

INDIAN GOLD JEWELLERY RETAIL INDUSTRY

Shining trends: Industry growth momentum to sustain in FY2025; one-time losses due to customs duty cut to moderate margins

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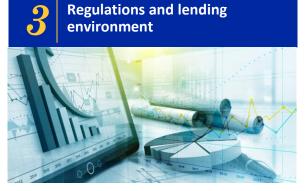


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Highlights



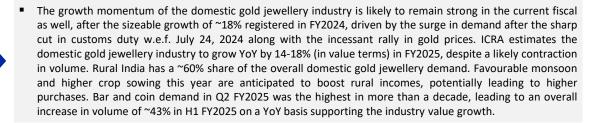


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Domestic jewellery consumption (in value terms) to register strong growth in the current fiscal, riding on continuing price rally despite a moderate volume contraction. Higher number of auspicious days in H2 FY2025 would support demand.

Customs duty cut is expected to disincentivise illegal import of gold to India, which is likely to benefit the organised retailers. However, one-time losses due to the duty cut will lead to a margin contraction for large retailers who adopt formal hedging for their gold purchase.







■ The average gold price in India in FY2025 so far is up by ~25% compared to the average price in FY2024, despite intermittent corrections — at first after the cut in customs duty by 9% in late July 2024 and then in November 2024, following the US elections. The buoyancy in prices, continuing since Q4 FY2023, has been fuelled by evolving global economic and geopolitical scenario, and rising investment demand for gold.



■ ICRA's sample set of 15 large jewellery retailers, which account for ~75% of the organised market, is projected to surpass the strong revenue growth of ~17% seen in FY2024 and record a growth in the range of 18-20% in FY2025. Buoyant gold prices, shift in market share towards organised trade with increase in preferences towards branded jewellery and planned store additions with focus on Tier II & III cities are likely to drive the revenue growth in FY2025.



■ The operating profit margin (OPM) of ICRA's sample set is projected to moderate YoY by ~60 bps to 6.5-6.7% in FY2025 predominantly on the back of one-time losses to be booked by large retailers who adopt formal hedging for gold purchase. Nevertheless, the same is likely to normalise in FY2026. Return on Capital Employed (RoCE) is also projected to soften somewhat in FY2025 but would still remain above 17% in FY2025.



■ Debt protection metrics of ICRA's sample set are likely to remain comfortable, with interest cover projected to inch upwards to 6.2-6.4 times in FY2025, driven by a rise in absolute increase in the operating profit and proportionately lower rise in interest cost due to adoption of more capital efficient franchise route for store additions by the retailers. Gearing is also projected to improve and remain in the range of 0.9 to 1.1 in FY2025.



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