PRESS RELEASE
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Gold jewellery consumption to expand by 12-14% in FY2026 in value terms, driven by higher realisations: ICRA

- Higher financing cost is projected to limit net margin expansion in FY2026, despite an expected 30 bps improvement in operating margins to 7.2%

ICRA anticipates domestic gold jewellery consumption by value to continue to exhibit double-digit growth in FY2026, with an estimated increase of 12-14%, notwithstanding a projected decline in volumes. This is similar to the price-driven expansion seen in FY2025, when the sector registered a 28% rise in value, largely attributable to a 33% surge in gold prices. The current fiscal is expected to follow a similar trajectory, with gold prices currently trending approximately 20% higher than the FY2025 average.

According to **Jitin Makkar, Senior Vice President and Group Head, ICRA:** "*ICRA's sample of 14 large retailers—representing approximately two-thirds of the organised market—is expected to post revenue growth of 14–16% YoY in FY2026. This will be supported by continued gold price appreciation, planned retail expansion, and market share gains from the unorganised segment. A higher number of auspicious days in the fiscal is also expected to lend some support to demand, despite elevated prices and declining volumes*".

ICRA estimates domestic gold jewellery consumption volumes to decline by 9-10% in FY2026, following the 7% drop in FY2025, even as investment demand will remain resilient. Consumption of bars and coins had risen by 17% and 25%, respectively in FY2024 and FY2025, reflecting investor preference for safe-haven assets amid global macroeconomic uncertainty and heightened geopolitical and trade tensions. This trend is likely to persist in FY2026, with demand for bars and coins likely to grow by around 10%, accounting for 35% of the total gold demand.

In FY2025, revenue growth for organised jewellers was driven largely by buoyant realisations, even as most players experienced volume contraction—except for a few that pursued aggressive store expansion. This pattern is expected to continue in FY2026, supported by sustained cultural importance of gold, stable wedding demand and good number of auspicious days. Gold prices are expected to stabilise at current levels, unless there are major global or geopolitical events influencing the price movements, following a sharp rally since Q4 FY2023, during which prices grew at a CAGR of 23% through FY2025.

The asset-light franchisee model continues to be the preferred expansion strategy for large jewellers, enabling faster scale-up with lower capital outlay. Collaborations with local partners provide market-specific insights while supporting capital-efficient growth.

ICRA estimates the industry's operating margin to expand by approximately 30 basis points (bps) to 7.2% in FY2026, aided by scale efficiencies and favourable pricing. However, net margin expansion is likely to be constrained by rising financing costs. Interest coverage is projected to moderate to 5.6x in FY2026, from 5.8x in FY2025 and 6.1x in FY2024, due to increased borrowings to fund higher inventory levels and a rise in gold metal loan (GML) rates by 300-500 bps in the recent period and by 130-150 bps on an annualised basis.

"*Despite a projected 30 bps expansion in operating margins in FY2026, net margin expansion will remain limited within 10 basis points due to higher financing costs stemming from elevated GML rates and increased working capital borrowings driven by high gold prices and planned store additions,*" **Makkar** added.

For further information, please contact:

Media Contacts:	
Naznin Prodhani Group - Head Media & Communications ICRA Ltd. Tel: + (91 124) 4545300, Dir – 4545 860 Email: communications@icraindia.com	**Saheb Singh Chadda** Manager - Media & Communications ICRA Ltd. Mob: +91- 9833669052 Email: communications@icraindia.com

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