

PRESS RELEASE

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Elevated gold prices to restrain jewellery consumption growth to 6-8% in FY2025: ICRA

- *Share of exchange of old gold jewellery pegged to rise by 400-600 bps in FY2025 amidst rising gold prices*
- *Organised players to ride on increasing formalisation of the industry and store expansions*

ICRA expects the domestic jewellery consumption growth (in value terms) to moderate to 6-8% in FY2025, amidst the sharp rise in gold prices in recent months and the consequent impact on consumer sentiments of postponing non-essential purchases, from the sharp ~18% expansion in FY2024. After a muted volume growth of ~2% and ~4% in FY2023 and FY2024 respectively, ICRA expects the volume to contract in FY2025. Consumers are expected to remain watchful of the price movements and adjust to the new price levels over two or three quarters. Given the elevated gold prices, ICRA expects the share of recycled gold in the overall supply to continue to increase and rise by 400-600 bps in FY2025.

After the volatility witnessed in FY2023, gold prices stabilised, post *Akshaya Tritiya* in April 2023, before witnessing an upsurge since November 2023 amid the wedding and festive season. Gold prices rose ~14% in FY2024 on a YoY basis, which supported revenue growth for most jewellers, despite muted volume growth. The current gold prices are higher by ~19% over the FY2024 average and remain exposed to the confluence of factors like the global macro-economic environment, geo-political tensions, inflation, currency movements etc.

According to **Sujoy Saha, Vice President and Sector Head, ICRA**: *“The revenue growth of ICRA’s sample set of 15 large jewellers, which accounts for ~75% of the organised market, is likely to moderate to mid-to-high single digits in FY2025 (compared to an estimated ~16% expansion registered in FY2024), due to subdued consumer sentiments and high gold prices despite robust store expansion plans and structural tailwinds. Wedding and festive demand is likely to be relatively muted amidst a relatively lower number of auspicious days in FY2025.”*

ICRA estimates the industry operating margin at around 7% in FY2024 and at a range-bound of 7-8% in FY2025 amidst rising competition. Debt protection metrics are likely to improve, going forward, supported by steady accruals from operations and with an increasing trend in expansion through the asset-light franchise route by large retailers. The interest coverage is estimated to remain comfortable at over 7.0 times while the total outside liabilities to tangible net worth ratio is expected to improve to ~1.7 times in FY2025, against ~1.9 times in FY2024.

“The store count of ICRA’s sample set of companies is estimated to have increased by ~21% in FY2024 after a 20% rise in FY2023 as large retailers looked at aggressive store additions in the last couple of years to gain market share with customer preferences changing towards organised players. The store additions are likely to continue in the near to medium term as well, although the players will remain watchful of consumer sentiments,” Saha added.

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For further information, please contact:

Media Contacts:**Naznin Prodhani**

Head – Group Corporate Communications & Media Relations

ICRA Ltd

Tel: + (91 124) 4545300,

Dir - 4545860

Email:

naznin.prodhani@icraindia.com

Shreya Bothra

Manager - Corporate Communications & Media Relations

ICRA Ltd

Tel: + (91 022) 61693300,

Dir - 61693367

Email:

shreya.bothra@icraindia.com

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