

GOLD JEWELLERY RETAIL INDUSTRY

Customs duty hike and moral
suasion to weigh on earnings growth
and temper store expansion

May 2026





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The recent import duty hike on gold is expected to raise domestic prices and moderate demand, with only a temporary cushion from inventory gains. Steady-state store economics and credit metrics remain exposed to lower volumes and higher working capital intensity.



Recent increase in import duty on gold to 15% (from 6%), intimated via Customs Notifications on May 12, 2026, is aimed at moderating gold imports amid concerns around India's current account deficit (CAD) and depreciation of the rupee. This will raise the landed cost of gold and is likely to be transmitted into higher domestic prices.



Elevated gold prices (up 60% in FY2026) have driven a sharp rise in India's gold import bill (to \$72 billion), even as import volumes have moderated, indicating a predominantly price-led expansion and increased sensitivity of the current account position to commodity price movements.



Higher gold prices, coupled with policy measures (including moral suasion to curb discretionary consumption), are expected to weigh on jewellery demand, with industry volumes likely to contract by around 15% in FY2027, notwithstanding continued value growth to the extent of 15%, supported by elevated and continued upward pressure on prices and investment demand.



While the duty hike may result in short-term inventory gains for retailers and bullion dealers (especially on unhedged exposure), this benefit is transitional in nature and is likely to be offset over time by lower sales volumes, slower inventory churn, higher working capital requirements, and potential margin pressure.



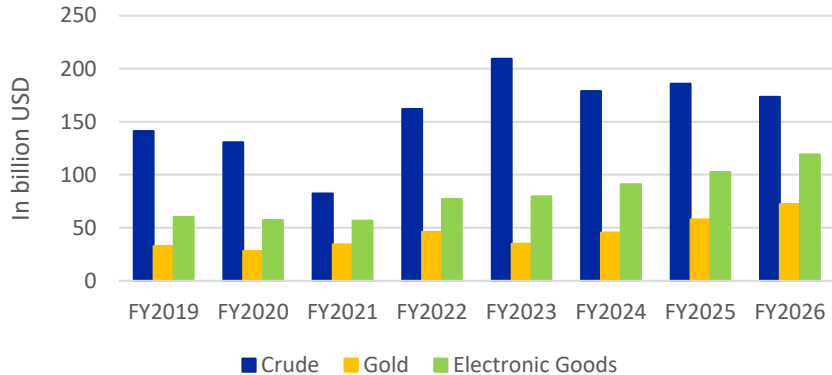
Store-level profitability metrics are expected to remain supported in the near term due to the one-time inventory revaluation benefit. However, for FY2027, ICRA projects lower throughput and higher working capital intensity which could compress the interest coverage ratio of ICRA's sample entities to 6.7x from 7.5x in FY2026. In addition, expansion plans of large jewellery retailers are likely to moderate, with store count growth expected to scale down to 12-15% during the year, compared with an estimated 18-20% in the absence of the above developments.



Why import duty on gold has been hiked?

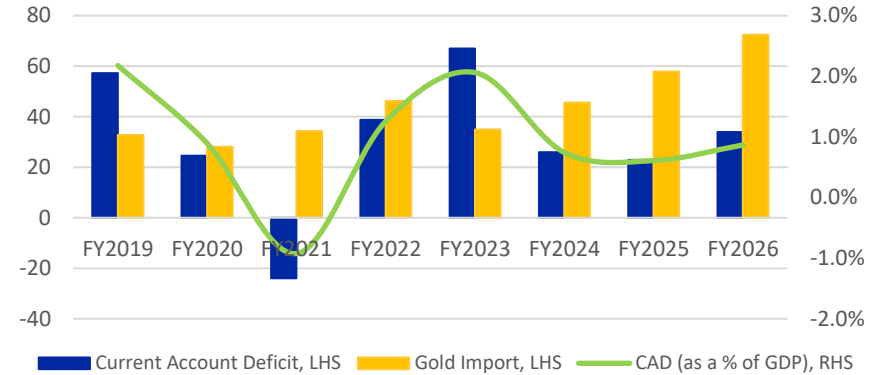
Rising gold imports among the factors weighing on India's CAD

Exhibit 1: India's top 3 imported items



Source: RBI, Ministry of Commerce, ICRA Research

Exhibit 2: Trend in India's CAD compared to GDP

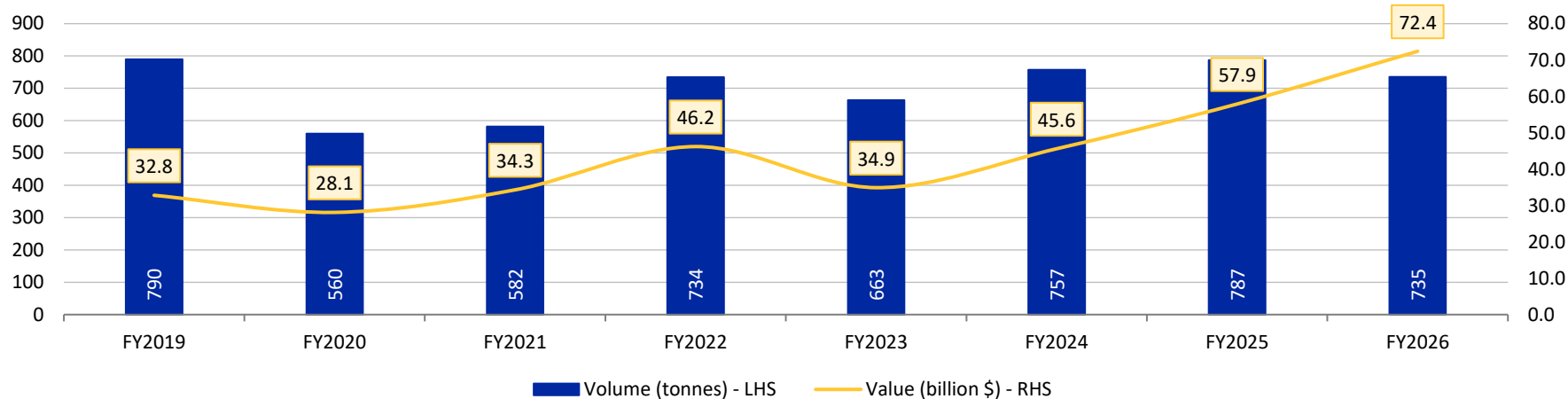


Source: RBI, Ministry of Commerce, ICRA research; CAD in FY2026 – as per ICRA estimate

- Gold imports have remained a meaningful component of India's merchandise import basket, besides petroleum and electronics (including electrical items), contributing to the overall import bill trajectory.
- Unlike energy imports (which are externally price-driven) and electronics (which are structural and demand-led), gold imports reflect domestic savings preferences, thereby impacting CAD through movements in non-essential imports.

Elevated gold prices increased India's import bill in FY2026 even as volumes declined

Exhibit 3: Trend in import of gold in India



- Gold import value has increased sharply to around \$72 billion in FY2026 from around \$35 billion in FY2023, driven by sustained rise in gold prices.
- In comparison, import volumes have remained mostly range bound between FY2022 to FY2025; however, they declined by around 7% in FY2026, indicating moderation in volumetric consumption, impinged by a steep increase in gold prices.
- The widening divergence between value and volume trends, particularly in FY2026, reflects a price-led escalation in the import bill, thereby amplifying vulnerability of CAD to commodity price movements.

Source: RBI, Ministry of Commerce, ICRA research

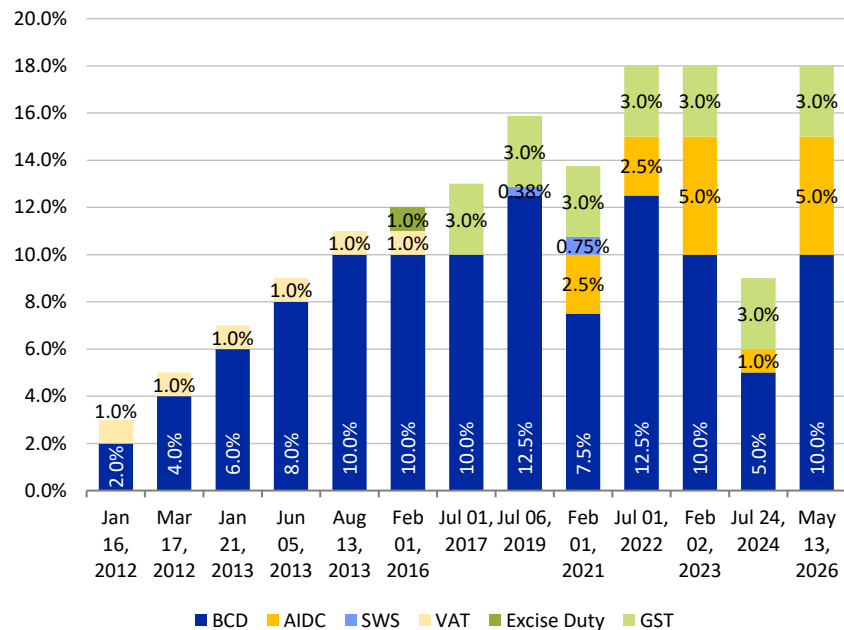


Hike in import duty on gold import | History and implications

India hikes import duty on gold to curb widening CAD

- Pursuant to Customs Notification Numbers 15/2026, 16/2026 and 17/2026, dated May 12, 2026, effective from May 13, 2026, the Government of India (GoI) has increased the Basic Customs Duty and Agriculture Infrastructure & Development Cess (AIDC) on gold to 15% from 6%, leading to a higher overall duty incidence and raising the landed cost of imports.
- The duty hike is expected to moderate official gold import volumes in the near term, while pushing up domestic prices as import duties get embedded in local pricing. However, the increase in import duty could boost illicit trade for sourcing of gold.
- India's gold import duty structure has undergone multiple calibrations over the past decade, including sharp increases in FY2023 to curb pressure on CAD, followed by a significant reduction in the Union Budget 2025 (down to 6% from 15%). These changes have historically influenced import volumes, domestic prices and the extent of unofficial inflows of gold, reflecting the sensitivity of gold demand to duty movements.

Exhibit 4: Trend in various duty rates and taxes applicable on gold in the last decade



Source: ICRA Research, Ministry of Finance; BCD - Basic Customs Duty, AIDC - Agriculture Infrastructure & Development Cess, SWS - Social Welfare Surcharge, VAT - Value Added Tax

Jewellery demand to contract

Increase in gold prices is likely to weigh on domestic demand

Risk of rise in unofficial import

Encourage illegal import and smuggling of gold into India

Negative



Positive

Inventory gain

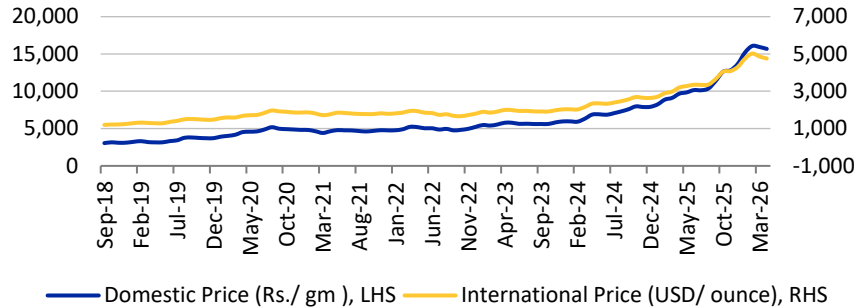
Retailers, manufacturers and bullion dealers could witness short-term inventory gain, if the exposures are unhedged or if gold is purchased through Gold Metal Loans (GML)*



Recent industry trends | Gold price and volume behaviour

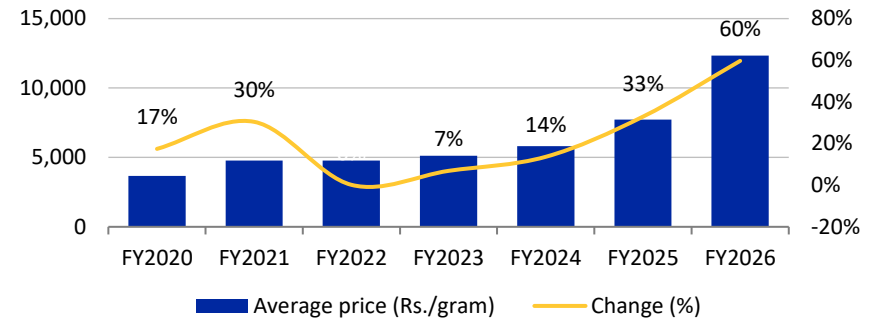
Drivers of movement in gold prices amid geopolitical turmoil

Exhibit 5: Trend in monthly gold prices (995 purity)



Source: CMIE, ICRA Research

Exhibit 6: Trend in annual gold prices (995 purity) in India

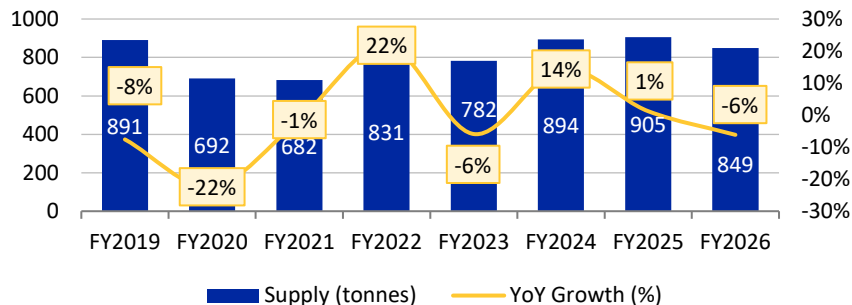


Source: CMIE, ICRA Research

- Gold prices declined sharply in March 2026 in both US dollar and INR terms, marking the weakest monthly performance in nearly 13 years and 12 years, respectively, despite a macroeconomic backdrop that would ordinarily be supportive (heightened geopolitical tensions and resurgent inflation concerns). This underscores that gold is not solely a contractual hedge but is also a flow-driven market.
- Deleveraging and liquidity needs influenced the price behaviour, with momentum factors leading the decline. Global gold ETFs saw heavy outflows, with the US accounting for the bulk of those. Commodity Exchange, Inc. (COMEX) net long positions were unwound, and prices reversed course after breaching key technical levels, triggering commodity trading advisor (CTA)-driven selling. Additionally, a near-term inflation shock pushed US dollar and nominal yields breakeven higher, reinforcing headwinds for gold. Additionally, the US Fed's policy, which signalled that the policy rates may remain higher for longer, has supported yields on US Treasuries, diverting investor flows away from gold.
- India's gold prices, which had been trading at a persistent discount to international prices since mid-February, saw discounts widen further in March 2026.

Gold import volumes declined in FY2026 as prices rose

Exhibit 7: Annual trends in India's gold supply and growth



Source: WGC, ICRA Research

- Gold is India's second-largest import category after oil. As gold prices rose sharply by around 60% in FY2026, the price elasticity of demand dynamics played a small role in weighing down demand, reflected in imports declining by around 7%, in volume terms, during the year.

Side note: While global supply conditions remain largely unaffected by geopolitical disruptions, India is currently, and incidentally, facing a temporary supply tightness due to regulatory factors. This is because of non-issuance of the annual Integrated Goods and Services Tax (IGST) exemption notification, which led customs authorities to levy 3% IGST on imports with effect from April 2026, prompting banks to halt shipments amid tax uncertainty. This led to a concentration of high-purity gold imports through nominated agencies and India International Bullion Exchange (IIBX), limiting sourcing flexibility.

Exhibit 8: Trend in India's gold supply mix

Source	Proportion of total gold supply							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Net bullion imports	89%	81%	85%	88%	85%	85%	87%	87%
Recycled gold	10%	18%	13%	11%	13%	13%	11%	12%
Other sources	1%	1%	1%	1%	2%	2%	2%	2%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Exhibit 9: Segmental growth in gold supply over years

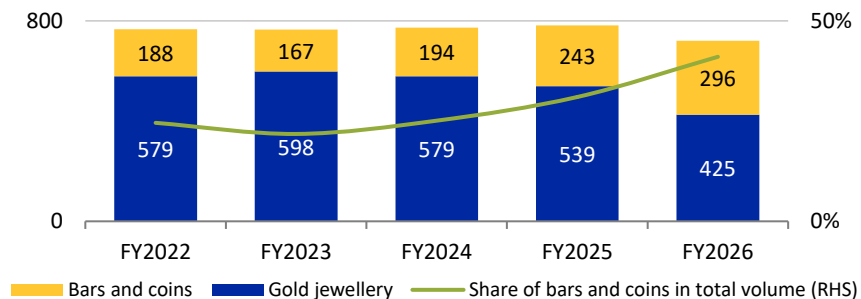
Source	Growth in gold supply segments (% YoY)							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Net bullion imports	-8.9%	-29.1%	3.9%	26.1%	-9.7%	14.2%	4.0%	-6.6%
Recycled gold	1.1%	37.2%	-24.8%	-3.9%	18.5%	15.4%	-15.4%	-4.0%
Other sources #	35.2%	-20.2%	-14.7%	3.7%	68.3%	16.5%	-4.9%	3.7%
Total	-7.6%	-22.4%	-1.4%	21.8%	-5.9%	14.4%	1.2%	-6.2%

Source: WGC, ICRA Research; # comprise e-waste, gold mobilisation scheme, domestic mining

- Recycling of old gold by consumers saw a mild uptrend in FY2026, accounting for 12% of the domestic gold supply (source: WGC). In FY2025, the share of recycled gold had moderated to 11% due to higher imports following the customs duty cut.
- While ICRA expects elevated gold prices to encourage customers to exchange old gold jewellery in FY2027, thereby increasing the contribution of recycled gold to the overall supply, the extent of this shift would remain contingent on price movements and consumer behaviour, and is unlikely to fully offset primary imports.

Import duty hike to further temper gold demand; volume contraction to continue in FY2027

Exhibit 10: Trend in gold jewellery and bars and coins volume (in tonnes) in India

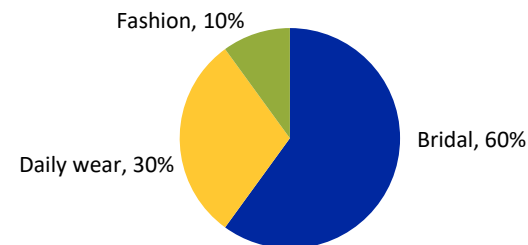


Source: WGC; ICRA Research

- Bridal jewellery dominates demand in India, accounting for a significant portion (around 60%) of domestic gold jewellery consumption, driven by cultural and wedding-related purchases.
- Daily wear (around 30%) and fashion jewellery (around 10%) account for a smaller share, indicating that the major portion of gold demand in India is occasion-driven rather than discretionary or trend-based.

- The value growth for the Indian gold jewellery industry in FY2025 and FY2026 was supported by a 33% and 60% rise in gold prices, respectively.
- High gold prices reduced jewellery consumption by around 21% in FY2026, partly offset by around 22% rise in investment demand. Price gains helped offset volume weakness, supporting nearly 43% revenue growth for the industry.
- The Prime Minister’s appeal to curb non-essential gold purchases, coupled with the recent increase in import duty, which led to a further rise in already elevated prices, is expected to weigh on demand, with volumes likely to contract further by around 15% in FY2027 following the decline in FY2026.

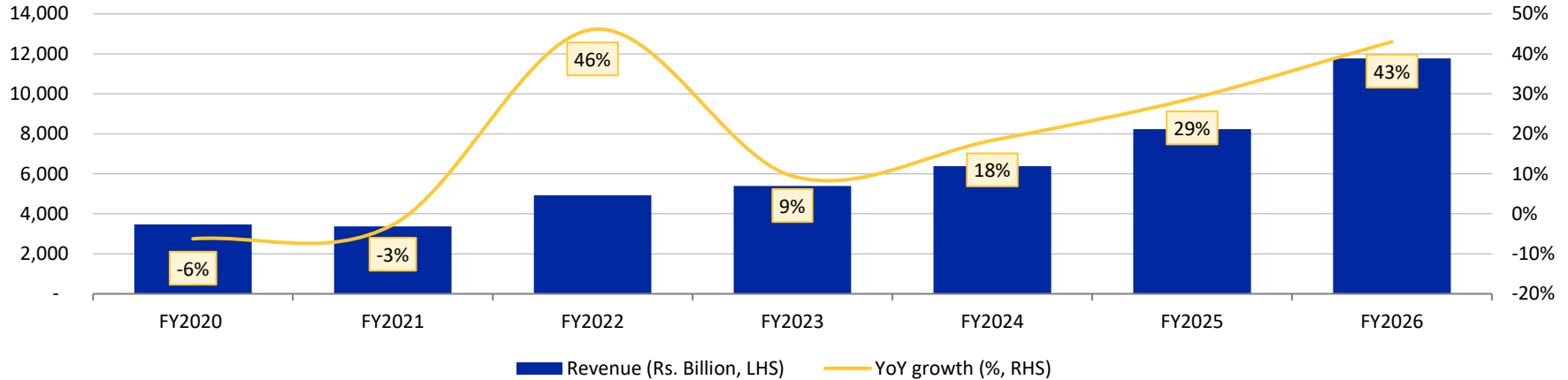
Exhibit 11: Bridal jewellery caters to majority of domestic gold jewellery demand



Source: Industry Data, ICRA Research

Gold price rally fuelled revenue growth amid volume decline

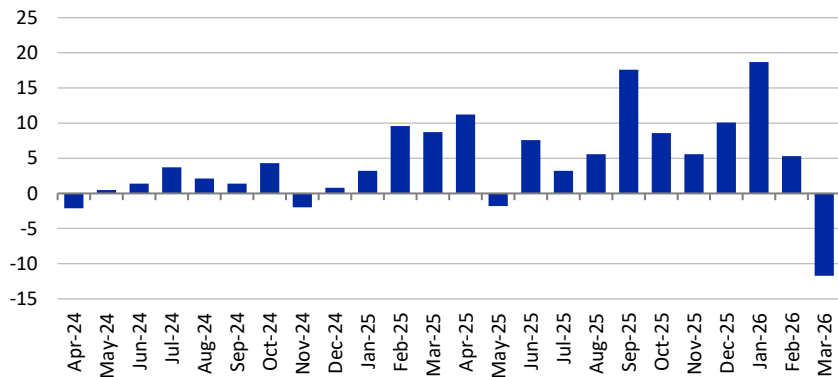
Exhibit 12: Trend in domestic gold jewellery industry's revenue growth



- Domestic gold jewellery consumption value rose by 43% in FY2026, largely led by around 60% YoY surge in gold prices, driven by escalating geopolitical tensions, increase in buying by central banks around the world, and heightened trade frictions accentuated by the imposition of reciprocal tariffs by the US.
- Jewellery demand volumes in India declined by around 22% in FY2026, reflecting deferred discretionary purchases amid elevated prices and volatility.
- Investment demand (volumes of bars and coins) increased by around 22% during the year, continuing the strong momentum of the previous year when volumes had risen by 25%.

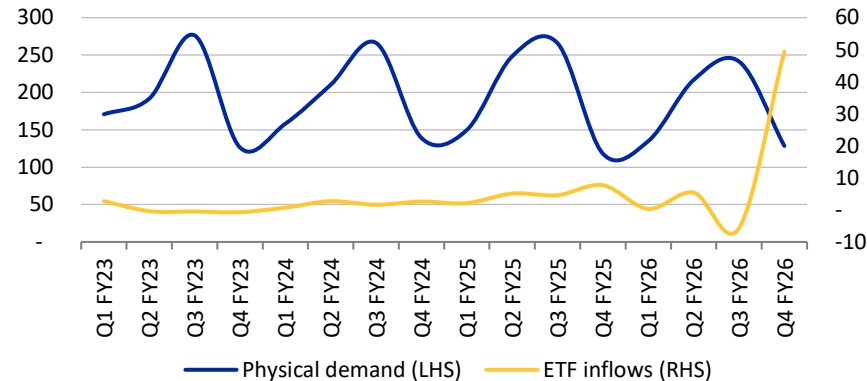
Share of ETFs in overall gold demand in India remains low, despite an uptick seen in the recent past

Exhibit 13: Trend in global gold ETF net inflows (\$ billion)



Source: WGC; ICRA Research

Exhibit 14: Trend in domestic physical gold demand vis-à-vis ETF inflows (tonnes)



Source: WGC; ICRA Research

- Globally, hefty outflows of \$11.7 billion in March 2026, the largest monthly outflow on record, halved global inflows into physically backed gold exchange traded funds (ETFs) in Q4 FY2026. Deleveraging and liquidity needs dominated, due to which global gold ETFs witnessed heavy outflows, with the US accounting for the bulk of those in March 2026. However, Asia maintained its position as the net buyer in global gold ETFs.
- In comparison, India’s gold ETF inflows remained in the positive territory at \$176.6 million in March 2026, although they were lower than \$576 million recorded in February 2026, marking the 11th consecutive month of positive inflows. That said, the base of ETF flows in India remains modest compared with the high demand for physical gold in India.



Store level economics | Impact on jewellery retailers

Conceptual Drivers

One-time inventory revaluation

The duty hike causes an immediate upward revaluation of existing gold inventory, boosting profitability temporarily.

Demand moderation and sales impact

Higher gold prices reduce demand and sales volumes, lowering operating leverage and increasing fixed cost per unit of sales.

Increased working capital and costs

Elevated inventory values raise working capital needs and interest costs, putting pressure on store-level margins.

Simplified P&L of a jewellery store

An illustrative profit and loss statement of a mid-sized jewellery store

		FY2027 [Business as usual]	FY2027 [After import duty increase – various scenarios of volume decline]			
			-5%	-10%	-20%	-25%
Volume change	%	NA	-5%	-10%	-20%	-25%
Import duty increase	%	NA	6%	6%	6%	6%
Inventory per store	Rs. crore	20.0	20.0	20.0	20.0	20.0
Other operating costs per store	Rs. crore	3.5	3.5	3.5	3.5	3.5
Gross margin	%	13%	13%	13%	13%	13%
Margin for working capital funding	%	20%	20%	20%	20%	20%
Average borrowing cost	%	7%	7%	7%	7%	7%
Sales volumes	Kg	34	32	30	27	25
Average price of gold	Rs. per 10 g	140,000	140,000	140,000	140,000	140,000
Revenues	Rs. crore	53.9	51.2	48.5	43.1	40.4
Raw material costs	Rs. crore	46.9	44.6	42.2	37.5	35.2
Acc/ Dec to stocks	Rs. crore	0.0	-1.2	-1.2	-1.2	-1.2
Other operating costs	Rs. crore	3.5	3.5	3.5	3.5	3.5
OPBITDA	Rs. crore	3.5	4.4	4.0	3.3	3.0
Depreciation	Rs. crore	0.3	0.3	0.3	0.3	0.3
Interest	Rs. crore	1.1	1.2	1.2	1.2	1.2
PBT	Rs. crore	2.1	2.9	2.6	1.9	1.5
Tax	Rs. crore	0.5	0.7	0.6	0.5	0.4
PAT	Rs. crore	1.6	2.2	1.9	1.4	1.1

Assumptions

Sensitivity variables

Derived figures

Simplified balance sheet of a jewellery store

An illustrative balance sheet of a mid-sized jewellery store

		FY2027 [Business as usual]	FY2027 [After import duty increase – various scenarios of volume decline]			
Volume change	%	NA	-5%	-10%	-20%	-25%
Import duty increase	%	NA	6%	6%	6%	6%
Inventory per store	Rs. crore	20.0	20.0	20.0	20.0	20.0
Other operating costs per store	Rs. crore	3.5	3.5	3.5	3.5	3.5
Gross margin	%	13%	13%	13%	13%	13%
Margin for working capital funding	%	20%	20%	20%	20%	20%
Average borrowing cost	%	7%	7%	7%	7%	7%
Sales volumes	Kg	34	32	30	27	25
Average price of gold	Rs. per 10 g	140,000	140,000	140,000	140,000	140,000
Gross Block	Rs. crore	2.0	2.0	2.0	2.0	2.0
Inventory per store	Rs. crore	20.0	21.2	21.2	21.2	21.2
Cash	Rs. crore	1.6	2.2	1.9	1.4	1.1
Net Worth	Rs. crore	7.6	8.4	8.2	7.6	7.4
ST borrowings	Rs. crore	16.0	17.0	17.0	17.0	17.0
OPM	%	6.5%	8.5%	8.3%	7.7%	7.3%
Interest Coverage	times	3.1	3.7	3.4	2.8	2.5
Total Outside Liabilities (TOL)/Tangible Net Worth	times	2.1	2.0	2.1	2.2	2.3
TOL/ Inventory	times	80%	80%	80%	80%	80%
Inventory Days	days	145	156	164	183	195

Assumptions

Sensitivity variables

Derived figures

Overview of the assumptions considered on the preceding two slides

There are multiple moving parts concerning the running of a jewellery store:

- Inventory per store
- Gross margin as % of sales
- Working capital funding mix
- Borrowing cost
- Volume sensitivity

The assumptions have been intentionally kept simple to highlight the broader insights, rather than pursuing precision that may have made the analysis less intuitive.

What do the assumptions and the calculations depict?

- Inventory per store rises from Rs. 20 crore to Rs. 21.2 crore, reflecting a 6% duty shock. This results in a negative “Acc/Dec to stocks” adjustment of Rs. 1.2 crore with that negative stock movement adjusted through the OPBITDA line, boosting OPBITDA by Rs. 1.2 crore.

Accordingly,

- OPBITDA rises from Rs. 3.5 crore (business as usual scenario) to Rs. 4.4 crore (in the scenario of 5% volume decline).
- Interest coverage ratio also improves initially, despite lower sales.

Points to note:

- The Rs. 1.2 crore is essentially a one-time inventory revaluation benefit. Economically, that benefit exists only on the stock already on hand when the duty goes up. It is not a recurring annual operating cushion. In effect, the transition year stock gain is real. But in a steady state scenario (say, post FY2027), the duty increase-induced stock gain would no longer exist, but higher working capital and volume pressure will persist.
- Gross margin is assumed to remain stable at 13% to reflect full price pass-through, even as gross margin stability remains one of the important sensitivities.
- Short-term borrowings are assumed to rise as inventory value increases. In practice, however, the jewellery store may need extra liquidity buffer as banks may also not fund 80% of the stock, as was done earlier.

Transition year impact of import duty hike would depend on the extent of volume decline for a jewellery store

Key takeaways

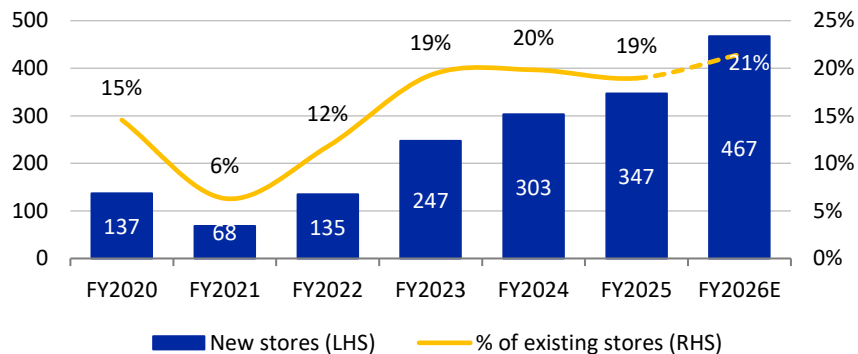
- Immediately after the duty hike, stores may benefit from one-time inventory gains on existing stock, which can temporarily cushion earnings and coverage metrics.
- Inventory days rise from 145 to 156/164/183/195 as volumes fall, as per the illustration. The analytical takeaway is that financial metrics would be influenced both by the immediate P&L benefit as well as by the slower stock churn, working capital lock-up, and relatively weaker cash conversion.
- For simplicity, if we assume that the average gold prices do not change in FY2027 vs FY2026, and the increase in import duty causes a decline in volumes, then the change in the interest coverage ratio in FY2027 will depend on the extent of volume decline. There will be two opposing forces influencing the P&L - (a) the benefit of inventory gains on one hand, and (b) the pressure on earnings because of lower sales. In the example considered, only if volumes decline by 20% or more, will the pain of (b) outweigh the benefit of (a), resulting in a worsening of interest coverage ratio and TOL/ TNW. Keeping this simplified illustration aside, the interest coverage ratio of ICRA's sample entities is forecast to moderate to 6.7x in FY2027 from 7.5x in FY2026.

Conclusion

As per the illustration, the immediate impact of a customs duty hike is cushioned by a one-time inventory revaluation gain on existing stock, which partly offsets the effect of lower sales volumes and the increase in working-capital funding requirements. Accordingly, store-level profitability and coverage metrics do not deteriorate meaningfully at modest volume declines, as per the assumptions considered. However, this benefit is transitional in nature. Once inventory is replenished at the higher landed cost, the protection from stock gains would dissipate, leaving store economics more directly exposed to lower throughput, margin pressure and higher working capital intensity. Consequently, while the assumptions and the related calculations suggest deterioration in interest coverage and TOL/TNW only beyond 20% volume decline, the steady-state outcome might be less favourable than the transition-year outcome shown here.

Store expansion plans may slow down temporarily

Exhibit 15: Trend in retail expansion by ICRA's sample set of companies



Source: ICRA Research; ^based on ICRA's expectations

Exhibit 16: Store additions by major jewellery retailers

Company	Net Additions in FY2024	Net Additions in FY2025	Expected Additions in FY2026 ^
Titan Company Limited*	174 stores	154 stores	24% of existing stores
Kalyan Jewellers Limited	71 stores	135 stores	31% of existing stores
Senco Gold Limited	23 stores	16 stores	15% of existing stores
Tribhovandas Bhimji Zaveri Limited	1 stores	2 stores	23% of existing stores
Thangamayil Jewellery Limited	4 stores	2 stores	17% of existing stores
Manoj Vaibhav Gems 'N' Jewellers Limited	2 stores	5 stores	25% of existing stores

- After a brief hiatus in FY2021 and FY2022 owing to the pandemic-induced business uncertainties, the organised jewellery retailers accelerated their retail expansion over the past three years. ICRA's sample set of 14 large jewellers is estimated to have opened 467 new showrooms in FY2026 (around 21% of the existing showrooms as on March 31, 2025). A significant portion of this expansion was made through franchisee stores.
- Most large jewellers are opting for the franchisee model to expand into new markets due to the twin benefits of low capital expenditure and the franchisee partner's knowledge of the local market. Some unorganised jewellers, which have a substantial share of the local market, are also likely to partner with branded jewellers through this model. However, the recent increase in customs duty, along with moral suasion, is expected to moderate store count growth to 12-15% in FY2027, compared with an estimated 18-20% in the absence of these developments.

*Figures pertain to only the jewellery segment for Titan Company Limited, including Caratlane Trading Private Limited and Damas LLC

Aggregate financial parameters of gold jewellery retailers

Parameter (In Rs. Crore)	FY2022	FY2023	FY2024	FY2025	FY2026 P	FY2027 P
Operating Income	1,088	1,519	1,808	2,124	2,889	3,322
Change (%)	29%	40%	19%	17%	36%	15%
OPBDIT/OI (%)	7.7%	7.3%	7.0%	7.7%	8.5%	7.9%
PAT/OI (%)	4.4%	4.3%	4.3%	4.6%	4.9%	4.6%
RoCE (%)	16.4%	19.0%	19.1%	20.1%	20.0%	17.9%
Interest Coverage (x)	5.9	6.9	6.1	6.4	7.5	6.7
TOL/Inventory (%)	97%	98%	102%	93%	91%	90%
TD/(TNW+MI) (x)	1.1	1.0	1.2	1.2	1.3	1.1
TOL/TNW (times)	1.7	1.7	1.9	1.9	2.0	1.8

Source: ICRA Research; aggregate of 14 large jewellers



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