, and expected margins of 15-16%.

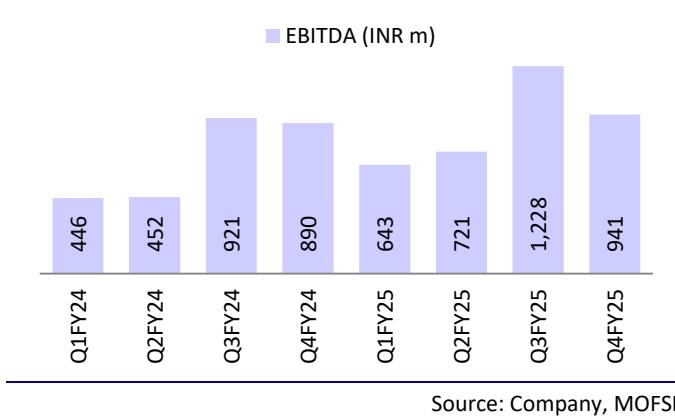
## Key exhibits

Exhibit 1: Consol. sales grew 5% YoY in 4QFY25



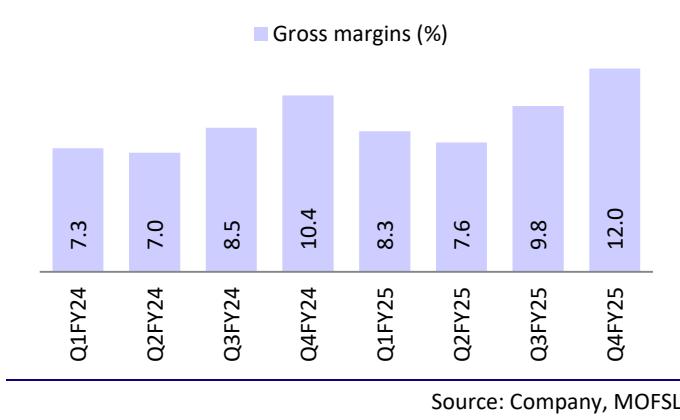
Source: Company, MOFSL

Exhibit 2: Consol. EBITDA grew 6% YoY in 4QFY25



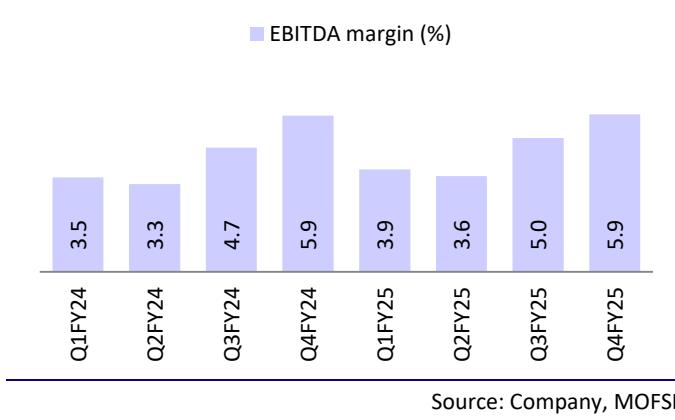
Source: Company, MOFSL

Exhibit 3: GP margin expanded 160bp YoY to 12%



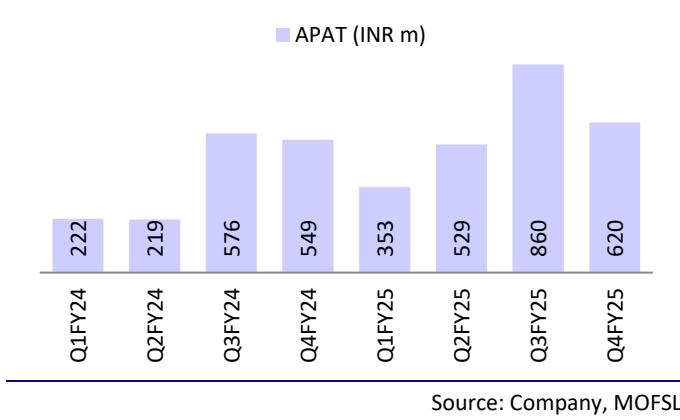
Source: Company, MOFSL

Exhibit 4: EBITDA margin flat YoY to 5.9% in 4QFY25



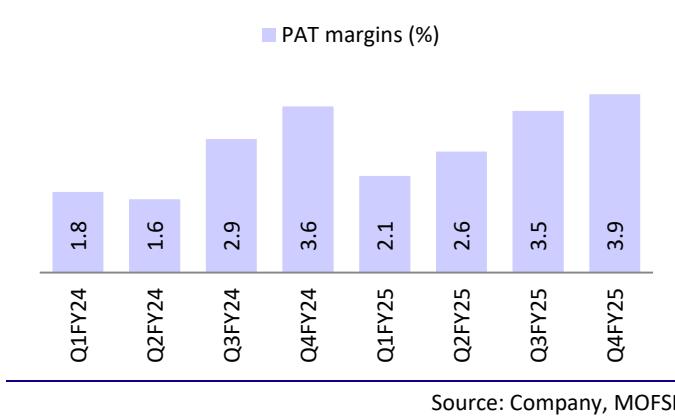
Source: Company, MOFSL

Exhibit 5: APAT grew by 13% YoY to INR620m



Source: Company, MOFSL

Exhibit 6: APAT margin expanded 30bp YoY to 3.9%



Source: Company, MOFSL

### Valuation and view

- There is no material change in our FY26 and FY27 EPS estimates.
- With a more favorable product mix, operating leverage and improved sourcing, the company is well-positioned to expand its operating margin. We model an EBITDA margin of 5.1%-5.2% for FY26 and FY27.
- The company has strengthened its balance sheet by reducing debt, having repaid INR3b from IPO proceeds. It has also implemented a robust hedging strategy through Gold Metal Loans (GML), with 100% hedged by Mar'25 and now fully covered. This will lower interest costs and further boost profitability.
- We model a CAGR of 23% in sales, 31% in EBITDA, and 25% in APAT over FY25-27E. With the successful execution of store rollouts, an effective gold hedging policy, and margin expansions, we reiterate our BUY rating on the stock with a TP of INR825 at 30x Mar'27 EPS.

### Exhibit 7: No material change in our EPS estimates for FY26/FY27

(INR b)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	93,830	1,15,837	95,977	1,16,740	-2%	-1%
EBITDA	4,805	6,066	4,745	5,970	1%	2%
Adjusted PAT	2,885	3,713	2,974	3,781	-3%	-2%

## Financials and valuations

Income Statement							(INR m)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E
<b>Net Sales</b>	<b>19,301</b>	<b>25,556</b>	<b>45,075</b>	<b>61,120</b>	<b>76,935</b>	<b>93,830</b>	<b>1,15,837</b>
Change (%)	-21.4	32.4	76.4	35.6	25.9	22.0	23.5
<b>Gross Profit</b>	<b>1,846</b>	<b>2,501</b>	<b>3,621</b>	<b>5,147</b>	<b>7,216</b>	<b>9,732</b>	<b>12,175</b>
Margin (%)	9.6	9.8	8.0	8.4	9.4	10.4	10.5
Other expenditure	1,278	1,388	2,394	2,435	3,678	4,928	6,110
<b>EBITDA</b>	<b>569</b>	<b>1,113</b>	<b>1,227</b>	<b>2,712</b>	<b>3,538</b>	<b>4,805</b>	<b>6,066</b>
Change (%)	-32.8	95.7	10.3	121.0	30.5	35.8	26.2
Margin (%)	2.9	4.4	2.7	4.4	4.6	5.1	5.2
Depreciation	267	218	215	232	348	470	560
Int. and Fin. Charges	379	351	349	459	430	683	769
Other Income - Recurring	144	307	518	72	351	200	220
<b>Profit before Taxes</b>	<b>66</b>	<b>850</b>	<b>1,181</b>	<b>2,093</b>	<b>3,111</b>	<b>3,852</b>	<b>4,957</b>
Change (%)	-87.3	1,180.9	38.9	77.3	48.6	23.8	28.7
Margin (%)	0.3	3.3	2.6	3.4	4.0	4.1	4.3
Tax	134	155	244	543	748	967	1,244
Deferred Tax							
Tax Rate (%)	201.2	18.2	20.6	25.9	24.1	25.1	25.1
<b>APAT</b>	<b>-67</b>	<b>695</b>	<b>937</b>	<b>1,551</b>	<b>2,363</b>	<b>2,885</b>	<b>3,713</b>
Change (%)	-123.2	-1,134.7	34.8	65.5	52.4	22.1	28.7
Margin (%)	-0.3	2.7	2.1	2.5	3.1	3.1	3.2
<b>Reported PAT</b>	<b>-67</b>	<b>695</b>	<b>937</b>	<b>1,551</b>	<b>2,183</b>	<b>2,885</b>	<b>3,713</b>

Balance Sheet							(INR m)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E
Share Capital	1,180	1,180	1,180	1,180	1,357	1,357	1,357
Reserves	960	1,640	2,477	4,164	14,182	17,067	20,780
<b>Net Worth</b>	<b>2,140</b>	<b>2,820</b>	<b>3,657</b>	<b>5,344</b>	<b>15,539</b>	<b>18,424</b>	<b>22,137</b>
Loans	2,983	2,949	2,832	3,965	1,081	881	881
GML	0	0	0	0	7,150	9,021	10,833
Lease liabilities	411	407	409	587	1,073	1,241	1,425
Deferred Tax	49	56	64	74	80	80	80
<b>Capital Employed</b>	<b>5,582</b>	<b>6,232</b>	<b>6,963</b>	<b>9,970</b>	<b>24,923</b>	<b>29,646</b>	<b>35,357</b>
Gross Block	1,663	1,712	1,771	1,864	2,303	2,495	2,687
Less: Accum. Depn.	205	283	356	362	432	588	769
<b>Net Fixed Assets</b>	<b>1,459</b>	<b>1,429</b>	<b>1,415</b>	<b>1,502</b>	<b>1,871</b>	<b>1,907</b>	<b>1,918</b>
Goodwill	448	415	253	332	332	332	332
Intangibles	84	75	11	10	17	34	53
Capital WIP	35	35	35	35	35	0	0
Right of use asset	425	416	404	578	995	1,497	1,539
Investments	11	12	12	10	86	336	586
<b>Curr. Assets, L&amp;A</b>	<b>7,680</b>	<b>8,721</b>	<b>8,497</b>	<b>12,183</b>	<b>28,106</b>	<b>34,689</b>	<b>42,285</b>
Inventory	6,382	7,035	5,969	9,589	20,209	24,356	29,250
Account Receivables	336	288	395	377	500	961	1,202
Cash and cash equivalent	69	124	176	261	936	1,081	1,698
Bank balances (inc. cash margin for borrowing)	150	329	317	536	4,351	5,593	6,717
Others	743	944	1,640	1,421	2,110	2,699	3,418
<b>Curr. Liab. and Prov.</b>	<b>4,559</b>	<b>4,870</b>	<b>3,663</b>	<b>4,680</b>	<b>6,519</b>	<b>9,148</b>	<b>11,357</b>
Trade Payables	739	1,697	1,317	1,489	2,557	3,110	3,834
Provisions	42	40	49	30	52	101	118
Other current liabilities	3,778	3,132	2,296	3,161	3,910	5,937	7,405
<b>Net Current Assets</b>	<b>3,121</b>	<b>3,851</b>	<b>4,834</b>	<b>7,503</b>	<b>21,586</b>	<b>25,541</b>	<b>30,928</b>
<b>Application of Funds</b>	<b>5,582</b>	<b>6,232</b>	<b>6,964</b>	<b>9,970</b>	<b>24,923</b>	<b>29,646</b>	<b>35,357</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2021	2022	2023	2024	2025	2026E	2027E
<b>Basic (INR)</b>							
EPS	<b>-0.6</b>	<b>5.9</b>	<b>7.9</b>	<b>13.1</b>	<b>17.4</b>	<b>21.3</b>	<b>27.4</b>
Cash EPS	1.7	7.7	9.8	15.1	20.0	24.7	31.5
BV/Share	18.1	23.9	31.0	45.3	114.5	135.8	163.1
<b>Valuation (x)</b>							
P/E	-955.4	92.3	68.5	41.4	31.2	25.6	19.9
Cash P/E	321.2	70.3	55.7	36.0	27.2	22.0	17.3
EV/Sales	3.5	2.6	1.5	1.1	0.9	0.7	0.6
EV/EBITDA	117.7	59.9	54.2	24.8	19.7	14.1	10.8
P/BV	30.0	22.8	17.6	12.0	4.8	4.0	3.3
Dividend Yield (%)							
<b>Return Ratios (%)</b>							
RoE	-3.1	28.0	28.9	34.5	22.6	17.0	18.3
RoCE	-9.5	16.6	18.4	22.3	15.4	12.4	13.2
RoIC	-10.2	17.8	20.0	24.3	18.8	16.1	17.5
<b>Working Capital Ratios</b>							
Inventory days	130	96	53	46	71	87	84
Debtor (Days)	6	4	3	2	2	3	3
Payables days	7	17	12	8	10	11	11
Cash conversion days	137	95	61	57	78	85	82
Inventory turnover (x)	2.8	3.8	6.9	7.9	5.2	4.2	4.3
Asset Turnover (x)	3.5	4.1	6.5	6.1	3.1	3.2	3.3
<b>Leverage Ratio</b>							
Net Debt/Equity (x)	1.4	1.0	0.7	0.7	0.5	0.5	0.5

### Cash Flow Statement

(INR m)

Y/E March	2021	2022	2023	2024	2025	2026E	2027E
OP/(loss) before Tax	66	850	1,181	2,084	2,931	3,852	4,957
Int./Div. Received	10	-53	-14	-39	-184	-200	-220
Depreciation & Amort.	267	218	215	232	348	470	560
Interest Paid	379	351	349	459	430	683	769
Direct Taxes Paid	70	-92	-363	-380	-833	-967	-1,244
Incr in WC	682	-557	-814	-2,496	-2,379	-947	-2,084
Others	-3	9	493	204	82	-	-
<b>CF from Operations</b>	<b>1,473</b>	<b>728</b>	<b>1,048</b>	<b>63</b>	<b>395</b>	<b>2,891</b>	<b>2,737</b>
Incr in FA	-336	-52	-480	-305	-525	-1,024	-633
<b>Free Cash Flow</b>	<b>1,137</b>	<b>676</b>	<b>568</b>	<b>-242</b>	<b>-130</b>	<b>1,867</b>	<b>2,104</b>
Investments	65	-179	12	-216	-3,892	-	-
Others	10	15	18	33	176	-1,007	-904
<b>CF from Invest.</b>	<b>-261</b>	<b>-216</b>	<b>-450</b>	<b>-488</b>	<b>-4,241</b>	<b>-2,031</b>	<b>-1,537</b>
Issue of Shares	628	-	-	-	177	-	0
Incr in Debt	-1,445	-33	-117	1,133	-2,884	-200	-
Dividend Paid	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-
Others	-463	-424	-428	-623	7,227	-516	-584
<b>CF from Fin. Activity</b>	<b>-1,281</b>	<b>-457</b>	<b>-546</b>	<b>510</b>	<b>4,520</b>	<b>-716</b>	<b>-584</b>
<b>Incr/Decr of Cash</b>	<b>-69</b>	<b>54</b>	<b>52</b>	<b>85</b>	<b>675</b>	<b>145</b>	<b>617</b>
Add: Opening Balance	138	69	124	176	261	935	1,080
<b>Closing Balance</b>	<b>69</b>	<b>124</b>	<b>176</b>	<b>261</b>	<b>935</b>	<b>1,080</b>	<b>1,697</b>

E: MOSL Estimates

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SELL	< - 10%
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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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