

Assessment of the gems and jewellery industry in India

Final report

June 5, 2023

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1 Global economic overview

1.1 Global growth to be uneven going forward

World economy is unlikely to easily reach the pace of growth that prevailed before a series of shocks witnessed in 2022, particularly against the recent financial sector crisis in the US. Over a year after the Russia – Ukraine conflict began, many economies are still reeling under shocks. The recent tightening in financial conditions across the globe is also slowing down the recovery. Resultantly, many economies are set to experience a slower growth in 2023. With central banks increasing interest rates to contain the upward march of inflation, price stability could take more time.

However, some green shoots emerge in that fuel and non-fuel commodity prices are mostly expected to decline in 2023 on account of slowing global demand. The recent financial sector turmoil may be contained and might not impact global economic activity materially. Correspondingly, the International Monetary Fund's (IMF's) baseline forecast for global growth is at 2.8% for CY2023, lower than 3.4% estimated for CY2022. Global growth is expected to rise to 3.0% in CY2024. Growth of advanced economies is projected to fall to 1.3% in CY2023 before rising to 1.4% in CY2024. Around 90% of advanced economies are set to register a decline in growth in CY2023. Advanced economies are likely to witness higher unemployment on account of the sharp slowdown. While emerging markets and developed economies are expected to see better economic prospects when compared to advanced economies, the prospects vary across regions. The growth is expected to average 3.9% in CY2023 and improve to 4.2% in CY2024. India is expected to record the fastest growth of 6.3% in CY2024.

Real GDP growth

(YoY, %)	CY17	CY18	CY19	CY20	CY21	CY22	CY23P	CY24P
World	3.8	3.6	2.8	-3.0	6.0	3.4	2.8	3.0
Advanced economies	2.5	2.3	1.7	-4.4	5.2	2.7	1.3	1.4
Emerging and developing economies	4.8	4.6	3.6	-1.9	6.6	4.0	3.9	4.2
US	2.3	2.9	2.3	-3.4	5.7	2.1	1.6	1.1
UK	2.1	1.7	1.7	-9.3	7.4	4.0	-0.3	1.0
Germany	2.7	1.0	1.1	-3.7	2.6	1.8	-0.1	1.1
Japan	1.7	0.6	-0.4	-4.6	1.7	1.1	1.3	1.0
China	6.9	6.8	6.0	2.2	8.1	3.0	5.2	4.5
India	6.8	6.5	3.7	-6.6	8.7	6.8	5.9	6.3

Note: For India, data and forecasts are presented on a fiscal year basis. For instance, CY20 for India refers to fiscal 2021.

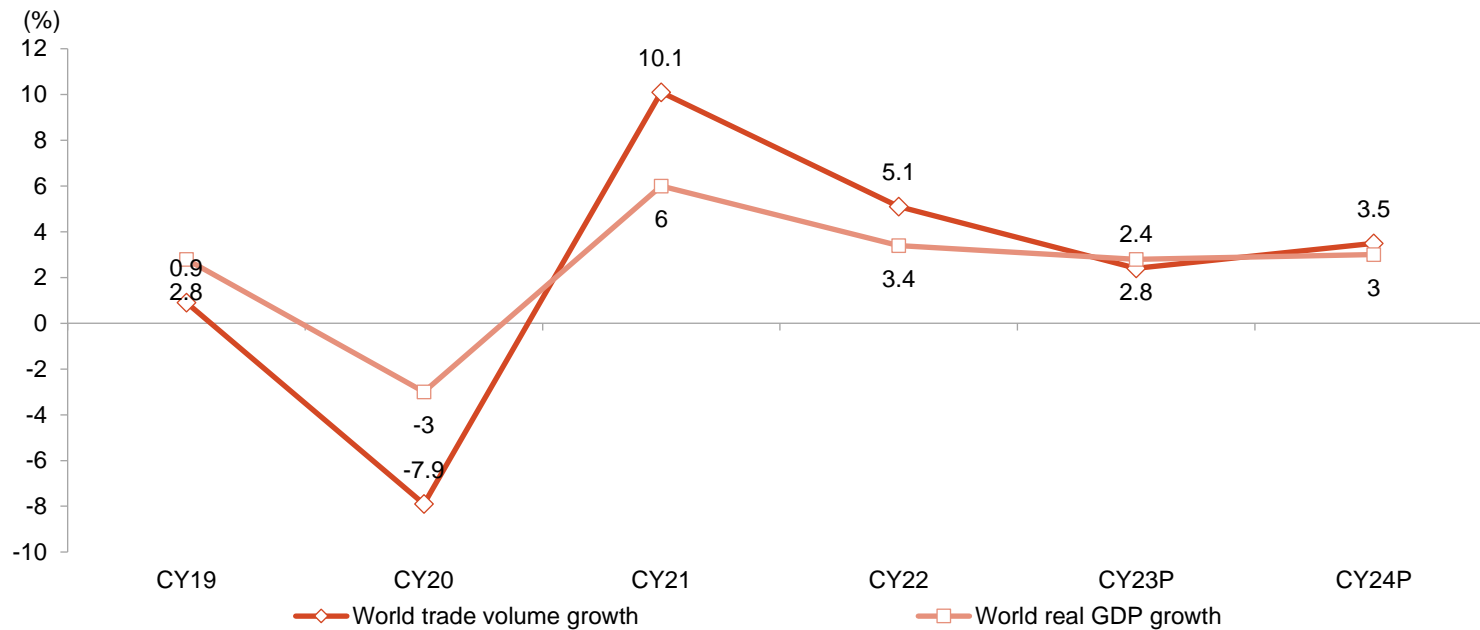
Source: World Economic Outlook (April 2023 update), IMF, Central Statistics Office (CSO)

Global trade on the mend

As per IMF's forecast, worldwide trade is expected to fall from 5.1% in 2022 to 2.4% in 2023 reflecting the slowdown in global demand after two years of strong growth post the pandemic. Increasing trade barriers, in combination with the lagged effects of strengthening of the US dollar in 2022 – which made traded goods costly – will also likely impact trade growth. The outlook for trade growth remains lower than that during pre-pandemic decades of 2000-19 when it averaged 4.9%.

However, global economy may be more resilient than expected as excess savings from the pandemic and tight labour markets in many economies support household consumption. A further easing of supply-chain issues may offer further support.

Trade to ease in 2023 before picking up again in 2024



Source: World Economic Outlook (April 2023 update), IMF

2 Overview of the macroeconomic scenario in India

Gross domestic product: Review and outlook

India's real gross domestic product (GDP) is estimated to have grown at 9.1% in fiscal 2022, largely reflecting a lower base (the economy had shrunk 5.8% in fiscal 2021). During fiscal 2022, the real GDP in absolute terms was Rs 149.3 trillion from Rs 136.8 trillion during fiscal 2021, suggesting that the downside from the omicron variant of Covid-19 has been mild.

Growth for fiscal 2023 stood at 7.2%. As the Indian economy battled the four Cs — Covid-19, conflict (geopolitical), climate change, and central bank actions — it has shown a fair degree of resilience, particularly in the absence of a direct, large fiscal push to consumption. The growth pattern highlights two key features. First, the economy has recovered faster in nominal terms than in real terms (because of high inflation). Second, official data revisions released in February 2023 reveal that the economy was more resilient than estimated earlier.

Four factors have spurred post-pandemic recovery:

- Higher government spending on infrastructure creation and welfare schemes that allowed for a faster catch-up in the construction and public administration sectors
- Buoyant post-pandemic global demand, which lifted exports from the manufacturing sector, information technology (IT)/IT-enabled services (ITeS), and other professional services
- Inflow of abundant global liquidity into Indian markets; policy intervention — from fiscal and monetary policies — supporting the banking and financial services sectors
- Consecutive years of good rainfall benefitted the agriculture sector

Exports and fixed investment have caught up faster

Exports, which were on a decline even before the pandemic hit (-3.4% in fiscal 2020), dropped a further 9.1% at the peak of the pandemic (fiscal 2021), and later recovered to average 20.4% growth during fiscals 2022 and 2023. This was supported by a sharp recovery in growth of trading partners and higher demand for merchandise goods and services such as IT/ITeS. However, with goods exports expected to slow down, India's export growth is bound to moderate next fiscal.

Fixed investment, too, recovered sharply, with the most part led by government spending on infrastructure.

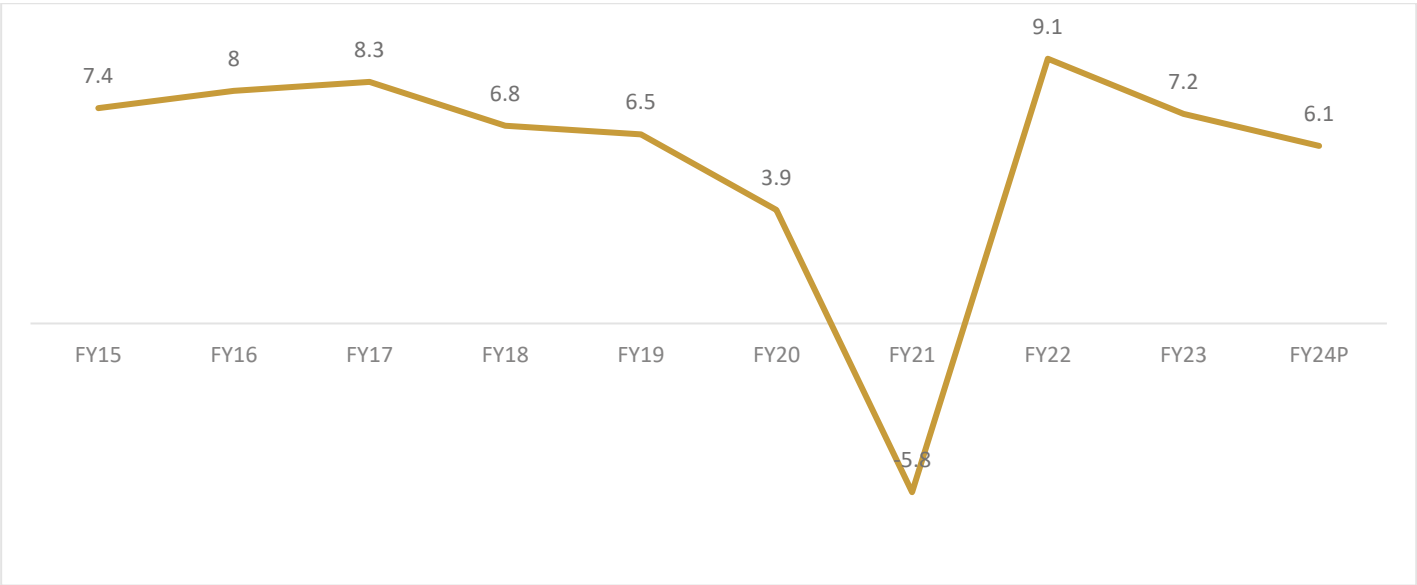
With all the major sectors now above their pre-pandemic levels, recovery from the pandemic shock has been fairly broad-based, but is about to be tested again due to slowing global growth and tighter domestic financial conditions. Hence, for the coming fiscal, CRISIL MI&A Research expects India's real GDP growth to taper to 6.0%, for the following reasons: The challenges have shifted — from the pandemic impact to the consequences of the Russia-Ukraine conflict and aggressive rate hikes by major central banks to fight inflation. Policy rates are at decadal highs across the advanced world. Slowing global growth will put the brakes on India's exports. Additionally, tighter domestic financial conditions are likely to weaken demand as the effects of policy rate hikes filter through the economy.

Inflation remains the ‘swing factor’

Consumer inflation is projected to cool to 5.0% in fiscal 2024 from an estimated 6.8% in fiscal 2023, supported by lower global commodity prices, the expectation of softer food prices, a demand slowdown, easing core inflation, and base effect. Disruptions to food production due to El Niño and other extreme weather events (leading to volatile food prices) and continuing geopolitical risks (impacting commodity prices) remain monitorable and could affect these projections.

With respect to the stance on the policy repo rate, the Reserve Bank of India (RBI) kept its policy rates unchanged in April 2023, compared with a 25 basis points (bps) hike in the previous policy. However, it maintained its stance of ‘withdrawal of accommodation’ and stated its readiness to fight the unexpected rise in inflation. The monetary policy committee (MPC) increased the policy repo by a cumulative of 250 basis points (bps) in fiscal 2023, with the last rate hike in February 2023 at 25 bps, taking the repo rate to 6.5%. In addition to these rate hikes, domestic liquidity conditions are tightening, and turned into a deficit for the first time since May 2019. This has increased the transmission of rate hikes to money market and bank lending rates.

Year-On-year GDP change percentage (%)



Note: P - projected

Source: National Statistical Office (NSO), CRISIL MI&A Research

Other factors supporting growth

The Union Budget for fiscal 2024, followed by the monetary policy, were framed against the challenging backdrop of a looming global slowdown and continuing geopolitical uncertainty. Within these constraints, the budget accelerated the momentum on public capital expenditure (capex) allocation by cutting revenue expenditure. Government capex, irrespective of the way you look at it — investments via budgetary spending, loans and grants, or through public sector companies — has risen almost by a third.

Interestingly, the union budget for fiscal 2023 also followed a similar strategy, but the assumptions went awry with the onset of Russia-Ukraine conflict. Despite considerable deviations from the budget estimates in both expenditure and revenue, the fiscal deficit for fiscal 2023, at 6.4% of the GDP, was on target due to the upside in tax collections from higher-than-expected nominal growth.

Looking beyond the recent growth dynamics, the medium-term growth drivers for India are: Growth accounting — a nifty way to decompose GDP growth into the contribution of capital, labour, and efficiency — is a useful tool to do this. Moreover, capital will be a key contributor to growth over the medium term, as the government has accelerated its investments, and the private sector is primed for undertaking investments.

Macroeconomic outlook

Macroeconomic outlook

Macro variable	FY22	FY23	FY24P	Rationale for outlook
Real GDP (% y-o-y)	9.1	7.2	6.1	Slowing global growth will weaken India's exports in fiscal 2024. Domestic demand could also come under pressure as the RBI's rate hikes transmit to end consumers
Consumer price index (CPI)-based inflation (% y-o-y)	5.5	6.8	5.0	Lower commodity prices, expectation of softer food prices, cooling domestic demand, and base effect will help moderate inflation
Current account balance/ GDP (%)	-1.6	-3.0	-2.4	A moderate increase in budgeted gross market borrowing, along with expected lower inflation and the RBI's rate cuts towards the end of the fiscal will help moderate yields
Rs/\$ (March end)	75.8	82.0	83.0	While a lower current account deficit will support the rupee, challenging external financing conditions will continue to exert pressure next fiscal

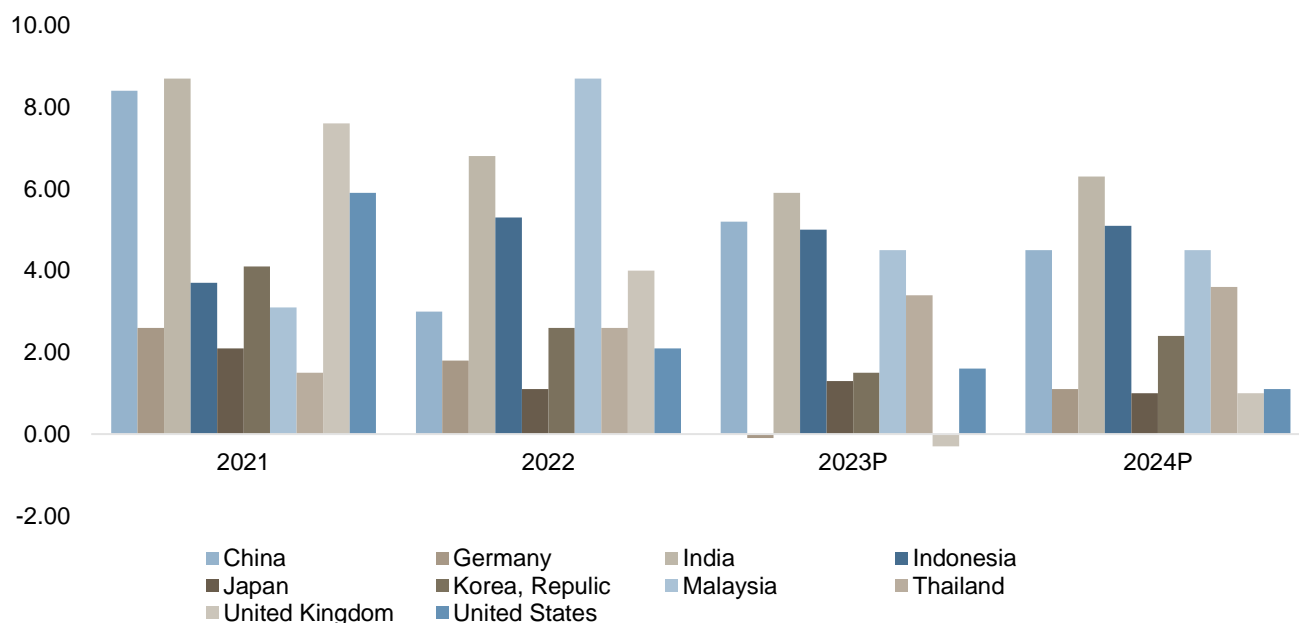
Note: P – projected;

Source: RBI, National Statistical Office (NSO), CRISIL MI&A Research

India among the fastest-growing economies despite Russia-Ukraine conflict

Before the outbreak of the pandemic, India was one of the fastest-growing economies in the world. Over the past few years (pre-pandemic), India's macroeconomic situation had seen a gradual improvement. The twin deficits (current account and fiscal) were narrowing, and the growth-inflation mix was improving, and durably so. The government adopted an inflation-targeting framework to provide an institutional mechanism for controlling inflation, while modernising central banking.

Year-on-year real GDP change percentage



Country-wise projections

Country	2021	2022	2023P	2024P
China	8.40	3.00	5.20	4.50
Germany	2.60	1.80	-0.10	1.10
India	8.70	6.80	5.90	6.30
Indonesia	3.70	5.30	5.00	5.10
Japan	2.10	1.10	1.30	1.00
Korea, Republic	4.10	2.60	1.50	2.40
Malaysia	3.10	8.70	4.50	4.50
Thailand	1.50	2.60	3.40	3.60
United Kingdom	7.60	4.00	-0.30	1.00
United States	5.90	2.10	1.60	1.10

Note: All forecasts refer to International Monetary Fund (IMF) forecasts. *Forecast for the calendar year, while for India, it is fiscal year, i.e. 2021 = fiscal 2022; 2022 = fiscal 2023, P: Projected

Source: International Monetary Fund (IMF April 2023 outlook), CRISIL MI&A Research

Per capita GDP increasing

With GDP growth having gained pace, the per capita income will gradually improve, enabling domestic consumption over the medium term. As per IMF estimates, India's per capita income (at current prices) is expected to grow annually at more than 8% over the next two years.

GDP per capital, current prices (US dollar per capita)

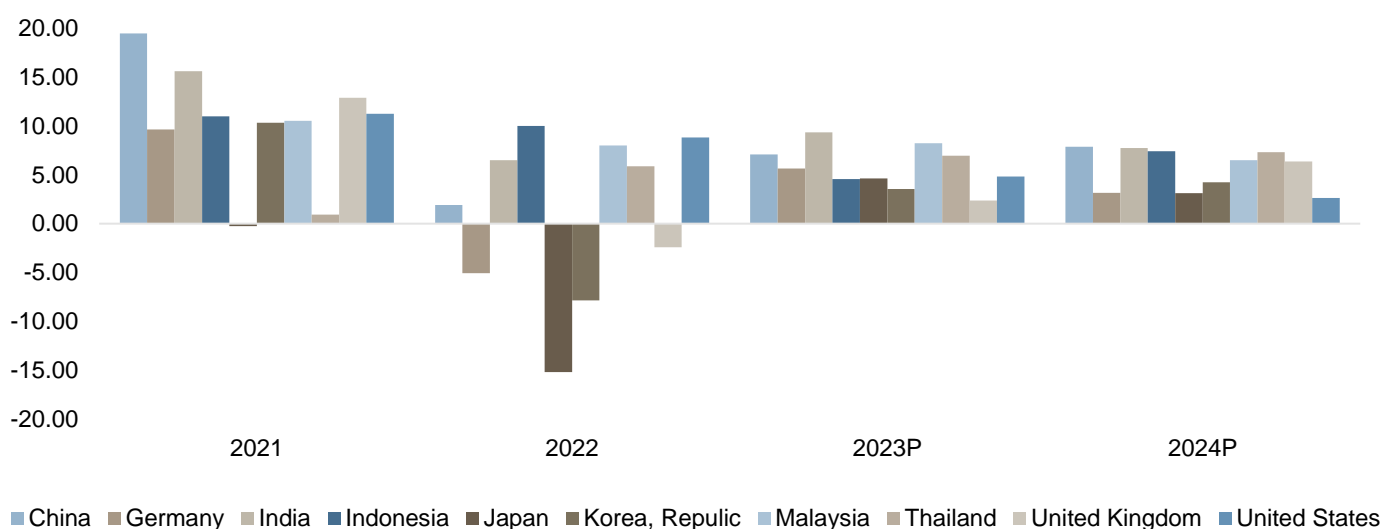
Country	2021	2022	2023P	2024P
China	12,572	12,814	13,721	14,801
Germany	51,238	48,636	51,384	53,007

India	2,234	2,379	2,601	2,803
Indonesia	4,363	4,798	5,017	5,388
Japan	39,883	33,822	35,385	36,492
Korea, Republic	34,998	32,250	33,393	34,807
Malaysia	11,450	12,364	13,382	14,250
Thailand	7,227	7,651	8,182	8,781
United Kingdom	46,422	45,295	46,371	49,321
United States	70,160	76,348	80,035	82,132

Note: *Forecast for the calendar year, while for India, it is fiscal year, i.e. 2021 = fiscal 2022; 2022 = fiscal 2023, P: Projected

Source: IMF (April 2023 outlook), CRISIL MI&A Research

Growth in per capita GDP, current prices (%)



Country	2021	2022	2023P	2024P
China	19.45	1.92	7.08	7.87
Germany	9.63	-5.08	5.65	3.16
India	15.58	6.48	9.34	7.73
Indonesia	10.98	9.98	4.55	7.41
Japan	-0.25	-15.20	4.62	3.13
Korea, Republic	10.31	-7.85	3.54	4.23
Malaysia	10.51	7.99	8.24	6.49
Thailand	0.94	5.87	6.94	7.32
United Kingdom	12.87	-2.43	2.38	6.36
United States	11.23	8.82	4.83	2.62

Note: *Forecast for the calendar year, while for India, it is fiscal year, i.e. 2021 = fiscal 2022; 2022 = fiscal 2023, P: Projected

Source: IMF (April 2023 outlook), CRISIL MI&A Research

Rural economy structurally more resilient, saw relatively less Covid-19 impact

The rural economy is far more resilient today due to two consecutive years of good monsoon, increased spends under the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) scheme and irrigation programmes, direct benefit transfer (DBT) scheme, Pradhan Mantri (PM)-Kisan scheme, Pradhan Mantri Ujjwala Yojana scheme for cooking gas, PM Awas Yojana scheme for housing, and Ayushman Bharat scheme for healthcare. To supplement this, there has been a continuous improvement in rural infrastructure such as electricity and roads. These government initiatives have led to lesser leakages and higher incomes in the hands of the rural populace, enhancing their ability and willingness to spend on discretionary products and services. The rural economy accounts for almost half of India's GDP and has performed much better than the urban economy in the aftermath of the pandemic.

There are three reasons for this. First, agricultural activity has continued largely unhindered, with normal monsoons and a lower spread of the pandemic in rural areas, given the lower population density. Second, the government offered support, making available an additional Rs 50,000 crore of funding towards the MNREGA scheme and also disbursing Rs 2,24,000 crore towards the PM-Kisan scheme till January 2023. Third, the structure of the non-agricultural rural economy has helped it bear the Covid-induced shock better. The rural economy contributes to 51% of India's manufacturing GDP, but the rural share in the services GDP (excluding public administration, defence, and utilities) is much lower, at ~26%.

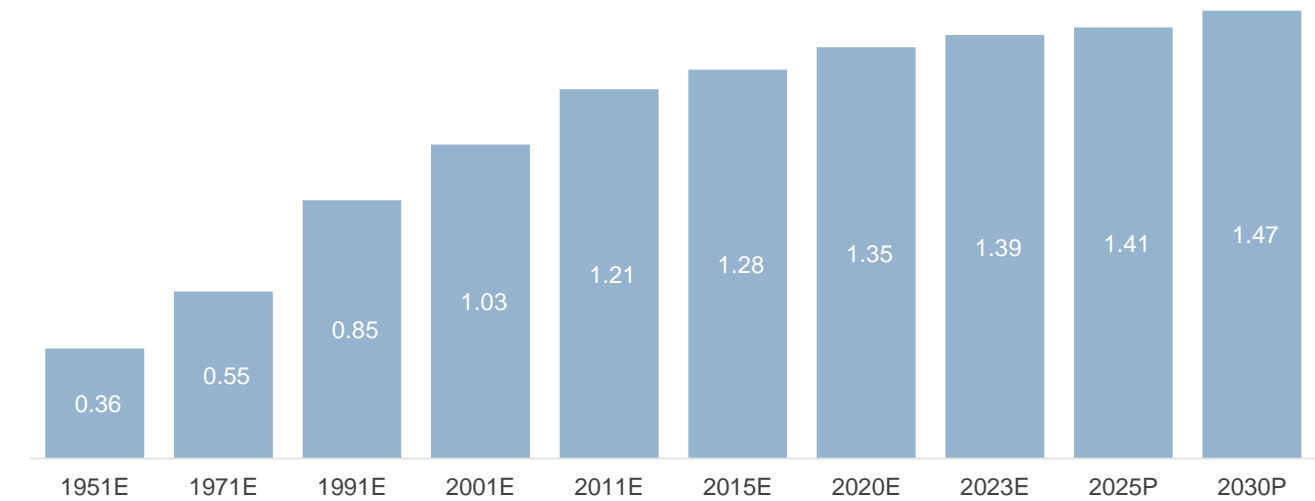
In first half of fiscal 2023, across rural and urban areas, the poor (bottom 20% income class) continued to face effectively higher inflation, compared with their richer counterparts (top 20%), as inflation on food and fuel items remained high. Rising inflation, coupled with negative rural wage growth, has led to subdued rural demand.

Indigenous advantages to result in a stronger economic growth rate in the longer term

Growing population an asset to the economy

As per the report published (in July 2020) by the National Population Commission, Ministry of Health and Family Welfare, India's population in 2011 was 121 crore, comprising ~24.6 crore households. The decadal growth rate during 2001-2011 stood at 17%. This is estimated to have fallen to 12% during 2011-2021 and is likely to decline further to 9% during 2021-2031. However, with the country's population in 2030 estimated at 147 crore, India will continue to be a major opportunity market from a demand perspective.

India's population growth trajectory (billion)



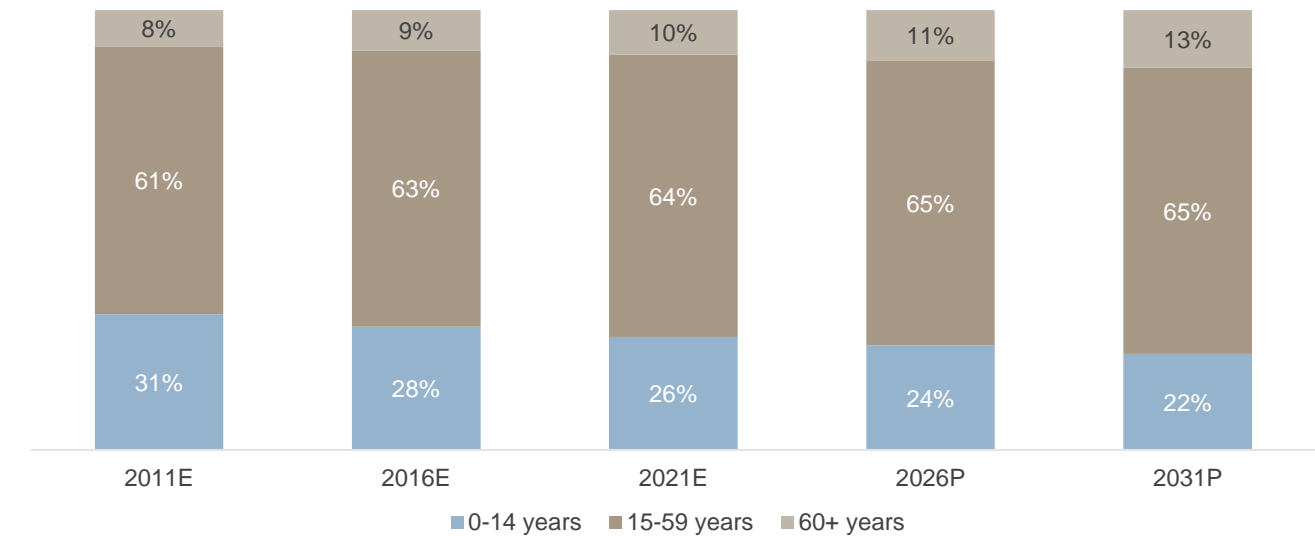
Note: P – Projected, E – Estimates

Source: Census of India 2011, Ministry of Health and Family Welfare, CRISIL MI&A Research

Demographics favourable

India has one of the world’s largest youth populations, with a median age of 28 years. About 90% of Indians are below 60 years of age. It is estimated that 64% of this population is aged between 15 and 59 years. CRISIL MI&A Research expects that the large share of working population, coupled with rapid urbanisation and rising affluence, will propel growth in the economy.

India’s demographic division (share of different age groups in population)



Note: P – Projected, E – Estimates

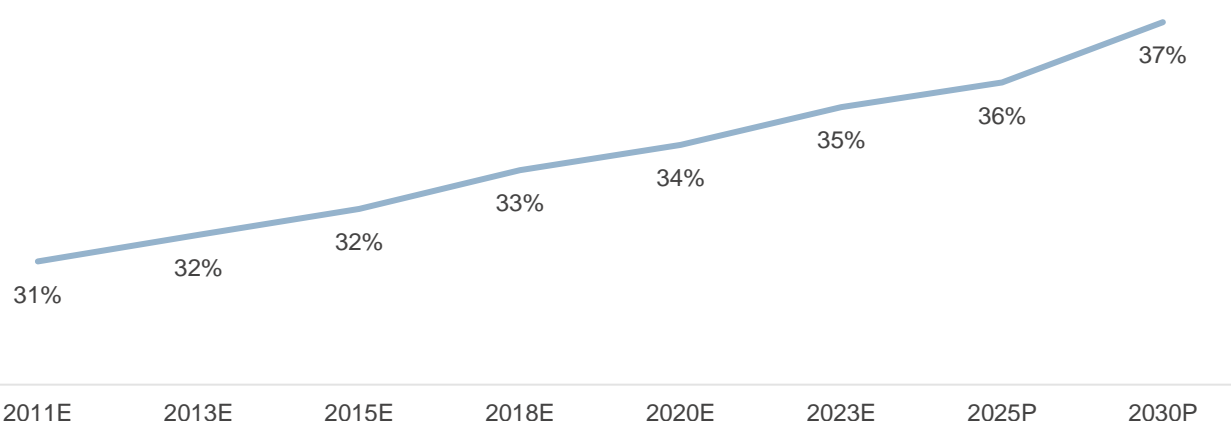
Source: Census of India 2011, Ministry of Health and Family Welfare, CRISIL MI&A Research

Urbanisation on the rise

Urbanisation is a key growth driver for India, supporting faster infrastructure development, job creation, development of modern consumer services, and the city's ability to mobilise savings. The share of urban population in the total population has consistently been rising and is expected to reach 35% by 2023 from 31% in 2011, spurring more demand.

Urban consumption in India has shown signs of improvement, and given the country's favourable demographics, coupled with rising disposable incomes, the trend is likely to continue and help domestic economic growth.

Urbanisation population as a percentage of total population in India



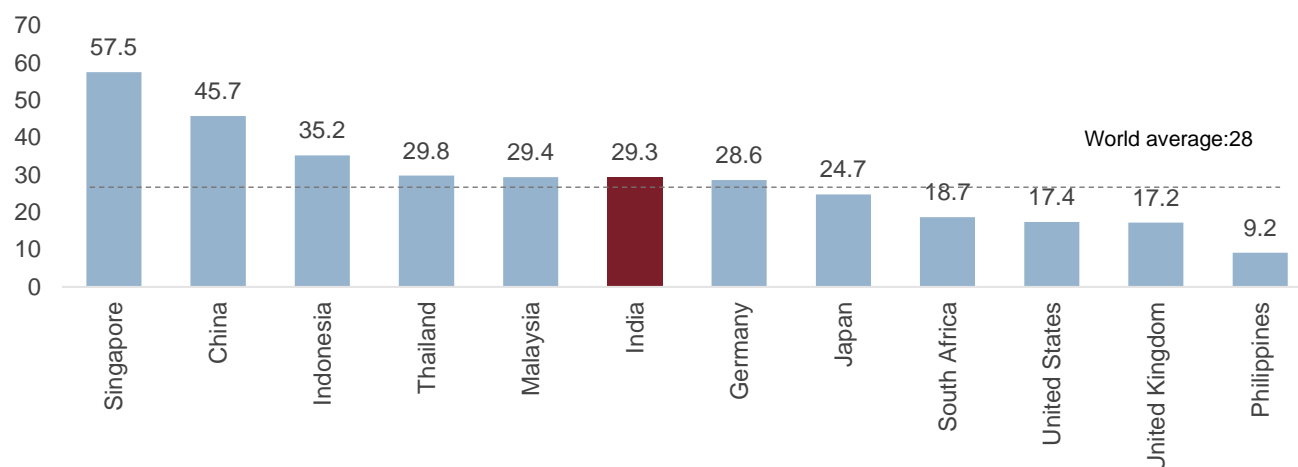
Note: P – Projected, E – Estimates

Source: Census of India 2011, Ministry of Health and Family Welfare, CRISIL MI&A Research

India's household savings higher than world average

According to the World Bank, the savings rate, or the proportion of gross domestic savings (GDS) in the GDP in the Indian economy has trended downward in the past decade. India's GDS peaked at 34.4% of the GDP in fiscal 2007 and dipped to 32.7% in fiscal 2008. This was largely on account of a sharp slowdown in public savings, with the government resorting to fiscal stimulus to address the external shock from the global financial crisis. Public savings in India fell to 29.3% at the end of calendar year 2021 on account of increased spending by individuals. However, India's domestic savings were still higher compared with the world average at the end of calendar year 2021.

India's domestic savings higher than the world average of 28% (in % of GDP) (calendar year 2021)



Note: The savings rate is in %

Source: World Bank, CRISIL MI&A Research

CRISIL MI&A Research expects India to continue being a high-savings economy at least over the next decade. CRISIL MI&A Research is also positive on the savings rate increasing in the medium term, as households become focused on creating a nest egg for future post pandemic-induced uncertainties. As per the RBI, the share of financial savings increased from 45% in fiscal 2016 to 51% in fiscal 2021, while that of the physical savings fell from 55% to 48% before increasing to 60% in fiscal 2022. The money getting financialised is increasingly being invested in mutual funds and insurance funds. The share of mutual funds increased from 7% in June 2018 to nearly 10% in March 2022, while that of insurance funds has risen from 20% to 24%. Going forward, if the trend continues, it is expected to boost capital markets and consequently, the economy.

Gross domestic savings trend

Parameters (Rs. billion)	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
GDS	40,200	42,823	48,251	54,807	60,004	59,411	57,168	70,767
Household savings	24,391	24,749	27,871	32,966	38,446	38,452	44,347	46,195
Gross financial Savings	12,572	14,962	16,147	20,564	22,637	23,246	30,544	25,979
Net financial savings	36%	45%	41%	40%	39%	40%	51%	39%
Savings in physical assets	62%	53%	57%	59%	60%	59%	48%	60%
Savings in the form of gold and silver ornaments	2%	2%	2%	1%	1%	1%	1%	1%

Note: The data is for financial year ending March; Gross financial savings of the household sector include gross financial savings of the quasi corporate sector

Source: MOSPI, CRISIL MI&A Research

Structural reforms that will drive future growth

While India has structural advantage on account of young workforce, improving consumption pattern and increasing urbanization, India's long-term growth is expected to be supported by the following government initiatives:

- Focus on infrastructure investments rather than boosting consumption to enhance the productive capacity of the economy

- The Production Linked Incentive (PLI) scheme which aims to boost local manufacturing by providing volume-linked incentives to manufacturers in specified sectors
- Policies aimed at greater formalisation of the economy that will accelerate per capita income growth
- Adoption of digital technology
- The announcement of the National Infrastructure Pipeline to provide better infrastructure for all sectors, enhance ease of living of citizens and make growth more inclusive
- The national policy for monetisation of operating public infrastructure assets acts as a key means for sustainable infrastructure financing
- Inclusion of larger share of population under health insurance as part of 'Ayushman Bharat' scheme
- Initiatives launched by the Indian government to promote financial inclusion are the Pradhan Mantri Jan Dhan Yojana ("PMJDY"), Pradhan Mantri Jeevan Jyoti Bima Yojana ("PMJJBY") and the Pradhan Mantri Suraksha Bima Yojana ("PMSBY")

3 Overview of the global gems and jewellery industry

Global gold demand at an 11-year high in CY2022 following robust investment demand

Annual gold demand surged 18% to 4,741 tonnes during CY 2022 on account of robust investment demand. Demand for bars and coins grew by 2% to 1,217 tonnes, while holdings in ETFs fell by a smaller amount when compared to CY 2021. Investment demand (excluding OTC) reached 1,107 tonnes – recording a growth of 10%. Higher central bank holdings for two consecutive quarters brought the annual holdings to 1,136 tonnes and contributed to the overall growth in demand.

However, the jewellery market posted a dismal performance during the year. Global jewellery market softened a tad during calendar year 2022 as higher gold prices, slowdown in global economic growth and a demand crunch in China, the largest consumer of gold, weighed on overall gold demand. Global demand stood at 2,086 tonnes during 2022, 3% down from the 2,148 tonnes registered in calendar year 2021.

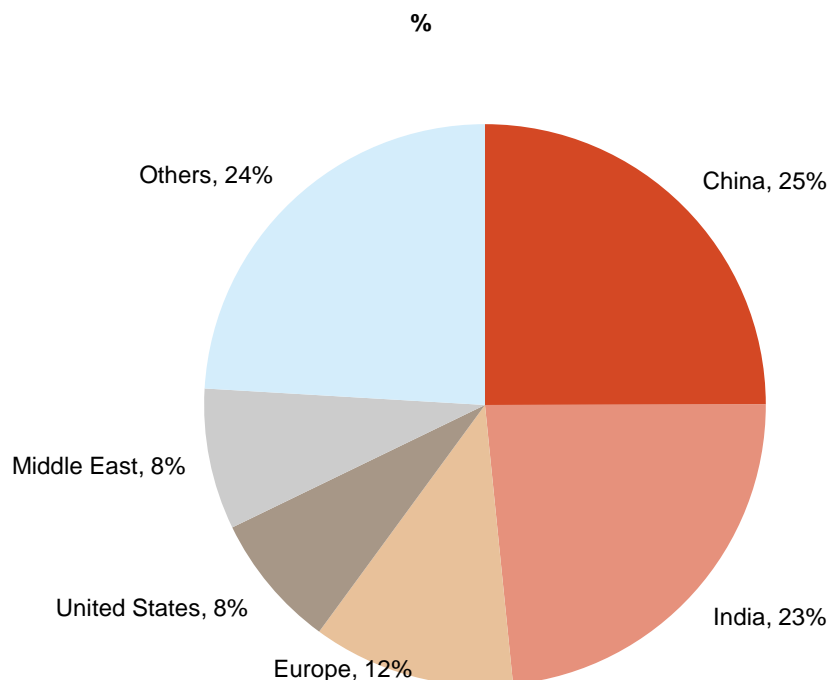
China's jewellery demand fell by 15% to 571 tonnes during 2022. This was lower than its 10-year annual average by around 110 tonnes. Gold demand from China was impacted by recurrent lockdowns across major cities as the Chinese government implemented zero-Covid policy. Later, while the policy was reversed abruptly, a spike in infections kept a lid on demand. A rise in gold prices proved to be a further deterrent to gold demand. In India, while demand remained soft at the beginning of the calendar year, it recovered as the months progressed and therefore just fell short of reaching the levels seen in 2021. A sharp rally in prices during the later weeks of December impacted demand at the end of the year.

Category-wise gold demand

(in tonne)	CY17	CY18	CY19	CY20	CY21	CY22
Jewellery	2,242	2,250	2,127	1,398	2,148	2,086
Investment – bars and coins	1,044	1,090	871	904	1,190	1,217
Investment – ETFs	271	74	400	892	-189	-110
Industrial – dentistry, etc.	333	335	326	303	330	308.5
Central banks	379	656	605	255	450	1136
Total world demand for gold	4,284	4,445	4,354	3,678	4,013	4,741

Source: WGC Gold Demand Trends 2022

Region-wise share of gold consumption (jewellery and bars/coins) in 2022, volume



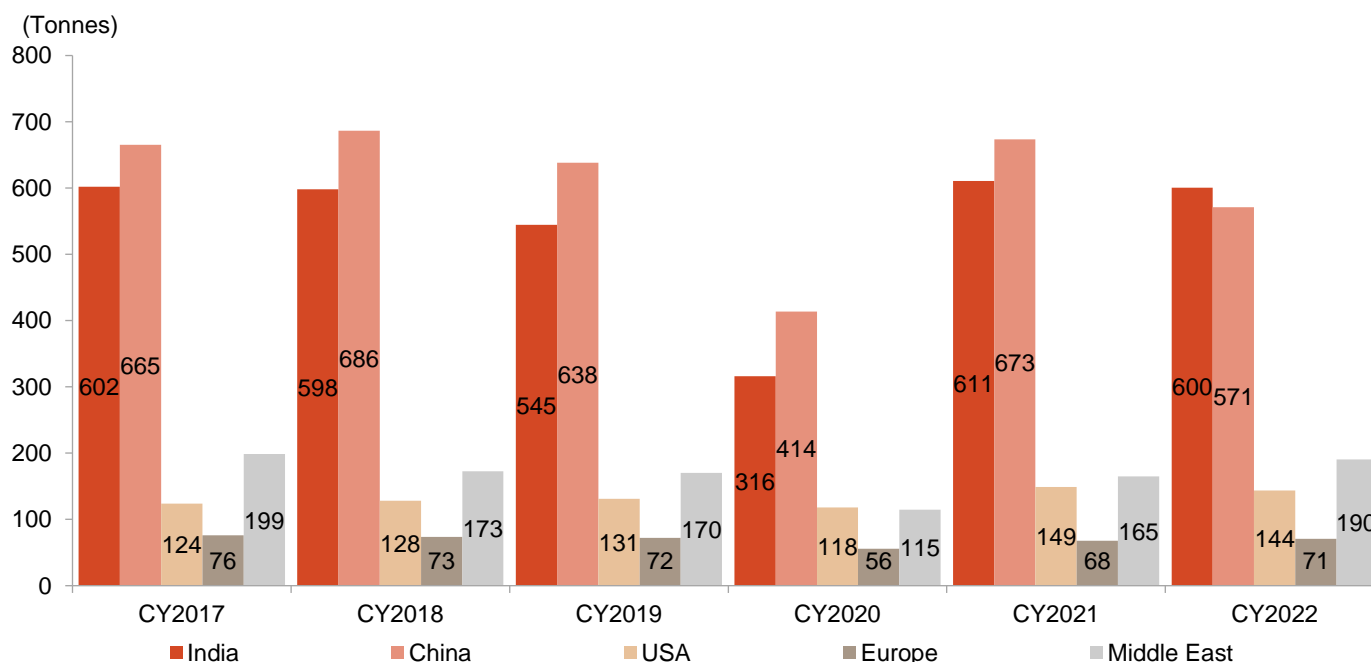
Note: The Middle East includes Saudi Arabia, the UAE, Kuwait, Egypt, Iran and others; Europe includes France, Germany, Italy, Spain, the UK, Switzerland, Austria and others

Source: WGC Gold Demand Trends 2022

3.2 India races ahead of China as largest consumer of gold jewellery in CY 2022

China consumed 571 tonne of gold jewellery in 2022 down from 673 tonnes consumed in CY 2021, recording a fall of 15%. India too witnessed a drop in jewellery demand, but the fall was nominal at 2%. Resultantly, India emerged as the largest consumer of gold jewellery in the world. Together, India and China account for more than half of global gold consumer demand. Other key regions are Europe (71 tonnes) where the fall in demand during the December quarter restricted growth to 4%. Here, a decline in demand from the UK dragged down the overall demand from the European region. US jewellery demand stood at 144 tonnes, lower by 4% when compared to 2021. Much of the fall in demand came during the second half of the year. Additionally, a growing fear of recessions weighed on sentiments and demand.

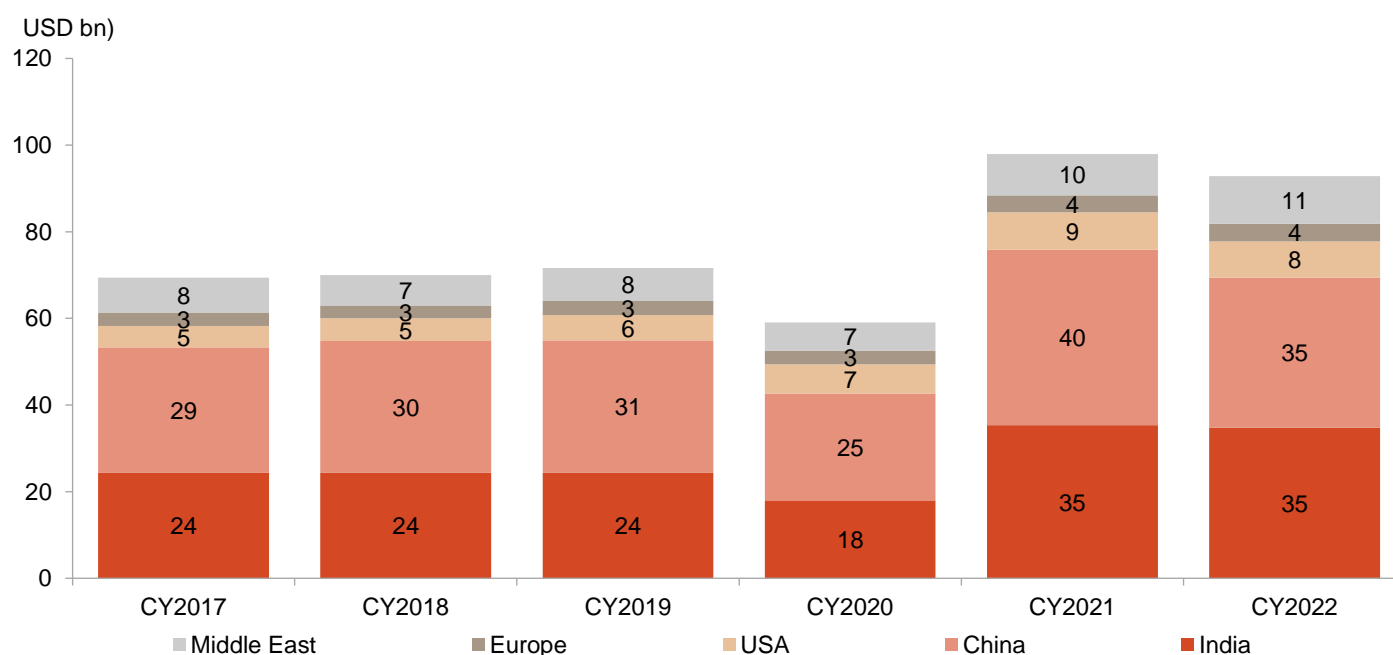
Region-wise trends in jewellery demand – volume terms



Note: The Middle East includes Saudi Arabia, the UAE, Kuwait, Egypt, Iran and others; Europe includes France, Germany, Italy, Spain, the UK, Switzerland, Austria and others

Source: WGC Gold Demand Trends 2022

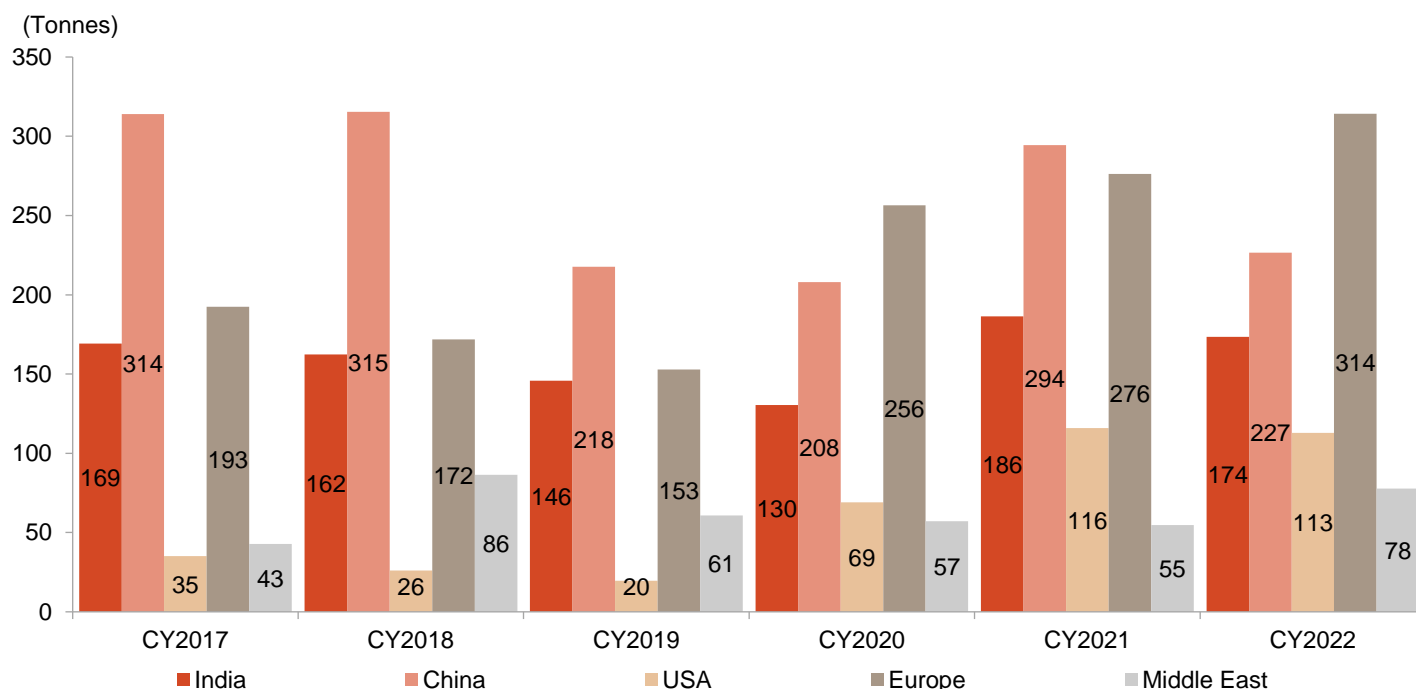
Region-wise trends in jewellery demand – value terms



Note: The Middle East includes Saudi Arabia, the UAE, Kuwait, Egypt, Iran and others; Europe includes France, Germany, Italy, Spain, the UK, Switzerland, Austria and others

Source: WGC Gold Demand Trends 2022

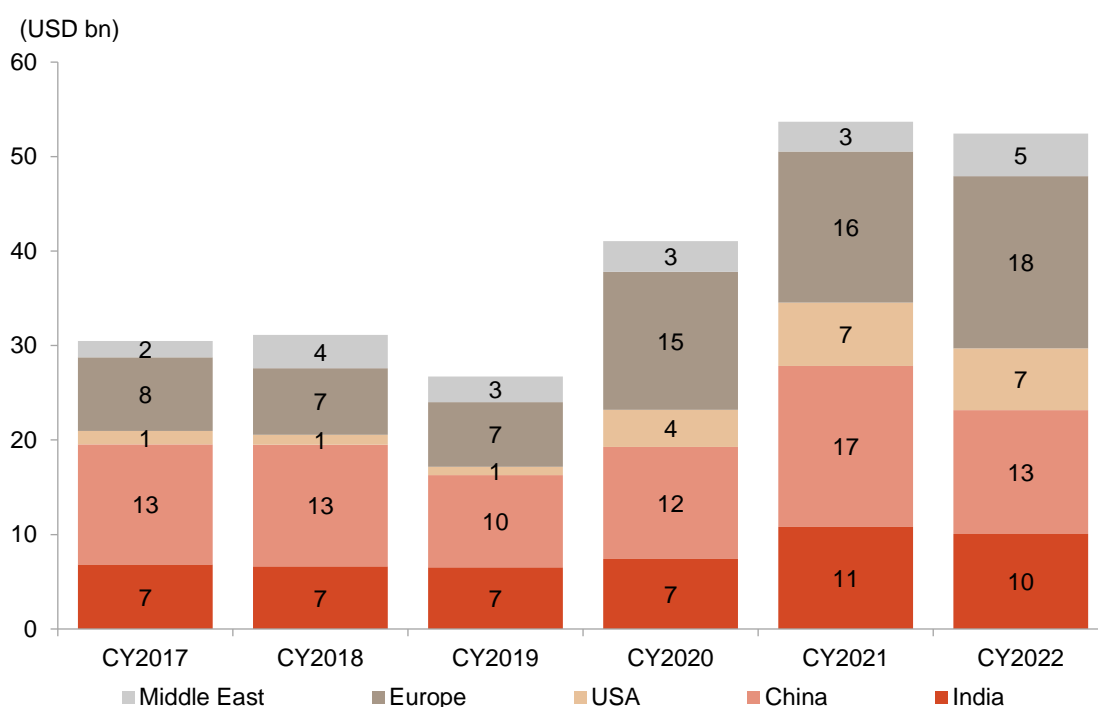
Region-wise trends in demand for bars and coins – volume terms



Note: The Middle East includes Saudi Arabia, the UAE, Kuwait, Egypt, Iran and others; Europe includes France, Germany, Italy, Spain, the UK, Switzerland, Austria and others

Source: WGC Gold Demand Trends 2022

Region-wise trends in demand for bars and coins – value terms



Note: The Middle East includes Saudi Arabia, the UAE, Kuwait, Egypt, Iran and others; Europe includes France, Germany, Italy, Spain, the UK, Switzerland, Austria and others

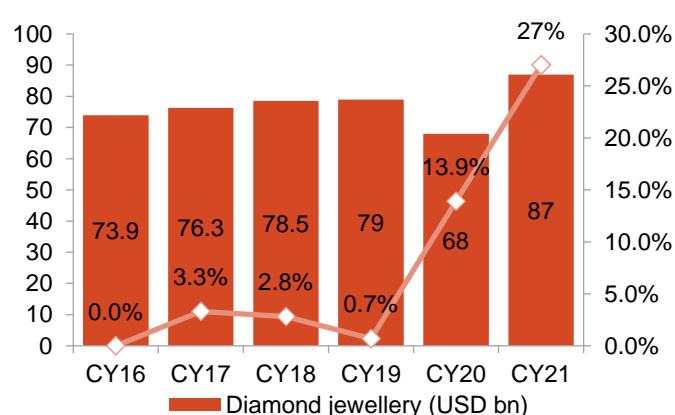
Source: WGC Gold Demand Trends 2022

3.3 Global diamond jewellery demand declined 14% in 2020 due to lockdown and mobility restrictions, rose by nearly a third in 2021

Demand for diamond jewellery declined to \$68 billion in 2020, compared with \$79 billion in 2019, owing to lockdown and mobility restrictions. The US delivered the best relative performance with de-growth restricted to 7%, driven by the government's fiscal stimulus programmes and sentiment-driven shopping by consumers for high-quality gifts. Sales plunged in India because of curtailed discretionary spending following Covid-19, with stores remaining shut for most of the June quarter, and intermittent lockdowns in some states in the September quarter. However, demand gradually improved towards the last quarter. There was a resurgence in demand for diamond jewellery in the run-up to the festive season.

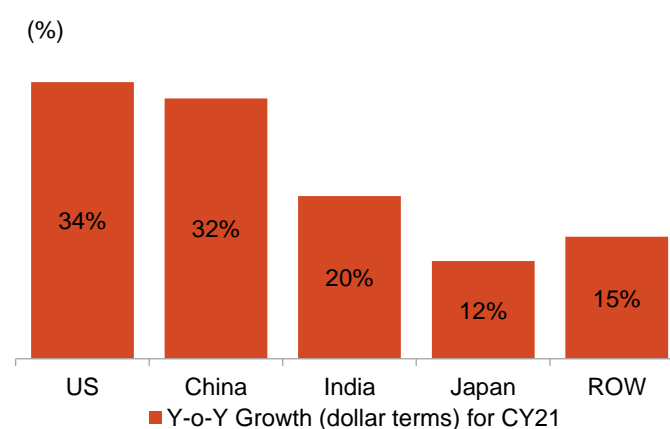
Global demand for natural diamond jewellery witnessed a 27% rise in 2021 to USD 87 billion. This was higher than the demand seen in 2019 by about 10%. This growth in demand was led by an improvement from the US markets, which grew by 34% on a y-o-y basis. Natural diamond jewellery sales in the US rose to USD 47 billion, accounting for over half of overall diamond jewellery sales. The US government's fiscal stimulus programmes and accumulated savings by customers during the pandemic translated into higher demand. The holiday season at the end of the year witnessed unprecedented growth on an already low base of the pandemic year.

Demand rose by 27% during 2021



Source: De Beers Diamond Insight report

The US registered fastest growth in diamond jewellery sales



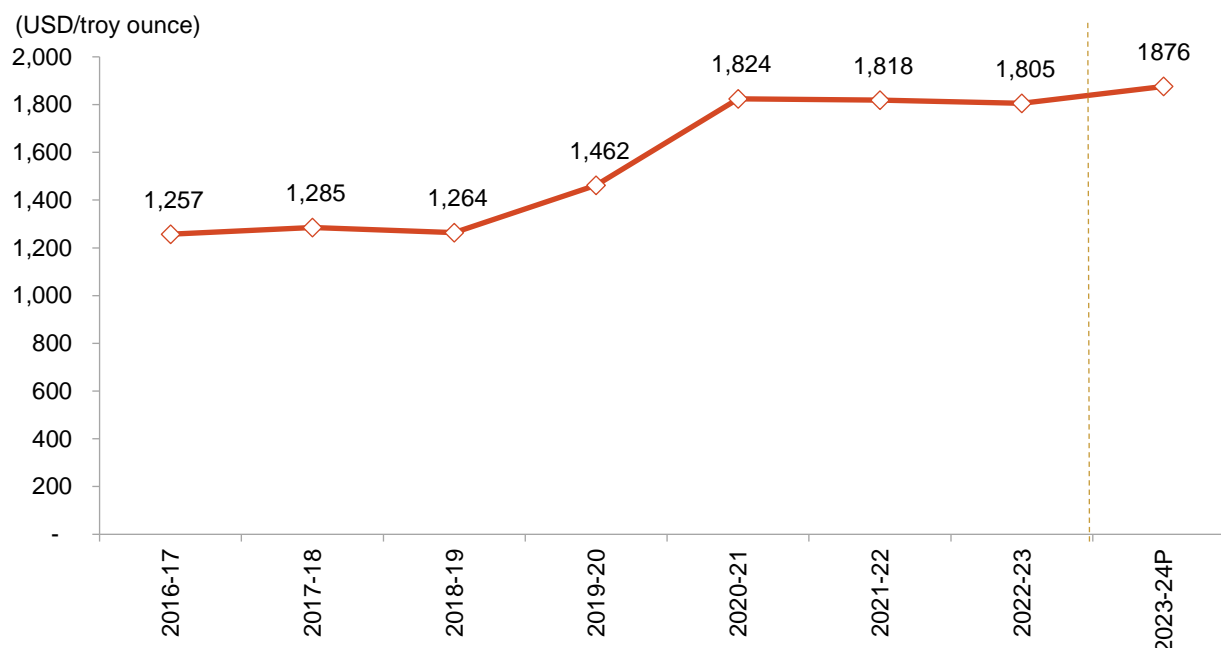
Source: De Beers Diamond Insight report

Increased Fed rate to restrict rise in gold prices in FY24

The increase in the US Federal Reserve (Fed) rate and strengthening of the dollar weighed on gold prices in fiscal 2023. International gold prices, which have been falling steadily since fiscal 2013, reached a five-year low in fiscal 2016. However, they recovered thereafter. They increased 9% on-year in fiscal 2017, aided by the slow US Fed rate hike, sharp drop in the British pound vs the US dollar following the Brexit vote (which caused depreciation in the sterling), and the negative interest rate policies in Japan and Europe.

In fiscal 2020, gold prices increased ~16% on-year, driven by Fed rate cuts and heightened geopolitical tensions, especially the US-China trade war. Gold prices further rose ~25% to \$1,825/troy ounce in fiscal 2021.

Gold prices to rise in FY24



Source: WGC statistics, CRISIL MI&A Research

Gold prices fell marginally by 1% during fiscal 2023. This was on account of a 450 basis points (bps) rate hike by the US Fed within a year and the strengthening of the dollar which negatively impacted the attractiveness of gold. However, despite this, prices rose on account of continued geopolitical tensions, elevated inflation and the collapse of two banks during Q4FY23.

CRISIL MI&A Research estimates prices to rise in fiscal 2024. International gold prices are projected to inch up by 1-3% to USD 1,850-1,900 per troy ounce during the year on account of the following factors:

- **Global economic slowdown:** As global economic growth slows down following elevated inflation in key economies, the safe haven appeal of gold increases thereby supporting a rise in prices.
- **Rising US fed rate:** The US has increased its Fed rate this year to combat inflation. Bullion is highly sensitive to rising US interest rates. It increases the opportunity cost of holding non-yielding metal. This is expected to put downward pressure on gold prices this fiscal. However, with the US Fed chair hinting at lower possibility of further rate hikes, the pressure on gold prices is unlikely to intensify further in fiscal 2024.
- **Dollar strengthening:** Rising Fed rate has also led to strengthening of US dollar. An expected appreciation in the US dollar will weigh on gold prices

Further decline will be restricted on account of geopolitical tensions and inflationary environment. Gold has shown its safe haven status in times of crisis, be it Global Financial Crisis of 2008, Covid-19 pandemic or war. Gold also acts as a hedge against inflation. The Russia-Ukraine war, higher inflation this fiscal will support prices and restrict further

decline. With an expected weakening in the dollar as recessionary fears rise, gold prices are expected to rise in fiscal 2024 to \$1,850-USD 1,900 per oz.

3.4 Factors determining gold price movement

Currency fluctuations

Gold prices are inversely correlated with movement in the US dollar. Strengthening of the US dollar is linked to signs of economic growth leading to lower risk aversion. This leads to lower gold prices, as the yellow metal is considered a safe haven.

Demand in key consuming nations such as the US, India and China

The US, India and China account for half the global demand for gold. In India, gold jewellery is most preferred as it is considered auspicious to purchase gold on occasions such as festivals, marriage, and birth. Gold is also perceived as a relatively safe investment option. In China, gold symbolises wealth and riches.

Geopolitical events

Geopolitical tensions or crisis lead to higher prices, as gold is a safe haven. For instance, a few years ago, the US announced tariffs on about \$50 billion worth of Chinese imports. In retaliation, China announced tariffs on about \$3 billion worth of US imports. The trade war drew investors to safe havens such as gold. Heightened geopolitical tensions between North Korea and the US also led to increased demand for gold, thereby increasing its price.

Volatility and performance of other asset classes such as equities

Equity market volatility leads to increased investment demand for the yellow metal as a hedge. The higher return potential of other asset classes eats into the market share of gold, thereby affecting gold demand and price. Increasing interest rates also prompt investors to opt for other investment opportunities instead of gold.

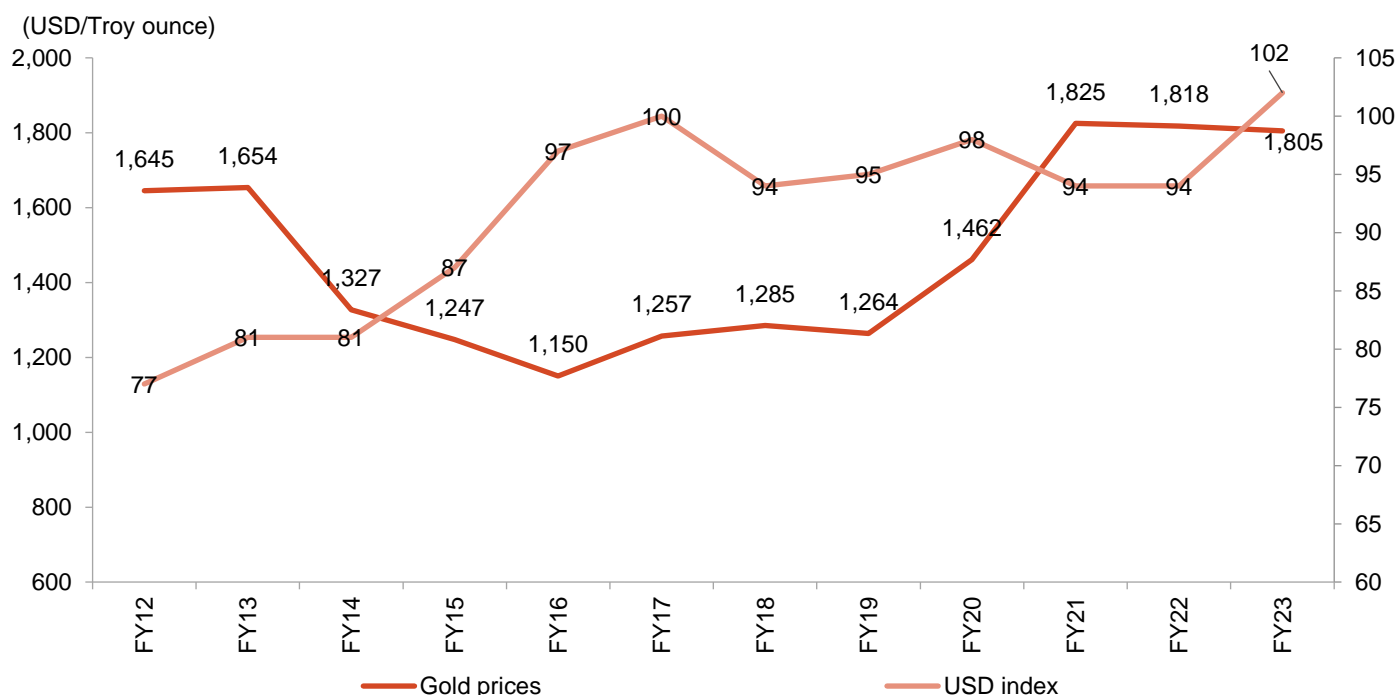
Inflation

Gold acts as a hedge against inflation. People buy gold when the value of the currency decreases leading to lower purchasing power. Gold is seen as a universal store of value, thus protecting against inflation.

International gold prices are inversely correlated with the dollar index

International gold prices show a strong inverse correlation with the movement of the US dollar compared with other currencies (US dollar index). Gold prices rallied over fiscals 2002-12, increasing at a 19% CAGR owing to the US dollar depreciating vis-à-vis other currencies. When the US dollar started appreciating against other currencies after fiscal 2012, gold prices plunged at an 11% CAGR between fiscals 2013 and 2016.

Gold prices inversely correlated with US dollar



Source: WGC; World Bank economic parameters

3.5 Key trends in the global gems and jewellery market

Asian countries have emerged as the largest consumers of gold

Asian countries, mainly China and India, are the largest consumers of gold globally. These two countries together account for over 50% of total gold demand. China has also emerged as the largest producer of gold and has gained a much more influential position in the global gold market by investing across the value chain right from refining to fabrication.

Revival in global economic growth

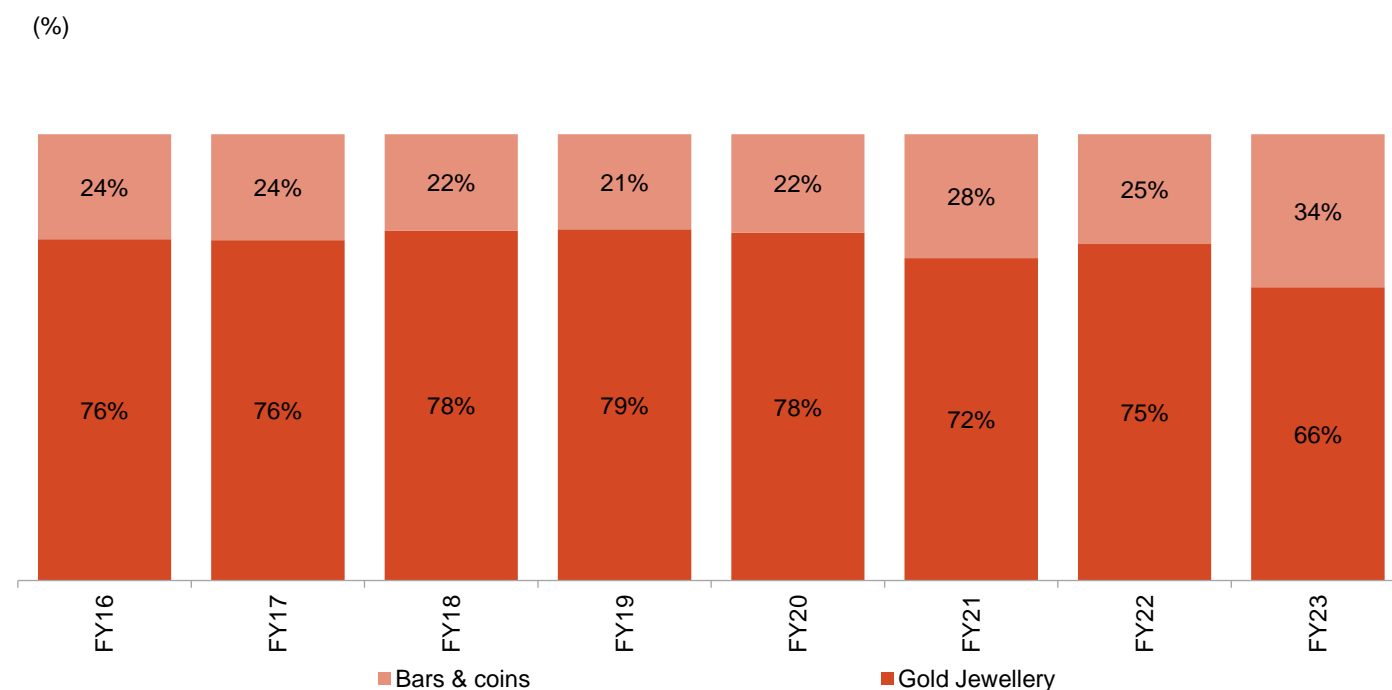
All the major economies of the world de-grew in 2020, except China (up 2.2%). However, green shoots are visible as economies adapt to new ways of working despite reduced mobility. Additional fiscal support in large economies, particularly in the developed world, has also improved the overall outlook. The global economy bounced back and grew 6.0% in 2021 and improved on a y-o-y basis in 2022 led by rising vaccinations across countries, reduced curbs on mobility and services and the populace learning to live with the pandemic. That said, the pace of growth for 2022 was lower than in the previous year due to the geopolitical tensions in Europe because of the Russia-Ukraine war over and above already raging inflation, elevated fuel and commodity prices amongst others. China and India, the largest consumers of gold, are expected to register steady economic growth in the near future. In general, accelerating growth augurs well for consumption and investment demand for gold.

4 Overview of the Indian gems and jewellery industry

4.1 Market estimated at ~Rs 4,700 billion in fiscal 2023

The domestic gems and jewellery market was roughly ~Rs 4,700 billion in fiscal 2023 with gold jewellery dominating the overall market with a 66% share. Domestic jewellery demand has historically been dominated by consumption. Consumption of jewellery studded with diamond, pearls and other precious and semi-precious stones, has also been rising over the past five years but remains significantly lower than that of gold jewellery. Growing demand for studded jewellery could be attributed to changing consumer preferences, a rising presence of organised players and aggressive advertising campaigns.

Domestic gems and jewellery market split



Source: WGC, Industry, CRISIL MI&A Research

Numerous headwinds led to moderation in gold demand over fiscals 2016-23; organised players grew faster than the industry

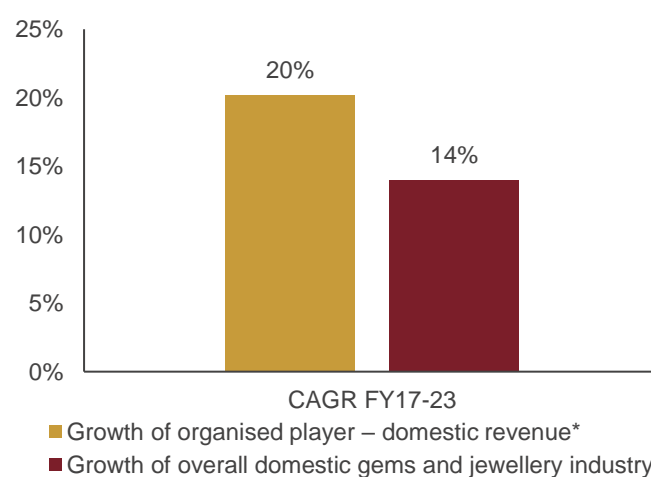
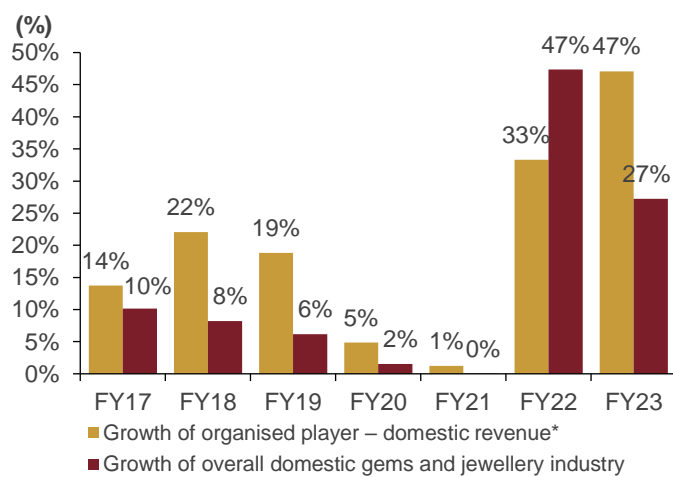
The convergence of several growth impediments — moderate growth in GDP per capita, demonetisation, rise in gold prices, the Covid-19 pandemic and adverse regulatory changes (such as an increase in import duty and PMLA implementation) — stalled gold demand growth over fiscals 2016-23. Jewellery demand declined to 558 tonne in fiscal 2017, affected by adverse regulatory changes such as demonetisation of high currency notes in the third quarter of fiscal 2017. It rose to 597 tonne and 604 tonne in fiscals 2018 and 2019, respectively. However, it again declined to 493 tonne and 369 tonne in fiscals 2020 and 2021, respectively, owing to high gold prices, an increase in import duty on gold, as well as Covid-19-induced lockdowns and store shutdowns. Gold jewellery demand rose to 579 tonnes in fiscal 2022 driven by the release of pent-up demand.

In fiscal 2023, a spike in gold prices during the peak festive season falling in the December quarter as well as an unprecedented rise led by US banking crisis in the March quarter pushed prices up. The rise in prices during the crucial demand season resulted in consumers postponing or entirely deferring purchases. Simultaneously, rising prices were a positive for investment demand resulting in higher offtake of gold bars and coins. As a result, the share of gold jewellery came down from around 75% in fiscal 2022 to 66% in fiscal 2023. Jewellery demand continued to dominate overall gold consumption in India though.

Though affected by an industry-wide slowdown in gold demand in fiscal 2020 and the pandemic in fiscal 2021, organised players continued to grow faster than the industry and gained market share as evident from revenue growth at a 20% CAGR for organised players between fiscals 2017 and 2023 compared with 14% for the industry. To compare growth of the organised players vis-à-vis their unorganised counterparts, CRISIL MI&A Research has considered domestic revenue of a sample of three publicly listed organised jewellery players – Titan (jewellery division), TBZ and Thangamayil.

Organised listed players grew faster than the industry in the past six years

Organised players grew at ~20% CAGR vs ~14% for the industry



Note: organised listed players considered (in both charts) Titan (jewellery division), TBZ and Thangamayil; domestic demand includes gold jewellery and coins

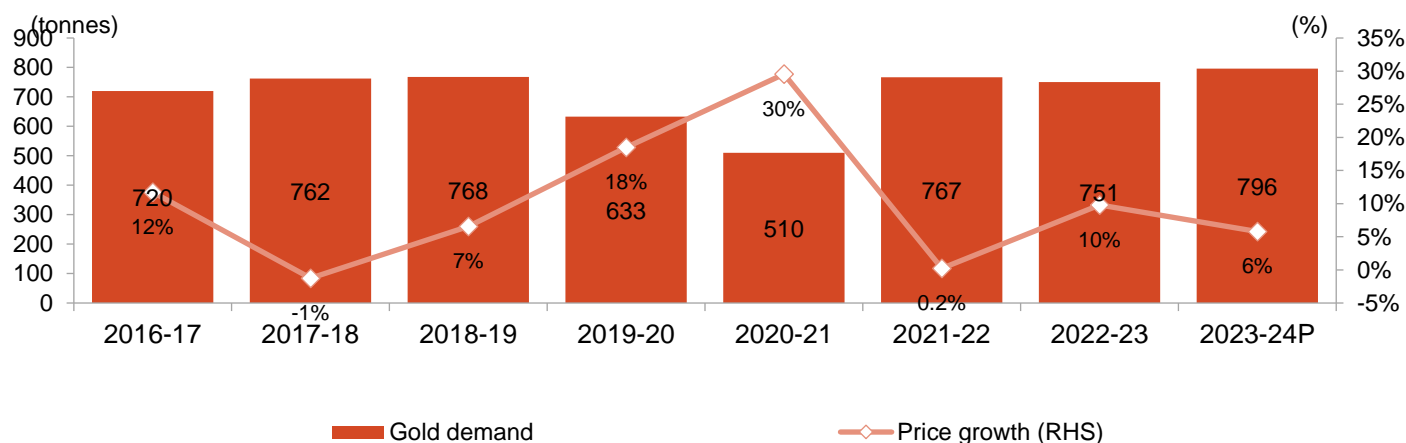
Source: Company annual reports; WGC; Industry; CRISIL MI&A Research

4.2 Outlook for domestic gold market

Demand to improve in fiscal 2024

After rising in fiscal 2020, domestic gold prices increased further by ~30% in fiscal 2021 in line with the rise in international prices and rupee depreciation, which had an impact on demand. Sales volumes plunged due to lower discretionary spending following the onset of the pandemic, with stores remaining shut for most of the first quarter, and intermittent lockdowns in some states in the second quarter. The festive season led to an improvement in demand during the third quarter, which held up in the last quarter too, due to the previous year's low base, wedding purchases and an improvement in consumer sentiment. Overall, demand declined 19% in volume terms in fiscal 2021.

Gold demand to improve in FY24



Source: WGC data accessed as on March 2023, CRISIL MI&A Research

Volume demand increased in fiscal 2022, driven by a low base, higher discretionary spending and the waning impact of the pandemic. The postponement of marriages because of the pandemic implied that pent-up demand manifested in fiscal 2022. Overall, volume demand rose 50% in fiscal 2022.

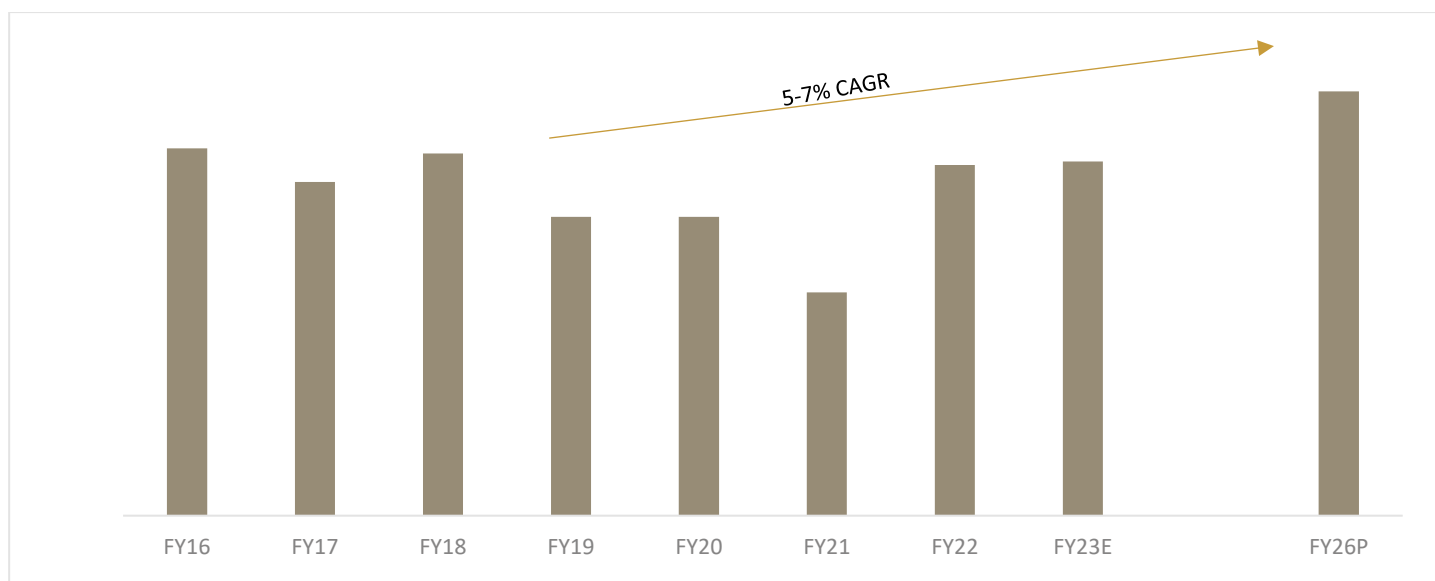
Domestic gold demand fell marginally during fiscal 2023 due to the rise in import duty from 7.5% to 12.5% from June 30. The gold demand witnessed healthy growth in the first quarter of fiscal 2023 on account of a low base and festive and wedding related purchases. However, with the increase in import duty on gold, retailers passed on the hike to customers, which impacted discretionary purchases

Going forward, while international gold prices are set to rise further in fiscal 2024. While this will translate into a rise in domestic prices, domestic demand is expected to grow in volume terms as well. Domestic demand is expected to improve by 5-7% in volume terms as the domestic market remains insulated from global shocks. Additionally, the seasonally strong December quarter is expected to continue its growth momentum as a normal monsoon supports rural demand and festive & wedding season aids in demand. Higher gold prices are likely to restrict further growth in demand during the year.

Gold jewellery demand in volume terms will likely improve over the medium term

A low base, pent-up demand, and more weddings are likely to boost jewellery demand in the near term. Over the long term, improving economic growth, rising urbanisation, and increasing disposable income levels are expected to aid growth. The formulation of a comprehensive gold policy announced during the Union Budget 2018-19 and mandatory hallmarking are also expected to be positive for the industry, especially for organised players in the long term. CRISIL MI&A Research expects consumption demand for gold to increase at a strong pace. However, inflation and geopolitical events are likely to impact demand.

Trend in gold jewellery demand (volume)



P: Projected

Source: WGC; CRISIL MI&A Research

CRISIL MI&A Research's forecasts assume no material fluctuations in international and domestic gold prices, a stable currency, and a steady regulatory environment. Material movements/changes in any of these factors will affect CRISIL MI&A Research demand forecasts.

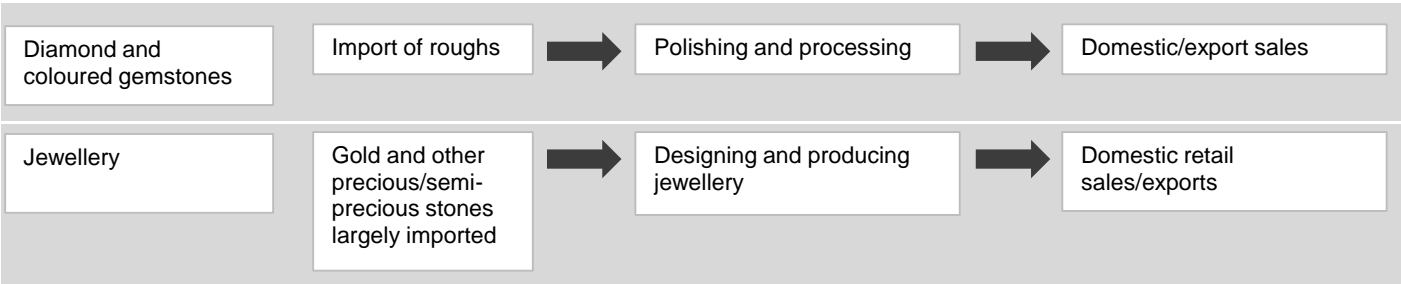
The demand for gold bars and coins remained at 188 tonne in fiscal 2022, with growth being lower than the jewellery segment, owing to lower volatility in gold prices that year. Volatility and a significant rise in gold prices in fiscal 2021 led to an improvement in demand from this segment. In fiscal 2023, the demand for gold bars and coins remained strong due to high inflation. Higher prices will support the demand for bars and coins in fiscal 2024. While CRISIL MI&A Research has estimated this investment demand for fiscal 2024, CRISIL MI&A Research is unable to provide a long-term growth forecast as investment demand is closely linked to gold price, which tends to be highly volatile.

With increasing disposable income, a growing middle-class population, rapid urbanisation, and consumer preference towards investment in gems and jewellery, the domestic diamond industry is also likely to witness healthy demand in the future. Consumers are expected to spend on products such as diamonds that strike a strong emotional chord, especially in a post-pandemic era.

4.3 Gold and diamond dominate the product value chain in India

The Indian gems and jewellery sector sources, manufactures, processes and markets gold, silver, platinum and other precious gemstones. Gold and diamonds occupy the top spot in the value chain.

Gold and diamond value chain



Source: CRISIL MI&A Research

While domestic demand is driven by gold (jewellery, bars and coins), diamonds are mostly processed and exported. The gems and jewellery industry can be segregated into two broad categories as given below.

Domestic market

The domestic market can be further segmented into:

- Jewellery: gold and diamond-studded jewellery and products made using other precious and semi-precious stones and precious metals
- Retail sales of gold coins and bars

Gold processing

Manufacturing and sales of gold jewellery



Source: CRISIL MI&A Research

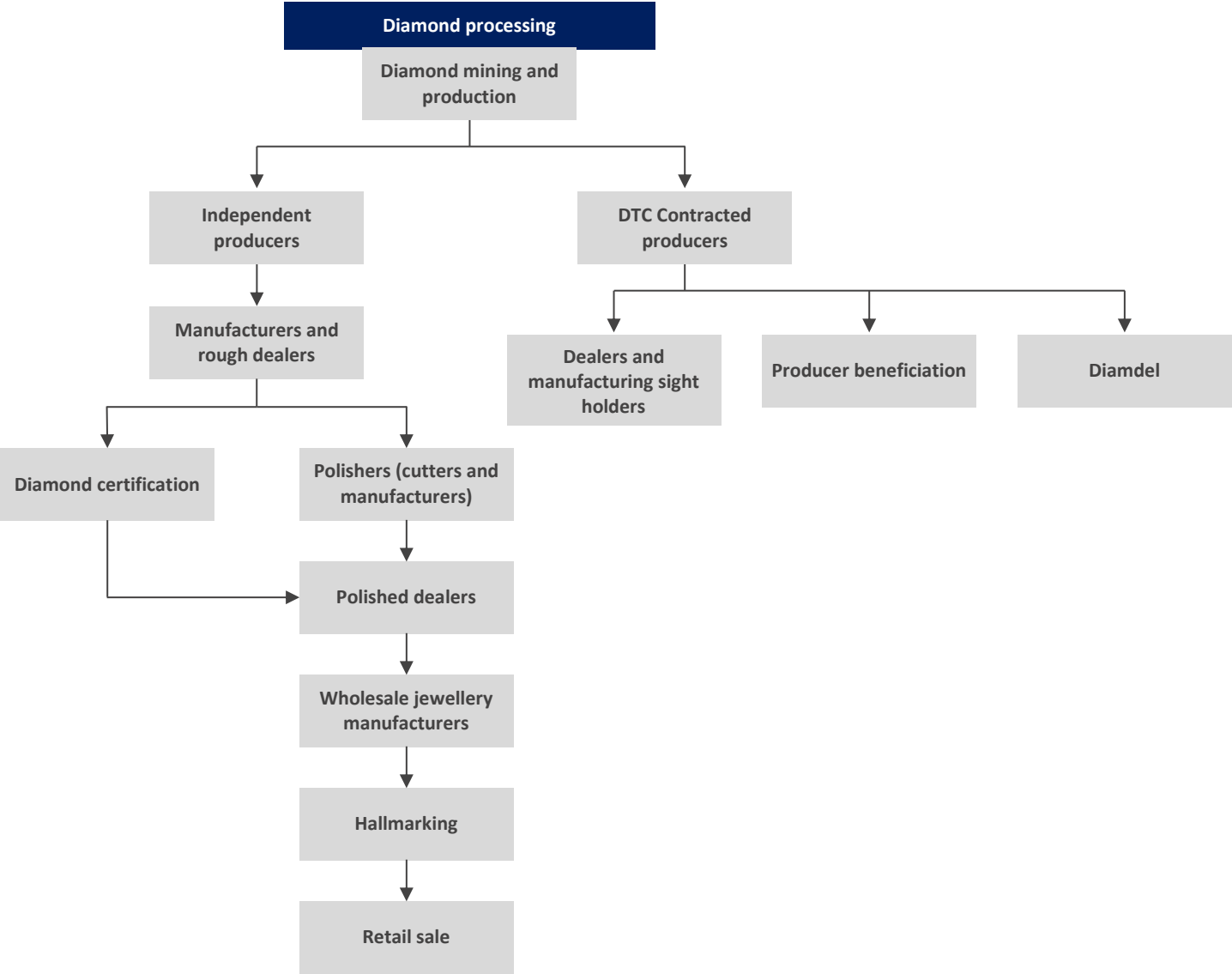
Export market

The gems and jewellery sector is a significant contributor to India's foreign exchange earnings. In fiscal 2022, gems and jewellery constituted 9.4% of the country's overall exports (in value terms). India's gems and jewellery exports comprise:

- Cut and polished diamonds
- Gold and diamond-studded jewellery
- Bars, coins and medallions
- Others, which include coloured gemstones, non-gold jewellery, pearls, synthetic stones, and rough diamonds

Diamond processing

Manufacturing and sales of diamond jewellery



Source: CRISIL MI&A Research

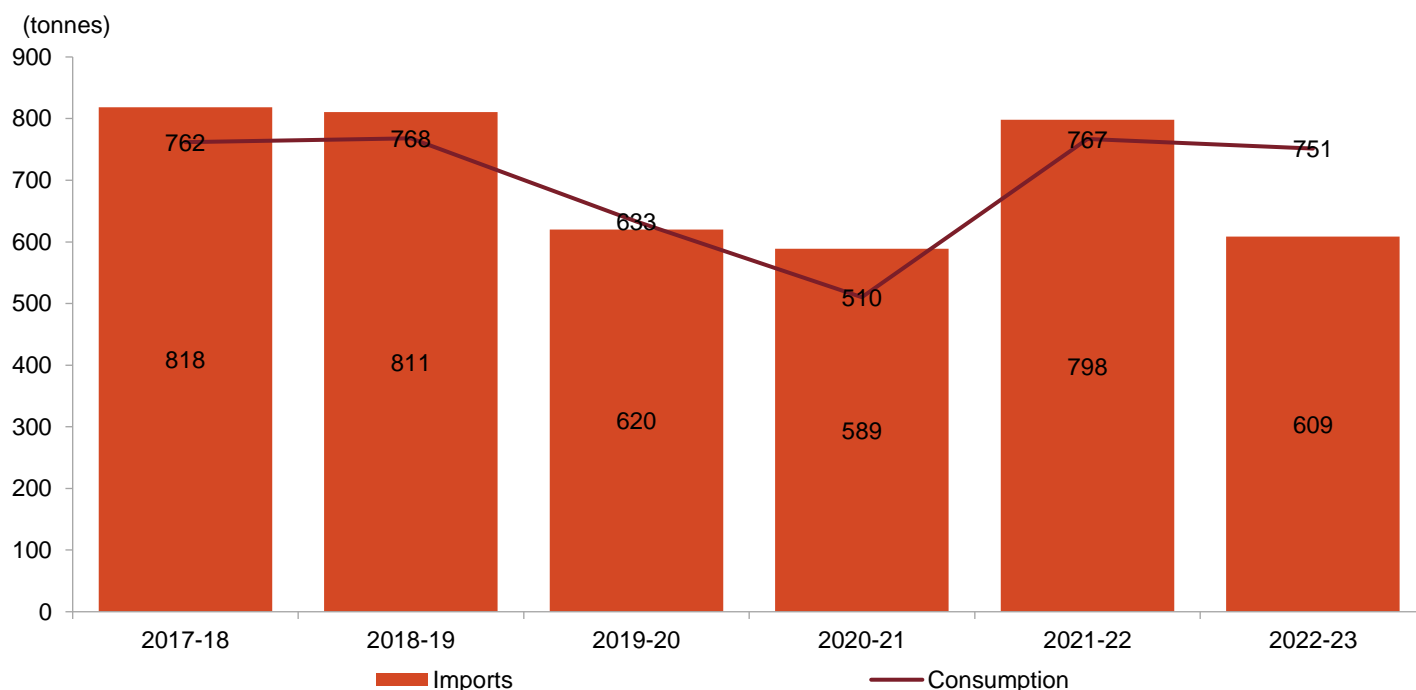
Superior skill sets win the sector global recognition

The Indian gems and jewellery sector has grown rapidly and won worldwide acclaim due to the availability of skilled craftsmen, superior techniques for polishing and cutting, and cost efficiency. The players source, manufacture, process and sell gold, silver, platinum, and precious gemstones.

India is also the world's largest diamond processor. The craftsmen manually cut and polish the gems – a distinctive feature of the sector in India. Surat, Gujarat is the world's largest diamond cutting and polishing centre. Currently, diamonds processed in India account for ~80% in carats, ~90% in pieces and ~25% in value of the global diamond market.

4.4 India's gold supply dominated by imports

Consumption mainly met by imports



Source: WGC; MCX; Ministry of Commerce & Industry; CRISIL MI&A Research

India is dependent on imports for the supply of gold as domestic production and recycling is much lower than consumption. In fiscal 2023, consumption of gold was 889 tonne and imports were 609 tonne.

4.5 Gold prices inch up marginally in fiscal 2023

Domestic gold prices usually mirror international prices

Domestic gold prices move in line with the international trend, as over 95% of demand is met through imports. Domestic prices recorded a declining trend between fiscals 2013 and 2016, falling to a low of ~Rs 26,500/10g (4% negative CAGR), similar to international gold prices. The events of the day, including the impending elections in the US, uncertainty over the Brexit referendum up international gold prices in fiscal 2017. This led to a ~12% on-year increase

in domestic gold prices. Apart from this, ~2.4% depreciation of the rupee against the dollar also fuelled the rise in prices. Domestic gold prices declined in fiscal 2018 by ~1% on account of oversupply, weak consumer sentiments and a stronger rupee. However, they rose ~7% in fiscal 2019, despite global prices declining by ~2% primarily on account of depreciation of the rupee by 8.5% on-year. In fiscal 2020, gold prices rose ~18% to Rs 36,984/10g, owing to a rise in international prices and an increase in import duty.

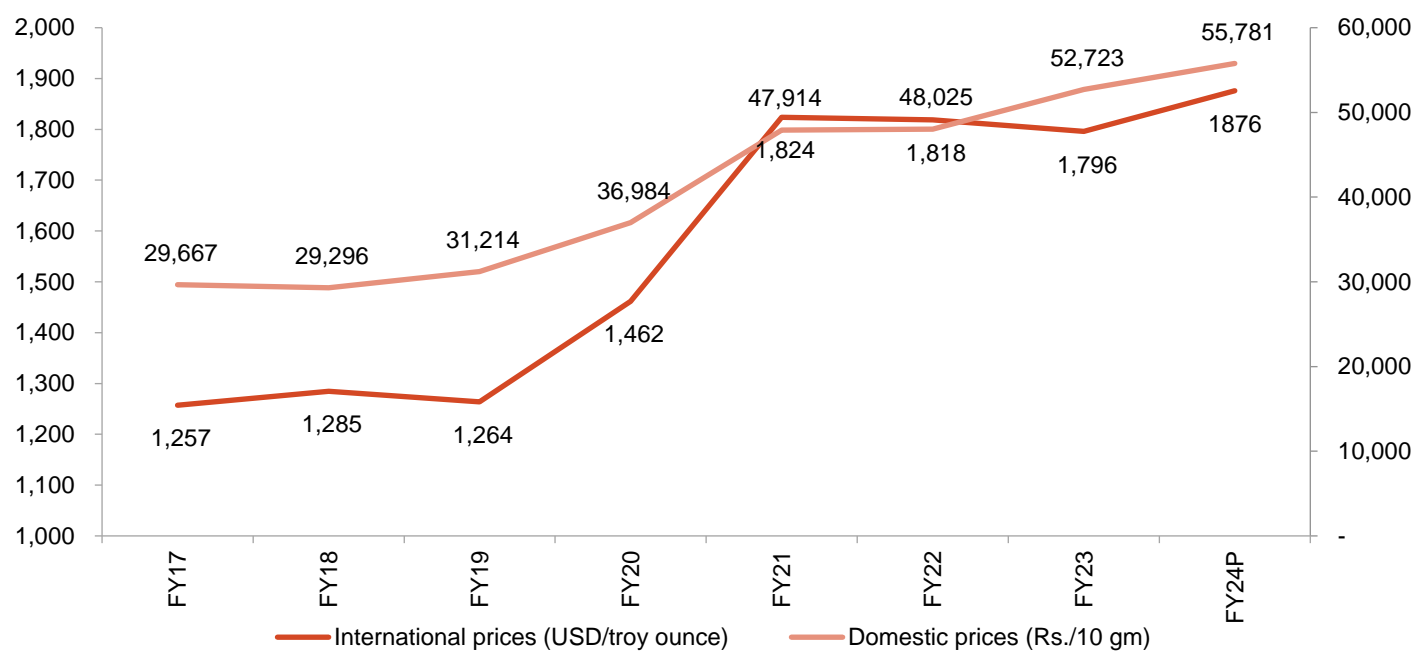
Rise in US Fed rate to put downward pressure on gold prices, continued geopolitical tensions, global economic slowdown to offer support

Domestic gold prices jumped 30% on-year in fiscal 2021 in line with the rise in international gold prices to historical highs and rupee depreciation of ~6%. The US Fed rate cut and pandemic-induced recessionary fears led to the rise. But prices came off those highs as the situation around the pandemic eased to some extent in fiscal 2022 and global GDP growth recovered. Abnormally high gold prices pushed more companies to increase their capacity, in turn leading to more sustainable price levels. However, owing to war between Russia and Ukraine, geopolitical tensions increased during the last quarter leading to higher gold prices during the quarter. Overall, international prices remained flat on-year in fiscal 2022. The Union Budget 2021-22 reduced import duty on gold from 12.5% earlier to 7.5%. However, it levied an additional agriculture infrastructure and development cess of 2.5%. Overall, this led to a ~2% decline in domestic price of gold. However, rupee depreciation and higher prices in the last quarter negated price decline. Overall, domestic gold prices remained flat in fiscal 2022 and attained Rs 48,025/10gm levels.

International gold prices fell in fiscal 2023 by around 1%. However, rupee depreciation and increase in import duty on gold led to an increase in domestic gold prices. The government increased import duty on gold by 5% to 12.5% and this supported the rise in domestic gold prices. Domestic gold prices are set to rise further in fiscal 2024 as higher international prices as well as the expected 1-3% rupee depreciation support prices. Additionally, the import duty on gold was increased on 1 July 2022 in a bid to contain India's current account deficit and this too will support the y-o-y growth in prices in Q1FY24. Consequently, domestic gold prices are expected to range between Rs.54,500-55,500 per 10 gms this year.

Bullion is highly sensitive to rising US interest rates, which will increase the opportunity cost of holding non-yielding bullion. The dollar is also expected to strengthen this year, which will put downward pressure on gold. While CRISIL MI&A Research expects international gold prices to rise further in fiscal 2024, it becomes harder to provide a long-term forecast as gold prices are dependent on various factors such as the geopolitical situation and exchange rates, which tend to be volatile.

Domestic prices to rise in fiscal 2024 due higher international prices and rupee depreciation



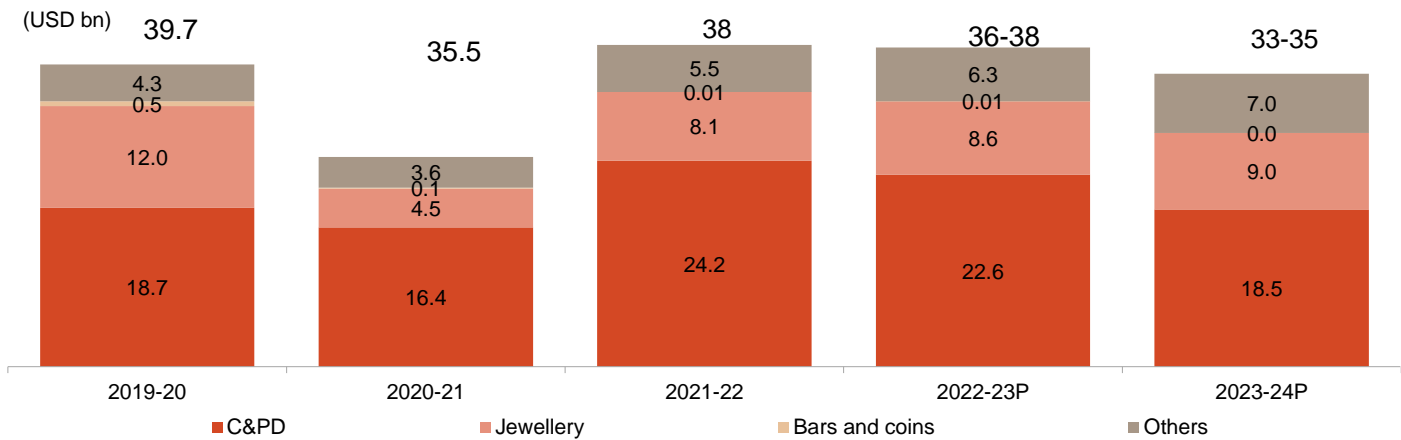
Source: WGC; MCX; CRISIL MI&A Research

4.6 Exports fell in fiscal 2023, to fall further in fiscal 2024

In fiscal 2021, the revenue of Indian exporters was negatively impacted by slowdown in global growth, decline in world trade, and deferment of global trade events/diamond and jewellery shows. Despite a low base, exports continued to drop in fiscal 2021 because of demand slowdown following Covid-19. After contracting 53% in the first half of the fiscal, exports grew 2% in the second half. This was on account of some demand coming from key exporting destinations such as the US and Hong Kong. Overall, exports declined 29% in fiscal 2021.

Exports rose 51% in fiscal 2022, driven by a low base and improvement in global demand as the pandemic's impact waned. Restrictions on overseas travel and lower spending on hospitality meant celebrations were largely restricted to spending on gifting, including gold and diamond jewellery. This helped India's exports in fiscal 2022.

India's segment-wise exports (value)



Note: P: Projected; C&PD: Cut and polished diamonds; 'Others' includes coloured gemstones, non-gold jewellery, pearls, synthetic stones, and rough diamonds

Source: Gem & Jewellery Export Promotion Council (GJEPC), CRISIL MI&A Research

Exports are estimated to have declined by 3-5% in fiscal 2023 on account of the significant impact on the cut & polished diamond segment. Gold jewellery exports benefitted from the free trade agreement (FTA) between India and UAE. With FTA, the 5% import duty on gold jewellery has been removed by UAE which will help improve exports from India.

During fiscal 2024, exports of cut & polished diamonds, which account for more than 60% of total exports of gems & jewellery, will likely fall for the second consecutive year. The fall in exports is expected to be on account of recessionary pressures and elevated inflation in key consumer markets such as the US. In value terms, exports of cut & polished diamonds are expected to fall by 17-19% this year. Demand for gold jewellery is set to grow at a moderate 4-6% particularly due to sustained demand from the Middle East.

5 Jewellery retailing market in India

Along with being one of the largest consumers of gold, India ranks fourth in global gold recycling, according to the World Gold Council (WGC). The five years up to 2022 saw around 11% of India's gold supply coming from old gold, as per WC, and this was likely driven by movements in gold prices, expectations of future prices as well as the grim economic outlook following the Covid-19 pandemic. Going forward, expectations of growth in the Indian economy could lead to less of distress selling of gold. However, fashion conscious customers tend to keep jewellery for a shorter period and are more willing to trade when the value of gold increases. Gold recycling is beneficial to jewellery manufacturers as it is fore cost-effective and affordable. The government has also taken steps to support and boost old gold recycling in India primarily because it reduces the reliance on gold imports. The government introduced the Gold Monetisation Scheme in 2015 where idle gold from households can be deposited with an RBI designated bank and interest can be earned on the same. The government, in February 2021, tweaked the scheme to transform banks and large jewellery retailers into BIS-certified gold collection and purity testing centres to encourage gold to enter the gold monetisation scheme system.

In India, jewellery is retailed through national chain stores, regional chain stores and local standalone stores. CRISIL MI&A Research defines a national chain store as the one that operates several stores across India, and a regional chain store as the one that operates several stores in a particular state or region. CRISIL MI&A Research has classified national and regional chain stores as organised, and standalone ones (can be one to three) as unorganised stores. The jewellery market is split between products for women, as well as children and men, with jewellery for women forming the major share. However, large organised retailers also have dedicated jewellery lines for men.

5.1 Unorganised players dominate, but organised rapidly gaining market share

The jewellery retailing industry in India has traditionally been dominated by family-owned small-size standalone stores, which are operated largely on trust and referred to as unorganised players. Organised players face competition from both the organised and unorganised sectors of the jewellery retail business. Until about two decades ago, these standalone jewellers accounted for ~90% of the domestic industry. Though this segment continues to account for a majority of the industry even today, the organised segment has grown rapidly in recent years and gained substantial market share (33-38% as of fiscal 2022). Independent jewellery showrooms and small family-run operations constitute the rest of the market. Organised players also face competition in some regions from certain regional players. However, there are certain critical factors for entry into the business of manufacturing and retailing jewellery in India. Among the most important of these factors is the need for significant working capital to purchase gold and diamonds, and the long-term relationships required to have access to adequate supplies of diamonds. Further, organised players have employed several techniques to increase their share. The organised jewellery retailers have introduced sophisticated advertising and sales campaigns, effective inventory management systems, and better variety and designs, and raised the quality standards of the industry, which has aided this shift. Further, better service quality, supply-chain efficiencies and enhanced transparency provide them an edge over standalone jewellers.

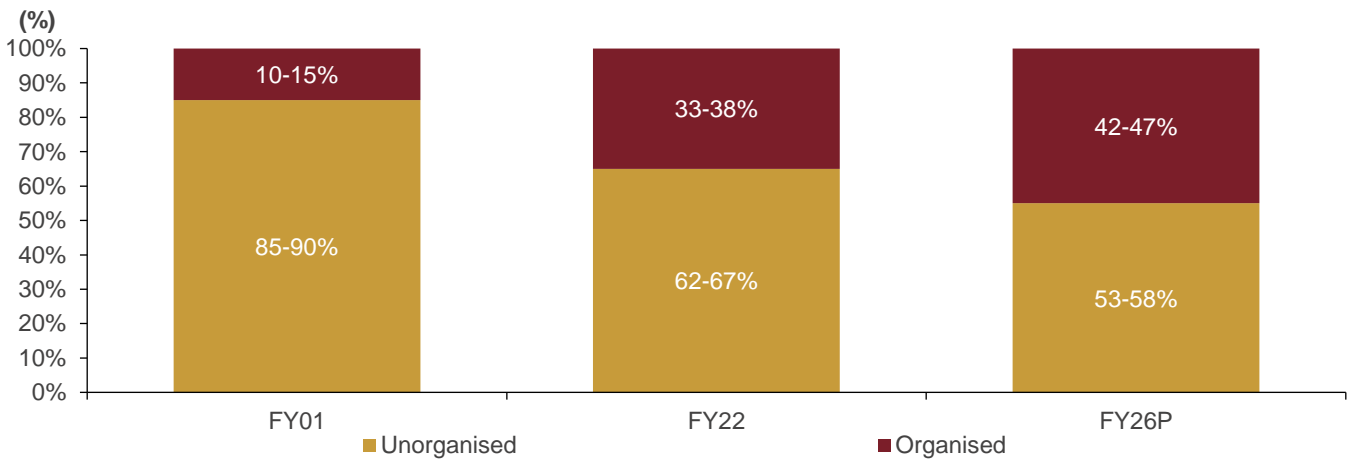
The emergence of pan-India jewellery retailing was marked by the launch of the Tata-owned Tanishq brand in the 1990s. Before that, several regions had their own strong brands, such as Kalyan Jewellers, Malabar Gold and Joyalukkas in the south; Senco Gold and PC Chandra Jewellers in the east; Tribhovandas Bhimji Zaveri, Waman Hari Pethe Jewellers and PN Gadgil in the west; and PC Jeweller in the north. To capitalise on consumer movement towards organised

jewellers from unorganised ones, many of these brands started to expand their presence at a pan-India level. Apart from opening company-operated stores, many also adopted the asset-light, franchise route for expanding their geographical presence. This reduced the capex requirement and enabled faster expansion.

Additionally, jewellery is retailed through major departmental stores such as Shoppers Stop and Lifestyle in the shop-in-shop format. Several global brands such as Swarovski, Damas and Forevermark have also set up outlets in the country.

CRISIL MI&A Research expects the organised segment to continue to gain market share and account for 42-47% by fiscal 2026. Changing consumer preferences, i.e., increasing demand for diamond-studded and light-weight jewellery, and a greater variety of designs augur well for the organised players, which have a wider product range and better design capabilities. Regulatory changes have also favoured these players and hastened the shift towards them. These changes include the implementation of the Goods and Services Tax (GST), which reduced the erstwhile tax arbitrage aiding unorganised players; and introduction of Hallmark Unique Identification (HUID) number for gold jewellery and other items to ensure a uniform standard of gold quality and better tracking & auditing for the government thereby helping in controlling unaccounted transactions. Several other measures area also taken by the government to curb unaccounted money flowing into the gold industry.

Organised segment to continue gaining share in the retail jewellery market



P: Projected

Source: Industry, CRISIL MI&A Research

Pan-India jewellers growing in presence

The organised segment, which currently accounts for 33-38% of the overall market, is dominated by regional chains. With years of experience in core regions, these jewellers have developed a deep understanding of consumer preference for designs and styles in the region and developed strong customer loyalty. However, this characteristic has started changing in recent times, with regional players venturing outside their core region in quest of growth. For example, south India-based Kalyan Jewellers, Malabar Gold, Joyallukas; west-based Tribhovandas Bhimji Zaveri; north-based PC Jeweller; and east-based Senco Gold and PC Chandra Jewellers have expanded their retail store presence outside their core markets in the past few years, similar to Titan, the first pan-India jewellery player. This trend is likely to continue as regional players continue to fortify their presence and emerge as pan-India players.

5.2 Factors that have aided growth of organised players

Industry interactions indicate national and regional jewellery retailers (organised segment) enjoy an edge over their smaller, standalone counterparts due to the following advantages:

- **Widespread presence across cities and locations:** National and regional jewellery retailers typically have a wider presence across several cities and locations compared with their smaller, standalone counterparts. Geographical diversification via owned as well as franchisee stores allows them to capitalise on growing consumer awareness about quality, brands and design trends, and gain share from the unorganised segment
- **Rise in migration:** In recent years, many young Indians have ventured out of their hometowns for better career opportunities. Rise in the migratory population augurs well for organised jewellers since these consumers mostly do not have strong relationships with local jewellers and are typically more inclined towards organised stores that offer contemporary designs
- **Focus on quality and trust:** Several national and regional jewellery retailers are laying a strong emphasis on quality with regard to caratage, an aspect that was previously undermined, especially before BIS hallmarking of jewellery. An increasing number of national and regional jewellers are opting for hallmarking registration to win customer trust. Launch of other schemes such as buyback of gold further helps reinforce their focus on quality
- **Better inventory management:** Typically, national and regional players have better inventory management systems owing to higher number of stores and, thus, presence over a wider region. This enables the players to shift inventory from stores showing low demand for a particular product to stores where there is more demand for the same or similar items. Further, an inventory-tracking system enables companies to monitor consumer preferences and enhance consumer satisfaction based on demand from the region
- **Product raw material sourcing:** Players largely rely on imports to source raw gold since India has negligible diamond and gold mining operations. With raw materials accounting for the largest share of a jeweller's operating costs, ability to source them efficiently is a major success factor. Owing to large volumes of purchases, large organised players have easier access to credit at more competitive rates than smaller, unorganised jewellers
- **Launch of new collections and brands:** Given their scale and size of operations, national and regional jewellery retailers are able to develop and design jewellery according to regional tastes as well as global trends, and launch new collections and brands at regular intervals, thus providing the customer with a wider choice
- **Investments in brand building:** Typically, national and regional jewellery retailers invest large amounts in brand building and advertising initiatives compared with the standalone players, which helps establish trust and create brand recall value for customers
- **Ability to attract better talent:** Typically, national and regional jewellery retailers have the ability to attract and retain better talent owing to a well-established brand name, faster growth opportunities and better profitability, which enable them to offer competitive salaries
- **Emergence of online formats:** Players are increasingly adopting the online format as an alternative sales channel, especially in metropolitan cities. As per industry sources, although the share of online in total gems and jewellery sales is currently miniscule (around 4% of the total industry), it is poised for fast growth of 28-33% and is expected to account for 7-8% of the gems and jewellery segment by fiscal 2025. Apart from physical brick-and-mortar (B&M) stores, players have created an online presence via their own websites, mobile

applications, or tie-ups with marketplace websites such as Amazon and Flipkart. Many prominent jewellers such as Tanishq, Kalyan Jewellers, Joyalukkas, Malabar Gold & Diamonds, Senco Gold & Diamonds, PC Jeweller, and Tribhovandas Bhimji Zaveri have started retailing jewellery online.

- **Regulatory changes:** GST implementation reduced the erstwhile tax arbitrage aiding unorganised players. Furthermore, measures such as demonetisation to curb unaccounted money flowing into the gold industry are expected to have aided organised players. The government has also introduced mandatory hallmarking of gold jewellery, which is expected to significantly reduce the price differential between organised and unorganised players. Currently, owing to the lack of awareness among consumers, unorganised retailers often sell non-hallmarked items with lower-than-stated caratage. This enables them to maintain profitability despite charging less than organised players. Proper implementation of this rule is likely to impact the profitability of unorganised players, who will then have to raise their making charges.
- **Mandatory Hallmark Unique Identification (HUID) for gold jewellery:** The government mandated a six-digit alphanumeric code HUID number for gold jewellery and other items from 1 April 2023. The hallmarking will enhance the attractiveness of standardised gold across India, and it will enable the tracking and auditing for the government thereby helping in controlling unaccounted transactions.
- **Better customer service and policies:** Organised players provide standard terms and conditions to all their customers in terms of exchange, refund and repairs, which play a pivotal role in driving repeat footfall and customer loyalty.

5.3 Jewellery demand, by region and type

Southern region dominates with 38-43% share

Industry estimates indicate ~70% of India's gold demand emanates from rural areas, in line with the demographics of the country. Within India, the southern states dominate with 38-43% of gold demand. Demand is supported by higher per-capita income, lower poverty rates and strong non-resident Indian demand. Industry estimates also indicate southern India is predominantly a 22-carat traditional, handmade market. In contrast, eastern India accounts for only 13-18% of gold demand. Similar to southern India, demand for jewellery in the eastern region is focused largely on the 22-carat type. In contrast, the northern (23-28%) and western (18-23%) regions prefer 14- and 18-carat jewellery, respectively.

Regional trends in jewellery demand

Particulars	South	West	North	East
Indicative market share (%)	40-45%	24-26%	18-23%	14-16%
Carat preference	22k	22k, 18k, 14k	23k, 22k, 18k, 14k	22k
Important centres	Chennai, Hyderabad, Kochi, Bengaluru	Mumbai, Ahmedabad	New Delhi, Jaipur	Kolkata

Note: The data is of fiscal 2023

Source: Industry, CRISIL MI&A Research

Wedding jewellery trends by region

State	Large sets	Small necklace	Bangles	Earrings	Chains	Gross weight (gm)
Uttar Pradesh	Choker	Choker	Kundan kangan, Ancia kangan	Kaan Matti	Mangal sutra	200
Kerala	Kazuthulia, Kasu mala, Lakshmi mala, Mulla motu	Kingini mala, Manga mala	Kolkata bangle, machine-cut bangle, Thoda bangles	Jhimki	Kurumulaka maala, Patthakam	320
Tamil Nadu	Lakshmi haram, Muthu haram	Vella kal mookhuthi	Muthu valayal, Lakshmi valayal, Kemu valayal	Kempu jhimkki	Mangal sutra	300
Karnataka	Akki saraa, Malliga saraa		Lakshmi baale, Coorgi baale, Kembina baale	Jhimki	Mangal sutra, Mohan saraa	280
Andhra Pradesh	Nakshi haram	Kandabaranam	Gajalu	Buttalu	Sutaru golusu	300
West Bengal	Sita haar	Gola chik	Plain baala, Mugh baala, Chitra baala	Jhumka		210
Maharashtra	Chapla haar, Laxmi haar	Tushi	Tode, Patli	Jhumke	Mangal sutra	250
Gujarat		Chandan haar	bangdi, Kundan bangdi	Kundan butti	Mangal sutra	180
Rajasthan	Rani haar	Thewa	Bangdi, Kada, Rajputi bangdi	Kundan butti		190

Source: Industry, CRISIL MI&A Research

Bridal jewellery leads with 50-55% of demand

Jewellery consumption in India can be broadly categorised as bridal, daily wear and fashion jewellery. Weddings play an important role in jewellery demand since Indian culture necessitates purchase of jewellery during weddings. This is based on the ancient concept of '*streedhan*', which loosely translates into property or assets given as security to the bride at the time of marriage. Immediate family members of the bride and groom are also gifted jewellery. Since bridal jewellery accounts for the maximum share of jewellery demand, it tends to be concentrated in months considered auspicious for weddings in India. Another key trend is families now tending to spread their wedding jewellery purchases based on factors such as availability of surplus income, drop in gold prices, and availability of schemes offered by jewellers. In some cases, families tend to purchase gold bars or coins on a regular basis, which are then converted to bridal jewellery as and when required.

In contrast, daily wear and fashion jewellery, which is more lightweight and of contemporary design, has started gaining market share with changing demographics, such as increase in working women, exposure to global designs, and increase in per-capita income.

Trends by jewellery type

Particulars	Bridal	Daily wear	Fashion
Indicative market share by weight (%)	50-55%	35-40%	5-10%
Carat preference	23k, 22k, 18k	22k, 18k	18k, 14k
Average weight (gm)	20-250	5-30	5-20

Note: The data is of fiscal 2022

Source: Industry, CRISIL MI&A Research

5.4 Key demand drivers for jewellery in India

Indian tradition

Tradition is one of the drivers for domestic gold demand since it is a part of many rituals. In India, it is considered auspicious to purchase gold during festivals, weddings and birth. The most important festival for gold-buying is Diwali, which usually takes place in October or November. Akshaya Tritiya is another important festival. This is one of the most auspicious days in the Hindu calendar (usually late-April/early-May), and gold purchases on this day are considered auspicious.

As a savings and investment vehicle

Gold and gold jewellery, over the years, have become an important investment asset in India, providing liquidity and a hedge against inflation.

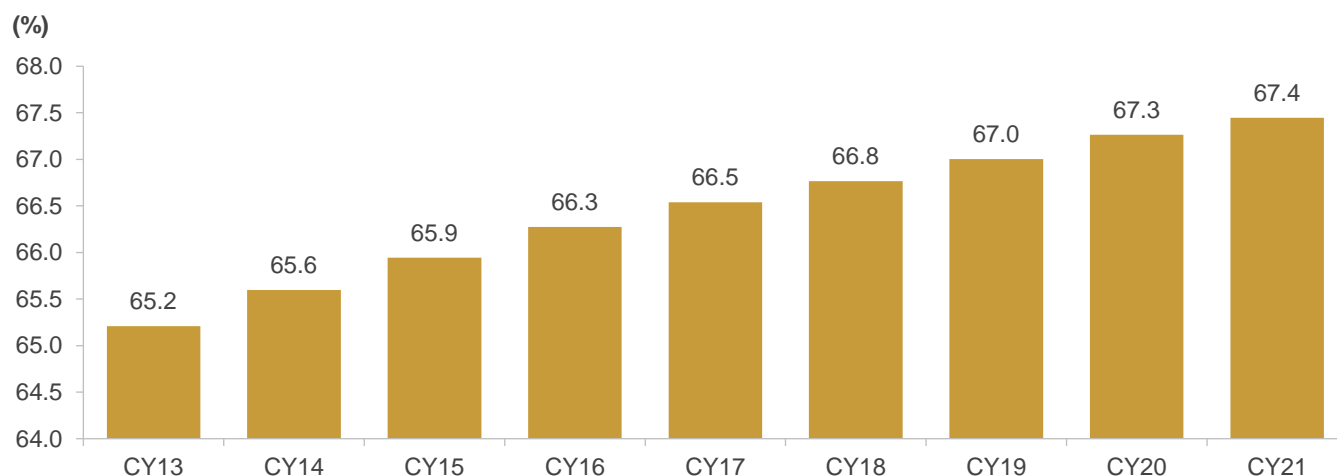
Increasing awareness of other product categories such as diamonds and pearls

India is the second-largest consumer of gold in the world after China; jewellery constitutes about three-fifths of total gold demand in India. While the penchant for gold is likely to remain in the long run, there is also a rise in awareness among consumers about diamonds, pearls and other types of jewellery. To tap into this demand, retailers are offering a variety of products (lightweight jewels, platinum jewels, etc.), which are exotic as well as affordable.

Increasing share of working population

The share of working-age population in the overall population has risen from ~65% in calendar year 2013 to ~67% in 2021. Demand for lightweight, daily-wear fashion jewellery is expected to rise with the younger generation entering the workforce. This augurs well for jewellery retailers since this group accounts for the bulk of gold demand.

Increasing share of working population age group in India



Source: World Bank – World Development Indicators, CRISIL MI&A Research

Increasing disposable income

Jewellery demand in India is largely driven by a rise in disposable income. Industry estimates and studies indicate that all other factors being equal, gold consumption enjoys a positive correlation with rise in per-capita income. Further, millennials or Gen Y (persons born between 1981 and 1996) tend to have slightly higher disposal income. Gen Z, born after 1996, are yet to hit their peak earning potential, leading to lower disposal incomes.

India's per-capita income increased at an 8% CAGR over fiscals 2017-22 to Rs 150,000 per annum in fiscal 2022. It is expected to increase going ahead, which augurs well for jewellery retailers.

Rise in the number of working women

Though the proportion of women participating in the workforce remained largely flat over 2001-10, as per Census 2011, it increased ~18% from 127 million in 2001 to 150 million in 2011, at a 1.6% CAGR. Women have traditionally been major consumers of gold and jewellery and/or influencers of their purchase in India. Hence, the increasing number of working women is likely to result in a higher propensity to spend, which may have a positive impact on gold jewellery demand. On account of this trend, over the past few years, several brands of lightweight daily wear and fashion jewellery have been launched, especially by organised jewellers, to address the needs of working women.

Availability of inexpensive and skilled labour

India is very competitive in the international gems and jewellery market owing to low cost of production and availability of skilled artisans. Further, Indian artisans specialise in processing small diamonds, unlike other large markets such as Belgium and Israel.

Training institutes

The government has set up training gems and jewellery institutes to develop a skilled workforce that is proficient in the latest aspects of jewellery design, refining, model making, jewellery manufacturing, CAD/CAM, gemmology, and diamond grading. Such institutes can also encourage constant product innovation to cater to changing global preferences.

Research

Government support

Incentives such as duty drawbacks and waiver of customs duties on imports of rough diamonds have been a shot in the arm for the industry. Moreover, the government's move to set up diamond bourses and dedicated special economic zones should encourage small and unorganised players.

5.5 Key challenges for the sector in India

Intense competition can dent players' revenue and profitability

The domestic market is highly fragmented, with a large number of family jewellers having a regional presence. Competition in the retail jewellery market is poised to increase further as branded players expand aggressively, in terms of both ownership and franchise. This could impact revenue and margins of unorganised players. Organised players gain because they have brand recall, offer a wide variety of new and contemporary designs, hallmark their gold jewellery, engage in aggressive marketing techniques, and offer a better in-store experience.

Working capital intensity

Domestic players have a high working capital cycle. Any further stretching in the working capital cycle can lead to an adverse effect on their liquidity and financial risk profile.

Demand risks

Demand (especially for jewellery exports) is susceptible to growth rates and incomes in target markets. In domestic markets, rising inflation, economic slowdown and lower rise in incomes could eat into consumers' disposable incomes, which would reduce their appetite to spend on discretionary items, including jewellery. Volatility in prices of gold and diamonds could also affect demand.

Geographical concentration of operations

High geographical concentration, with a limited number of stores or retail outlets, constrains players' risk profile. It also exposes companies to demand volatility arising from local factors. Regional expansion of the sales network will mitigate this risk.

Failure to keep up with changing trends

India lags in designing capabilities in machine-made jewellery (such as Italian lightweight jewellery), though it leads in the fabrication of handmade and handcrafted traditional jewellery. A major shift in consumer preferences and lack of timely and adequate response would impact revenue of jewellery manufacturers.

Advanced technology and expertise

The unorganised nature of the industry hinders technological developments. India is behind countries such as Belgium (Antwerp) that have historically been large diamond hubs and are technologically more advanced. Better technology enables players to earn higher margins, whereas Indian units process small, low-value diamonds and earn lower margins.

Threat from rough diamond-producing countries

In the past, there has been rising political pressure from diamond-producing countries in Africa for forward integration because diamond cutting and polishing provide larger economic benefits than mining.

Unanticipated regulatory changes

Potentially adverse regulatory changes, such as hike in import duty and ban on gold on lease, can impact demand, margins, or enhance working capital requirements of the gems and jewellery industry.

5.6 Recent trends in retailing of gems and jewellery in India

Retailing of gems and jewellery in India has gone through a transition over the past few decades as consumers have become more informed and are demanding the highest standards of quality. Several players have adopted or are in the process of adopting the initiatives listed below in an effort to differentiate themselves from competition and earn customer trust.

Emergence of the online format

Players are increasingly opting for online sales, especially in metropolitan cities. The market for online purchase of jewellery increased at a CAGR of ~38% between fiscals 2017 and 2022. As per industry sources, although the share of online in total gems and jewellery sales is currently miniscule (around 4% of the industry), it is poised for fast growth of 28-33% and is expected to account for 7-8% of the gems and jewellery industry by fiscal 2025. Exponential growth will be a result of several emerging factors in the industry, as detailed below:

- **Variety and price point** — Access to a variety of designs for different occasions and of different ethnicity, coupled with easy comparability between prices across websites, has increased customer confidence and led to preference for online purchase of jewellery
- **Quality** — Assurance of quality products and high purity, in addition to transparent and customer-friendly policies, has led to the segment's growth
- **Penetration** — Demand for artificial jewellery from Tier 2 and 3 cities has been increasing consistently as people in these cities generally draw inspiration from trends prevailing in Tier I cities. In fact, 45-50% of sales volume is estimated to be generated from these cities
- **Awareness** — Deeper penetration of the internet, increasing awareness of the availability of real and artificial jewellery online, and mounting awareness about authenticity of the products have reduced resistance and made it easier for new players to reach the market
- **Convenience** — Improved product and service offerings from players with easy return policies, home-try options and provision for customisation make it lucrative for customers to try the online option
- **Small ticket-size items** — Players mostly see demand for small ticket-size ornaments such as rings. They are coming up with new, modern and lightweight designs to attract customers

Apart from physical brick-and-mortar (B&M) stores, players have created an online presence via their own website, mobile application, or a tie-up with a marketplace website such as Amazon and Flipkart. Many prominent jewellers, such

as Tanishq, Kalyan Jewellers India Ltd, Joyalukkas India Pvt Ltd, Malabar Gold & Diamonds, Senco Gold & Diamonds, PC Jeweller, and Tribhovandas Bhimji Zaveri, have started retailing jewellery online.

Additionally, jewellery-focused websites such as Carat Lane and Bluestone are gaining traction as an alternative channel of sales. A key issue during online jewellery purchase is the consumer's preference for physically examining the product for its size and look prior to buying. However, players have tried to overcome this roadblock via solutions such as free trials at home, applications that allow virtual trial of jewellery, and customisation of size after finalisation of the product.

Increasing preference for lightweight jewellery

With an increasing number of working women, exposure to global designs, and a rising number of young consumers who prefer to purchase jewellery for adornment rather than investment, consumer preference is shifting away from traditional bulky jewellery towards lightweight fashion items. Hence, jewellery retailers have started manufacturing lightweight fashion jewellery of contemporary designs, suitable for daily use.

Availability of BIS hallmark/ accredited jewellery

The government has made it mandatory for jewellers to sell only hallmarked jewellery. However, initially, hallmarking has started in the 256 districts of the country that have assaying marking centres. Also, jewellers with an annual turnover up to Rs 40 lakh will be exempted from mandatory hallmarking. BIS hallmark certification provides assurance on the quality (caratage) of the product. The presence of BIS hallmark certification allows for ease in the eventual sale of the product and can become a critical deciding factor for buyers. As of May 2023, there are more than 150,000 stores registered with BIS for selling hallmarked gold jewellery.

Buyback schemes

Several players offer to buy back their jewellery subject to certain terms and conditions with regard to time and valuation. This not only highlights the quality aspect of the product, but also provides a certain degree of flexibility to buyers.

Monthly investment plans

Monthly investment plans have become popular as a key offering among jewellery retailers. Under this scheme, customers pay equated monthly instalments that get converted into a purchase at the end of the payment cycle. Since the customer opts to pay for the product in advance, retailers offer additional value benefit over the instalments paid by the customer at the time of purchase. It allows the buyer to easily purchase a big-ticket product.

Availability of customisation

A key differentiating factor used by some players is the availability of the customisation option. Depending on the level of customisation offered, customers can choose to either alter specific aspects of the product design, such as length and width, or have an entirely custom-made product as per their preference.

National/ regional chains invest in advertising to strengthen their brand image

As mentioned earlier, national and regional chains invest large amounts in advertising to establish trust among customers, broaden their appeal and, in doing so, build their brand.

In line with the emergence of organised jewellery retailers, the advertising strategy of players in this industry has also evolved. Previously, players used to opt for mostly print media — publishing ads in newspapers, magazines, etc. However, with the dawn of technology, despite higher costs, the industry has shifted more towards digital and outdoor media.

Many players have roped in celebrities as brand ambassadors to promote and strengthen their brands. Major industry players have carried out region-specific campaigns wherein a different brand ambassador is roped in for each state.

For instance, in southern India (its core region), Kalyan Jewellers India Ltd (KJIL) has run campaigns wherein it engaged with a different brand ambassador for each state — Prabhu Ganesan in Tamil Nadu, Manju Warriar in Kerala, Nagarjuna Akkineni in Andhra Pradesh, and Shiva Rajkumar in Karnataka. This was done to build trust and increase brand awareness. Similar campaigns and advertising strategies were also carried out by other players such as Joyalukkas India Pvt Ltd (JIPL). Eastern India-based player Senco Gold Ltd (SGL) has roped in celebrities such as the Indian cricket team's ex-captain Sourav Ganguly; actresses Vidya Balan, Kiara Advani, Madhumita Sarcar and Sunita Devi brand ambassadors. Further, many players invite their brand ambassadors to inaugural ceremonies of showrooms, which provides good media coverage, thereby fuelling consumers' curiosity to visit the showrooms.

Brand ambassadors of select companies

Particulars	Brand ambassadors over the years*
Titan Company Ltd (jewellery division)	Deepika Padukone
Kalyan Jewellers India Ltd (KJIL)	Sonam Kapoor, Amitabh Bachchan, Manju Warriar, Aishwarya Rai Bachchan, Sushmita Sen, Prabhu Ganesan, Nagarjuna Akkineni, Shiva Rajkumar
PC Jeweller Ltd (PCJ)	Akshay Kumar, Twinkle Khanna, Giselli Monteiro, Mugdha Godse, Madhur Bhandarkar, Shilpa Shetty
Joyalukkas India Pvt Ltd (JIPL)	Kajol Devgan, R. Madhavan, Allu Arjun, Suresh Gopi, Kiccha Sudeep, Hiran, Hrithik Roshan
Tribhovandas Bhimji Zaveri Ltd (TBZ)	Vani Kapoor and Sara Ali Khan
Senco Gold Ltd (SGL)	Vidya Balan, Sourav Ganguly, Kiara Advani, Sunita Devi, Madhumita Sarcar and Isha Saha
P.C. Chandra Jewellers	Koel Mallick, Deepika Padukone, Yami Gautam, Hasleen Kaur, Sayyeshaa Saigal
M.P. Jewellers	Bidita Bag, Arpita Chatterjee

* Indicative list, may not be exhaustive; includes both current and past brand ambassadors

Source: Company website and annual reports, news articles, CRISIL MI&A Research

5.7 SWOT analysis for organised jewellers

Strengths	Weaknesses
<ul style="list-style-type: none"> Wider presence through many retail stores reduces geographical concentration; can cater to a diverse set of consumers Better quality perception and trust among customers as organised jewellers sell hallmarked jewellery and certified diamonds Stronger brand recall among consumers owing to higher investment in brands Availability of various designs; launch of new collections allows organised jewellers to cater to evolving customer needs Higher share of diamond-studded jewellery, which provides higher gross margins than gold jewellery Better balance sheet and profitability than most unorganised jewellers 	<ul style="list-style-type: none"> Highly working capital-intensive operations High competition from pan-India jewellery chains, regional players, and standalone stores Limited pricing power, albeit higher than unorganised players, owing to the commoditised nature of gold Limited understanding of consumer preference can make it difficult to compete with local unorganised players when expanding to a new market
Opportunities	Threats
<ul style="list-style-type: none"> Shift in consumer demand from unorganised to organised jewellers Increasing consumer preference for diverse designs, lightweight jewellery, and diamonds, which are organised jewellers' forte Increasing affordability, rising number of working women, and growing urbanisation can lead to higher consumption of gold jewellery Favourable regulatory changes such as implementation of GST, clampdown on unaccounted money, and mandatory hallmarking are reducing the advantages enjoyed by the unorganised segment and hastening the shift in demand towards the organised segment 	<ul style="list-style-type: none"> Potentially adverse regulatory changes, such as hike in import duty and ban on gold on lease, can impact demand, margins, or enhance working capital requirements Substitution risk from other asset classes such as equities, bonds and real estate Shift towards artificial/ fashion jewellery, especially among the younger consumers, for whom the storage value of gold is lower

5.8 Unit dynamics of a jewellery retail store

Indicative workings of a typical large retail jewellery store

Particulars	Unit
Size (sq. ft)	3,000-4,000
Average sales per sq. ft per year (Rs/ sq. ft)	150,000-200,000
Total revenue (Rs million) (A)	500-600
Share of diamond-studded jewellery in total	10-30%
Gold gross margin	~11%
Diamond gross margin	~35%
Blended gross margin	15-18%
Store costs (as percentage of sales)	
Advertising	2-3%
Salary	1-2%

Rentals	1-2%
Other overheads	1-2%
Operating margin of the store (B)	10-12%
Operating profit of the store (Rs million) (C=A*B)	55-65
Per sq. ft capex (Rs)	5,000-6,000
Total capex required (Rs million) (D)	15-20
Days in inventory	150-250
Total inventory (Rs million)	150-300
Total capital employed (Rs million) (E)	215-300
Depreciation (F = E*1.5%)	2-5
EBIT (G = C-F)	45-60
RoCE (G/E)	15-25%

Source: Industry, CRISIL MI&A Research

- In the table above, CRISIL MI&A Research has captured the typical workings of a large retail jewellery store covering 3,000-4,000 sq. ft under the company-owned, company-operated model. This analysis is based on secondary data available in the public domain and primary discussions with gold jewellery retailers. This is an indicative calculation and is liable to change due to many factors, including, but not limited to, location of the store, sales mix between gold and diamond-studded jewellery, brand strength of the store operator, and operational and working capital efficiencies.
- CRISIL MI&A Research has assumed an annual per sq. ft sale of Rs 150,000-200,000, which is in line with industry standards. The ratio of gold to diamond-studded jewellery is assumed at 75:25, which is akin to that of established organised jewellers such as Titan, PCJ and TBZ.
- Based on secondary research and primary interactions, CRISIL MI&A Research understands that gross margin for diamond jewellery is higher than for gold jewellery. Gross margin for gold jewellery ranges from 10% to 12%, and for diamond-studded jewellery from 30% to 40%. Therefore, CRISIL MI&A Research has assumed ~11% gross margin for gold and ~35% for diamond-studded jewellery. Consequently, according to CRISIL MI&A Research, blended gross margin works out to 15-18%, which is likely to change in case the gold and diamond-studded jewellery mix and/or the gross margins are different from CRISIL MI&A Research's assumptions.
- CRISIL MI&A Research has calculated the overhead cost for the store — advertising (2-3% of sales), rental costs (1-2%), staff salary costs (1-2%), and other overhead costs (1-2%). Given that this calculation is for a single store, CRISIL MI&A Research has not assumed corporate overheads that would be part of a jewellery retailing company.
- After deducting the overheads, the store's operating margin works out to 10-12%.
- CRISIL MI&A Research has assumed the average capex for a typical jewellery store to be Rs 5,000-6,000 per sq. ft. Based on this assumption, the aggregate capex for the store (including lease rental deposits) works out to Rs 15-20 million.
- The jewellery retailing industry is working capital-intensive. CRISIL MI&A Research has, thus, assumed net inventory days of 150-250 days (on revenue), considering that a substantial share of revenue comes from

diamond-studded jewellery, which has a longer inventory turnover cycle. The total inventory requirement works out to Rs 150-300 million.

- Adding the inventory and store capex, the total capital employed for the store is assumed at Rs 215-300 million.
- After accounting for depreciation, CRISIL MI&A Research has arrived at earnings before interest and taxes (EBIT) of Rs 45-60 million. By using these numbers, return on capital employed (RoCE) for the store works out to 15-25%.

5.9 Competitive benchmarking

Competitive profiling of major organised jewellery retailers in India

Most jewellery retailers in India manufacture and sell gold, silver and diamond jewellery.

Details of major organised jewellery retailers in India (indicative list, not exhaustive)

Players	Description	Incorporation year	Key product segments	Collections*	Store count*	Regional presence
Titan Company Ltd [#] (jewellery division)	Titan Company Ltd, a joint venture between Tata Group and Tamil Nadu Industrial Development Corporation, commenced operations in 1984 under the name Titan Watches Ltd. Titan's jewellery division started in 1995 with the introduction of Tanishq showrooms in India.	1984	Gold, diamond, silver and platinum jewellery	Aveer, Mirayah, Swarnam, Ekavvam, Aarambh	411 [#]	Pan India
Malabar Gold Pvt Ltd	Incorporated in 2001, Malabar Gold is one of the major gold jewellery retailers in India. It also has operations in the Middle East.	2001	Gold, diamond and platinum jewellery; gemstones	Tulle, Elaara, Crown	184	Pan India International: Bahrain, the UAE, Kuwait, Malaysia, Oman, Qatar, Saudi Arabia, Singapore, and the US
Joyalukkas India Pvt Ltd (JIPL)	JIPL was incorporated in 2002 and opened its first store in Kottayam, Kerala. Promoted by Alukkas Varghese Joy, the company's stores are concentrated in southern India. The company also has some presence in the rest of India with stores in Mumbai, Gujarat, National Capital Region and Kolkata.	2002	Gold, diamond and platinum jewellery	Apurva, Ratna, Veda, Zenina, Pride, Eleganza, Li'l Joy	86	Pan India, mostly southern region International: the UAE, Oman, Bahrain, Qatar, Saudi Arabia, the UK, Singapore, Malaysia, the US, Kuwait
Kalyan Jewellers India Ltd** (KJIL)	Incorporated in 1993, Kalyan Group's KJIL is an established jewellery retail player in southern India, with growing presence in other regions. It also has operations in the Middle East through wholly owned and step-down subsidiaries.	1993	Gold, diamond and platinum jewellery; gemstones	Mudhra, Tejasvi, Apoorva, Ziah, Laya, Sankalp, Nimah, Rang, Hera, Anokhi	184	Pan India International: Kuwait, Abu Dhabi, Ajman, Dubai, Ras Al Khaimah, Sharjah, Al Khor, Al Rayyan, Al Wakrah, Doha, Muscat
Senco Gold Limited (SGL) ^{##}	SGL was incorporated in August 1994 as a private limited company and was reconstituted as a public limited company in 2007. The company manufactures and retails plain and studded gold jewellery along with diamond, platinum and silver jewellery. It also exports to wholesalers in Singapore, Dubai and Malaysia.	1994	Gold, diamond, platinum and silver jewellery	Everlite, Vivaha, Aham, Gossip, Perfect Love Diamond Solitaires, Shloka	136 ^{##}	Pan India; majorly eastern India

Players	Description	Incorporation year	Key product segments	Collections*	Store count*	Regional presence
Thangamayil Jewellery Ltd (TJL)	TJL's business commenced as a proprietorship concern by Balusamy Chettiar in 1947, but was reconstituted as a public limited company in 2007. The company is a gold, diamond and silver jewellery retailer based in Madurai, Tamil Nadu.	1947	Gold, diamond and silver jewellery	Malai, Mangalyam	54	Southern India (concentrated in Tamil Nadu)
TBZ	TBZ is part of the TBZ-The Original parent brand, which commenced operations in 1864 and was reconstituted as a public limited company from a private limited company in December 2010. The company has stores across 26 cities in 11 states.	1864	Gold, diamond and platinum jewellery; gemstones; Jadau jewellery	Azva, Ria, Dohra, Temple Collection	32	Pan India; majorly western India
PCJ	PCJ started its operations in April 2005 with a showroom in Karol Bagh, New Delhi. The company offers a wide range of jewellery across various price points and is increasingly focusing on diamond jewellery.	2005	Gold and diamond jewellery, silver items	Lal Quila, Grecia, Amalia, Inayat, Mesmerizing Love	79	Pan India

* Indicative list of collection, and not exhaustive

*Store counts are sourced from company websites, accessed on May 25, 2023

**SGL store count as on March 31, 2023

#Titan Watches was established in 1984; Titan launched jewellery brand Tanishq in 1995

#Titan store count includes stores of Tanishq, Mia and Zoya

**KJIL entered the jewellery retailing business in 1993; the group has been in textile retailing and wholesaling for over 100 years

Source: Company website, annual reports and filings, CRISIL MI&A Research

Key observations

- Titan has the highest number of stores in India
- TBZ is the oldest brand among the above players - the parent brand was established in 1864

Financial benchmarking of major organised jewellery retailers in India

Financial data of major organised jewellery retailers (FY22)

Particulars	Operating income (FY22, Rs million)	Operating income growth (FY20-22 CAGR)	Gross margin (FY20-22 average)	Operating margin (FY20-22 average)	Net profit margin (FY20-22 average)	Inventory days (FY20-22 average)	ROCE (FY20-22 average)	ROE (FY20-22 average)	Working Capital Days (FY20-22 average)	Gearing (FY20-22 average)	Interest Coverage (FY20-22 average)
SGL	35,346	20.8%	15.8%	8.0%	3.2%	163	16.9%	15.8%	123	1.03	3.5
Titan Company^	2,41,370	19.0%	25.7%	10.7%	6.4%	171	31.9%	22.2%	60	0.07	13.8
TJL	21,936	13.9%	11.0%	6.3%	3.1%	134	20.2%	22.7%	92	1.16	4.3
KJIL	1,08,179	3.5%	16.5%	7.6%	1.1%	213	10.8%	4.8%	125	1.14	2.1
TBZ	18,438	0.9%	16.7%	6.8%	1.8%	266	8.8%	5.7%	186	0.99	2.3
PCJ	16,061	-44.5%	14.7%	6.1%	-6.9%	845	4.4%	-2.0%	930	0.67	0.8

Financial data of major organised jewellery retailers (FY23)

Particulars	Operating income (FY23, Rs million)	Operating income growth (FY20-23 CAGR)	Operating margin (FY20-23 average)	Net profit margin (FY20-23 average)	Inventory days (FY20-23 average)	ROCE (FY20-23 average)	Working Capital Days (FY20-23 average)	Gearing (FY20-23 average)	Interest Coverage (FY20-23 average)
SGL	40,774	19%	6%	2.5%	166	13.1%	132	1.1	3.7
Titan Company^	337,060	17%	8%	4.8%	169	24%	61	0.1	15.3
TJL	31,530	23%	4.8%	2.3%	131	15.2%	98	1.3	4.6
KJIL	140,714.5	12%	7.7%	1.6%	213	12.4%	125	1.1	2.5
TBZ	23,934	10%	5.1%	1.4%	249	6.6%	157	1.0	2.3

Note: Revenue from operations data is for FY23

^For Titan, revenue and revenue growth data is for its jewellery division, while the remaining other data is for Titan Company Ltd.

Source: Company reports, CRISIL MI&A Research

Financial data of major organised jewellery retailers (FY22)

Particulars	Operating income (FY22, Rs million)	Operating income growth	Gross margin	Operating margin	Net profit margin	Inventory days	ROCE	ROE	Working Capital Days	Gearing	Interest Coverage
SGL	35,346	32.9%	15.7%	7.9%	3.7%	156	18.4%	19.5%	119	1.19	4.2
Titan Company^	2,41,370	36.0%	24.8%	11.8%	7.6%	197	37.8%	27.3%	68	0.06	16.2
TJL	21,936	20.5%	9.0%	4.0%	1.8%	130	11.9%	12.4%	97	1.18	3.4
KJIL	1,08,179	26.2%	15.6%	7.5%	2.1%	211	9.9%	7.5%	142	1.08	2.6
TBZ	18,438	37.4%	13.5%	4.1%	1.1%	249	6.1%	3.9%	180	1.12	2.4
PCJ	16,061	-43.2%	12.1%	-6.0%	-24.3%	1215	-1.0%	-9.6%	1567	0.87	-0.1

Financial data of major organised jewellery retailers (FY23)

Particulars	Operating income (FY23, Rs million)	Operating income growth	Operating margin	Net profit margin	Inventory days	ROCE	Working Capital Days	Gearing	Interest Coverage
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SGL	40,774	15.00%	8.00%	4.00%	174	26%	161	1.2	4
Titan Company [^]	3,37,060	38%	13.90%	9.20%	163	31.90%	62	0.2	20
TJL	31,530	20.50%	4.90%	2.50%	120	14.90%	117	1.6	5.6
KJIL	1,40,714	56%	7.90%	3.20%	208	10.50%	184	0.7	3.7
TBZ	23,934	30%	4.80%	1.70%	196	8.40%	70	1.01	2.7

[^]For Titan, revenue and revenue growth data is for its jewellery division, while the remaining other data is for Titan Company Ltd.

Ratios calculated as per CRISIL MI&A Research standards as described below:

- Gross Margin= (Operating income-Material goods-Traded goods purchased-Changes in stock-consumable store)/Operating income
- Operating margin = Operating Profit Before Depreciation, Interest and Taxes (OPBDIT) / Operating income
- Net profit margin = Profit after tax / Operating income
- Inventory days= (Total Inventory / Cost of goods sold) * 365
- RoCE = Profit before interest and tax (PBIT) / [Total debt + Tangible Networth]
- ROE= Profit After Tax/ Tangible Networth
- Working Capital Days= ((Total Current Assets related to operations-Total Current Liabilities and Provisions related to operations-Total Cash and bank balances)*365)/ Operating income
- Gearing = Total debt /Tangible net worth
- Interest coverage ratio = Profit before depreciation, interest, and tax (PBDIT)/ Interest and finance charges

Source: Company reports, CRISIL MI&A Research

Key observations

- Titan has higher operating profit margin than most players because of higher share in the studded jewellery and luxury segments
- SGL grew faster than peers in terms of operating income between FY20 and FY22.
- SGL grew second fastest in its peers in terms of operating income between FY20 and FY23.

6 Jewellery retailing market in east India

6.1 Pendant for traditional jewellery designs

In east India, gold jewellery purchases have a close association with tradition and culture. Hence, consumers there have a penchant for traditional designs. West Bengal, the prominent jewellery market in the east, is famous for intricately designed and handcrafted gold jewellery with delicate gold filigree. Some of the traditional bridal pieces are *chandbalis*, *choor*, *ratanchoor*, *mantasha*, *saptalahari*, *hansulis*, *nabaratna sets*, *kundan*, *polki*, and *meenakari sets*. Apart from this, gemstones are used for astrological purposes in the form of *graharatna* jewellery. According to industry sources, traditionally, demand for diamond-studded jewellery and solitaires was significantly lower than gold jewellery, but has picked up in recent years.

Typical wedding jewellery preference in West Bengal

Bride	Bangles	Earrings	Small necklaces	Large sets	Others	Gross weight
Bengali bride	Plain bala, mugh bala, chitra bala	Jhumkaa	Gola chik	Sita haar	Kamar tikloy, chavi, kamar band	20-250 gm

Source: Malabar Gold and Diamonds, Metals Focus, World Gold Council, CRISIL MI&A Research

West Bengal is a prominent jewellery manufacturing hub

West Bengal is a prominent jewellery manufacturing hub in east India, reputed for lightweight and handmade jewellery. The artisans or karigars of the state are skilled and known for their craftsmanship, and cater to neighbouring states and other parts of the country. The state is a leading gold and diamond jewellery exporting region in India. According to a WCG report, *India's gold market: evolution and innovation*, ~50% of the gold jewellery exported from India is plain gold jewellery sets or chains, and typically made in Mumbai, Kolkata (capital of West Bengal) and cities in south India. The gems and jewellery sector is also a leading employment generator in the state.

Favourable state government policies have been aiding the industry. The West Bengal Industrial Development Corporation Ltd has set up a large gems and jewellery park in Domjur, Howrah to boost the industry. The park is spread across six acres with good connectivity to Kolkata and the prime gold manufacturing cluster in the state.

6.2 West Bengal among top states in per capita jewellery consumption by urban households

Top five states with highest per capita consumption of gold ornaments in urban regions (July 2011-June 2012) (value)

States	Rs/person in urban areas	
	Gold ornaments	Total jewellery and ornaments
Kerala	2,279	2,355
Tamil Nadu	538	600
Haryana	398	439
West Bengal	382	425

States	Rs/person in urban areas	
	Gold ornaments	Total jewellery and ornaments
Gujarat	355	416
All India	332	391

Note: Data from union territories not included

Source: NSS Report No 558: Household Consumption of Various Goods and Services in India, 2011-12

Urban India, with a higher disposable income, spends more on gold ornaments than rural areas. As per the National Sample Survey Organisation (NSSO) data, spending on gold ornaments was the highest in Kerala, where the figures for both urban and rural households averaged Rs 2,279 and Rs 2,503, respectively, per person per year. West Bengal ranks fourth in terms of urban per capita consumption of gold jewellery – with average spending of Rs 382 per person per year. This shows gold's importance in West Bengal's social traditions.

... but one of the lowest among Indian states in per capita spending on jewellery in rural regions

Per capita consumption of gold ornaments in rural regions among Indian states July 2011-June 2012 (value)

States	Rs/person in rural areas	
	Gold ornaments	Total jewellery & ornaments
Kerala	2,503	2,551
Goa	409	409
Karnataka	336	364
Himachal Pradesh	304	337
Tamil Nadu	266	311
Jammu & Kashmir	262	268
Punjab	239	248
Andhra Pradesh	232	310
Gujarat	185	263
Haryana	165	219
Rajasthan	159	219
Uttarakhand	147	165
Arunachal Pradesh	131	181
West Bengal	78	94
All India	183	226

Note: Data from union territories not included

Source: NSS Report No 558: Household Consumption of Various Goods and Services in India, 2011-12

As evident in the above data, in West Bengal, spending on gold ornaments in rural areas is sharply lower than in urban areas. The per capita consumption of gold among the state's rural consumers is Rs 78 per person per year. This is less than half the national average of Rs 183. Further, most eastern and north-eastern states rank low in this list. Arunachal Pradesh has the highest per capita spending, of Rs 131, on gold ornaments in the east, which, too, is lower than the national average of Rs 183.

CRISIL MI&A Research believes high urban spending on gold ornaments in West Bengal is a positive for the east-based jewellery industry owing to the increasing proportion of urban population in the overall mix. Further, with increase in the purchasing power of customers, decrease in the proportion of population below the poverty line (BPL), and widening spread of financial inclusion in the region, spending on gold ornaments has the potential to increase.

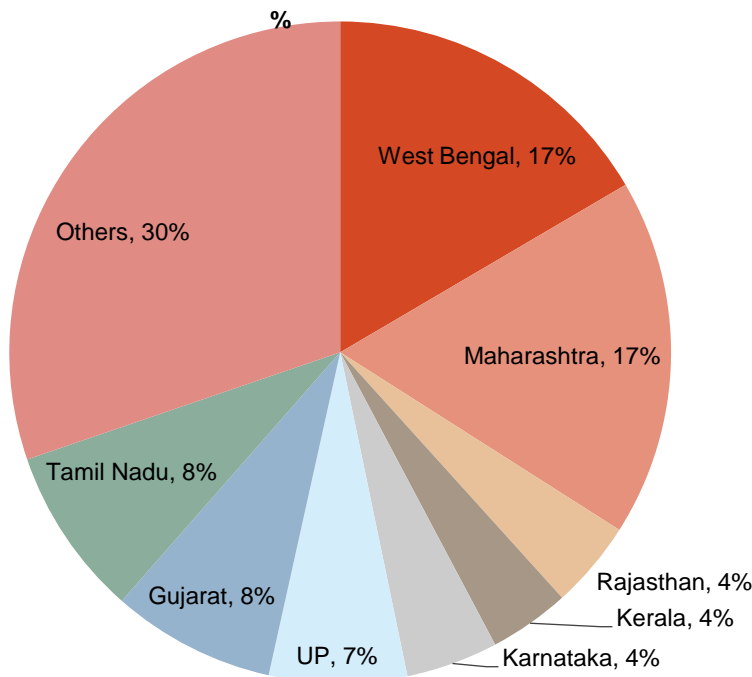
6.3 West Bengal accounted for substantial share of BIS-registered stores selling hallmarked gold jewellery in India as of 2023

While industry estimates indicate there are more than 400,000 jewellery stores in India, BIS data as of May 2023 shows the country had more than 150,000 stores registered for selling hallmarked gold jewellery. Of these, West Bengal and Maharashtra are home to a sizable chunk of ~17% (or ~25,000 stores) each, which makes these the largest markets of BIS-registered stores in the country.

At the regional level, the eastern region – covering West Bengal, Odisha, Bihar, Assam, Jharkhand, Tripura, Meghalaya, Nagaland, Arunachal Pradesh, Manipur, Mizoram, and Sikkim – accounts for ~26% of BIS-registered jewellery stores selling hallmarked products in the country. The western region (Maharashtra, Gujarat, Rajasthan and Goa) accounts for 30% and the southern region (Kerala, Tamil Nadu, Andhra Pradesh, Karnataka and Telangana) ~22% of these outlets.

Within the eastern region, West Bengal makes up for ~65% of the BIS-registered hallmarked jewellery retailers. The state's high share of hallmarked jewellery retailers can be attributed to better awareness and quality consciousness among customers, according to industry sources.

West Bengal and Maharashtra have the most BIS-registered hallmarked gold jewellery retailers in India

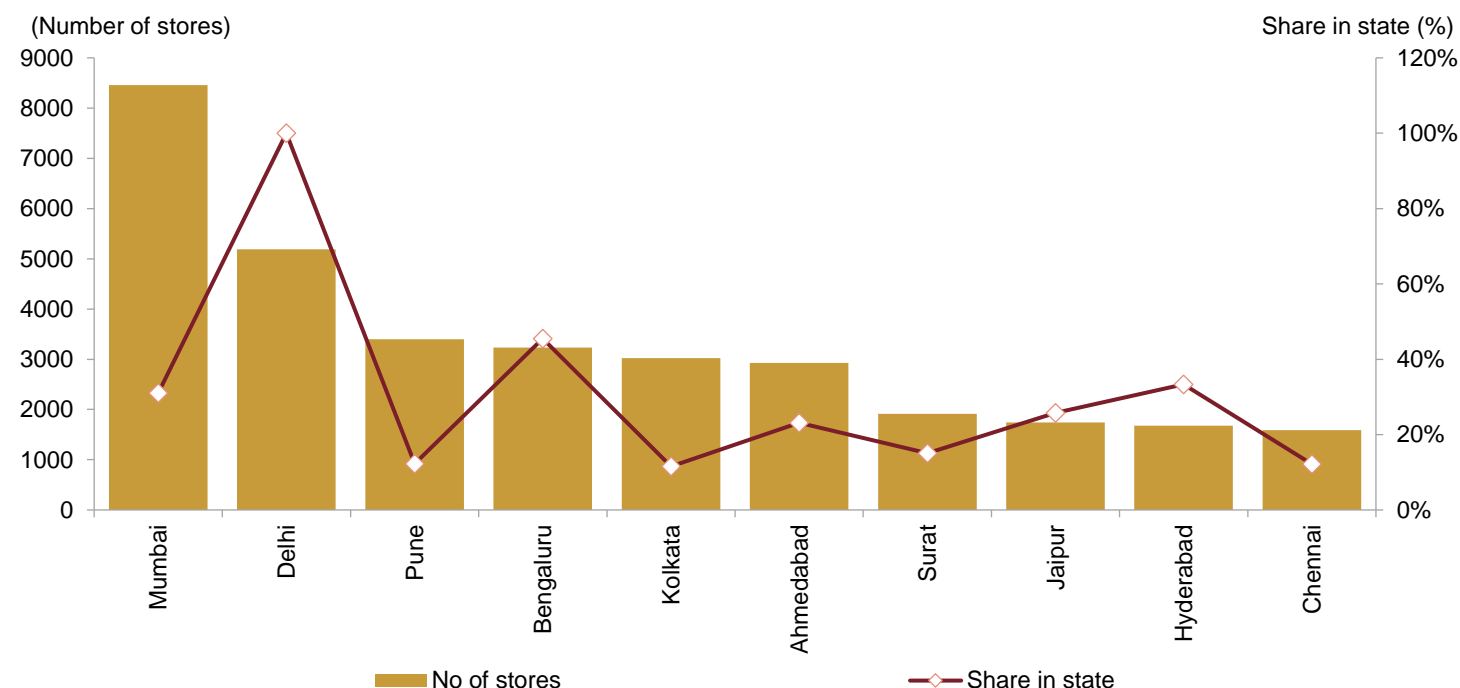


Source: BIS website on May 16, 2023, CRISIL MI&A Research

Top 10 cities house ~20% of all BIS-registered gold jewellery stores in India

Mumbai has most number of BIS-registered gold jewellery stores at 8,456, followed by Delhi at 5,190 followed by Pune, Bengaluru and Kolkata. One-fifth of all stores that sell hallmarked jewellery in India are in the top 10 cities. Additionally, of these top 10 cities, those in western and southern India account for more than two-thirds of these stores due to higher awareness and quality-consciousness of customers.

Kolkata has the fourth highest number of jewellery stores selling hallmarked products



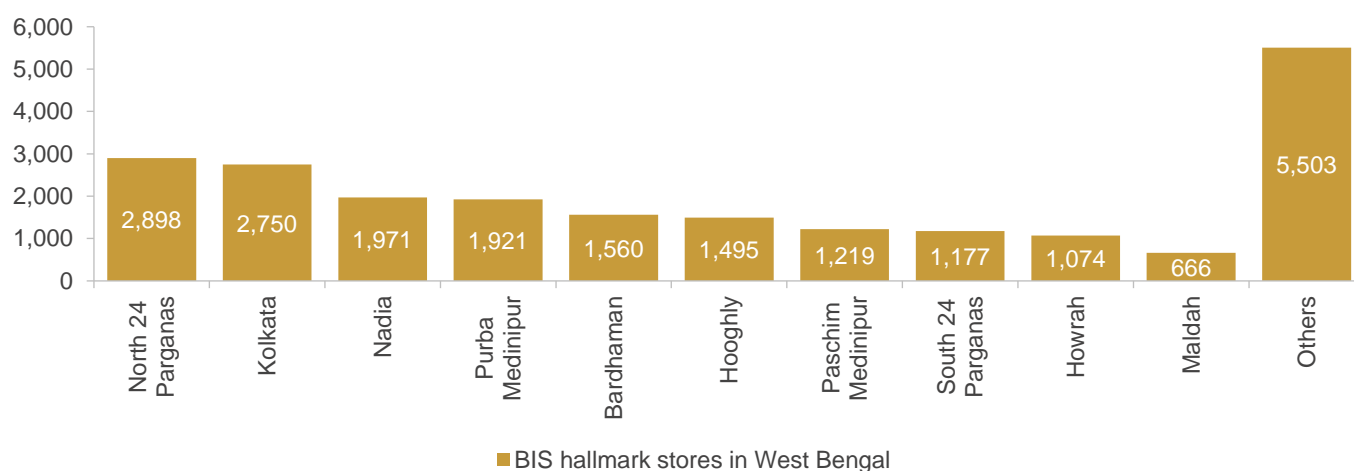
Note: Delhi's share in BIS-registered gold jewellery stores is 100% as it is a union territory. Hyderabad's share is in relation to Telangana.

Source: BIS website accessed on 16 May 2023 CRISIL MI&A Research

Under the traditional brick-and-mortar format, jewellery in India is sold through chains that have national presence and regional presence as well as through standalone stores. CRISIL MI&A Research defines a national chain as one that operates several stores across the country. Regional chain stores operate several stores in a particular state or region.

Top 10 districts account for more than 75% of jewellery stores selling hallmarked products in West Bengal

District-wise BIS-registered gold jewellery stores as of 2022



Note: Others include all the remaining districts not listed in the chart above

Source: BIS website on October 6, 2022, CRISIL MI&A Research

The larger urban districts, such as Kolkata and North 24 Parganas, have a higher share of BIS-registered jewellery stores in the state. The top 10 districts that house more than three-fourth of the stores that sell hallmarked jewellery in the state are Kolkata, North 24 Parganas, Purba Medinipur, Hooghly, Bardhaman, Nadia, Paschim Medinipur, South 24 Parganas, Howrah, and Maldah.

6.4 Economic overview of eastern India

Eastern region's average net state domestic product has grown faster, but is the lowest

The eastern region lags other regions in per capita income as it has the lowest average per capita net state domestic product (NSDP). Further, the states in the eastern region had lower average per capita NSDP when compared to Pan India average per capita NSDP of 191,993 in fiscal 2023. However, over the past few years, the region's per capita NSDP has grown at a faster clip than India's per capita NSDP.

Per capita NSDP (current prices) of most eastern states is lower than the national average

State\UT	2017-18	Y-o-Y Growth (%)	2018-19	Y-o-Y Growth (%)	2019-20	Y-o-Y Growth (%)	2020-21	Y-o-Y Growth (%)	2021-22	Y-o-Y Growth (%)	2022-23
Andhra Pradesh	138,299	11.38	154,031	4.10	160,341	2.12	163,746	17.61	192,587	13.98	219,518
Arunachal Pradesh	138,836	11.72	155,103	17.46	182,182	4.41	190,212	13.50	215,897	NA	NA
Assam	75,151	7.83	81,034	11.22	90,123	0.40	90,482	13.80	102,965	15.09	118,504
Bihar	36,850	10.49	40,715	8.63	44,230	-1.41	43,605	13.45	49,470	NA	NA
Chhattisgarh	88,793	14.90	102,024	4.49	106,603	-1.70	104,788	15.19	120,704	10.93	133,898
Goa	411,740	2.91	423,716	2.89	435,949	-1.05	431,351	9.44	472,070	NA	NA
Gujarat	176,961	11.58	197,457	7.58	212,428	0.19	212,821	17.52	250,100	NA	NA
Haryana	208,437	7.00	223,022	3.38	230,563	-0.65	229,065	15.62	264,835	12.03	296,685
Himachal Pradesh	165,497	5.62	174,804	6.25	185,728	-1.29	183,333	10.10	201,854	NA	NA
Jammu & Kashmir*	87,710	12.57	98,738	NA	NA	NA	NA	NA	NA	NA	NA
Jharkhand	67,484	11.76	75,421	-0.54	75,016	-5.26	71,071	10.68	78,660	NA	NA
Karnataka	185,840	10.44	205,245	7.89	221,431	-0.05	221,310	20.02	265,623	13.57	301,673
Kerala	183,252	12.11	205,437	1.68	208,879	-6.97	194,322	17.73	228,767	NA	NA
Madhya Pradesh	81,966	12.65	92,337	10.37	101,909	1.71	103,654	17.31	121,594	15.62	140,583
Maharashtra	172,663	5.91	182,865	3.84	189,889	-3.26	183,704	17.16	215,233	NA	NA

State\UT	2017-18	Y-o-Y Growth (%)	2018-19	Y-o-Y Growth (%)	2019-20	Y-o-Y Growth (%)	2020-21	Y-o-Y Growth (%)	2021-22	Y-o-Y Growth (%)	2022-23
Manipur	71,507	3.20	73,795	6.48	78,574	1.56	79,797	5.70	84,345	NA	NA
Meghalaya	77,504	6.64	82,653	6.05	87,653	-3.44	84,638	7.09	90,638	8.75	98,572
Mizoram	155,222	6.11	164,708	18.61	195,365	-3.85	187,838	0.53	188,839	NA	NA
Nagaland	102,003	7.05	109,198	12.42	122,759	3.01	126,452	12.58	142,363	NA	NA
Odisha	87,055	12.58	98,005	6.87	104,741	-2.46	102,166	26.14	128,873	16.92	150,676
Punjab	139,835	7.25	149,974	2.94	154,385	-3.36	149,193	8.51	161,888	7.40	173,873
Rajasthan	98,698	8.01	106,604	8.21	115,360	-0.21	115,122	18.10	135,962	14.85	156,149
Sikkim	349,163	7.62	375,773	9.81	412,627	0.03	412,754	14.49	472,543	NA	NA
Tamil Nadu	175,276	10.90	194,373	6.07	206,165	2.91	212,174	13.65	241,131	13.34	273,288
Telangana	179,358	17.00	209,848	10.23	231,326	-2.44	225,687	17.84	265,942	16.09	308,732
Tripura	100,444	12.52	113,016	7.47	121,456	-1.37	119,789	17.54	140,803	NA	NA
Uttar Pradesh	57,944	7.60	62,350	5.34	65,677	-6.55	61,374	15.35	70,792	NA	NA
Uttarakhand	180,858	2.95	186,195	2.34	190,543	-3.43	184,002	15.03	211,657	10.35	233,565
West Bengal	91,401	13.70	103,920	6.15	110,313	-3.45	106,510	17.17	124,798	13.28	141,373
Andaman & Nicobar Islands	178,709	14.29	204,254	7.54	219,653	-10.19	197,275	NA	NA	NA	NA
Chandigarh	280,512	9.73	307,812	7.44	330,699	-11.95	291,194	19.98	349,373	NA	NA
Delhi	318,323	6.41	338,730	5.04	355,798	-6.94	331,112	17.64	389,529	NA	NA
Jammu & Kashmir-UT	NA	NA	NA	NA	101,891	0.90	102,803	13.44	116,619	13.88	132,806
Puducherry	198,358	10.24	218,673	-1.19	216,064	-5.96	203,178	3.30	209,890	NA	NA

Note: NA - Not available; base year FY12, *refers to Jammu and Kashmir and Ladakh, Data for Jammu & Kashmir – UT is available from FY20 and represents data for Union Territory

Source: Central Statistics Office (CSO), CRISIL MI&A Research

Improving prosperity and income levels augurs well for growth in consumption spending in the eastern region

India's BPL population in fiscal 2005 was 37.2%. In the 2011 Census, this fell to 21.9%. The proportion of the BPL population in most eastern states is higher than national average. However, during the period, some of these states

witnessed a decline in poverty. If this trend continues and poverty falls further, consumption spending in the region will improve.

Percentage of population below poverty line has improved over FY05 to FY12

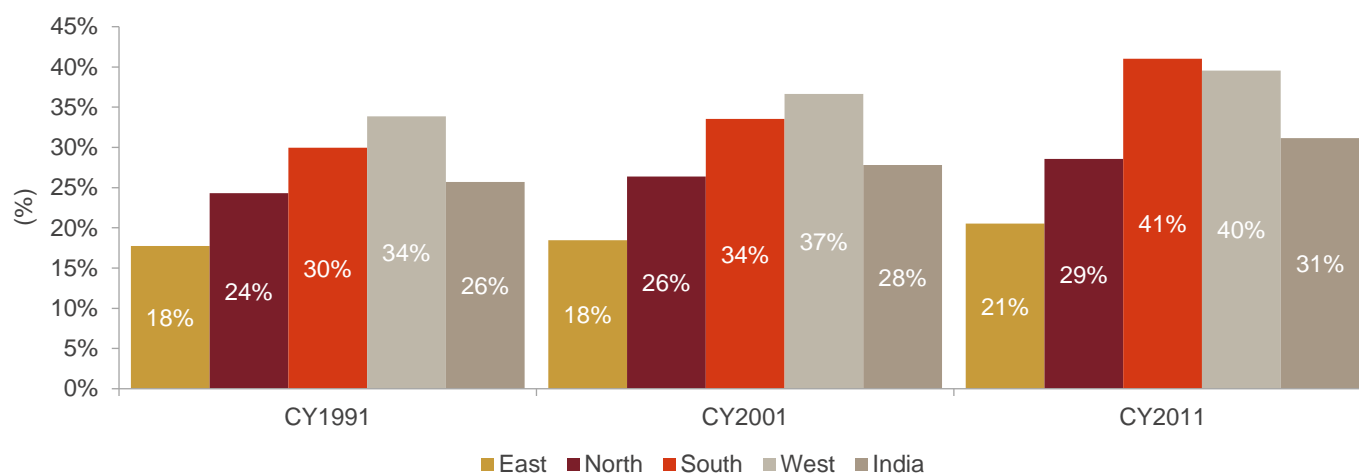
(%)	FY05	FY10	FY12
Arunachal Pradesh	31.40	25.90	34.67
Assam	34.40	37.90	31.98
Bihar	54.40	53.50	33.74
Chhattisgarh	49.40	48.70	39.93
Jharkhand	45.30	39.10	36.96
Manipur	37.90	47.10	36.89
Meghalaya	16.10	17.10	11.87
Mizoram	15.40	21.10	20.40
Nagaland	8.80	20.90	18.88
Odisha	57.20	37.00	32.59
Sikkim	30.90	13.10	8.19
Tripura	40.00	17.40	14.05
West Bengal	34.20	26.70	19.98
Andaman & Nicobar Islands	3.00	0.40	1.00
All India	37.20	29.80	21.92

Source: Planning Commission, Government of India. RBI publications, CRISIL MI&A Research

Urbanisation in east India also on the rise

As per the 2001 Census, the urban population constituted 18% of the total in the eastern region compared with the national average of 28%. It improved to 21% in the 2011 Census, still the lowest in the country. India's urban population logged 2.8%CAGR over fiscals 2001-11, higher than the 1.2% growth the rural population registered. Over the period, the urban population in the eastern region logged a marginally higher rate of 2.9%. The trend is likely to continue in the region as more young people from rural areas flock to cities in search of jobs and other opportunities. A United Nations report, *World Urbanization Prospects: The 2018 Revision*, expects Kolkata's population to grow at 1.5-2.0% CAGR over 2020-30 to 17.6 million.

East has the lowest proportion of urban population, but it has improved over the years



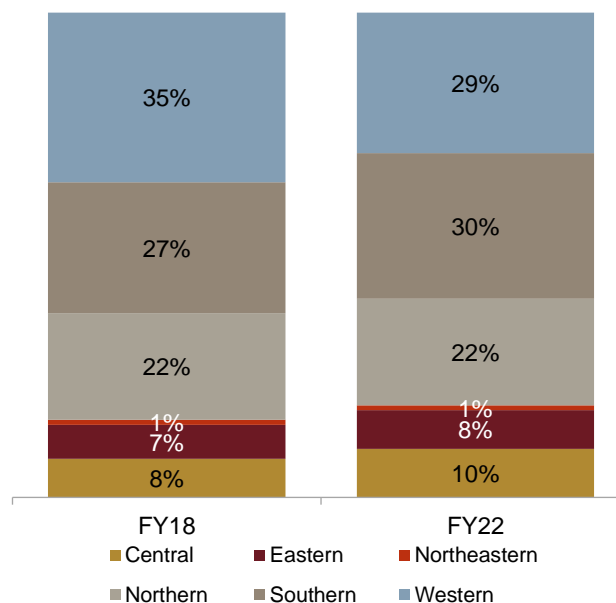
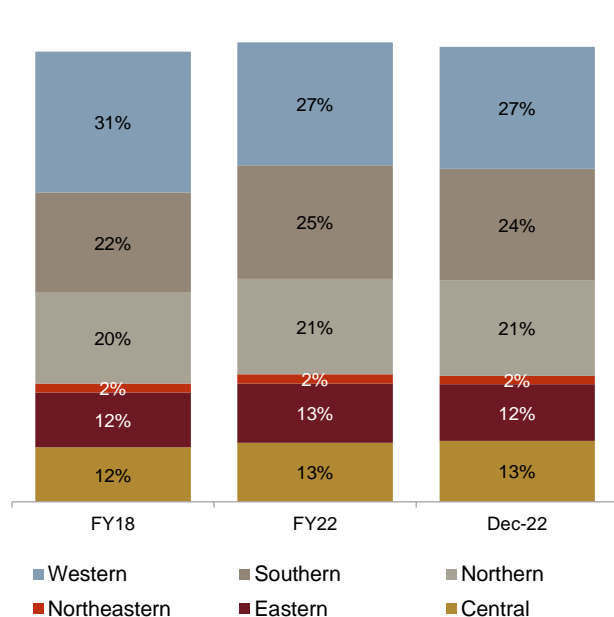
Source: NSSO data, CRISIL MI&A Research

Financial inclusion remains low; eastern and northern regions have lower share in total bank credit and deposits

Financial inclusion is imperative to sustain consistent and equitable economic growth. Banking penetration (as evident in the credit and deposit numbers) in the southern and western regions is higher than the northern and eastern regions, where it is empirically low. In regions with low banking penetration, gold emerges as an investment opportunity.

Region-wise share of bank deposits...

...and credit outstanding



Source: RBI, CRISIL MI&A Research December 2022.
Data extracted on 17 May 2023

Source: RBI, CRISIL MI&A Research September 2022

6.5 Details of jewellery retailers operating in east India

Details of major organised jewellery retailers in east India (indicative list, not exhaustive)

Players	Description	Key product segments	Collections ^{&}	Store count [*]	Presence
Senco Gold Ltd (SGL)	Incorporated in August 1994 initially a private limited company, SGL was reconstituted as a public limited company in 2007. It manufactures and retails plain and studded gold jewellery, along with diamond, platinum and silver jewellery. It also exports to wholesalers in Singapore, Dubai and Malaysia	Gold, diamond, platinum and silver jewellery	Everlite, Vivaha, Aham, Gossip, Perfect Love Diamond Solitaires, Shloka	108**	Pan India; majorly eastern India
PC Chandra Jewellers	The PC Chandra Group has been engaged in jewellery retail since 1939 through its partnership concern, PC Chandra & Sons. The company manufactures and retails gold, silver and precious stone ornaments. Jewellery is produced through job work and sold to retail clients from the company's showrooms	Gold, silver and precious stone ornaments	Goldlites, Little Jewels	77	East India
Anjali Jewellers Pvt Ltd	Anjali Jewellers was incorporated in November 1992 in Kolkata. Apart from manufacturing and retailing jewellery, it has a collection of astrological stones. It focusses on customers who are conscious about taste, style and heritage	Gold, diamond, silver and gemstone jewellery	NA	NA	East India
MP Jewellers	Set up in 1945, MP Jewellers is one of the oldest family-run jewellery groups in West Bengal. It manufactures and retails gold, diamond, platinum and silver jewellery. With 20 retail outlets in West Bengal, Assam and Tripura, the brand has become a recognised regional retail chain	Gold, diamond, platinum and silver jewellery	NA	20	Mainly East India

Note: NA - Not available

[&] Indicative list of collection and not exhaustive

^{*} Store counts are for eastern region only and sourced from company websites accessed as on May 25, 2023

^{**} SGL store count is for East and North East and is as on March 31, 2023

Source: Company websites, annual reports and filings, CRISIL MI&A Research

Major organised jewellery retailers – Domestic store-level details in India

Players	Store break-up		Geographical spread			
	Owned	Franchisee	E&NE^	West	North	South
National and major regional players						
Senco Gold Ltd (SGL)	✓	✓	108	6	19	3
Kalyan Jewellers India Ltd (KJIL)	✓	✓	50	28	30	76
Joyalukkas India Pvt Ltd (JIPL)	✓	✗	1	6	6	73
Titan Company Ltd (Jewellery division)	✓	✓	66	110	119	116
Tribhovandas Bhimji Zaveri Ltd (TBZ)	✓	✓	7	19	2	4
Thangamayil Jewellery Ltd (TJL)	✓	✗	-	-	-	54
PC Jeweller Ltd (PCJ)	✓	✓	13	13	53	-
Other east-based players						
PC Chandra Jewellers	✓	✓	77	1	2	3
MP Jewellers	✓	✗	20	-	-	-

* Store counts are sourced from company websites accessed on 25 May 2023

^E&NE- East & Northeast

SGL store count is as on 31 March. 2023

Source: Company website, annual reports and filings, CRISIL MI&A Research

Key observations

- Senco is the largest organised jewellery retail player in the eastern region of India based on the number of stores (108 stores including large and small formats)
- Further, among the above-mentioned east-based players, Senco has the widest geographical footprint in non-eastern states (32 stores)

7 Industry regulations

7.1 Trends in key government initiatives

Government regulations in the gems and jewellery industry have played a crucial role in governing prices, demand and imports/exports in the sector.

2014

80:20 rule

In August 2013, the government made it mandatory for at least 20% of imported gold to be re-exported after processing (the 80:20 rule), in order to curb India's rising current account deficit. For example, for every 100 kg of gold brought into the country, 20 kg had to be re-exported. While this move was aimed at controlling the flow of gold into the country by restricting imports, it failed to work and imports shot up. Measures such as the ban on credit purchases of gold and the 80:20 rule had a huge impact on demand.

In May 2014, the RBI allowed star/premier trading houses to import gold in accordance with the 80:20 rule. However, at the end of November 2014, the government scrapped the 80:20 gold import rule to reduce incidences of gold smuggling. Further, the scrapping of the 80:20 rule eased the supply of gold into the domestic market, pulling down premiums. In February 2015, the RBI issued further clarifications related to gold imports, making it clear that banks could import gold on a consignment basis without showing any end use.

2015

Gold-on-lease scheme

In July 2013, the RBI imposed a ban on the gold-on-lease scheme to curb imports. This was subsequently revoked in May 2014 and a few banks were allowed to offer gold on lease. However, in February 2015, the RBI allowed all banks to provide gold on credit. In the same month, the RBI lifted the ban on imports of gold coins and medallions. However, restrictions on banks selling coins and medallions remain in place.

Sovereign gold bond scheme and gold deposit scheme (GDS)

In September 2015, the Indian government announced two schemes – the sovereign gold bond scheme and the GDS – in order to channelise investments in gold into more productive sectors of the economy. Under the sovereign gold bond scheme, gold bonds denominated in grams of gold are issued to individuals by the RBI, in consultation with the Ministry of Finance. The scheme aims to convert investment demand for physical gold into demand for paper gold.

Gold monetisation scheme

The gold monetisation scheme is a form of GDS and gold metal loan launched in November 2015. GDS creates a financial asset equivalent to gold for investment purposes, and the interest on the value is invested. This reduces dependence on gold imports and eases the trade balance. Designated banks accept gold deposits under a short term (1-3 years) bank deposit, as well as medium (5-7 years) and long (12-15 years) term deposits.

2016

PAN card made mandatory

On January 1, 2016, the government announced that PAN would be mandatory for bulk transactions of more than Rs 2 lakh, against Rs 5 lakh earlier.

1% excise duty on gold

In February 2016, the government introduced a 1% excise duty on non-silver jewellery items, including gold and diamond jewellery. However, in May 2016, the government decided to roll back the duty after the country witnessed widespread strikes by jewellers for 45 days. Also, demand for gold dropped by 35-40%, coupled with an increase in gold prices. In July 2016, the government said that 1% excise duty would be applicable on traders with turnover above Rs 15 crore.

Gold demand impacted by cash shortage

As per the 'Macroeconomic Impact of Demonetisation - A Preliminary Assessment' report released by the RBI on March 10, 2017, demonetisation resulted in a temporary surge in demand for gold, with buyers reportedly willing to pay premiums on gold purchases to utilise old currency notes. Since nearly 80% of jewellery purchases in India are in cash, consumer demand was impacted by the cash shortage. Several other factors also impacted gold demand, such as weak rural demand, destocking of earlier purchases, recycling of household jewellery, and increased regulations to foster greater transparency. Moreover, high, volatile international gold prices weakened gold demand.

The impact of demonetisation was reflected in the volume of gold imports, which increased significantly in November 2016 over already high October 2016 levels. However, the impact was short lived, with imports declining in December 2016 and January 2017.

The impact of demonetisation on gold demand was short lived, with a revival in consumer sentiment and gold demand after the cash situation eased.

2017

Revised hallmarking standards

In January 2017, the BIS revised the standard on gold hallmarking in India. Gold jewellery hallmark now had to carry a BIS mark, purity in carat and fineness, as well as the unit's identification and the jeweller's identification mark. Hallmarks were available in three grades of 14, 18 and 22 carat, as opposed to 23, 22, 21, 18, 17, 14 and 9 carat earlier.

Purity in carat and fineness code as classified by the BIS

Corresponding caratage	Purity in carat and fineness code
22 carat	22K916
18 carat	18K750
14 carat	14K585

Source: BIS, CRISIL MI&A Research

GST impact

During the first half of fiscal 2018, the sector faced disruptions owing to GST implementation. Pre-GST, gems and jewellery exports were exempt from tax. However, in the new regime, taxes have to be paid on manufacture or purchase, refunds for which can be claimed only after goods have been exported out of India.

The government rolled out GST on July 1, 2017. GST on gems and jewellery was 3%, and a 5% tax was levied on making charges. Import duty was kept unchanged at 10%. This increased the net effective tax rate to ~14% under the GST regime from ~12% earlier, which included 10% import duty, 1% excise duty, and ~1% VAT. Excise and VAT were subsumed under GST. The new rates increased retail gold jewellery prices by 1-2%, which is unlikely to have affected demand. GST's overarching impact is a perceptible shift in the industry from unorganised to organised play.

2019

Increase in import duty on gold

The government increased the import duty on gold to 12.5% in Union Budget 2019-20 from 10%. This resulted in a 2.3% price increase at the end-consumer level and affected demand.

2021

Import duty reduced on gold

Though custom duty on gold was reduced to 7.5% from 12.5% in Union Budget 2021-22, an additional agriculture infrastructure and development cess of 2.5% was levied. This is expected to have led to a 2-3% decrease in gold prices.

Mandatory hallmarking of gold jewellery

The government has made it mandatory for jewellers to sell only hallmarked jewellery. However, initially, hallmarking started in 256 districts of the country that have assaying and marking centres. Moreover, jewellers with an annual turnover up to Rs 40 lakh will be exempt from mandatory hallmarking. Historically, customers buying jewellery from the informal sector have been mired with problems such as impure gold, inaccurate weight or grammage of stones, non-transparent making charges, and pilferage. The government has said that hallmarking of jewellery/artefacts will enhance credibility of gold jewellery and ensure customer protection through third-party assurance for the marked purity/fineness of gold. This will also help develop India as a leading global gold market.

This regulation is expected to significantly reduce the price differential between organised and unorganised players. Currently, owing to the lack of awareness among consumers, unorganised retailers often sell non-hallmarked items with lower-than-stated caratage. This enables them to maintain profitability, despite low charges, compared with organised players. Proper implementation of this rule is likely to impact the profitability of unorganised players, which will then have to raise their making charges.

2022

Increase in import duty on gold

The government increased the import duty on gold to 12.5% from 7.5% from June 30, 2022 with effective duty on gold at 15%.

Research

2023

Mandatory Hallmark Unique Identification for gold jewellery

The government mandated a Hallmark Unique Identification (HUID) number, six-digit alphanumeric code made up of numbers and letters, for gold jewellery and other items from 1 April 2023. The hallmarking will ensure a uniform standard of gold quality across India, which is the second-largest consumer of gold in the world. As the HUID is a unique identification number for every piece of jewellery sold in the country, it will enable the tracking and auditing for the government thereby helping in controlling unaccounted transactions. Besides, it will also ensure standard quality of the product for the consumer.

8 Annexure

8.1 Import duty and foreign direct investment (FDI) norms

Increase in import duty on gold

The government increased the import duty on gold to 12.5% from June 30, 2022, from 7.5%.

Import duty on gold reduced to 7.5%; additional 2.5% agriculture cess levied

Though the customs duty on gold and silver was reduced to 7.5% from 12.5% in Union Budget 2021-22, an additional agriculture infrastructure and development cess of 2.5% was levied.

100% FDI permitted under the automatic route

The Government of India has permitted 100% FDI under the automatic route in this sector. Subject to provisions of the FDI policy, foreign investment in the manufacturing sector is under the automatic route. Further, a manufacturer is permitted to sell products manufactured in India through wholesale and/or retail, including through e-commerce, without the government's approval.

In single brand product retail trading, foreign investment is aimed at attracting investments in production and marketing, improving the availability of such goods for consumers, encouraging increased sourcing of goods from India, and enhancing the competitiveness of Indian enterprises through greater access to global designs, technologies and management practices.

8.2 Gold import norms by the RBI

According to the Master Direction 17 – Import of Goods and Service by the RBI:

- The 20:80 scheme of import of gold was withdrawn on November 28, 2014. However, the obligation to export under the 20:80 scheme would apply to unutilised gold imported before November 28, 2014
- Nominated banks and nominated agencies, as notified by the Directorate General of Foreign Trade (DGFT), are permitted to import gold on a consignment basis. All domestic sale of gold will, however, be against upfront payment. Nominated banks are free to grant gold metal loans
- Star and premier trading houses can import gold on a document-against-payment basis as per entitlement without any end-use restrictions
- Import of gold coins and medallions is permitted. However, the prohibition on sale of gold coins and medallions by banks is still under review

Authorised banks for purchase of gold

List of authorised dealers (ADs) for import of gold and silver till March 31, 2024, as classified by the RBI

Sl. no.	Bank	Authorisation valid up to
1	Axis Bank	March 31, 2024
2	Bank of Baroda*	March 31, 2024
3	Bank of India	March 31, 2024
4	Federal Bank*	March 31, 2024
5	HDFC Bank	March 31, 2024
6	ICICI Bank	March 31, 2024
7	Indian Overseas Bank	March 31, 2024
8	IndusInd Bank	March 31, 2024
9	Industrial and Commercial Bank of China	March 31, 2024
10	Karur Vysya Bank	March 31, 2024
11	Kotak Mahindra Bank	March 31, 2024
12	Punjab National Bank	March 31, 2024
13	RBL Bank	March 31, 2024
14	State Bank of India	March 31, 2024
15	Union Bank of India	March 31, 2024
16	Yes Bank	March 31, 2024

*The authorisation to Bank of Baroda is only for import of gold.

Source: RBI circular dated 28 March 2023, CRISIL MI&A Research

8.3 Budget provisions

The government increased import duty on gold to 12.5% from 10% in the Union Budget 2019-20. It announced the following measures to boost gems and jewellery exports:

- Fully electronic refund module (Form GSAT RFD-01) for quick and automated refund of input tax credit (ITC)
- Export Credit Guarantee Corporation to expand the scope of Export Credit Insurance Scheme (ECIS)
- Leveraging of technology to reduce time to export or turnaround time

The government also reduced GST on cut and polished diamonds to 0.25% from 3%, and on job work to 1.5% from 5%.

To encourage trading of bullion in India, the government proposed the establishment of a bullion exchange at Gift City in Gujarat in the Union Budget 2020-21.

Customs duty on cut and polished diamonds and gemstones has been reduced to 5% from 7.5% in Union Budget 2022-23.

Customs duty on articles made of gold/silver/platinum has been increased to 25% from 20% in Union Budget 2023-24.

8.4 Training initiatives by government agencies

The Gems and Jewellery Export Promotion Council (GJEPC) undertakes various measures to upgrade and improve the Indian gems and jewellery industry's standards and products. The council has set up institutes such as the Indian Institute of Gems & Jewellery (IIGJ), which offers quality courses to train artisans and designers for this industry. Gemmological institutes under GJEPC's umbrella are the Gemmological Institute of India (GII); the Gem Testing Laboratory, Jaipur; the Indian Gemmological Institute, New Delhi; and the Indian Diamond Institute, Surat. These institutes undertake research, training, and certification activities.

IIGJ offers several courses in jewellery design, manufacturing and computer-aided design (CAD), ranging from six months to a year, with an emphasis on job training. IIGJ has five centres — Mumbai, New Delhi, Jaipur, Kolkata, and Varanasi.

GJEPC interacts closely with the National Skill Development Council (NSDC), an initiative of the Government of India, to execute the latter's programmes to the gems and jewellery industry. Regular seminars and conferences are organised by the NSDC to impart knowledge on the latest developments or issues in related fields and spread awareness about standard business practices and ethics. The NSDC also holds regular design competitions (The Artisan Jewellery Design Awards) to encourage artisans, craftsmen, and designers.

Other skill development and training institutes under the GJEPC's umbrella are the Indian Diamond Institute (IDI) in Surat, GII, the Gem Testing Laboratory (GTL) in Jaipur, the Indian Gemmological Institute in Delhi, and the Gem & Jewellery Skill Council of India (GJSCI). The IGI offers wide-ranging courses through its centres in Antwerp, Mumbai, Delhi, Hyderabad, Surat, Ahmedabad, Chennai, Dubai, Shanghai, and Italy.

8.5 Advantages of franchise and company-owned models

Franchise model	Company-operated model
<ul style="list-style-type: none"> • Lower capital requirement: By expanding via the franchise route, a company can lower its capital requirements for the opening of new stores. Hence, a company following a franchise model is likely to have a leaner balance sheet • Better understanding of local preferences: Franchisees often have a stronger understanding of local consumer preferences in jewellery, especially in new markets, enabling the company to faster cement its presence in the market • Lower operating expenses: Since franchisees bear part of or all of the entire operating expense, the company's fixed cost burden is lowered • Lower inventory risks: If, under the agreement, the franchisee bears the inventory risks, it lowers the company's working capital requirements 	<ul style="list-style-type: none"> • Better control of operations: The company has total control of operations, which provides higher flexibility in case operations need to undergo major changes. In the case of a franchise, the agreements need to change before such changes can take place • Higher margins: Since companies do not share margins with franchisees, their operating margins tend to be higher, despite the higher fixed cost burden • Standardisation across stores: The company can maintain standardisation across all of its stores with greater ease • Ability to roll out newer designs faster: Companies can introduce new collections/designs of jewellery more seamlessly. If inventory risk is borne by the franchisee, it may not be willing to experiment with newer designs unless there is a consumer demand

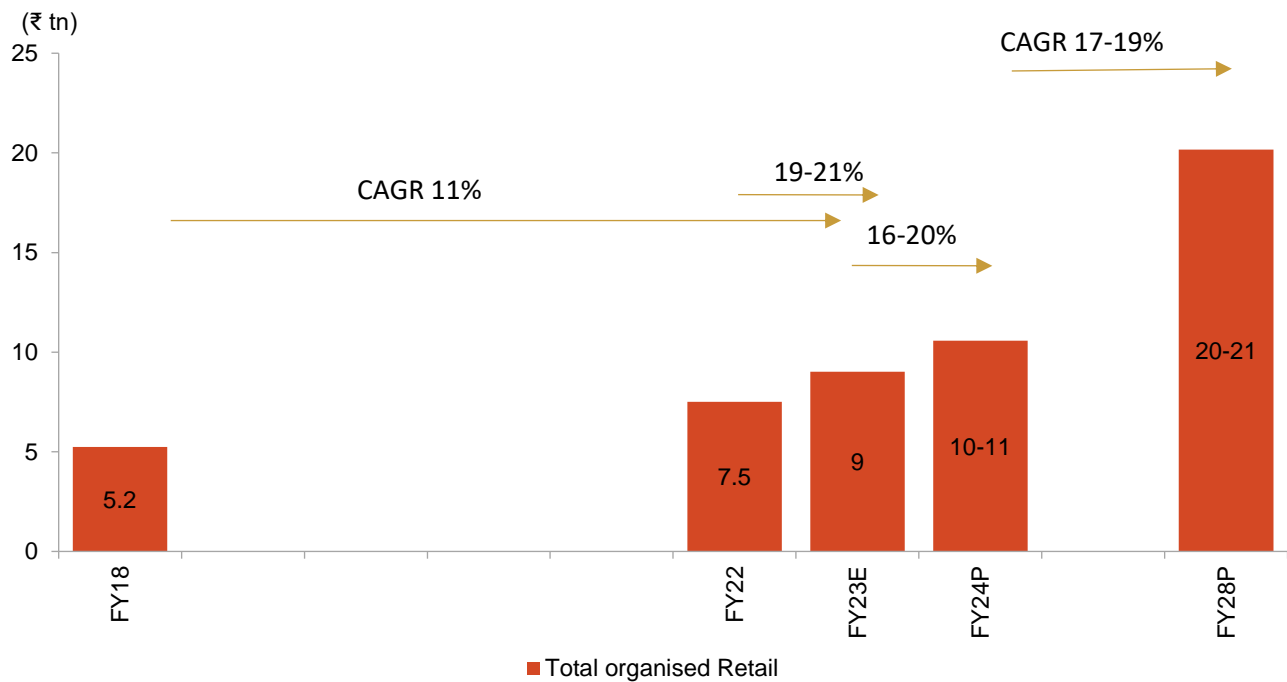
8.6 Assessment of the domestic organised retailing industry

Organised retail typically includes large-scale chain stores that are corporatised, apply modern management techniques, and have a relatively high level of self-service. E-retail is a part of organised retail, while traditional retail includes only B&M, according to CRISIL MI&A Research.

Over the past five years till fiscal 2021, the sector expanded at a slow CAGR of ~10% owing to demonetisation, slowdown in the economy and the Covid-19 pandemic, which took its toll on consumer spending. Organised retail growth moderated to 15% in fiscal 2017, with demonetisation constraining consumer spending. Increasingly aggressive online players and big investments by organised retailers in new stores further fuelled growth in fiscal 2018. Further, GST also led to growth for organised players, as the cost-of-doing-business increased for unorganised players. Thus, organised retail grew ~20% on-year in fiscal 2018. Organised retail performed well in fiscal 2019 as well, led by an improvement in demand, especially during the festive season. However, with consumer sentiment tapering down, growth in organised retail was affected in fiscal 2020. With the implementation of a nationwide lockdown induced by the pandemic, consumption took a hit in fiscal 2021.

The sector expanded by ~23% on-year in fiscal 2022, led by the low base, higher discretionary spending, and the waning impact of the pandemic. The non-essential segment, which was affected significantly in fiscal 2021, drove growth in fiscal 2022. During the first quarter of fiscal 2022, lockdown measures owing to the second wave restricted movement of people and affected store operations, and restricted further growth in fiscal 2022. Normalised operations and store additions drove organised retail growth in fiscal 2023. Easing restrictions, opening up of offices and higher footfall at malls further aided growth. Organised retail is estimated to have grown to Rs 9 trillion in FY23 and is set to grow to Rs 10-11 trillion by FY24. New store roll-outs, as well as increasing penetration into tier-2- and tier-3 cities, apart from metros and tier-1 cities, will propel growth over the longer term. The government's decision to permit 100% foreign direct investment (FDI) in single-brand retail under the automatic route from 49% earlier, and a relaxation in sourcing norms will boost long-term growth. Further, long-term improvement in macroeconomic conditions and consumer spending will likely drive healthy growth in the organised retail segment. Thus, organised retail is expected to expand at a CAGR of 17-19% to Rs 20-21 trillion by FY28.

Organised retail growth to pick up over medium to long term

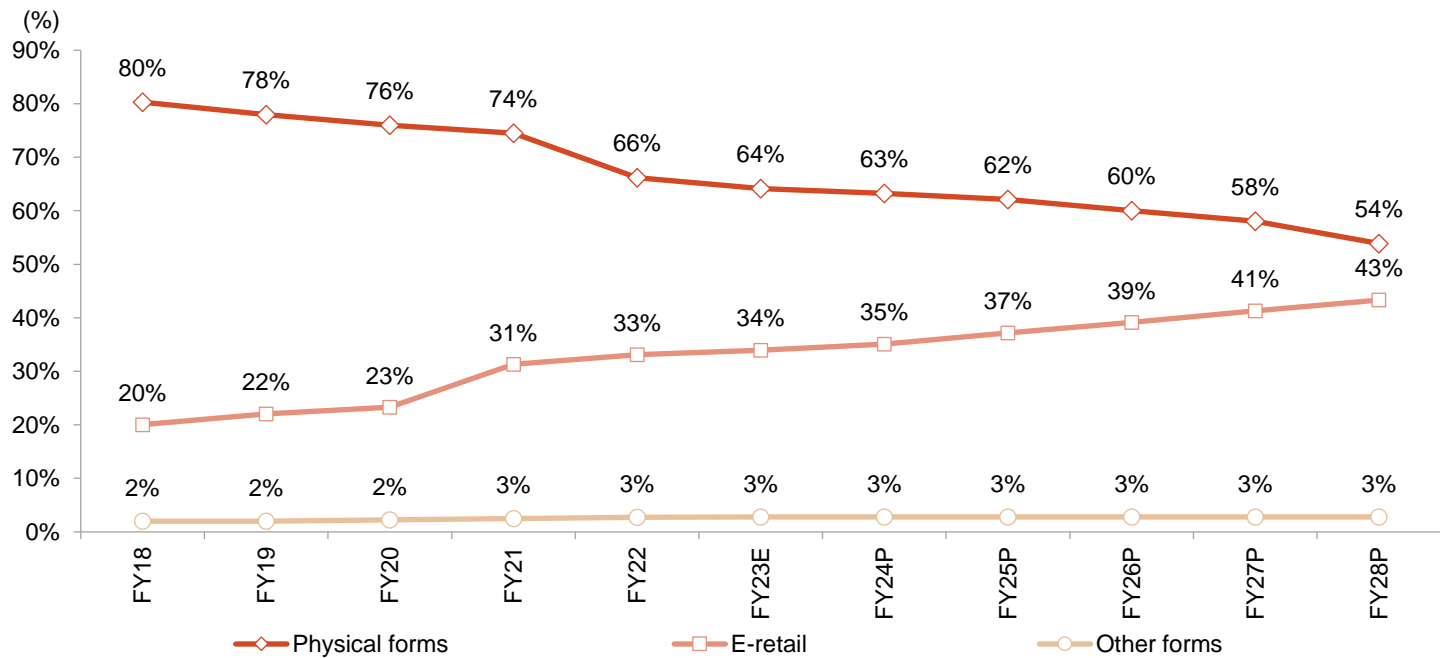


Note: P: projected
Source: CRISIL MI&A Research

Increasing presence of e-retailing, but physical stores expected to dominate

Within organised retail, B&M/physical retailers are expected to expand at 13-15% CAGR over the next five years, with e-retailers growing at a faster 23-28% CAGR. CRISIL MI&A Research expects store rollouts by B&M retailers to increase in the medium to long term. Increasing store counts and the rising consumer preference for large, organised outlets will draw customers towards organised B&M stores. Aided by this, the share of B&M retailers in organised retail is estimated at 54% in fiscal 2028 despite online retailers gaining market share.

Share of each segment in organised retail



Note: P: projected
Source: CRISIL MI&A Research

Consumer durables, apparel, footwear, lifestyle accessories have highest online presence

Organised retailers have a significant presence in verticals such as apparel (18% of overall organised retail) and consumer durables (24%), with organised retail penetration (ORP) of ~23% and ~54%, respectively.

Consumer durables, apparel, and footwear to drive growth in organised retail

Organised Retail		2021-22E		2024-25P		3-year CAGR
Segments		Market size	ORP	Market size	ORP	
		Rs Billion	%	Rs Billion	%	
Food and grocery		1,888	4.4%	3,208	5.5%	16-21%
Apparel		1,375	22.8%	2,595	26.9%	20-25%
Footwear		282	10.4%	468	19.0%	16-21%
Furniture & Furnishing		130	5.5%	228	7.3%	18-23%
Pharmacy		112	7.8%	169	8.7%	13-18%
Consumer durables, mobile & IT		1,768	52.2%	3,022	63.7%	17-22%
Books and music		25	2.1%	29	2.1%	4-6%
Others		1,925	15.0%	2,751	13.4%	10-15%
Total organised retail		7,504	10.3%	12,471	12%	17-19%

Note: P: projected

Source: CRISIL MI&A Research

Jewellery and fashion accessories — largely unorganised

In India, jewellery retail operates in three formats — national, regional and local standalone stores. Although organised retail players gained market share rapidly over the past decade and a half, unorganised retailers continued to dominate the market. In January 2012, the government approved a proposal to make hallmarking of gold mandatory to protect consumer interest and prevent fraud. This resulted in increased footfalls in organised retail stores.

8.7 Key success factors and risks in the domestic jewellery sector

India has negligible reserves of gold and rough diamonds. Hence, the success of players depends on raw material availability and allied factors such as successfully weathering exchange rate fluctuations. As raw materials are largely

imported, companies have to manage working capital needs by controlling inventories. At the same time, they should be able to scale-up and launch new jewellery designs to tackle the competition.

Key success factors

Designing capabilities

With customer preferences changing rapidly, jewellery purchases are no longer confined to special occasions such as weddings. Therefore, domestic jewellery retailers are focusing on launching new designs, offering consumers a wide range of options.

Raw material sourcing

As India has negligible diamond and gold mining operations, players largely rely on imports to source raw materials; input costs account for the largest share of the industry's cost structure.

Foreign exchange volatility management

Most export transactions are negotiated in US dollars, and fluctuations in the rupee tend to impact exporters' margins. Hence, managing foreign exchange exposures to mitigate the allied risks is critical for Indian jewellery exporters.

Ability to scale up business

Domestic gems and jewellery retailers must be able to regularly scale up by increasing the number of stores, setting up operations in several locations, and providing a holistic customer experience. This may be done through opening own stores or under a franchise model.

Hallmarking

Some jewellery retailers, especially the organised ones, have gained significant leverage by providing certificates of quality (hallmarking) for their products. Such quality certification eases doubts that may arise regarding the possibility of adulteration.

Efficient working capital management

Domestic jewellery retailers need to hold significant gold jewellery inventory to attract customers. Additionally, they need to obtain bank guarantees to make payments to their suppliers. Therefore, players need to manage their working capital requirements effectively to minimise short-term fund requirements.

Key risks

Intense competition

Competition in the domestic jewellery retailing market is set to increase as branded players continue to pursue store expansion aggressively. This could impact revenues and margins of unorganised players. Organised players have an edge over unorganised players since they have brand recall, offer a larger variety of contemporary designs, hallmark their gold jewellery, engage in aggressive marketing techniques, and offer a better in-store experience.

Expansion-related risks

Expanding a retail store network entails determining store location, size, format, human resources requirement, and arranging working capital financing. Inability to efficiently determine any of these is likely to impact the store's profitability. Moreover, with most organised players aiming at rapid expansion, rental rates of lucrative high-street locations can rise steeply, thereby increasing expansion costs.

Working capital intensity

Jewellery retailers typically have a working capital cycle of 3-4 months, characterised by high inventory requirements and creditors. Managing working capital intensity and volatility in gold prices is a key challenge.

Slowdown in consumer spending

Rising inflation and/or an economic slowdown can impact the disposable income of consumers, which may reduce their appetite to spend on discretionary items, including jewellery. Further, volatility in prices of gold and diamonds could adversely impact consumer spending on jewellery.

Geographic concentration of operations

A limited number of retail outlets concentrated in a particular region can expose companies to geographic concentration risks. Volatility in demand arising from local factors is likely to adversely impact revenue and profitability of such companies more than that of those with a wide geographic presence.

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