

INDIAN GOLD JEWELLERY RETAIL INDUSTRY

**Organised players ride on structural
tailwinds amid subdued consumer
sentiments**

MAY 2024



1 Demand scenario



2 Supply scenario



3 Regulations and lending environment



4 Financial performance of organised players



5 Key Credit trends





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After a bullish run in FY2024, domestic jewellery consumption growth (in value terms) is poised to slow down in FY2025 due to elevated gold prices.

The organised retail jewellery sector is likely to benefit from accelerated formalisation of the industry and robust store expansion plans. The operating margin is likely to remain range-bound and capital structure may improve given that most large retailers are increasingly adopting the franchisee model for store expansion.



- The domestic jewellery retail industry (in value terms) is estimated to have grown by ~18% in FY2024 YoY, outpacing ICRA's previous estimates of 10-12%, driven by a sharp spike in gold prices (especially in H2 FY2024). While gold prices were up ~14% in FY2024 YoY, the overall demand volume remained stable and grew by ~4% (predominantly supported by bars and coins even as jewellery demand was flat).



- After the volatility witnessed in FY2023, gold prices stabilised to Rs. 5,600-5,700 per gram post the *Akshaya Tritiya* occasion in April 2023, before resuming an uptrend beginning from November 2023 amid the festive and wedding season. Gold prices rose ~14% in FY2024 on a YoY basis after a ~7% rise witnessed in FY2023. The current prices are up by ~19% over FY2024 average, which is likely to dent the consumption volume.



- ICRA estimates the domestic gold jewellery industry to grow by 6-8% YoY in FY2025, amidst the continuing uptrend in gold prices, while volumes shall degrow. Wedding wear constitutes ~60% of jewellery demand; with higher gold prices and lower number of auspicious days, consumption growth in H1 FY2025 is likely to be low. The share of recycled/old gold exchange in overall consumption is expected to rise by 400-600 bps in FY2025 on a YoY basis.



- ICRA's sample set of 15 large jewellery retailers, which account for ~75% of the organised market, is projected to record a revenue growth of 6-8% YoY in FY2025. While the consumers are expected to postpone their purchases amidst elevated gold prices, the industry revenue growth will gain support from the planned store additions and increase in preferences towards branded jewellery.



- Most jewellers benefitted from inventory gains from the steep rise in gold prices in FY2024. However, higher discounts on making charges and increase in advertisement spends on the back of intense competition kept the operating profit margin (OPM) under check. OPM of ICRA's sample is projected to remain range-bound within 7.5-8% in FY2025 against ~7.2% estimated for FY2024 while overall ROCE level shall hover at ~20%.



- Debt protection metrics of ICRA's sample set are likely to remain comfortable, with an interest cover of more than 7.0 times and gearing of 0.9-1.0 times in the near to medium term, supported by steady earnings from operations and lower borrowings due to adoption of more capital efficient franchise route for store additions.



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