

Deepa Jewellers Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
01 September 2026	03 September 2026	₹168-177	Subscribe

Investment Summary

Deepa Jewellers Limited presents a compelling B2B growth story benefiting from the accelerating formalization of India's organized gold jewellery market, anchored by its niche dominance in high-margin vaddanam (waist belts) and CNC machine-cut bangles. The company leverages deep-rooted supply relationships with Tier-1 retail chains (including Joyalukkas, Kalyan Jewellers, GRT Jewellers, and Lalithaa Jewellery Mart) across high-consumption southern states, translating into robust volume scaling and industry-leading return metrics (RoE of 56.45% and RoCE of 52.08% in FY26). Growth is poised to accelerate as fresh issue proceeds fund long-term working capital and support the backward integration into an in-house manufacturing unit in Hyderabad to capture incremental processing margins. Key monitorables to track going forward include the turnaround of operating cash flows through tighter working capital cycles, timely commissioning and scaling of the new manufacturing facility, effective hedging against gold price volatility, and geographic diversification beyond southern India. Supported by strong top-line momentum, product specialization, and superior capital efficiency, we recommend a **Subscribe for Listing gains/short term** on this issue.

Company Overview

Deepa Jewellers Limited (incorporated in 2016 and headquartered in Hyderabad, Telangana) is an organized business-to-business (B2B) designer, processor, and supplier of hallmarked gold jewellery, primarily serving key South Indian markets across Telangana, Andhra Pradesh, Karnataka, Tamil Nadu, and Kerala. The company specializes in designing, processing, and distributing 22-karat plain and studded gold ornaments, establishing a strong market presence as a leading processor and supplier of traditional *vaddanam* (waist belts) and CNC machine-cut bangles. Operating strictly on a B2B framework without consumer-facing retail showrooms, the company caters to an expansive network of 373 customers across 13 states and 1 union territory comprising 47 regional and national jewellery retail chains (including Joyalukkas, Kalyan Jewellers, Lalithaa Jewellery Mart, and GRT Jewellers) and 326 independent standalone retailers as of July 31, 2026.

Business Model

Deepa Jewellers operates an agile, design-focused model driven by an in-house team of 15 designers who develop customized, trend-aligned jewellery collections across 16 product categories and 110 SKUs tailored to regional preferences and seasonal demand cycles (such as weddings and festivals). To enhance customer outreach and remote design discovery, the company integrates a proprietary B2B mobile application ("Deepa Jewellers Limited") where registered retail clients can browse high-resolution digital catalogs and select designs, while commercial order processing and fulfillment remain centrally managed.

The core operational backbone utilizes an asset-light, outsourced manufacturing model supported by an established network of 41 skilled *karigars* (artisans) located across Telangana and Maharashtra. Deepa Jewellers procures raw materials (gold, alloys, and precious stones) from institutional sources—including RBI-registered bullion banks—and provides them along with proprietary designs to *karigars*, paying fixed making charges upon delivery of finished ornaments. All finished pieces are certified and hallmarked through government-approved BIS centers before dispatch, and the company is currently setting up an in-house manufacturing facility in Hyderabad to augment production capacity and accelerate turnaround times.

The company fulfills customer demand through two primary channels: ready-stock inventory sales and customized order-based manufacturing. Revenue is anchored predominantly by product processing sales (accounting for 99.00% of FY26 revenue from operations), complemented by job-work processing services on client-supplied raw materials (0.89%) and selective trading of gold bullion, silver ornaments, and precious stones (0.11%). This volume-driven wholesale structure enables rapid inventory turnover and stable supplier-retailer relationships across the organized gold jewellery value chain.

Financial Performance

- **Revenue CAGR ~ (FY24–FY26): ~37.13%**, with revenue from operations moving from ₹10,245.68 million in FY24 to ₹13,970.10 million in FY25 and expanding to ₹19,266.76 million in FY26, driven by higher B2B processing volumes of traditional jewellery and expanding wallet share among large retail chains.
- **EBITDA:** ₹35.77 Cr (FY24) → ₹56 Cr (FY25) → ₹146.34 Cr (FY26), while margins are at ~7.60% in FY26.
- **PAT trajectory:** ₹24.35 Cr (FY24) → ₹40.58 Cr (FY25) → ₹104.78 Cr (FY26) with a 5.44% margin.
- **Return metrics:** Return ratios remain exceptionally robust due to high profitability and an asset-light processing model, with Return on Equity (ROE) standing at ~56.45% and Return on Capital Employed (ROCE) at ~52.08% in FY26.
- **Balance sheet:** Net worth of ₹238.07 Cr, Total Borrowings of ₹111.12 Cr, Cash and cash equivalents of ₹0.10 Cr, and net cash used in operating activities of ₹(14.73) Cr in FY26.
- **Key Ratios:** Basic EPS ₹12.78, NAV ₹29.03 per share.

Financial Snapshot

Metric	INR CR		
	FY24	FY25	FY26
Revenue from Operations	1,024.57	1,397.01	1,926.68
EBITDA	35.77	56.01	146.34
EBITDA Margin	3.49%	4.01%	7.60%
Profit After Tax (PAT)	24.35	40.58	104.79
PAT Margin	2.37%	2.90%	5.44%
Basic EPS (₹)	2.97	4.95	12.78

Investment Rationale

1. Strategic Dominance in the Lucrative South Indian Gold Jewellery Market:

Deepa Jewellers is strategically positioned across South India, the largest gold jewellery consumption market in the country accounting for 38%–43% of national demand (valued at ₹5,026 billion in FY26 and projected to reach ₹6,200–₹6,600 billion by FY30). With over 94% of operational revenues derived from southern states, the company directly benefits from deep-rooted cultural affinity, high wedding-led consumption, and geographical expansion via new regional sales offices in Vijayawada and Bengaluru.

2. Niche Market Leadership in High-Margin Traditional & Precision Jewellery:

The company has established a specialized market presence as a leading processor and supplier of *vaddanam* (waist belts) and CNC machine-cut bangles, which together accounted for 41.85% and 30.87% of FY26 revenues, respectively. These intricate, design-intensive categories command strong, inelastic demand across bridal and festive segments, enabling the company to secure higher processing realizations and steady volume traction over generic plain gold products.

3. Extensive Institutional Distribution Network with Tier-1 Retail Chains:

Deepa Jewellers has built an entrenched B2B network serving 373 customers across 13 states and 1 UT, comprising 47 prominent national and regional retail chains (including Joyalukkas, Kalyan Jewellers, Lalithaa Jewellery Mart, and GRT Jewellers) alongside 326 standalone retailers. As organized retail chains expand their market share in South India from 54%–59% in FY26 to an estimated 58%–63% by FY30, the company is well-positioned to capture disproportionate wholesale replenishment demand.

4. **Scalable Asset-Light Model Transitioning to Value-Accretive In-House Manufacturing:**

Operating an agile, asset-light outsourced model with 41 skilled *karigar* clusters across Telangana and Maharashtra has enabled rapid inventory turnover (18 days in FY26) without large capital outlays. To optimize cost efficiencies and protect proprietary design IP, the company is setting up a 6,696 sq. ft in-house manufacturing facility in Hyderabad equipped with 3D wax printers and induction casting, aimed at shortening delivery timelines and capturing incremental processing margins.

5. **Design-Led Product Innovation Augmented by Proprietary Digital B2B Platform:**

Supported by an in-house design team of 15 professionals (expanding to 20) managing 110 SKUs across 16 categories, Deepa Jewellers continuously introduces trend-aligned and lightweight designs tailored to evolving consumer tastes. The company has modernized wholesale discovery through its proprietary B2B mobile application ("Deepa Jewellers Limited"), enabling retail clients to seamlessly explore digital catalogs and accelerating repeat order cycles.

6. **Exceptional Financial Trajectory with Industry-Leading Return Metrics:**

Between FY24 and FY26, the company demonstrated strong financial scaling with Revenue and PAT growing at a CAGR of 37.13% and 107.46%, respectively, while EBITDA margins expanded by 411 bps to 7.60%. Deepa Jewellers delivers best-in-class profitability and return ratios among listed peers, generating an RoE of 56.45% and an RoCE of 52.08% in FY26, supported by a conservative Debt-to-Equity ratio of 0.47x.

Key Risk Factors

1. **High Geographical Concentration in Southern India:**

The company derives over 94% of its operational revenues from South Indian states, primarily Telangana, Andhra Pradesh, Tamil Nadu, and Karnataka. Any regional economic slowdown, regulatory shifts, localized supply chain disruptions, or changes in southern consumer buying patterns could disproportionately impact business volumes and financial performance.

2. **Substantial Reliance on Outsourced Karigars & Design IP Exposure:**

Deepa Jewellers relies entirely on 41 third-party *karigars* for manufacturing—with only 29 engaged under formal non-exclusive agreements—leaving operations vulnerable to artisan shortages, delivery delays, and quality rejections (32.47 kg returned in FY26). Furthermore, using third-party artisans poses continuous risks of proprietary design leakage or unauthorized duplication across competitor channels.

3. **Negative Operating Cash Flows Driven by Working Capital Intensity:**

Due to rapid business expansion and substantial capital tied up in trade receivables (which rose to ₹252.36 Cr in FY26), the company generated negative cash flows from operating activities of ₹(14.73) Cr in FY26 and ₹(9.86) Cr in FY25. Failure to optimize working capital cycles or secure adequate short-term bank financing could constrain ongoing operations and growth plans.

4. **Susceptibility to Gold Price Volatility & Incomplete Inventory Hedging:**

Raw gold accounts for the dominant share of operating expenses, exposing margins to sharp global price fluctuations, supply tightness, and customs duty revisions (such as the import duty increase to 15% in May 2026). Although the company deploys commodity futures and gold metal loans, its hedging coverage stood at 84.07% in FY26, leaving unhedged inventory exposed to sudden commodity downcycles.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Deepa Jewellers Ltd.
IPO Issue Size	Total Issue Size: ₹459.72 Cr Fresh Issue of ₹250 Cr & OFS of ₹209.72 Cr
Price Band	₹168 – ₹177 per share
Face Value	₹2 per share
Post-Issue Market Cap	Approx. ₹1701 Cr
IPO Opening Date	01 September 2026
IPO Closing Date	03 September 2026
Listing	NSE / BSE
Promoter Holding (Pre/Post)	Pre-IPO: ~ 100% → post-IPO: ~ 72.98%
Book Running Lead Managers	Emkay Global Financial Services Limited Valmiki Leela Capital Private Limited
Use of Proceeds	- Funding long-term working capital requirements towards procurement, maintenance and scaling up of inventory by our Company (~150 Cr) - General Corporate Purposes

Valuation and Outlook

At the upper price band of ₹177 per share, Purple Style Labs Limited is valued at a **post-issue market capitalisation of approximately ₹1,701 crore**. At the proposed valuation with an **implied P/E multiple of ~16.23x** (based on FY26 EPS of ₹12.78), In comparison, listed industry peers trade across a wide valuation band including Sky Gold and Diamonds (57.56x P/E), Khazanchi Jewellers (22.22x P/E), Shringar House of Mangalsutra (17.02x P/E), Shanti Gold International (12.72x P/E), and RBZ Jewellers (10.08x P/E) yielding an **industry peer average P/E of ~23.9x**. At ~16.23x P/E, Deepa Jewellers is fairly and attractively valued relative to peers, particularly given its superior capital efficiency and industry-leading return metrics (FY26 RoE of 56.45% and RoCE of 52.08% versus the peer group average of ~28% and ~28%). While Deepa Jewellers has demonstrated robust volume scaling, niche dominance in high-margin *vaddanam* (41.85% revenue share) and CNC bangles (30.87%), and strong traction with Tier-1 retail chains, risks remain around high geographical concentration in South India (>94% revenue share), negative operating cash flows of ₹(14.73) crore in FY26 due to working capital intensity, and reliance on third-party *karigars*. Considering the strong top-line momentum, margin expansion, peer-beating return profile, and reasonable valuation cushion, we recommend a **“Subscribe for Listing gains/short term”** stance on this IPO.

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Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst
Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

TEL: 022 61907900