INDIAN GOLD JEWELLERY INDUSTRY

Franchisee model – reshaping the gold jewellery retail industry

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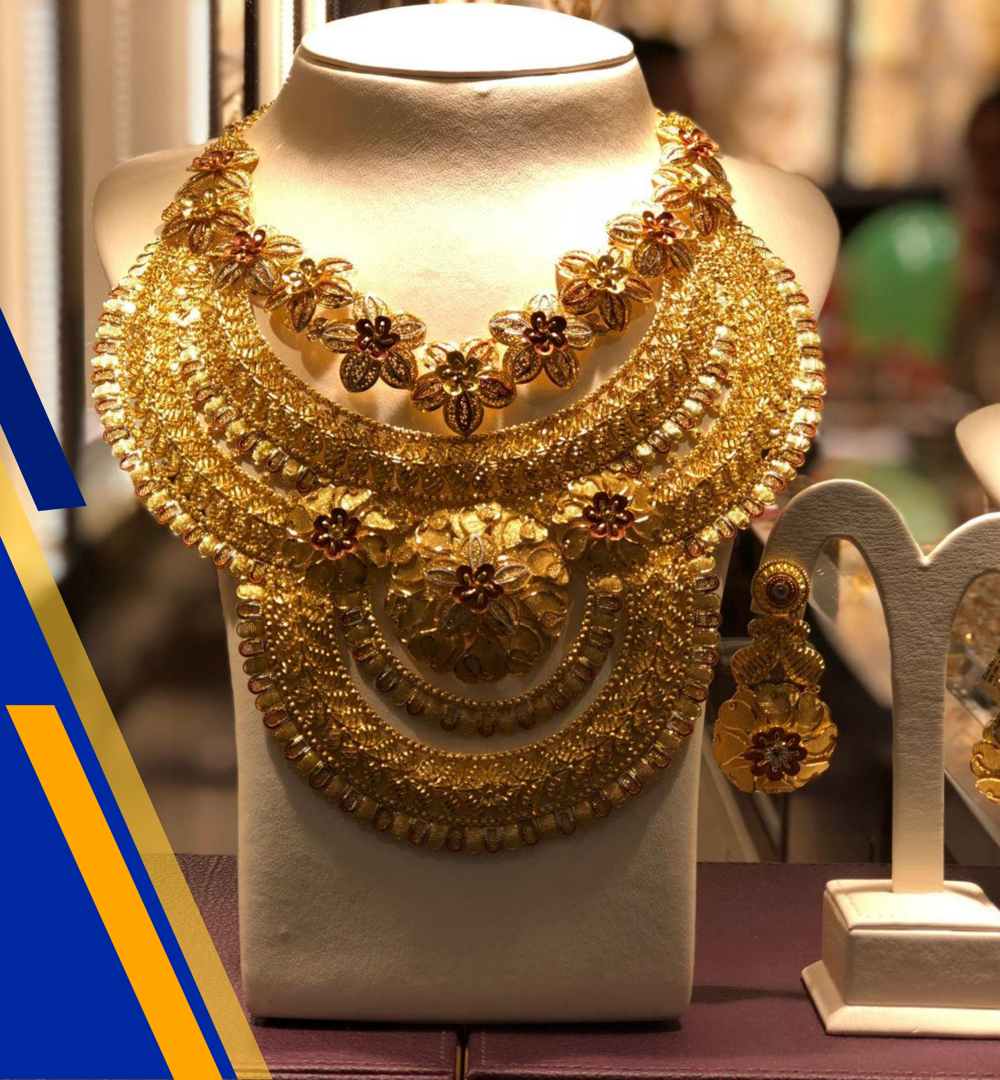

Highlights

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Business partners with the knowledge of micro markets and jewellery retail operations but not willing to invest heavily are the best fit for the COFO models; the FOCO model is most suited for high networth individuals with an interest in investment in gold but lacking operational knowledge; the FOFO models are those where the brand-owner forms a tie-up with business partners having prior operational experience as well as funding capability.

The gold jewellery retail industry, traditionally characterised by family-owned stores and localised brands, is undergoing a significant transformation. The franchisee model has become a popular strategy among jewellery brands aiming for rapid expansion and market penetration.

The franchisee model enables faster market entry and growth without significant initial investment from the franchisor, boosts brand awareness and consumer trust, with the franchisees bringing in local market knowledge and customer insights.

Growth plans of the organised jewellers is the key determinant of their business model. While the COCO* or COFO models are adopted for very large stores with high investment requirement in capex and inventory, asset-light FOCO and FOFO models are mostly adopted by regional/ hyperlocal brands and new entrants aspiring for a faster scale up, as the funding requirements in such models are met by franchisee partners. However, companies with strong financial resources and easy access to capital also have started to adopt these models to achieve faster growth without additional investment requirement.

In North, West and East India, the model has emerged as a successful growth route for organised jewellery retailers. However, the high price-sensitive consumers, loyalty to local players offering favourable prices and low share of studded jewellery pose hindrance to adoption of the models in South India.

Share of franchisee stores for ICRA's sample set companies witnessed a steady growth from 35% in FY2021 to 46% in FY2025E, indicating a swift growth through the franchisee route. Accordingly, given reduced own capital investment, the financial metrics of these retailers registered a steady improvement over the period. Of the store expansions planned for FY2026, ICRA expects around 50% addition to be by way of franchisee stores.

**ICRA's sample set of 14 major gold jewellery retailers - AVR Swarnamahal Jewelry Limited, GRT Group, Jos Alukkas India Private Limited, Joyalukkas India Limited, Kalyan Jewellers India Limited, Lalithaa Jewellery Mart Private Limited, Manoj Vaibhav Gems 'N' Jewellers Limited, M/s. Purushottam Narayan Gadgil, PC Chandra Group, P.N. Gadgil & Sons Limited, Senco Gold Limited, Thangamayil Jewellery Limited, Titan Company Limited (only the jewellery segment, including Caratlane Trading Private Limited), Tribhovandas Bhimji Zaveri Limited*
*Note: *COCO: Company owned company operated; COFO: Company owned franchisee operated; FOCO: Franchisee owned company operated; FOFO: Franchisee owned franchisee operated*

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