

# INDIAN GOLD JEWELLERY RETAIL INDUSTRY

Consumption value growth in H1  
FY2024 supported by buoyant gold  
prices; FY2024 growth projected at  
8-10%

OCTOBER 2023



*Organised jewellery retailers are expected to outperform the industry over the medium term, driven by planned retail expansion and tailwinds from accelerated formalisation of the industry, owing to heightened regulatory oversight.*



- ICRA estimates the domestic jewellery consumption (in value terms) to have increased by ~10% YoY in H1 FY2024, on top of a 36% YoY expansion in H1 FY2023, aided by stable demand during *Akshaya Tritiya* and the wedding season.



- After remaining volatile between December 2022 and April 2023, gold prices were relatively stable in the range of Rs. 5,600-5,700 per gram in H1 FY2024, up ~14% compared with H1 FY2023. The elevated price levels supported revenue expansion of most jewellery retailers in the face of muted volume growth on a high base and evolving domestic macro-economic environment.



- ICRA projects the domestic jewellery industry to grow by 5-6% YoY in H2 FY2024, translating into 8-10% expansion on a YoY basis in FY2024, with healthy demand expected in the upcoming festive season. Nevertheless, heightened volatility in gold prices since early October 2023 and persistent inflationary headwinds remain key risks.



- Nonetheless, ICRA's sample set of 12 large jewellery retailers, which account for ~70% of the organised market, is projected to record a revenue growth of 15-18% YoY in FY2024 on the back of planned store additions and a shift in consumer preferences towards branded jewellers, translating into market share gains over the medium term.



- Most jewellers benefitted from extraordinary inventory gains from the steep rise in gold prices in early Q1 FY2024. This is likely to have compensated for the increased advertising expenditure by some retailers and cushioned their operating profitability. ICRA's sample of 12 jewellers is projected to record operating profit margin of 7.5-8% in FY2024.



- Debt protection metrics of ICRA's sample set is likely to remain comfortable, with an interest cover of more than 5.0 times and gearing of 0.8-0.9 times in the near-to-medium term, supported by steady earnings from operations, despite incremental borrowings to fund higher inventory holdings and planned store additions.



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