Industry Research Report
on
Indian Gems & Jewellery Sector

October 2023

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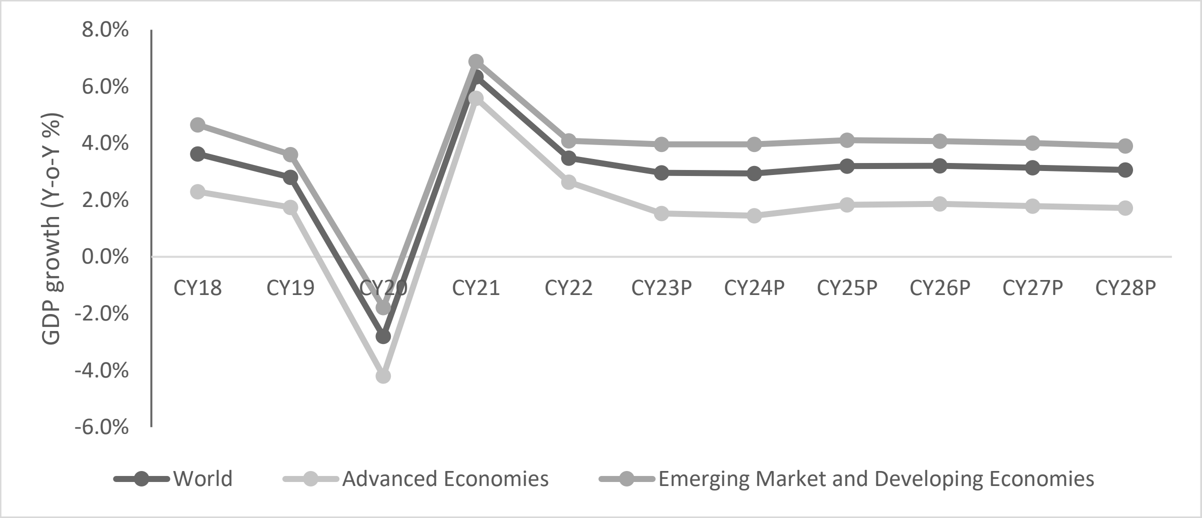
1. Economic Outlook

1.1 Global Economy Outlook

As per the International Monetary Fund (IMF)'s World Economic Outlook growth projections released in October 2023, the global economic growth for CY22[1] stood at 3.5% on a year-on-year (y-o-y) basis, down from 6.3% in CY21 due to disruptions resulting from the Russia-Ukraine conflict and higher-than-expected inflation worldwide. On the other hand, the global economic growth for CY23 is projected to slow down further to 3.0% and 2.9% in CY24, attributed to compressing global financial conditions, expectant steeper interest rate hikes by major central banks to fight inflation, and spill-over effects from the Russia-Ukraine conflict, with gas supplies from Russia to Europe expected to remain tightened. For the next 4 years, the IMF projects world economic growth in the range of 3.0%-3.2% on a y-o-y basis.

Chart 1: Global Growth Outlook Projections (Real GDP, Y-o-Y change in %)



Notes: P-Projection
Source: IMF – World Economic Outlook, July 2023

Advanced Economies Group

The major advanced economies registered GDP growth of 2.6% in CY22, down from 5.5% in CY21, which is further projected to decline to 1.5% in CY23. This forecast of low growth reflects increased central bank interest rates to fight inflation and the impact of the Russia-Ukraine war. About 90% of advanced economies are projected to witness decline GDP growth in CY23 compared to CY22. In addition, this is further expected to decline to 1.4% in CY24.

One of the major countries from this group is the **United States**. The United States registered GDP growth of 2.1% in CY22 compared to 5.9% in CY21. Whereas, growth for CY23 and CY24 is projected at 2.1% and 1.5%, respectively. Among advanced economies group, private consumption has been stronger in the United States than in the euro area. The business investments have also been robust in the second quarter, in addition, the general government fiscal stance of United States is expected to be expansionary in CY23. However, the unemployment rate is expected to rise coupled with declining wages and savings. With this, the GDP growth is expected to soften in near term.

Further, the **Euro Area** registered GDP growth of 3.3% in CY22 compared to 5.6% in CY21. For CY23 and CY24, the growth is projected at 0.7% and 1.2%, respectively. There is divergence in GDP growth across the euro area. Wherein,

[1] CY – Calendar Year

Germany is expected to witnesses slight contraction in growth due to weak interest rate sensitive sector and slow trading demand. On the other hand, the GDP growth for France has been revised upwards on account of growing industrial production and external demand.

Emerging Market and Developing Economies Group

For the emerging market and developing economies group, GDP growth stood at 4.0% in CY22, compared to 6.8% in CY21. This growth is further projected at 4.0% in CY23 and CY24. About 90% of the emerging economies are projected to make positive growth. While the remaining economies, including the low-income countries, are expected to progress slower.

Further, in **China**, growth is expected to pick up to 5.0% with the full reopening in CY23 and subsequently moderate in CY24 to 4.8%. The property market crisis and lower investment are key factors leading to this moderation. Whereas, India is projected to remain strong at 6.3% for both CY23 and CY24 backed by resilient domestic demands despite external headwinds.

Table 1: GDP growth trend comparison - India v/s Other Emerging and Developing Economies (Real GDP, Y-o-Y change in %)

	Real GDP (Y-o-Y change in %)									
	CY19	CY20	CY21	CY22	CY23P	CY24P	CY25P	CY26P	CY27P	CY28P
India	3.9	-5.8	9.1	7.2	6.3	6.3	6.3	6.3	6.3	6.3
China	6.0	2.2	8.5	3.0	5.0	4.2	4.1	4.1	3.7	3.4
Indonesia	5.0	-2.1	3.7	5.3	5.0	5.0	5.0	5.0	5.0	5.0
Saudi Arabia	0.8	-4.3	3.9	8.7	0.8	4.0	4.2	3.3	3.3	3.1
Brazil	1.2	-3.3	5.0	2.9	3.1	1.5	1.9	1.9	2.0	2.0

P- Projections; Source: IMF- World Economic Outlook Database (October 2023)

The **Indonesian** economy is expected to register growth of 5% both in CY23 and CY24 with a strong recovery in domestic demands, a healthy export performance, policy measures, and normalization in commodity prices. In CY22, **Saudi Arabia** was the fastest-growing economy in this peer set with 8.7% growth. The growth is accredited to robust oil production, non-oil private investments encompassing wholesale and retail trade, construction and transport, and surging private consumption. Saudi Arabia is expected to grow at 0.8% and 4.0% in CY23 and CY24, respectively. On the other hand, **Brazil** is expected to project growth of 3.1% in CY23 driven by buoyant agriculture and resilient services in the first half of CY23.

Despite the turmoil in the last 2-3 years, India bears good tidings to become a USD 5 trillion economy by CY27. According to the IMF dataset on Gross Domestic Product (GDP) at current prices, the GDP has been estimated to be at USD 3.4 trillion for CY22 and is projected to reach USD 5.2 trillion by CY27. India's expected GDP growth rate for coming years is almost double compared to the world economy.

Besides, **India** stands out as the fastest-growing economy among the major economies. The country is expected to grow at more than 6% in the period of CY24-CY28, outshining China's growth rate. By CY27, the Indian economy is estimated to emerge as the third-largest economy globally, hopping over Japan and Germany. Currently, it is the third-largest economy globally in terms of Purchasing Power Parity (PPP) with a ~7% share in the global economy, with China [~18%] on the top followed by the United States [~15%]. Purchasing Power Parity is an economic performance indicator denoting the relative price of an average basket of goods and services that a household needs for livelihood in each country.

Despite Covid-19's impact, high inflationary and interest rates globally, and the geopolitical tensions in Europe, India has been a major contributor to world economic growth. India is increasingly becoming an open economy as well through growing foreign trade. Despite the global inflation and uncertainties, Indian economy continues to show resilience. This resilience is mainly supported stable financial sector backed by well-capitalized banks and export of services in trade balance. With this, the growth of Indian economy is expected to fare better than other economies majorly on account of strong investment activity bolstered by the government's capex push and buoyant private consumption, particularly among higher income earners.

1.2 Indian Economy Outlook

1.2.1 GDP Growth and Outlook

Resilience to External Shocks remains Critical for Near-Term Outlook

India's GDP grew by 9.1% in FY22 and stood at Rs. 149.3 trillion despite the pandemic and geopolitical Russia-Ukraine spillovers. In Q1FY23, India recorded 13.2% y-o-y growth in GDP, largely attributed to improved performance by the agriculture and services sectors. Following this double-digit growth, Q2FY23 witnessed 6.3% y-o-y growth, while Q3FY23 registered 4.5% y-o-y growth. The slowdown during Q2FY23 and Q3FY23 compared to Q1FY23 can be attributed to the normalization of the base and a contraction in the manufacturing sector's output.

Subsequently, Q4FY23 registered broad-based improvement across sectors compared to Q3FY23 with a growth of 6.1% y-o-y. The investments, as announced in the Union Budget 2022-23 on boosting public infrastructure through enhanced capital expenditure, have augmented growth and encouraged private investment through large multiplier effects in FY23. Supported by fixed investment and higher net exports, GDP for full-year FY23 was valued at Rs. 160.1 trillion registering an increase of 7.2% y-o-y.

Furthermore, in Q1FY24, the economic growth accelerated to 7.8%. The manufacturing sector maintained an encouraging pace of growth, given the favourable demand conditions and lower input prices. The growth was supplemented by a supportive base alongside robust services and construction activities.

GDP Growth Outlook

- During FY24, strong agricultural and allied activity prospects are likely to boost rural demands. However, a rebound in contact-intensive sectors and discretionary spending is expected to support urban consumption.
- Strong credit growth, resilient financial markets, and the government's continual push for capital spending and infrastructure are likely to create a compatible environment for investments.
- External demand is likely to remain subdued with a slowdown in global activities, thereby indicating adverse implications for exports. Additionally, heightened inflationary pressures and resultant policy tightening may pose a risk to the growth potential.

Taking all these factors into consideration, in October 2023, the RBI in its bi-monthly monetary policy meeting estimated a real GDP growth of 6.5% y-o-y for FY24.

Table 2: RBI's GDP Growth Outlook (Y-o-Y %)

FY24 (complete year)	Q2FY24	Q3FY24	Q4FY24	Q1FY25
6.5	6.5	6.0	5.7	6.6%

Source: Reserve Bank of India

1.2.2 Gross Value Added (GVA)

Gross Value Added (GVA) is the measure of the value of goods and services produced in an economy. GVA gives a picture of the supply side whereas GDP represents consumption.

Industry and Services sector leading the recovery charge

• The gap between GDP and GVA growth turned positive in FY22 (after a gap of two years) due to robust tax collections. Of the three major sector heads, the service sector has been the fastest-growing sector in the last 5 years.

• The **agriculture sector** was holding growth momentum till FY18. In FY19, the acreage for the rabi crop was marginally lower than the previous year which affected the agricultural performance. Whereas FY20 witnessed growth on account of improved production. During the pandemic-impacted period of FY21, the agriculture sector was largely insulated as timely and proactive exemptions from COVID-induced lockdowns to the sector facilitated uninterrupted harvesting of rabi crops and sowing of kharif crops. However, supply chain disruptions impacted the flow of agricultural goods leading to high food inflation and adverse initial impact on some major agricultural exports. However, performance remained steady in FY22.

Further, in Q1FY23 and Q2FY23, the agriculture sector recorded a growth of 2.4% and 2.5%, respectively, on a y-o-y basis. Due to uneven rains in the financial year, the production of some major Kharif crops, such as rice and pulses, was adversely impacted thereby impacting the agriculture sector's output. In Q3FY23 and Q4FY23, the sector recorded a growth of 4.7% and 5.5%, respectively, on a y-o-y basis.

Overall, the agriculture sector performed well despite weather-related disruptions, such as uneven monsoon and unseasonal rainfall, impacting yields of some major crops and clocked a growth of 4% y-o-y in FY23, garnering Rs. 22.3 trillion. In Q1FY24, this sector expanded at a slower pace of 3.1% compared to a quarter ago. Going forward, rising bank credit to the sector and increased exports will be the drivers for the agriculture sector. However, a deficient rainfall may impact the reservoir level weighing on prospects of rabi sowing. A downside risk exists in case the intensity of El Nino is significantly strong.

• The **industrial sector** projected a CAGR of 4.7% for the period FY16 to FY19. From March 2020 onwards, the nationwide lockdown due to the pandemic significantly impacted industrial activities. In FY20 and FY21, this sector felt turbulence due to the pandemic and recorded a decline of 1.4% and 0.9%, respectively, on a y-o-y basis. With the opening up of the economy and resumption of industrial activities, it registered 11.6% y-o-y growth in FY22, albeit on a lower base.

The industrial output in Q1FY23 jumped 9.4% on a y-o-y basis. However, in the subsequent quarter, the sector witnessed a sharp contraction of 0.5% due to lower output across the mining, manufacturing, and construction sectors. This was mainly because of the poor performance of the manufacturing sector, which was marred by high input costs. In Q3FY23, the sector grew modestly by 2.3% y-o-y. The growth picked up in Q4FY23 to 6.3% y-o-y owing to a rebound in manufacturing activities and healthy growth in the construction sector. Overall, the industrial sector is estimated to be valued at Rs. 45.2 trillion registering 4.4% growth in FY23.

The industrial sector grew by 5.5% in Q1FY24. The industrial growth was mainly supported by sustained momentum in the manufacturing and construction sectors. Within manufacturing (as captured by IIP numbers), industries such as pharma, non-metallic mineral products, rubber, plastic, metals, etc., witnessed higher production growth during the quarter.

• The **services sector** recorded a CAGR of 7.1% for the period FY16 to FY20, which was led by trade, hotels, transport, communication, and services related to broadcasting, finance, real estate, and professional services. This sector was the hardest hit by the pandemic and registered an 8.2% y-o-y decline in FY21. The easing of restrictions aided a fast rebound in this sector, with 8.8% y-o-y growth witnessed in FY22.

In Q1FY23 and Q2FY23, this sector registered a y-o-y growth of 16.3% and 9.4%, respectively, on a lower base and supported by a revival in contact-intensive industries. Further, the services sector continued to witness buoyant demand and recorded a growth of 6.1% y-o-y in Q3FY23. Supported by robust discretionary demands, Q4FY23 registered 6.9% growth largely driven by the trade, hotel, and transportation industries. Overall, benefitting from the pent-up demand, the service sector was valued at Rs. 20.6 trillion and registered growth of 9.5% y-o-y in FY23.

Whereas in Q1FY24, the services sector growth jumped to 10.3%. Within services, there was a broad-based improvement in growth across different sub-sectors. However, the sharpest jump was seen in financial, real estate, and professional services. Trade, hotels, and transport sub-sectors expanded at a healthy pace gaining from strength in discretionary demand. Accordingly, steady growth in various service sector indicators like air passenger traffic, port cargo traffic, GST collections, and retail credit are expected to support the services sector.

Table 3: Sectoral Growth (Y-o-Y % Growth) - at Constant Prices

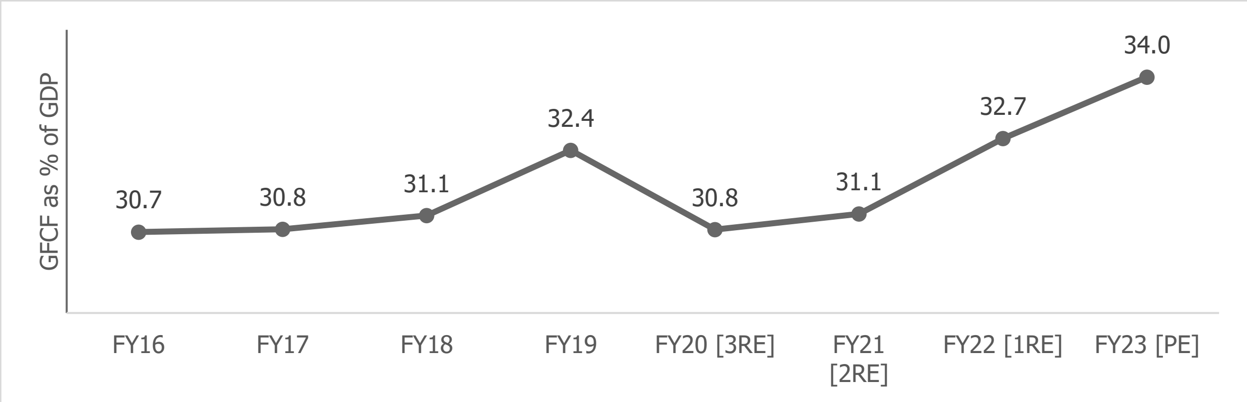
At constant Prices	FY18	FY19	FY20 (3RE)	FY21 (2RE)	FY22 (1RE)	FY23 (PE)	Q1FY23	Q1FY24
Agriculture, Forestry & Fishing	**6.6**	**2.1**	**6.2**	**4.1**	**3.5**	**4**	**2.4**	**3.5**
Industry	**5.9**	**5.3**	**-1.4**	**-0.9**	**11.6**	**4.4**	**9.4**	**5.5**
Mining & Quarrying	-5.6	-0.8	-3	-8.6	7.1	4.6	9.5	5.8
Manufacturing	7.5	5.4	-3	2.9	11.1	1.3	6.1	4.7
Electricity, Gas, Water Supply & Other Utility Services	10.6	7.9	2.3	-4.3	9.9	9	14.9	2.9
Construction	5.2	6.5	1.6	-5.7	14.8	10	16	7.9
Services	**6.3**	**7.2**	**6.4**	**-8.2**	**8.8**	**9.5**	**9.4**	**10.3**
Trade, Hotels, Transport, Communication & Broadcasting	10.3	7.2	6	-19.7	13.8	14	25.7	9.2
Financial, Real Estate & Professional Services	1.8	7	6.8	2.1	4.7	7.1	8.5	12.2
Public Administration, Defence and Other Services	8.3	7.5	6.6	-7.6	9.7	7.2	21.3	7.9
GVA at Basic Price	**6.2**	**5.8**	**3.9**	**-4.2**	**8.8**	**7**	**11.9**	**7.8**

3RE – Third Revised Estimate, 2RE – Second Revised Estimates, 1RE – First Revised Estimates, 2AE – Second Advanced Estimate; Source: MOSPI

1.2.3 Investment Trend in Infrastructure

Gross Fixed Capital Formation (GFCF), which is a measure of the net increase in physical assets, witnessed an improvement in FY22. As a proportion of GDP, it is estimated to be at 32.7%, which is the second-highest level in 7 years (since FY15). In FY23, the ratio of investment (GFCE) to GDP climbed up to its highest in the last decade at 34%, as per the advanced estimate released by the Ministry of Statistics and Programme Implementation (MOSPI).

Chart 2: Gross Fixed Capital Formation (GFCF) as % of GDP (At constant prices):



PE: Provisional Estimates, RE: Revised Estimate, AE: Advanced Estimate; Source: MOSPI

Overall, support of public investment in infrastructure is likely to gain traction due to initiatives such as of Atmanirbhar Bharat, Make in India, and Production-linked Incentive (PLI) scheme announced across various sectors.

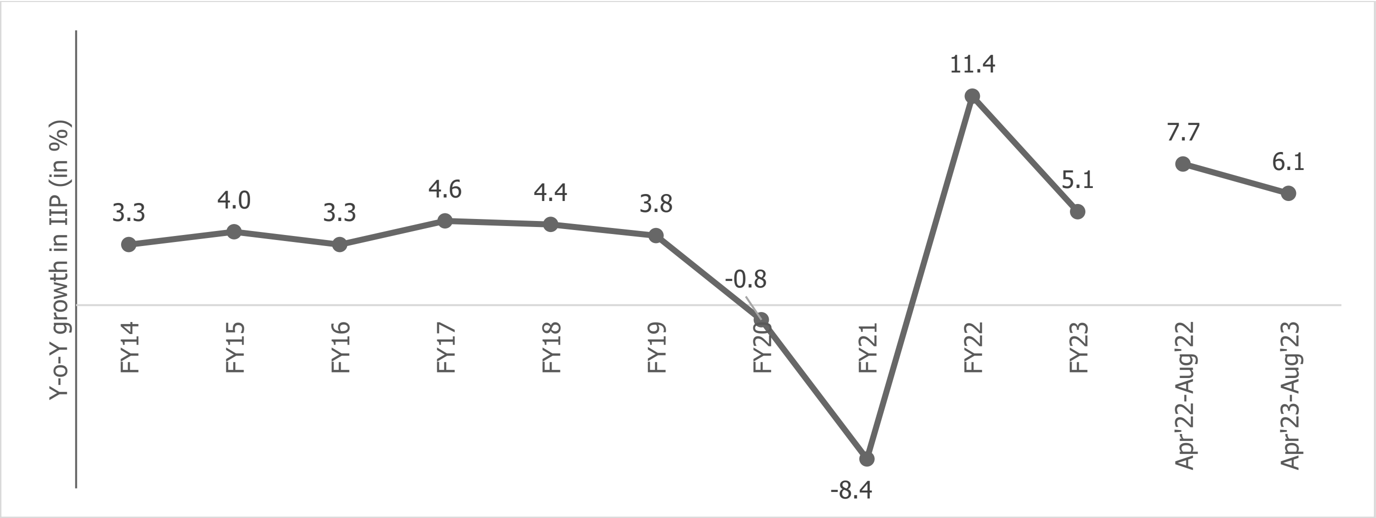
1.2.4 Industrial Growth

Improved Core and Capital Goods Sectors helped IIP Growth Momentum

The Index of Industrial Production (IIP) is an index to track manufacturing activity in an economy. On a cumulative basis, IIP grew by 11.4% y-o-y in FY22 post declining by 0.8% y-o-y and 8.4% y-o-y, respectively, in FY20 and FY21. This high growth was mainly backed by a low base of FY21. FY22 IIP was higher by 2.0% when compared with the pre-pandemic level of FY20, indicating that while economic recovery was underway, it was still at very nascent stages.

During FY23, the industrial output recorded a growth of 5.1% y-o-y supported by a favourable base and a rebound in economic activities. During April 2023 and May 2023, IIP grew by 4.2% y-o-y and 5.3% y-o-y growth, respectively. This growth in April and May 2023 was aided by encouraging performance of the mining and manufacturing sectors. However, in June 2023, the industrial output slowed to 3.7% mainly due to moderation in the manufacturing sector's output. This industrial growth rebounded to 5.7% in July 2023 with improvement in the manufacturing segment and further accelerated to 10.3% in August 2023 with improvement in the manufacturing segment. Sectors like mining and electricity as well aided this performance.

Chart 3: Y-o-Y growth in IIP (in %)



Source: MOSPI

The rebound in industrial activity in July 2023 is encouraging. The healthy momentum recorded in the infrastructure and construction sector is likely to continue aided by the Government's focus on this segment. The consumption demand is likely to see an improvement in the upcoming festive season. However, the elevated food inflation and monsoon-related vagaries could pose a risk to consumption demand. Over a longer period of time, the unfolding of the domestic demand scenario remains critical for industrial activity. External demand is likely to remain weak and that will continue to cast a shadow on export-dependent sectors.

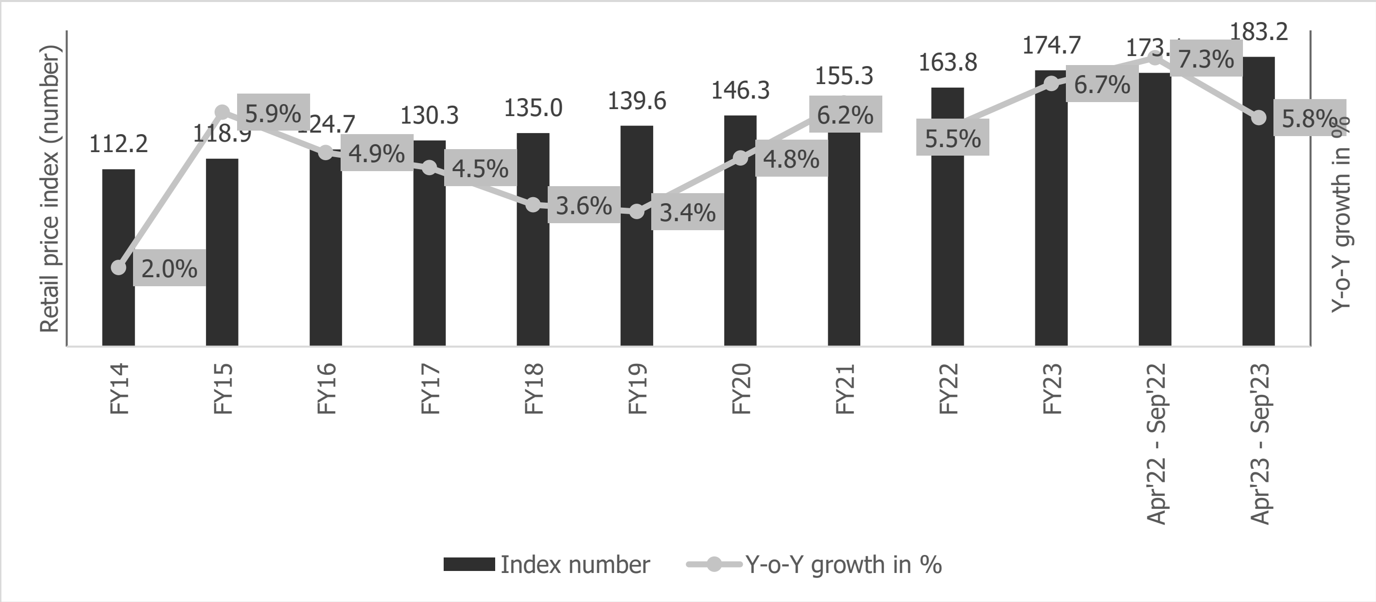
1.2.5 Consumer Price Index

India's consumer price index (CPI), which tracks retail price inflation, stood at an average of 5.5% in FY22 which was within RBI's targeted tolerance band of 6%. However, consumer inflation started to upswing from October 2021 onwards and reached a tolerance level of 6% in January 2022. Following this, CPI reached 6.9% in March 2022.

CPI remained elevated at an average of 6.7% in FY23, above the RBI's tolerance level. However, there was some respite toward the end of the fiscal wherein the retail inflation stood at 5.7% in March 2023, tracing back to the RBI's tolerance band. Apart from a favorable base effect, the relief in retail inflation came from a moderation in food inflation.

In the current fiscal FY24, the CPI moderated for two consecutive months to 4.7% in April 2023 and 4.3% in May 2023. This trend snapped in June 2023 with CPI rising to 4.9% and 7.4% in July 2023 largely due to increased food inflation. The CPI has breached the RBI's target range for the first time since February 2023. This marks the highest reading observed since the peak in April 2022 at 7.8%. The notable surge in vegetable prices and elevated inflation in other food categories such as cereals, pulses, spices, and milk have driven this increase. Further, the contribution of food and beverage to the overall inflation has risen significantly to 65%, surpassing their weight in the CPI basket. This was moderated for second consecutive month in In September 2023 by 5% helped by a sharp correction in vegetables prices and lower LPG prices.

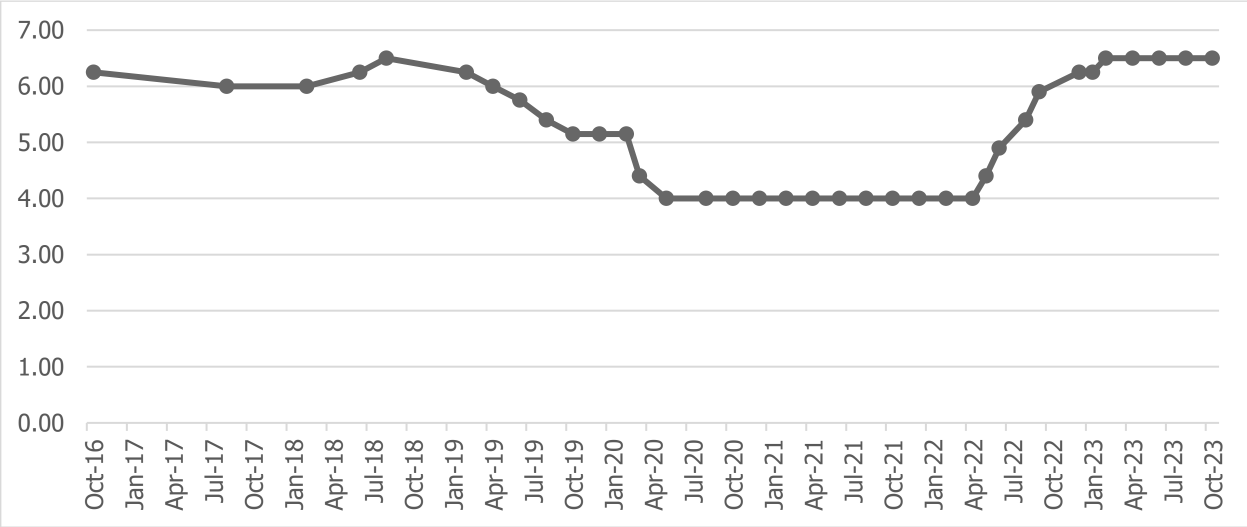
Chart 4: Retail Price Inflation in terms of index numbers and Y-o-Y Growth in % (Base: 2011-12=100)



Source: MOSPI

The CPI is primarily factored in by RBI while preparing their bi-monthly monetory policy. The RBI has increased the repo rates with the rise in inflation in the past year from 4% in April 2022 to 6.5% in January 2023.

Chart 5: RBI historical Repo Rate



Source: RBI

However, with the inflation easing over the last few months, RBI has kept the repo rate unchanged at 6.5% in the last four meetings of the Monetary Policy Committee. At the bi-monthly meeting held in October2023, RBI projected inflation at 5.4% for FY24 with inflation during Q2FY24 at 6.4%, Q3FY24 at 5.6%, Q4FY24 at 5.2% and Q1FY25 at 5.2%

Further, the central bank continued to remain focused on the withdrawal of its accommodative stance. With domestic economic activities gaining traction, RBI has shifted gears to prioritize controlling inflation. While RBI has paused on the policy rate front, it has also strongly reiterated its commitment to bringing down inflation close to its medium-term target of 4%. Given the uncertain global environment and lingering risks to inflation, the Central Bank has kept the window open for further monetary policy tightening in the future, if required.

1.2.6 Concluding Remarks

The major headwinds to global economic growth are escalating geopolitical tensions, volatile global commodity prices, and a shortage of key inputs. Despite the global economic growth uncertainties, the Indian economy is relatively better placed in terms of GDP growth compared to other emerging economies. It is expected to grow at 6.3% in CY24 compared to the world GDP growth projection of 3%. The bright spots for the economy are continued healthy domestic demand, support from the government towards capital expenditure, moderating inflation, and improving business confidence.

Likewise, several high-frequency growth indicators including the purchasing managers index, auto sales, bank credit, and GST collections have shown improvement in FY23. Moreover, normalizing the employment situation after the opening up of the economy is expected to improve and provide support to consumption expenditure.

Further, in line with the latest India Meteorological Department (IMD) projection, the rainfall activity has been muted during June 1, 2023 to September 20, 2023, with cumulative rainfall falling back to a 7% deficit. Also, weak-to-moderate El Nino conditions are expected to lead to a prolonged dry spell. A drop-in yield due to irregular monsoon and a lower acreage can lead to a demand-supply mismatch, further increasing the inflationary pressures on the food basket. Going ahead, consumption demand is expected to pick up during the festive season, but the quantum of rise in demand will be dependent on the extent of the impact of the irregular monsoon.

At the same time, public investment is expected to exhibit healthy growth as the government has allocated a strong capital expenditure of about Rs. 10 lakh crores for FY24. The private sector's intent to invest is also showing improvement as per the data announced on new project investments. However, volatile commodity prices and economic uncertainties emanating from global turbulence may slow down the improvement in private Capex and investment cycle.

Furthermore, the industrial sector is expected to perform better among all sectors, as input costs are now moderating. With flagship programmes like 'Make in India' and the PLI schemes, the government is continuing to provide the necessary support to boost the industry sector. Similarly, the service sector is expected to see continued growth in FY24. However, some segments in the service sector, like information technology, are likely to be impacted by the slowdown in the US and European economies.

1.2.7 Key Demographic drivers for Economic Growth

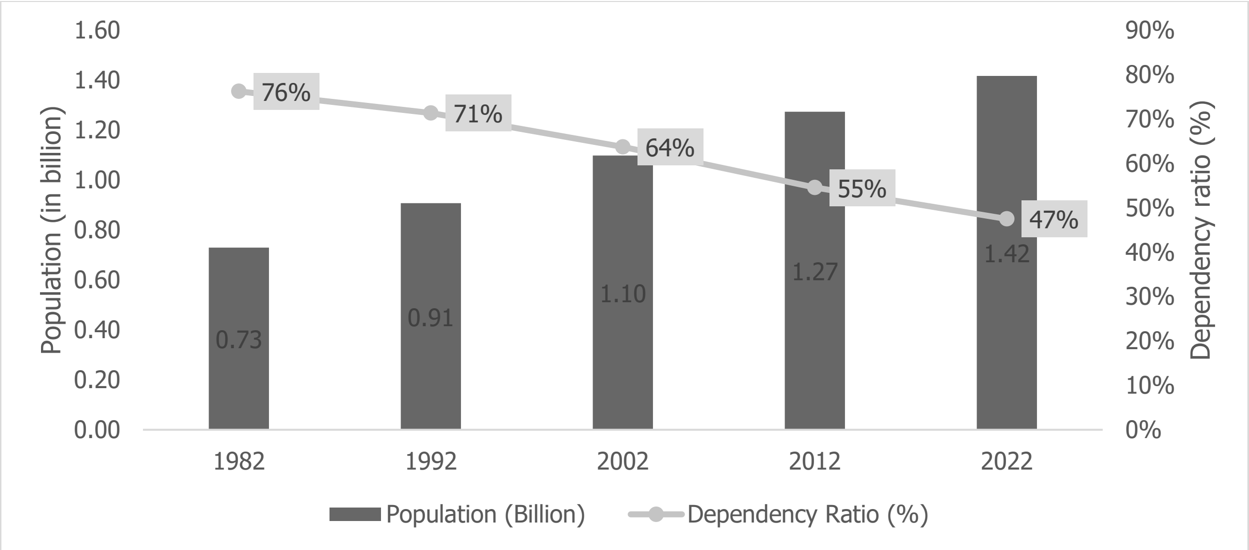
The trajectory of economic growth of India and private consumption is also driven by socio-economic factors such as demographics and urbanization. Some of the key demographic drivers are:

- **Growing Population and Declining Dependency Ratio:**

With 1.41 billion people, India makes it the second most populous country in the world. The population has witnessed significant growth in the past few decades.

Age Dependency Ratio is the ratio of dependents to the working age population i.e. 15 to 64 years, wherein dependents are population younger than 15 and older than 64. This ratio has been on a declining trend. It was as high as 76% in 1982, which has reduced to 47% in 2022. Declining dependency means the country has improving share of working age population generating income, which is a good sign for the economy.

Chart 6: Trend of Population vis-à-vis dependency ratio

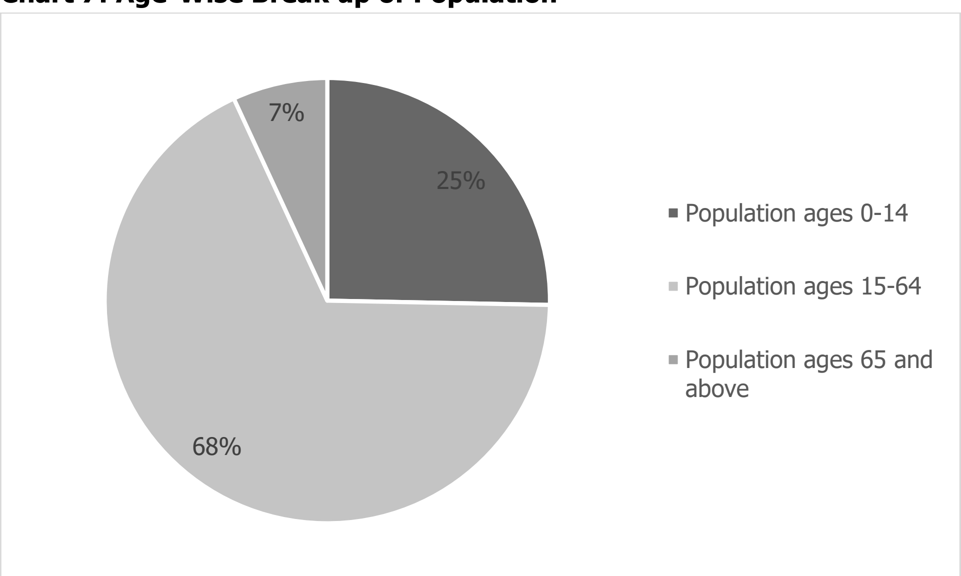


Source: World Bank Database

- **Young Population:**

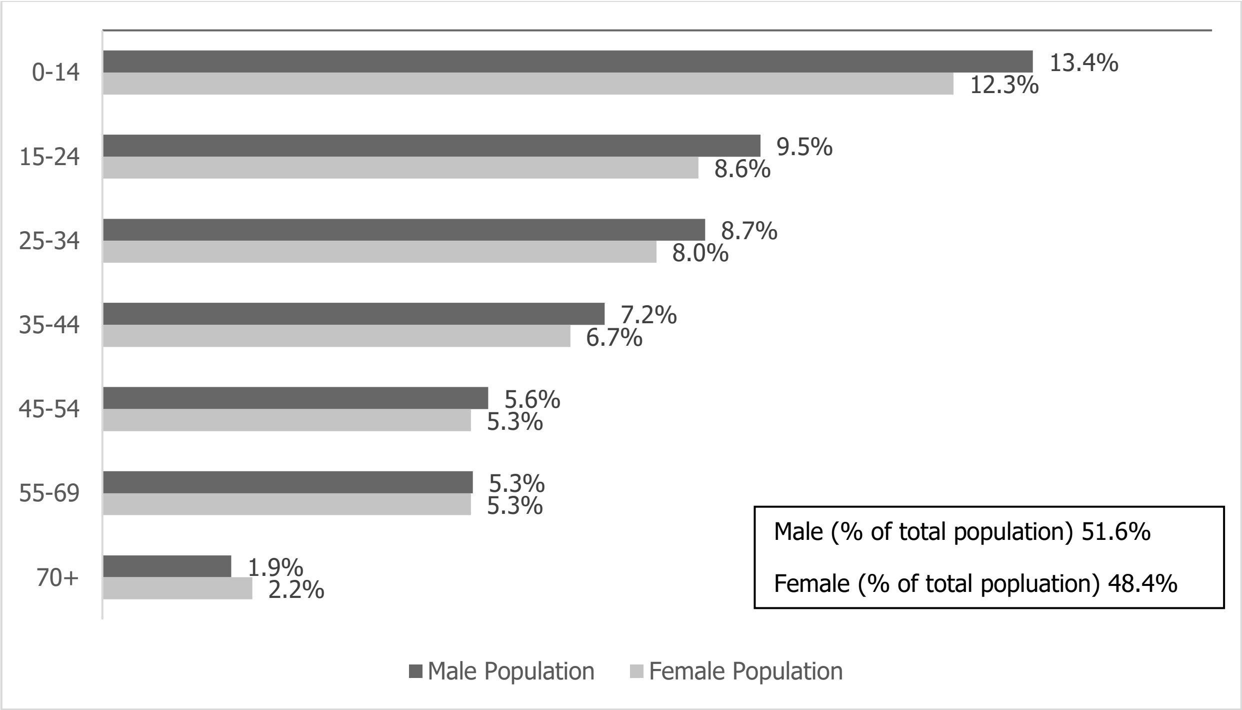
With an average age of 29, India has one of the youngest populations globally. As a vast resource of young citizens enters the workforce every year, it could create a 'demographic dividend'. India is home to a fifth of the world's youth demographic and this population advantage will play a critical role in economic growth.

Chart 7: Age-Wise Break up of Population



Source: World Bank Database

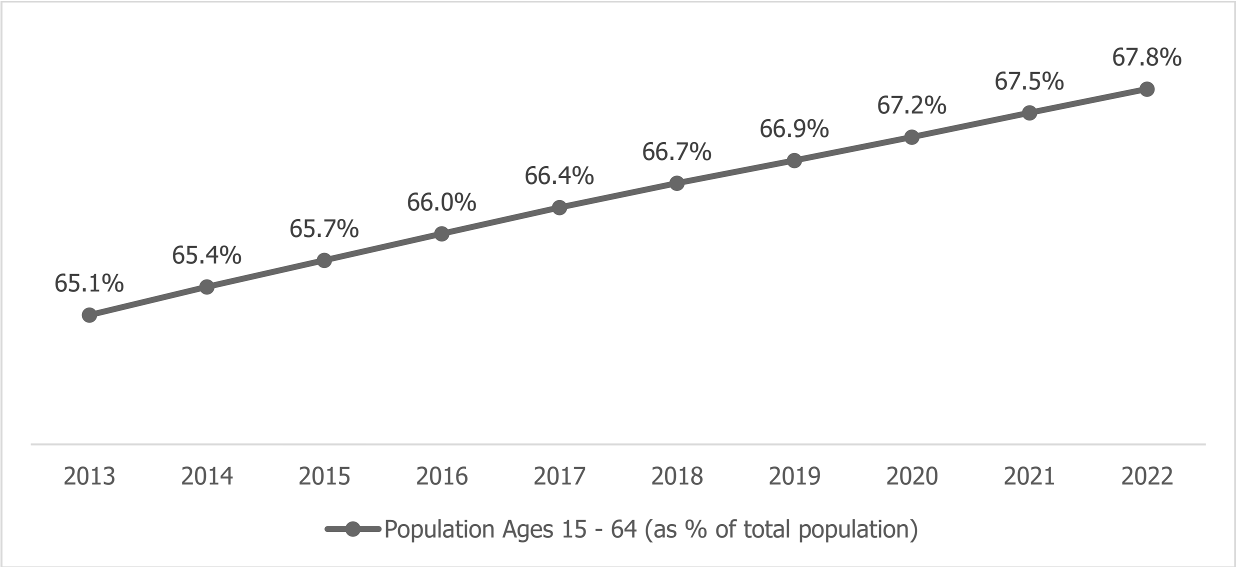
Chart 8: Age-Wise Break up of Male and Female Population



Source: World Bank Database

With the rise in number of working women, increasing proportion of working population and younger age group amongst the urban population in India, the consumer demand is expected to grow in the future. The increasing focus on education among the youth will lead to a decline in dependency ratio and enhanced lifestyles. This, in turn would enhance consumer spending.

Chart 9: Yearly Trend - Young Population as % of Total Population



Source: World Bank database

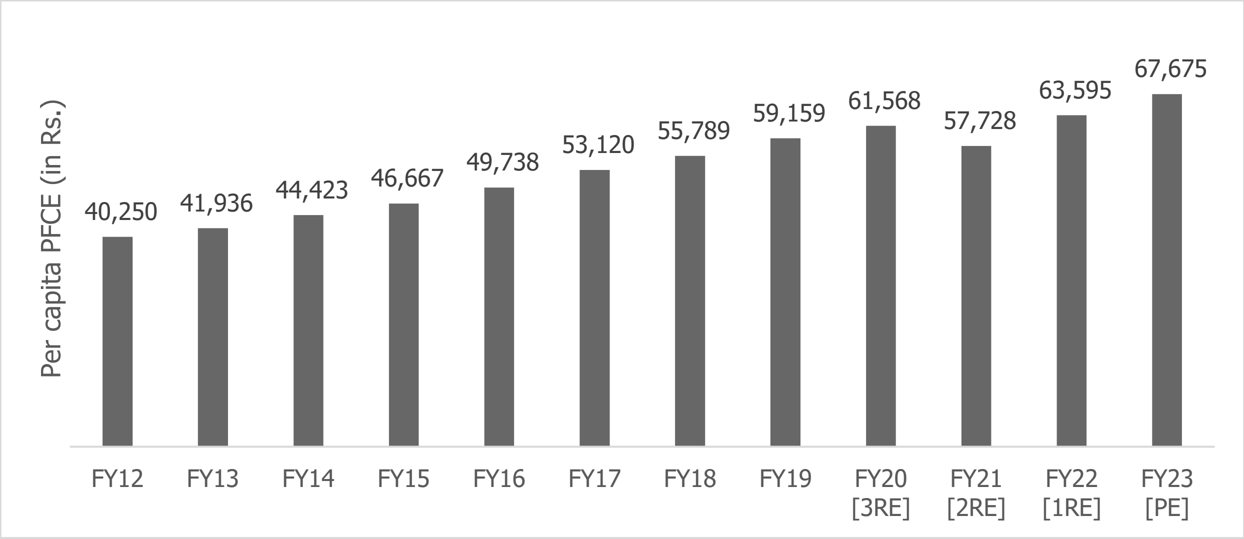
- **Growing Middle-Class**

According to the estimate of People Research on India's Consumer Economy (PRICE), the share of the middle class with an annual household income of Rs. 5-30 lakh, more than doubled from 14% in FY05 to 31% in FY21. It is projected to rise to 63% by FY47.

- **Consumer Spending**

There has been a gradual change in consumer spending behaviour as well. Private Final Consumption Expenditure (PFCE) which is measure of consumer spending has also showcased growth in the past decade. Following chart depicts the trend of per capita PFCE:

Chart 10: Trend of Per Capita Private Final Consumption Expenditure



Source: MOSPI

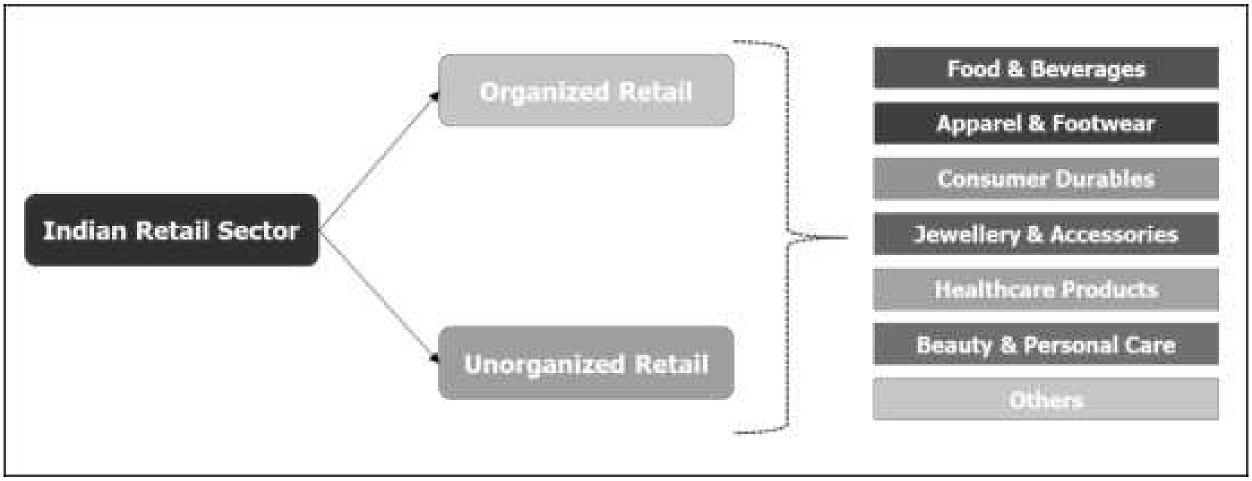
The consumption pattern trend is also gradually moving towards higher spend on branded products and purchase from organised retail. This includes discretionary spending on food and beverages, apparel, accessories, jewellery, luxury products, consumer durables and across other discretionary categories.

2 Overview of Indian Retail Sector

2.1 Overview

The Indian retail sector is one of the fastest growing sectors. The retail sector in India has the largest consumer base and as a result, the industry's market size has increased significantly. This growth can be attributed to robust demand, increasing investments, innovation & support through government initiatives. As digitization widens the market, better access channels, faster customer acquisition leading to cash conversion and rapid shifts in both demand & supply factors will accelerate the momentum of retail expansion in India.

Figure 1: Indian Retail Sector Composition



Source: CareEdge Research

The Indian retail industry consists of organized & unorganized segments. Currently, the unorganized sector dominates the retail industry and organized retail sector penetration in India is much lower than in the developed countries. This implies that the organized retail segment has huge growth potential. The continued expansion of the organized retail segment may aid the growth of the overall retail sector.

The outbreak of Covid-19 led to an acceleration in online sales of consumer products as consumer behavior changed during the lockdown. Consumers avoided physical store visits due to fears of virus contraction. Industry participants consequently witnessed a transition from traditional to digital, and are now moving towards an omni-channel mode of commerce. In some ways, the pandemic has aided in the transformation of retail in a more digitally enabled environment.

2.2 Indian Retail Market

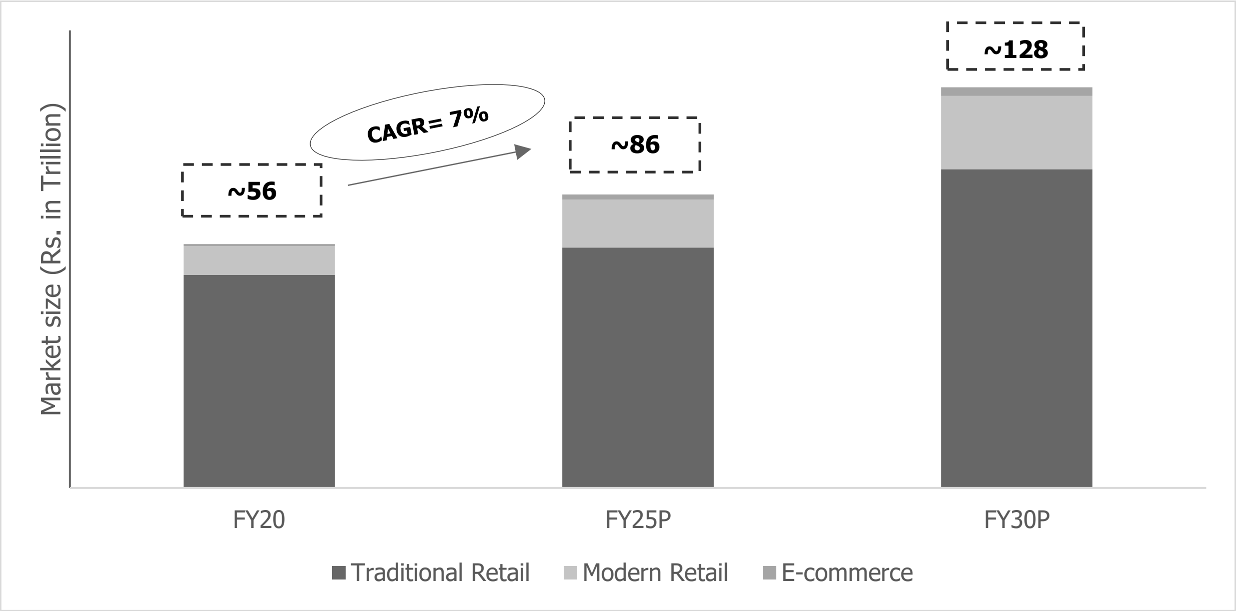
In the 1990s, metro cities saw the growth of pure play modern retail, which was once controlled by traditional retail. Consumer preferences began to move from need-based to premium purchasing, and the first hints of modernization in operations (backend) and formalization of the value chain emerged.

With the introduction of hypermarkets, supermarts, and cash-and-carry stores as well as geographic growth from metros to Tier 1 cities, modern retail evolved. Consumers' primary concern shifted from quality shopping experiences to convenience, further, the technological advancements pushed towards modernization of operations. Players began to use technology to disseminate information via websites.

Online retail saw a period of tremendous expansion, with all retail participants rapidly realizing the necessity of embracing digital technology in order to remain relevant to an increasingly digital consumer. For customers, personalization became the most important aspect.

Modern retail is still in its early stages of growth in emerging markets. Micro-retailers, kiosks, hawkers, open market vendors, wholesalers, and distributors make up traditional retail. Traditional retail is based on interpersonal relationships between customers and merchants. It is dominated by unorganized segment of the retail channels. On the other hand, modern retail are chains or groups of enterprises which make up modern commerce outlets. Hypermarkets, supermarket chains, and mini-markets are among the bigger players. Retail operations are better planned and inventory management, merchandising, and logistics management are all handled in a more organized manner and form a part of the organized retail channel.

Chart 11: Indian Retail Market Size



P – Projected; Source: CareEdge Research based on Industry sources.

In FY20, the retail sector was valued at approximately Rs. 86 trillion and employed 8% of the country's workforce (35 million people). In FY21, the retail industry was affected due to the outbreak of Covid-19 and the nationwide lockdown announced in the last week of March 2020. Consecutively, consumer demand began improving on a sequential basis and the sales started to pick up. During FY22, the impact of Covid-19 started gradually waning off and the need for real-life experience brought consumers back to offline retail. By 2030, it is anticipated to create 25 million new employments.

The sector is likely to continue to grow leading to increase in footfalls which will support the sales growth going forward. The revenue has reached pre-Covid levels mainly driven by strong show in lifestyle brands, new category launches and store additions amongst various players. Furthermore, the demand is expected to improve with improving consumer preference towards non-discretionary spending. The uptick in demand which started in FY23 has continued in Q1FY24 as well.

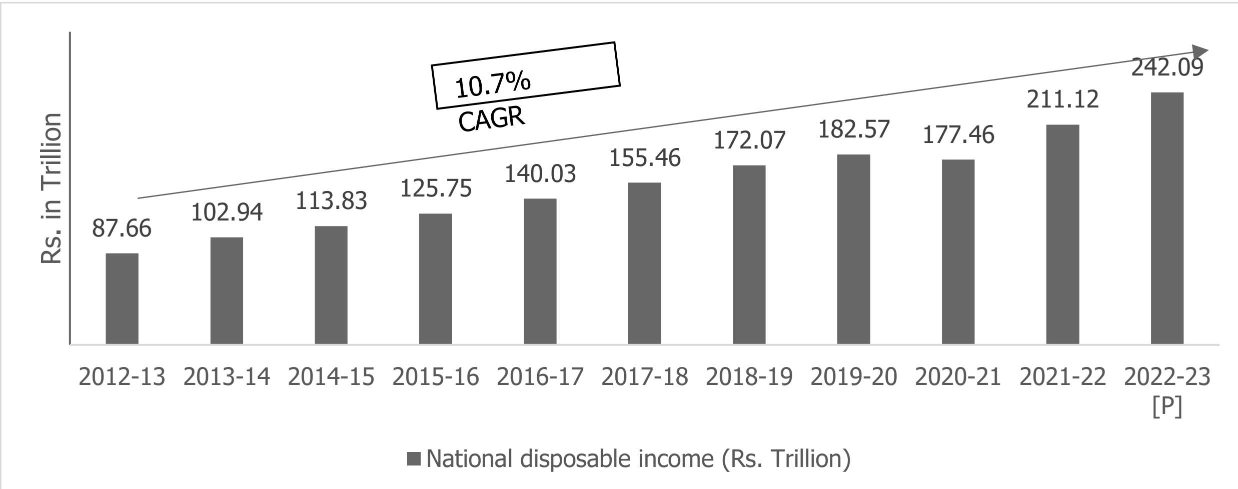
For the coming years, the market size is estimated to grow to nearly Rs. 86 trillion by the FY25 and around Rs. 128 trillion in FY30 on account of changing lifestyle and demand supply drivers like increasing purchasing power, innovative financing through easy credit, growing entry of foreign retailers and continuous government support through FDI policies and PLI schemes.

2.3 Demand drivers for Indian Retail Market

- **Increasing purchasing power**

With the rising disposable income, the demand growth in the retail sector is also accelerating. The overall increase in per capita income of the people has significant impact on the growth of the retail sector in India.

Chart 12 : Net Disposable Income for Past Decade



Source: CMIE

- **Innovative Financing Modes**

To keep up with the changing market dynamics, innovative financing modes have been introduced to meet the financial needs of retailers such as Merchant Cash Advances (MCA), a type of financing that allows retailers to receive cash advances based on their future credit and debit card sales, invoice financing - it is a type of financing where retailers can get upfront cash by selling their unpaid invoices to a financial institution. Collective effort of financial institutions and banks with retailers are enabling retailers to fund their inventory and grow their businesses.

- **Growing FDI**

The trend in FDI inflows in the Indian retail sector has been positive, with a significant increase in FDI inflows in recent years. The government's efforts to liberalize the FDI policy and improve the ease of doing business in the country have been key factors in attracting foreign investors to the Indian retail market. Despite the dip in FDI inflows due to the pandemic, the long-term outlook for FDI in the Indian retail sector remains positive. Some of the factors that have contributed to the growing FDI in the Indian retail market include liberalization of FDI Policy, large consumer market, growing E-commerce market, Ease of Doing Business etc.

- **Continuous Government Support**

The government has implemented several policies and initiatives to create a favourable business environment for retailers and promote growth of the sector. Some of the ways in which the Indian government is supporting the retail market are given below:

1) FDI policy:

The government has liberalized the **FDI policy** in the retail sector to attract foreign investment. In 2012 Government allowed 100% FDI in single-brand retail and 51% FDI in multi-brand retail. The government has also allowed FDI in e-commerce companies, which has helped the growth of online retail in the country.

2) GST Implementation:

The implementation of the Goods and Services Tax (GST) has simplified the tax structure. It has helped to streamline the supply chain and reduce the compliance costs for retailers.

3) Pradhan Mantri Mudra Yojana (PMMY):

The PMMY scheme was launched in 2015 to provide collateral-free loans to small businesses, including retailers, to help them expand their business operations. Approx. 370 million people have benefitted in the last 9 years.

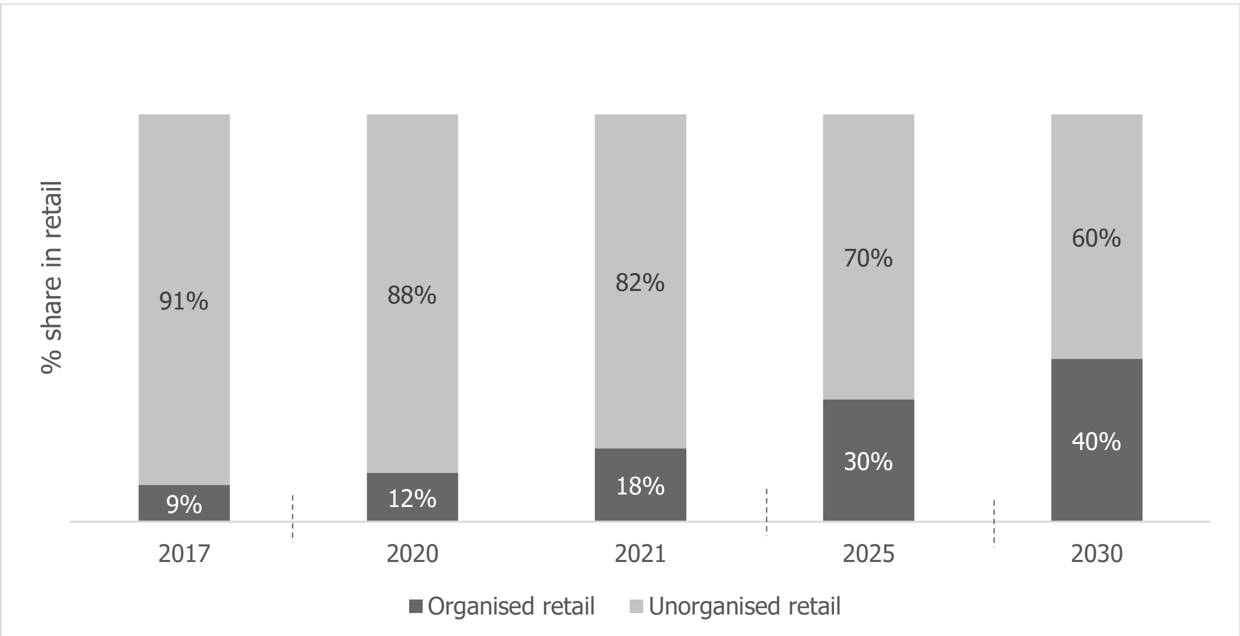
4) National Retail Policy:

In 2013, the government introduced the National Retail Policy with the aim of creating a conducive environment for the growth of retail sector in the country. The policy is focused on promoting small retailers, improving supply chain infrastructure and encouraging e-commerce. Others initiatives include infrastructure development, skill development, start-up initiatives etc.

3 Overview of Organized Indian Retail Market

The retail sector in India is largely unorganized. However, the share of organized retail is witnessing continuous growth with about 18% contribution to the total retail market in FY21, a sizeable increase from 9% in FY17. The market size for organized retail is estimated to be around Rs. 8.5-10.5 trillion in FY21.

Chart 13: Share of Organised Retail

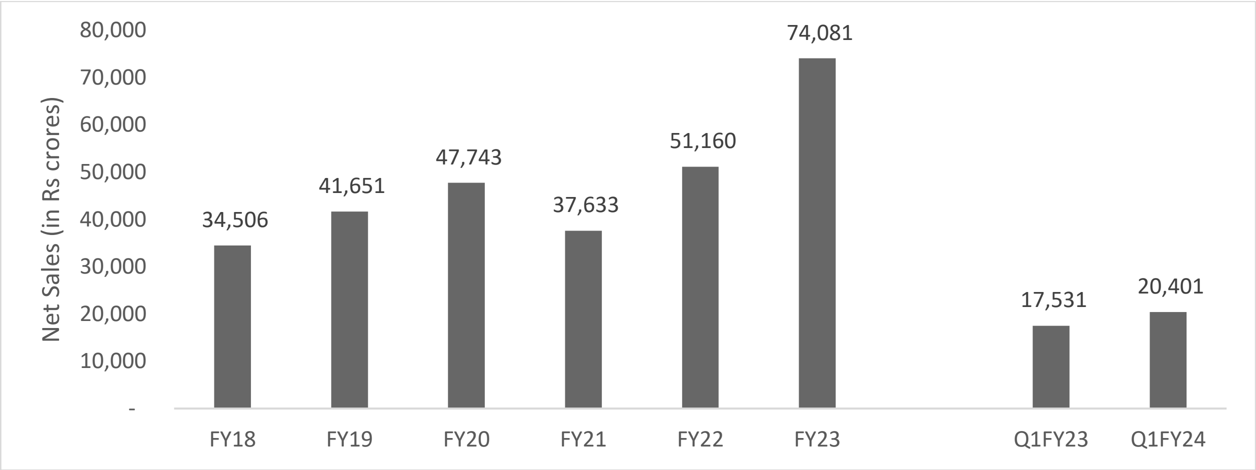


Source: Industry Sources, CareEdge Research

The expansion of the organized retail market in India is mostly attributable to a shift in customer behavior. Increased affluence, changing lifestyles and favorable demographic patterns have all contributed to this shift in consumer behavior. Consumers now prefer to shop at a location where they can enjoy food, entertainment and shopping all at one spot. This has supported the growth in the Indian organized retail market.

Owing to the pent-up demand, restriction free movement and the festive season, revenue for FY22 witnessed significant increase surpassing the pre-pandemic level. Below chart depicts the revenue growth trend for organized retail sector:

Chart 14: Revenue trend of Indian organized retail market



Note: Aggregate analysis for 16 listed companies; Source: CareEdge Research Analysis

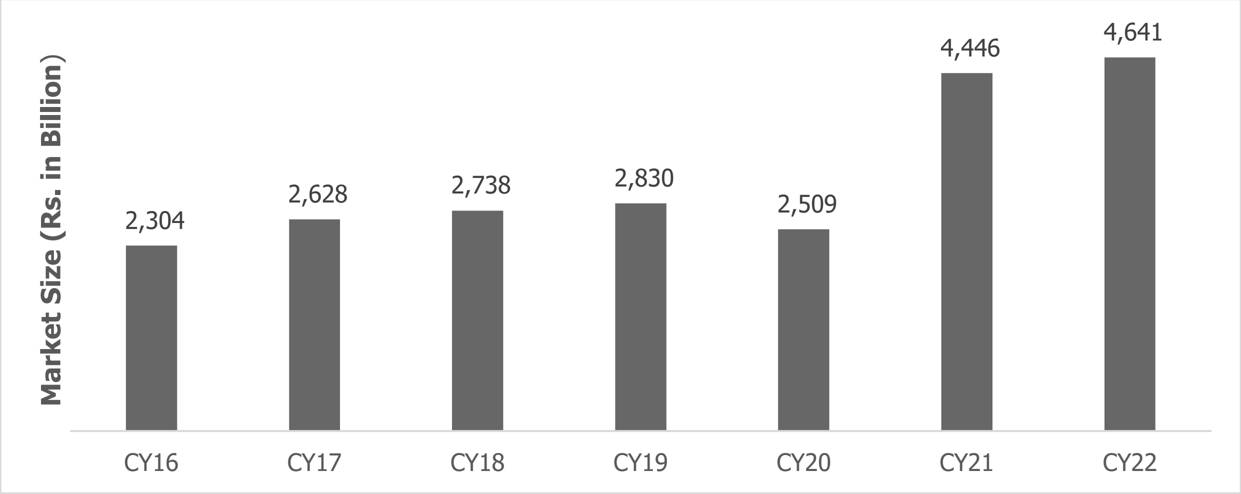
Continuing this positive trajectory, FY23 registered high revenue growth even exceeding historic levels. In Q1FY24 the sales grew by ~16% y-o-y. The long-term outlook also continues to remain positive. By the FY25 and FY30, the organized market share is projected to increase to about 30% and 40%, respectively, of the total retail market.

4 Overview of the Gems and Jewellery Industry in India

4.1 Indian Gems & Jewellery Industry

The Indian Gems and Jewellery (G&J) business has traditionally been very fragmented with consumers mainly purchasing from family jewellers. The fragmented nature of this sector makes it difficult to quantify the number of jewellers in India. However, the industry has seen structural transformation in the recent decade with more G&J players moving up the value chain with a greater focus on branded jewellery. Jewellery retailing is not just profitable and high-margin, but it's also an underpenetrated industry in India, which means there is a lot of room for growth. Consumers are more predisposed to branded jewellery particularly in metro & tier I cities, as a result of rising media and western influences, and willingness to pay a premium.

Chart 15: Indian Domestic Jewellery Market Size

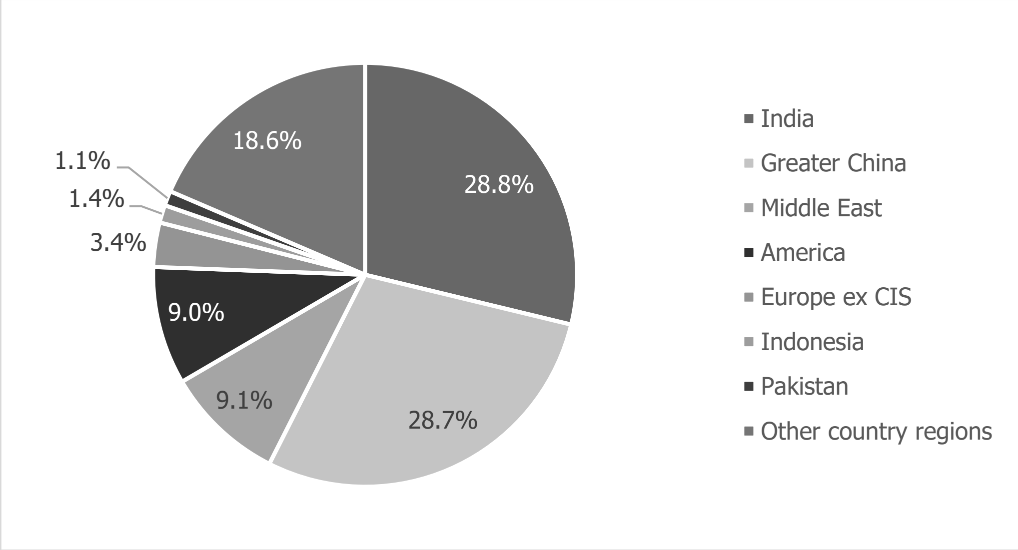


Source: Industry sources, CareEdge Research.

In CY20, the domestic jewellery (gold and studded) industry was negatively impacted by the Covid-19 outbreak and the industry size contracted by nearly a fourth. In CY22, the domestic jewellery industry stabilized at around Rs. 4,641 billion. In CY22, the demand for gold jewellery remained subdued in terms of volume and declined by about 2%, while the gold price registered ~7% increase as compared to its previous year. The long-term demand prospects for the sector are supported by growing working population, higher disposable income, easier access to credit and improving standard of living. To cater to the changing consumer preferences and designs trends, larger stores are offering more variety and a diverse range of jewellery. This continuous adaptation to the consumer trends and behavior is also likely to support the shift towards the organized jewellery segment.

In terms of gold jewellery consumption, India has been the second largest consumer globally (China being the first). In CY22, India has marginally surpassed China in jewellery consumption on volume basis. Below chart depicts country-wise gold jewellery consumption:

Chart 16: Country-Wise Market Share in Gold Jewellery Consumption (in %)



Note: Greater China includes Chain mainland, Hong Kong, Taiwan province; Middle East includes Saudi Arabia, UAE, Kuwait, Egypt, Iran, Turkey, Russian fed. and other middle east countries; America includes United States, Canada, Mexico and Brazil; Europe ex CIS includes France, Germany, Italy, Spain, United Kingdom; Switzerland and other Europe Other countries include Japan, Indonesia, Malaysia, Singapore, Korea, Republic of, Thailand, Australia, Vietnam, Sri Lanka;

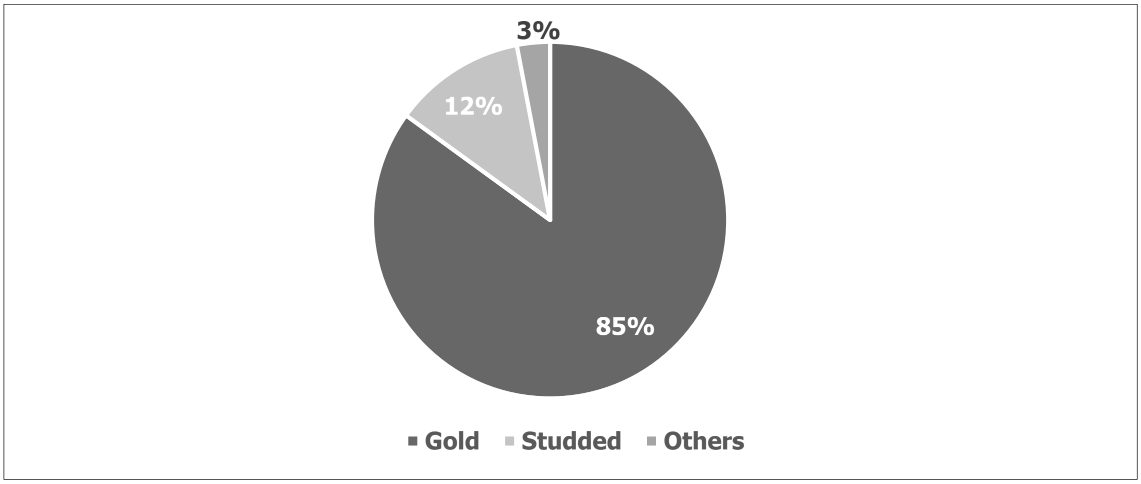
Source: World Gold Council, CareEdge Research

4.2 Share of Various Segments in Indian gems & jewellery industry

Key Segments of Indian Gems and Jewellery Industry:

The Indian G&J industry broadly consists of gold jewellery, studded jewellery and other jewellery types like platinum jewellery, fashion jewellery and silver jewellery.

Chart 17: Indian Domestic Jewellery Market Share Estimates CY22 (Rs. 4,641 billion)

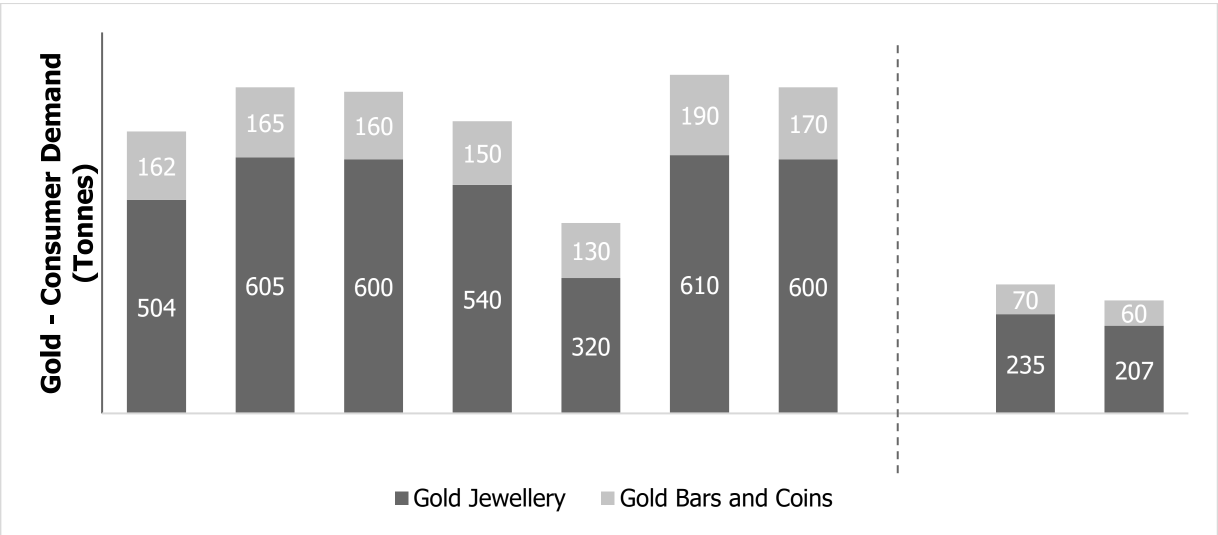


Source: CareEdge Research based on Industry sources.
Note: Studded include: diamond, colored gems, gemstone. & others include: platinum jewellery, fashion jewellery, silver jewellery etc.

Gold Jewellery

The Indian jewellery market is traditionally dominated by gold jewellery. Gold jewellery purchases in India are not only limited to consumption, as is the case with fashion jewellery, but they do have a strong saving significance. This is more evident in rural communities where access, literacy, and acceptance of other financial savings instruments are low. These factors have resulted in gold being a major saving asset class. Cultural differences, religious and trust concerns, as well as other elements that influence jewellery purchases have all contributed to gold jewelry's significance.

Chart 18: Gold Demand Trend in India



Source: CareEdge Research, Industry Sources

In CY21, total demand for gold jewellery by Indian consumer was estimated at ~610 tonnes. As compared to the previous year, the demand for gold jewellery witnessed a substantial growth of approximately 91% in CY21 from 320 tonnes in CY20. This robust growth in gold demand in the Indian market was backed by the pent-up demand due to Covid-19 related supply chain disruptions. The overall demand in gold market is largely in the form of gold jewellery and gold coins/bars. Gold jewellery continued to contribute a major share of gold demand in CY22 at about 78%.

In CY22, the overall gold demand witnessed a slight moderation of 2% as a rally in gold prices due to geo-political tension curtailed gold jewellery demand during the first quarter and slight impact of the price rally was seen during the festive season quarter (December 2022) as well. During H1CY23, the total demand for gold jewellery has declined by ~12% y-o-y to 207 tonnes on account of elevated gold prices.

Studded Jewellery

Apart from gold jewellery, the other type of jewellery which is gaining traction is the studded ornaments segment. The key factor contributing to the growth of this segment is the younger population's preference for diamond-studded gold jewellery, typically made with 14 or 18 carat gold rather than heavy 22 carat gold. There has also been a noticeable shift towards more informal and everyday use of diamond studded jewellery. Many urban millennials, unlike their parents, are drawn to studded jewellery, which is easy on the pocket and therefore supports multiple purchases. Furthermore, most of the young population believe that heavy gold jewellery is for the elderly and that modern designs cannot be found in pure gold. Studded jewellery comes in a wide range of styles and prices. When paired with white gold, a studded diamond appears to be more expensive thereby evoking the quality feel of platinum.

Although diamond studded jewellery may not have the same advantages as gold as a store of financial value, increasing price transparency and repurchase guarantees offered by most jewellers have helped to persuade customers that their investment would not depreciate in value.

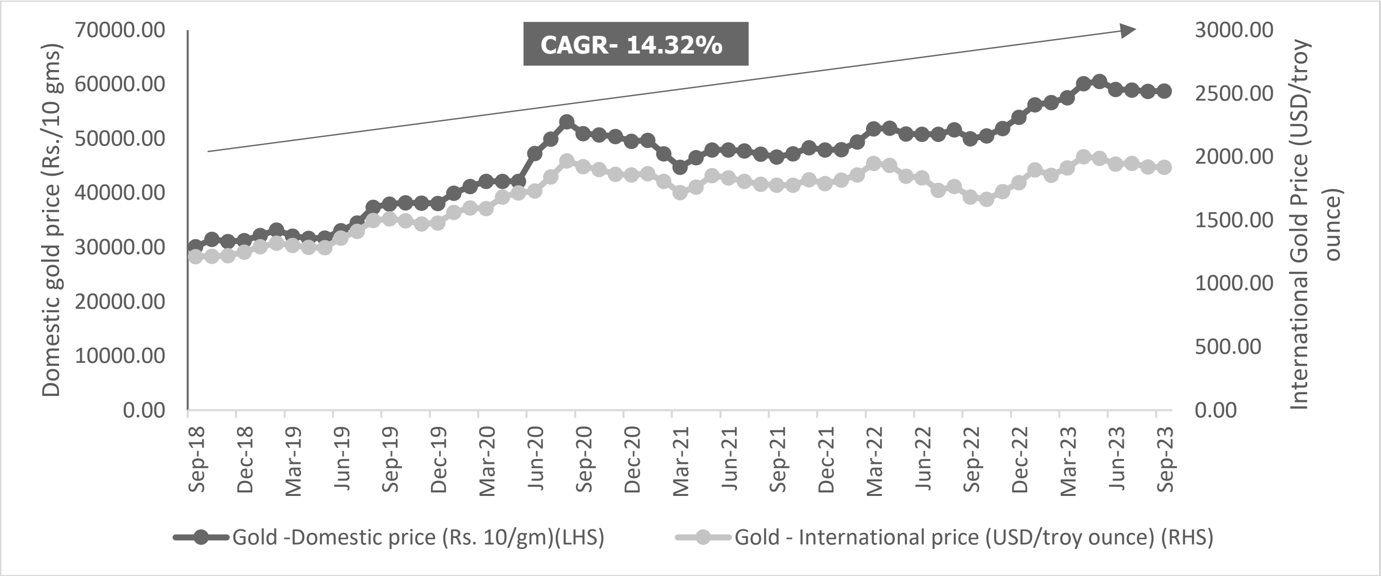
Cut and Polished Diamonds

India is one of the leading cutting and polishing centre for diamonds with support from government policies. India is deemed as hub for this industry because of low cost and availability of highly skilled labour. Due to its potential for growth and value addition, the government considers this segment as a focus area for exports. The industry has become highly sophisticated over the years with the use of hi-technology in different processes, especially, in planning, inclusion plotting, and laser sawing. Grading of polished diamonds, is an established practice – the 4Cs of cut, clarity, colour and carat are being the standard measure for assigning grade.

4.3 Impact of Interest Rates, Geopolitical Tensions and Covid-19 on Gold Prices

Gold jewellery accounts for a major share in overall jewellery consumption in India. However, the demand for gold, particularly physical gold in the form coin and bars which is primarily for investment, is dependent on the movement in gold prices.

Chart 19: Trend in monthly international gold prices



Source: London Bullion Market Association (LBMA), CMIE

International gold prices began rising in 2018 and surged further following the outbreak of the coronavirus pandemic. Gold prices charted a continuous northward journey and reached an all-time high in August 2020. This came as uncertainty surrounding the pandemic and the impact of Covid-19 on the financial health of economies increased the safe haven appeal of gold. Gold prices began cooling off beginning May 2021 and averaged lower than the historical averages of USD 1,800 per troy ounce until October 2021. A rebound in global trade following the re-opening of economies and large-scale vaccination drives increased optimism and improved investor appetite for riskier assets.

However, emergence of the new Omicron variant, coupled with concerns surrounding global inflation, provided support to gold prices. International gold prices started rallying once again and the Russia – Ukraine conflict resulted in geopolitical tensions and provided a further upside to gold prices. Prices consequently rose and averaged above USD 1,800 for a few months. But with the conflict continuing, the intensity of the unrest on gold prices began reducing. More importantly, gold was impacted by the US Federal Reserve's decision of tightening its monetary policy amid rising inflation. The rising interest rate environment, along with a strong US dollar, impacted the appeal of holding gold and increased the opportunity cost of holding the non-yielding precious metal. Interest rates and gold prices share an inverse relationship.

International gold prices declined in the months of September 2022 and October 2022 and stood at USD 1,683 per troy ounce and USD 1,664 per troy ounce. From the month November 2022 to January 2023, international gold price rose amid moderating US retail inflation numbers and anticipation of a less aggressive US Federal Reserve and reached USD 1,898 per troy ounce in January 2023. However, in February 2023, the gold prices have cooled off to USD 1,854 per troy ounce. The international gold prices increased to USD 1,954 per troy ounce in March 2023 and further to USD 2,019.4 USD per troy ounce in mid-April 2023 as collapse of Silicon Valley Bank and takeover of Credit Suisse by UBS Group created uncertainty and drove investments to gold. The gold price rise was also on account of the expectation of the pause in rate hikes by the US Federal Bank.

Gold prices marginally corrected during May 2023 to September 2023 due to strong interest rates globally, however, following the escalation of the conflict between Israel and Hamas in the first week of October 2023, the gold prices are again on an upward trajectory. The domestic gold prices have increased at a CAGR of 14.32% between September 2018 to September 2023.

Going forward, the movement in gold prices will depend on the pace of rate hikes announced by the US Fed to tame inflation. A faster rate hike cycle to arrest rising inflation would negatively impact gold prices. The international geo-political tensions will continue to impact the gold prices as the demand for gold increases on escalations of tensions globally. Since domestic gold prices mimic international gold prices, decline in gold prices would help support the demand for physical gold in India.

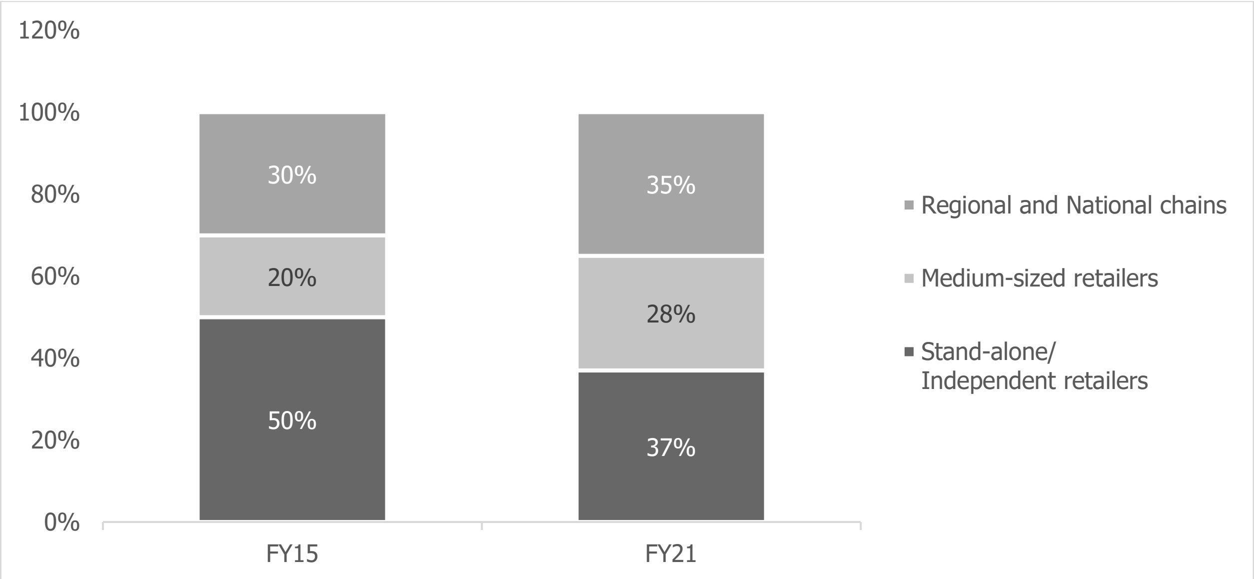
4.4 Share of organized players in the Indian gems and jewellery industry

In contrast to other countries, India's jewellery sector has a largely unorganized artisan (karigar) driven, traditional skill-based (handcrafted) manufacturing value chain, employing lakhs of workers.

The gems and jewellery industry accounts for around 6-7% of India's GDP. The interest in jewellery in India extends back 5,000 years. With over 90% of jewelers being family-owned firms, this industry is severely fragmented and unorganized.

While the unorganized segment continues to dominate the jewellery retail industry, with the advent of large retailing chains, the industry is gradually witnessing the transformation from being unorganized to an organized one.

Chart 20: Retail Gold Jewellery Market Landscape in India by Market Share



Source: Industry sources; CareEdge Research

In CY22, the share of organized retail jewellery market was about 32-35%, translating into a market size of Rs. 1,500 to 1,600 billion, which is forecasted to increase to 40% by CY24.. The organized jewellery retail market consists players such as Kalyan Jewellers, Asian Star Company Ltd., Titan Ltd., Joyallukas India Ltd. and Senco Ltd. However, a majority of the sector is still dominated by the unorganized players.

Within the gold jewellery market, the size of wholesale gold jewellery market is mentioned in the following table:

Table 4: Size of Organised Wholesale Gold Jewellery Market

	Market size (Rs. billion) for CY22	Quantity (tonnes) for CY22
Indian Wholesale Jewellery Market	Rs. 1,713 billion	378 tonnes
Indian Organized Wholesale Jewellery Market	Rs. 216 billion (~13% of the Wholesale Jewellery market)	84 tonnes

Source: Research Dive; CareEdge Research

For further details on wholesale gold jewellery market, please refer to section 6 of this report.

4.5 Overview and Recent Trends of Online Retailing of Gems and Jewellery in India

The Indian culture places great significance on jewellery. Sustained higher demand has therefore resulted in an online presence for the gems & jewellery industry too. The expansion of online jewellery market has been significant during the past few years. In FY20, the online jewellery business in India was valued at around Rs. 85 – 105 billion and is expected to grow at a CAGR of about 25-30%.This online penetration is expected to reach between 6%-8% by the year 2025. The significant growth prospect has caused jewellery companies to move quickly to build an online presence, as well as several newcomers to enter the field. The gems & jewellery sector is dynamic as it is fast developing and various changes are taking place - both in terms of customer behavior and the industry as a whole.

Choosing a digital platform has allowed jewellers to reach out to more individuals and build a network. When jewellers use digital channels, whether through an app or a website, they can generate more money while limiting fixed costs thereby expanding their margins. It allows the customers to watch the items. To provide the optimum user experience, a few Indian startups and several large retail companies have embraced cutting-edge technology such as augmented reality and virtual reality. People across Indian cities can now shop for gold and diamond jewellery at the push of a button because of emerging online jewellery players. This ease of availability and delivery is backed up by a range of payment methods, including cash on deliveries, as well as additional benefits like easy monthly payments and discounts.

Online merchants are also providing a more comprehensive buying experience, with the objective of merging in-store purchase experience into a digital platform with high-quality pictures, great navigation and simple product configuration options. As more merchants are moving to the digital world drawn by immense opportunities available on the online marketplace, the market is getting more competitive, necessitating the presence of prominent entrepreneurs capable of capitalizing on the available advantage and propelling the jewellery sector forward. Consumer expectations are growing and they want more than just the finest selections with a pleasant shopping experience.

Gold jewellery is steadily getting a foothold in the online retail sector. Despite the fact that gold jewellery category requires more consulting and higher average transactions, both existing and emerging companies are catching up with trustworthy and transparent services. Providing online access to hallmarked jewellery in a wide range of styles transformed the business of jewellery shopping. E-catalogues, 360degree product views, and virtual try on have all had a significant influence on the Indian online jewellery market. The companies also offer trademarks and other certificates to confirm the purity of the product for customers. To ensure the authenticity of gold and diamond jewellery, online websites and e-commerce platforms have started selling certified and hallmarked pieces. Reputable laboratories such as Gemological Institute of America (GIA), Gemological Science International (GSI), Hoge Raad Voor Diamant (HRD) and International Gemological Institute (IGI) certify the items.

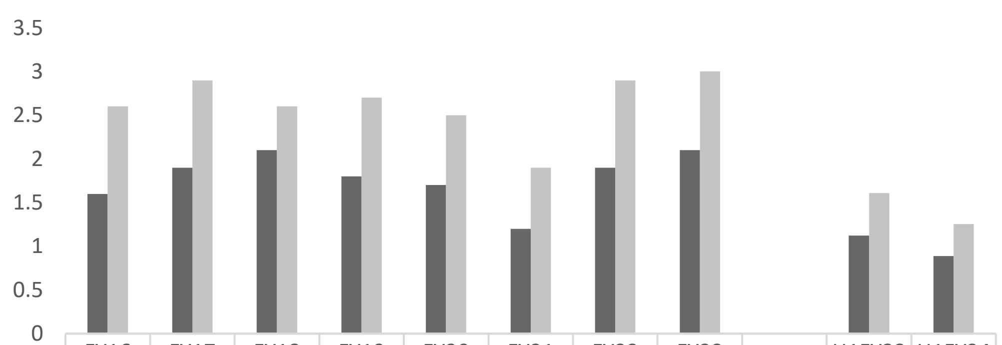
The manufacture and distribution of gold jewellery is experiencing a full revolution as a result of modern technology and changing lifestyles. Millennial customers see jewellery as an essential aspect of their fashion and style.

4.6 Trends in imports and exports of gems and jewellery in India

4.6.1 Overview

The gems and jewellery sector is a key contributor to India's total exports. G&J accounted for about 9% (Rs. 3.0 trillion) of India's total exports in the FY23. G&J imports accounted for comparatively smaller share of about 4% (Rs. 2.1 trillion) of total imports by the country in the same fiscal.

Chart 21: Yearly Import Export trends – Overall Gems and Jewellery



	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23		H1FY23	H1FY24
Imports (Rs. in trillion)	1.6	1.9	2.1	1.8	1.7	1.2	1.9	2.1		1.1	0.9
Exports (Rs. in trillion)	2.6	2.9	2.6	2.7	2.5	1.9	2.9	3.0		1.6	1.3

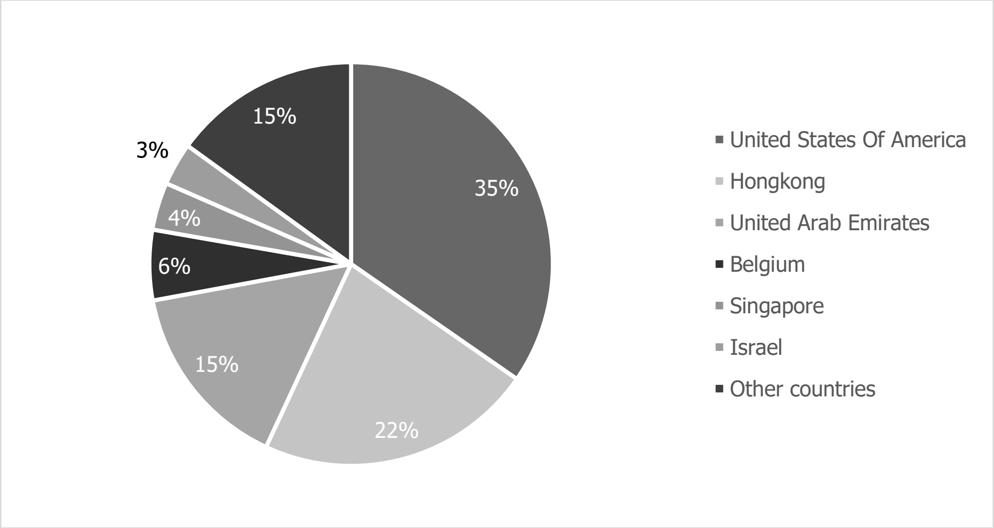
Source: Gems & Jewellery Export Promotion Council (GJEPC)

Growing Government Focus towards Export Promotion

The Government of India, along with all the stakeholders of G&J sector, are well committed towards aggressively promoting exports, identifying challenges and addressing them with necessary interventions, assisting exporters, especially SME units and exploring new markets while consolidating existing ones. With strong growth prospects, the government of India has also declared the G&J sector as one of the focus areas for export promotion.

With such continuous government support, superior quality of Indian manufacturers has enabled the Indian gems & jewellery trade market to penetrate in markets like, USA Hong Kong, UAE, particularly Dubai, Israel and Belgium. The USA market is the largest destination for Indian gems and jewellery exports accounting for a 35% share of the India's exports in FY23 and YTD FY24 (April 2023-August 2023).

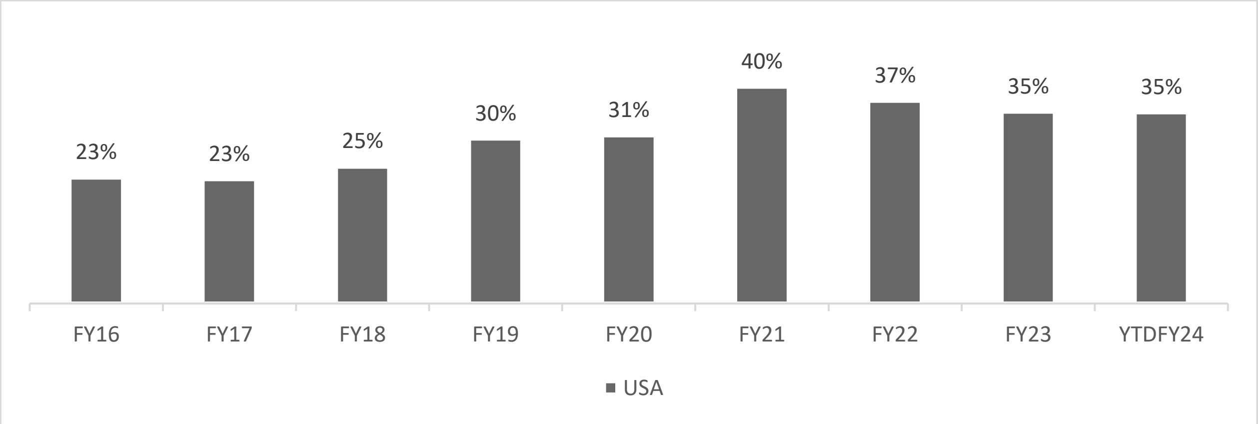
Chart 22: Country-Wise Export Share in FY23 – Overall Gems and Jewellery



Source: Gems & Jewellery Export Promotion Council (GJEPC)

In July 2020, Washington ended Hong Kong's preferential trade protection by raising the import duty on gems and jewellery to 7.5% from 3.3%. Further, levy of additional tariffs on Chinese jewellery being exported to USA has made Indian exporters more competitive. These factors benefitted India and helped it increase its penetration in the US export market. China and Hong Kong are respectively the fourth and fifth largest suppliers of gems and jewellery to the US after India, France and Italy.

Chart 23: Trend in share of the US Market in Indian G&J exports



Source: Gems & Jewellery Export Promotion Council (GJEPC), CMIE

Note: YTDFY24 denotes period from April 2023-August 2023

4.6.2 Product-Segment Wise Import and Export Trend

The international trade of G&J includes several product segments, such as cut and polished diamonds, gold jewellery and medallions, rough diamonds, gemstones, pearls, synthetic stones and fashion jewellery. Of these, exports of cut and polished diamonds accounted for 57% of the total G&J exports, while gold jewellery (plain and studded) accounted for 25% in FY23. In H1FY24, the exports of cut and polished diamonds accounted for 57% while gold jewellery (plain and studded) accounted for 28% of the total G&J exports. Rough diamonds held majority of the share of about 67% and 69% in G&J imports during FY23 and H1FY24, respectively, as it is a highly import-oriented segment.

Cut and Polished Diamonds:

India is the world's largest diamond cutting and polishing centre. India is regarded as the world jewellery market's hub due to its low costs and availability of high-skilled labour.

Table 5: Trend in imports and exports of cut & polished diamonds

Cut & polished diamonds (Rs. in billion)	Imports	Y-o-Y growth	Exports	Y-o-Y growth
FY19	92.7	-36%	1665.7	8.9%
FY20	121.9	31%	1320.1	-21%
FY21	161.2	32%	1201.5	-9%
FY22	111.1	-8.8%*	1821.1	38%*
FY23	104.8	-5.6%	1766.9	-2.9%
H1FY23	57.6	7.7%	958.1	4.7%
H1FY24	64.3	11.7%	717.4	-25.1%

Note -* compared with pre-pandemic year FY20; Source: Gems & Jewellery Export Promotion Council (GJEPC)

The cut & polished diamond segment an export-oriented segment in India. During FY23, the cut & polished segment contributed ~57% of the overall exports in the gems & jewellery segment. The overall exports of cut & polished diamonds stood at Rs. 1,766 billion in FY23, showing 2.9% decline as compared to Rs. 1,821.1 billion of FY22. Imports during FY23 witnessed a minor decline to Rs. 104.8 billion as compared to Rs. 111.1.7 billion in previous year. In terms of volume, the exports of cut & polished diamonds stood at 246.1 lakhs carat in FY23 showing 19% decline compared to FY22. Overall, the decline in exports can be attributed to the geo-political tension between Russia-Ukraine, normalization of demand and significant increase in prices.

During H1FY24, the exports of cut and polished diamonds stood at Rs. 717 billion, implying a decline of 25.1% y-o-y. In terms of volumes, the exports of cut and polished diamonds stood at 98.32 lakh carats in H1FY24, a 26.5% decline compared to H1FY23.The demand for cut and polished diamonds was impacted across consuming nations on account of inflationary pressures. The imports grew by 11.7% y-o-y to Rs. 64.3 billion in H1FY24.

USA is a key market for India in cut and polished diamonds exports, whereas Hong Kong is the second largest export market followed by the UAE. The Indian gems and jewellery sector is exploring Cambodia, Vietnam, and the European Eastern Bloc which are three relatively untouched markets with great export potential. The major importer country had been Hongkong till FY22. In FY23, UAE became the major importer.

In an attempt to boost the confidence of the cut and polished diamonds segment, the Government announced a reduction in import duty on cut & polished diamonds in previous budget 2022-2023 to 5% from 7.5%, which is expected to further help in strengthening the sector and retain its leadership position.

Rough Diamonds:

India has large imports of rough diamonds due to a significant diamond processing industry. The rough diamonds, once processed into cut and polished diamonds, are either exported or consumed domestically in jewellery etc. In FY23, rough diamond imports stood at Rs. 1,393.7 billion and contributed with 67% share in total G&J imports. In H1FY24, the import of rough diamonds declined by 16.9% y-o-y to Rs 614.8 billion. The decline is primarily on account of muted exports of cut and polished diamonds.

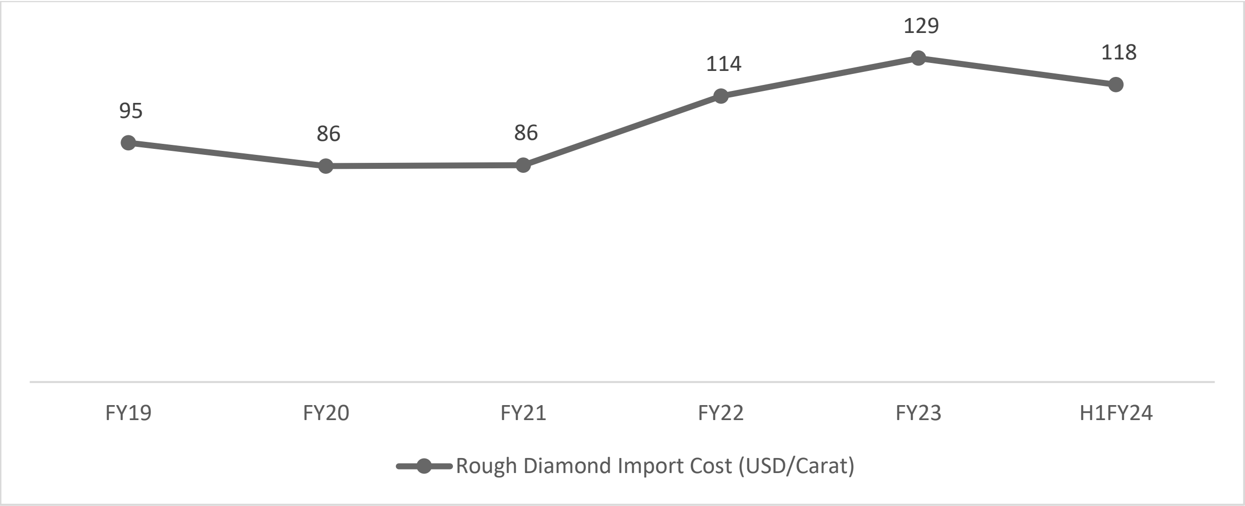
Table 6: Import Trend of Rough Diamonds

Rough Diamonds	Imports (Rs. in billion)	Y-o-Y growth (in %)	% Share in Total G&J Imports
FY19	1095.2	-8%	59%
FY20	921.6	-16%	53%
FY21	802.4	-13%	66%
FY22	1414.7	53%*	71%
FY23	1393.7	-1.4%	67%
H1FY23	740.1	9.9%	66%
H1FY24	614.8	-16.9%	69%

-* compared with pre-pandemic year FY20

Source: Gems & Jewellery Export Promotion Council (GJEPC)

Chart 24: Trend in Rough Diamond Import Prices

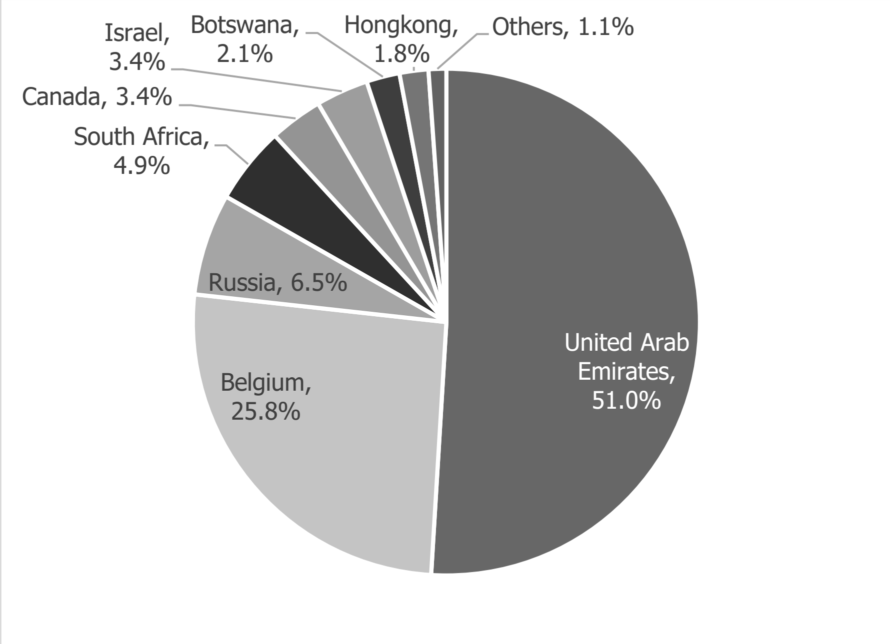


Source: Gems & Jewellery Export Promotion Council (GJEPC)

Rough diamond prices have increased over the past two-three years as the ongoing Russia-Ukraine war has resulted in decline in the supply of rough diamonds. The supply from Russian miner Alrosa, one of the leading suppliers of small-sized diamonds, has been impacted significantly leading to an increase in rough diamond prices. However, the prices have corrected slightly in H1FY24 on account of weak global demand.

The United Arab Emirates (51.0%) had the highest share in rough diamond imports to India in FY23, followed by Belgium (25.8%), Russia (6.5%), South Africa (4.9%), Israel and Canada (3.4%).

Chart 25: Country-Wise Share in Imports of Rough Diamond in FY23



Source: Gems & Jewellery Export Promotion Council (GJEPC)

Gold Jewellery:

The gold jewellery market holds the second largest share in G&J exports after the cut and polished diamonds segment. Gold jewellery accounted for 25% and 28% of total exports of G&J in FY23 and H1FY24, respectively.

Table 7: Exports of Gold Jewellery

Gold Jewellery (Rs. in billion)	Exports	Y-o-Y growth
FY19	840.1	44.2%
FY20	842.7	0.2%
FY21	354.8	-57%
FY22	680.8	-20%*
FY23	756.35	11.2%
H1FY23	384.8	23.4%
H1FY24	353.3	-8.2%

Note: NA- Not Available; *compared with pre-pandemic year FY20
Source: Gems & Jewellery Export Promotion Council (GJEPC)

The exports remained subdued in FY22 in comparison to pre-covid levels. However, FY23 witnessed recovery in exports with 11.2% growth y-o-y. During this period, the commissioning of India-United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA) has resulted in significant growth in exports of plain gold jewellery balancing the gap in exports to key markets such as United States of America and Hong Kong.

However, the gold jewellery exports declined by 8.2% y-o-y in H1FY24 on account of weak demand due to inflationary pressures and elevated gold prices.

Dubai is a key market for Indian gold jewellery exports. The 'Dubai Gold Souk,' (Traditional gold market of Dubai) where Indian jewellery from Kolkata and Mumbai is popular, makes for a large portion of gold sales in Dubai. Due to pandemic travel restrictions, fewer tourists were travelling to Dubai, which caused wholesalers in Dubai to curtail their purchases from India.

Mumbai, Chennai, and Kolkata account for the majority of gold jewellery exports. However, several exporters outsource manufacturing to Gujarat-based companies. The business of small manufacturing firms in Gujarat has been hurt by decreased export orders.

The India-UAE Free Trade Agreement (FTA) signed on 18th February 2022 and effective from 1st May 2022, is expected to raise India's gold jewellery exports, create jobs, and provide chances for skill development in the jewellery manufacturing and supply chain. The FTA between the two nations will encourage the establishment of a more organized wholesale of Indian-made gold jewellery. This breakthrough will make Indian-made jewellery even more appealing to UAE customers (residents and tourists).

Imports of Raw Gold:

After China, India is the world's second-largest gold consumer. India imports unwrought gold in the form of bars, gold plated with platinum or in semi-manufactured forms, and gold powder. Imports are mostly used to meet the demand of the domestic jewellery business. In volume terms, the rise in imports is backed by recovery in consumer sentiments and pent up demand. The demand for gold is expected to register further increase on account of festive and marriage season.

Table 8: Imports of Raw Gold

Year	Gold Imports (Rs. in billion)	Y-o-Y Growth (%)	Gold Imports (in Kgs)	Y-o-Y Growth (%)
FY18	2170.7	18%	9,55,370	22%
FY19	2295.3	6%	9,82,710	3%
FY20	1992.4	-13%	7,19,930	-27%
FY21	2542.8	28%	6,51,240	-10%
FY22	3440.9	35%	8,79,010	35%
FY23	2804.8	-18%	6,78,300	-22%
YTD FY23	999.84	11%	2,38,200	6%
YTD FY24	1,085.48	9%	2,32,060	-3%

Source: CMIE; Note: YTD denotes period from April to July for respective financial years

Gold imports registered a CAGR of 12.2% in the period FY18 to FY22 in value terms. In FY22, gold imports rose in volume as well as in value term on account of higher demand due to pent-up demand from previous year and low gold prices. The country's gold imports bounced back to 879,010 kgs in FY22 from 651,240 kgs during FY21 when demand was hit due to the Covid-19 pandemic and there was a shortage of yellow metal due to the restrictions imposed in major supplying countries.

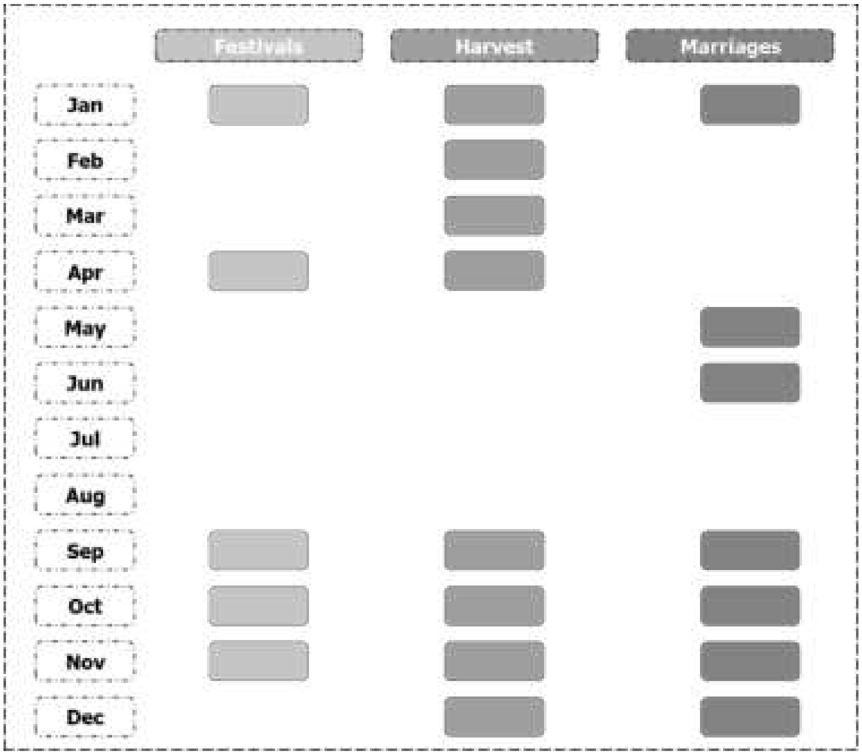
The basic customs duty on gold was raised from 7.5% to 12.5%, effective 1 July 2022 resulting in ~4.4% increase in total taxes levied on gold imports. During FY23, the import value registered a decline of 18% on account of higher cost due to the increased duty coupled with elevated international gold prices. Whereas, the import volume declined by 22%. During YTD FY24 (April 2023-July 2023), the gold imports have declined by 3% in volume, however, they have increased by 9% in value terms.

The top three countries for raw gold imports by India are Switzerland, UAE & South Africa. Swiss gold accounted for about 36% of India's gold imports in FY23 and 38% in YTD FY24 (April 2023-July 2023), in value terms. Switzerland has the world's largest gold refining and transportation hub which resulted in an increase in import dependence on Switzerland.

4.7 Key Demand Drivers for Gems and Jewellery in India

Wedding, Festivals etc. drive domestic demand:
Seasonality in jewellery buying is a key factor that influences demand heterogeneity in India. Weddings, festivals, and harvests in rural regions are the main drivers of the category, and the seasonal nature of each of these drivers assures that demand for jewellery is tied to the different months and seasons.

Figure 1: Seasonality in Jewellery Buying

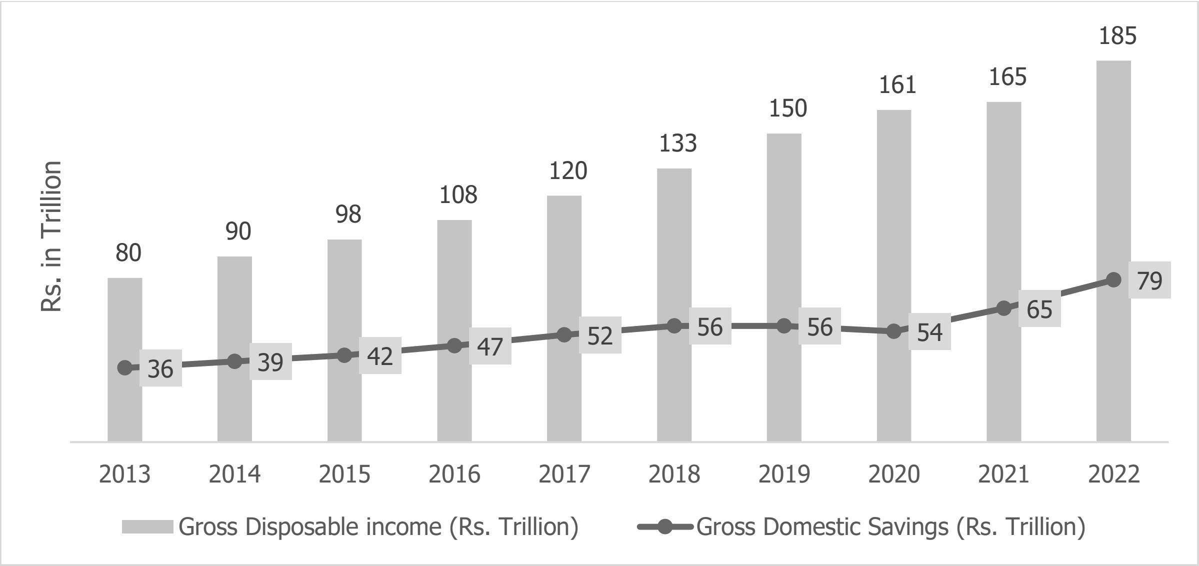


Source: CareEdge Research based on Industry sources.

Demand for jewellery rises in the months of wedding season such as May-June, September-November, and January. During the months of November and December, rural households invest their crop money in gold jewellery. Gold demand in Tier II and Tier III towns is influenced by agricultural output and monsoon. During auspicious religious events like as Diwali/Dhanteras in October and November, and Akshaya Tritiya in April and May, demand for gold and silver jewellery increases.

Increase in income and savings levels:
Rising income is the most powerful long-term driver of Indian gold demand, because the economy is complimented by a high demographic dividend. The middle-income group in India has the highest level of gold consumption. The wealthy consume the most per capita, but the middle class consumes the most total volume.

Chart 26: Trend in Gross Domestic Savings



Source: World Bank Database; CMIE

Although there is a growing propensity to consume gold as income rises, the proportion of gold in one's portfolio does not rise at the same rate. A fall in household savings rates, availability of different investment avenues and agricultural earnings can be hurdles to Indian demand.

Preference for branded jewellery:

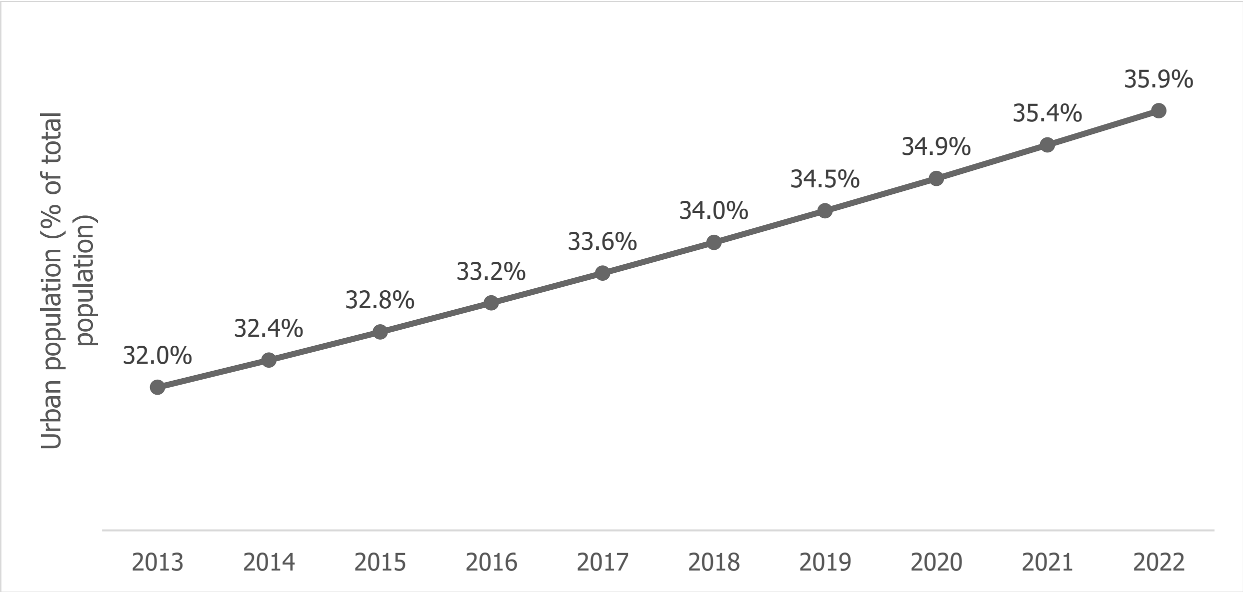
In the competitive Indian market, branded jewellery has found a significant place. Since branded jewellery has become the new trend in the industry, it has created its place in the hearts of customers over the last few years. With attentive and helpful attendants and well-displayed merchandise, shopping for jewellery has transformed. In the new market, everyone is a prospective customer. The most significant aspect of branded jewellery, however, is that because branded is synonymous with quality, customers perceive it to be an excellent product.

Customers have also gotten more intelligent and knowledgeable, and as a result, shopping has moved to a new level, not only in terms of perspective but also in terms of method. With the rise of supermarket culture, sales and marketing of gems and jewellery has changed significantly. Today's youth have more discretionary income, which they are ready to spend on their preferred indulgences. Branded jewellery has a higher level of satisfaction among the people than non-branded jewellery due to prestige value, making branded jewellery more popular.

Urbanization:

Urbanization has resulted in the influx of migrants in metros, cities, and towns as a result of economic opportunities. As a result, migrant consumers' relationships with their family jewellers are not as strong as before, and they turn to trusted brands that can provide authenticity, purity, and innovative designs.

Chart 27: Trend of urbanisation in India



Source: World Bank Database

Additional Demand Drivers for Organised Jewellery Retail

Transparency in pricing and product quality:
Indian jewellery buyers are becoming more brand conscious, and their jewellery preferences are becoming more sophisticated. They are exposed to a wide range of worldwide and national premium brands. They expect their jewellers to be transparent and jewellery to be of high quality. They want to grasp the pricing approach (price of materials such as gold, silver, as well as production charges) and be confident about the end product's quality, which can only be handled by organised shops. The organised player establish transparency by adhering to the highest quality standards for jewellery and including price transparency in their offerings.

Retail store experience:
Today, organised jewellery retailing entails ready-made jewellery, a broad product range with a variety of designs and options, and a great showroom experience that meets the changing expectations of customers. Jewellery is an asset that may be owned for a lifetime and can be used as a kind of investment. As a result, customers increasingly expect after-sales services such as product buyback at fair market value, billing transparency, and product customisation, among other things. Such expectations involve the provision of services in addition to product selling, and organised players are better positioned to meet these needs. In addition, organized jewellers provide ready-to-wear items, thereby reducing customer waiting time.

Exposure to Gold-savings schemes:
The emerging investment avenue in India at present is monthly investment scheme run by organised jewellers. This works as a monthly gold saving scheme where consumers deposit a specific amount of money with the jeweller for 11 months, with the jeweller then paying the consumer one-month equivalent of their deposit as interest. At the end of the year, the consumer chooses to buy gold jewellery or minted products with accumulated savings and interest. Some schemes provide benefit of lower making charges also. One of the major benefits of this scheme is that the consumer gets to make the payment in instalments over the time instead of lumpsum payment during the purchase.

4.8 Key Challenges for Jewellery in India

Shortage of skilled labor:
One of the key challenges for the industry to scale up their operations is the scarcity of trained people. To have access to a large talent pool, the supply of craftsmen/artisans that come through generations must be supplemented by new talents who have been professionally taught. Moreover, the industry's on-the-job training strategy results in lengthier training times and gaps in the availability of skilled labour and standardization, particularly in the fragmented sector. This is compounded by infrastructural deficiencies, lower need for institution-trained personnel in the fragmented sector, and the industry's limited appeal to the younger generation of workers.

Short lived fashion and design preferences:
Exporters do not have enough design development centres or the resources to constantly innovate new designs to keep up with the changing trends among international purchasers. In an era of high diamond, gold, and silver prices, global marketing necessitates changing fashion in the gems and jewellery segment. According to the market demand, manufacturers can produce specific types of gems and jewellery products. However, as a result of the changing trend, demand for certain types of products begin to decline and eventually ceases. The manufacturer's money is blocked in the older designs and this results in a pile-up of unsold stock.

Dependency on imports for raw materials:
The availability of raw materials is crucial to the gems and jewellery business. In India, a large percentage of raw materials are imported, as the domestic supply is limited. The raw material is converted into finished goods that are sold in the domestic and international market.

India is a net importer of raw gold and meets over 90% of its gold requirement through imports. The total gold imported (in value terms) by India was Rs. 3,441 billion in FY22 and Rs. 2,258 billion in 9MFY23. Gold is imported from Switzerland, South Africa, the United Arab Emirates, and Australia, among other countries. Raw pearls, precious and semi-precious stones, and other items are imported from Belgium, the United Kingdom, and Hong Kong.

Rough diamonds account for more than half of all G&J imports (66%). The total rough diamond imports in April 2022 - January 2023 stands at Rs 1,118 billion in value terms and 1064.82 lakhs carats in volume terms. India imports rough diamonds primarily from Belgium, the United Kingdom, Israel, and the United Arab Emirates.

Impact of global slow-down
The Unites States, Hong Kong, UAE and Belgium are key export Destinations for Indian G&J industry. The United States accounted for about 37% to total exports of gems and jewellery in FY22. Persistent high inflation rates and slowdown in these economies will have an adverse impact on the gems and jewellery exports from India.

4.9 Recent trends in retailing of gems and jewellery industry in India

Availability of accredited/ hallmark jewellery
Hallmarking is a regulated method of certifying the purity of gold articles. Effective from 15th January 2021, the Government has mandated hallmarking of gold jewellery and artefacts. Currently, there are over 950 hallmarking centres in the country. The Government is planning to set up more gold jewellery hallmarking centres to speed up the process of stamping bullion and ensuring that jewellery buyers receive the preferred level of purity.

According to the Ministry of Consumer Affairs, mandatory hallmarking has been effectively implemented with around Rs. 3 lakh gold goods being hallmarked with HUID (Hallmark Unique Identification) on a daily basis. The Bureau of Indian Standards (BIS) has now created provision for the common consumers to have purity of their un-hallmarked gold jewellery tested at any of the BIS authorized Assaying and Hallmarking Centers (AHCs). This facilitation by the Government is provided for the protection of consumers.

From July 1, 2021, all gold jewellery products have to be hallmarked with HUID only. After introduction of this, hallmark consisted of 3 marks viz, BIS logo, purity of the article and six-digit alphanumeric HUID. Each hallmarked article has unique HUID number which is traceable. However, the old hallmarked jewelry with four marks without HUID was also permitted to be sold by the jewellers simultaneously with the 6-digit HUID mark. More than a year was given to jewellers to clear their stock of their 4-digit hallmarked articles. However, the simultaneous sale of two type of hallmarked jewelry by the jewels was creating confusion in the minds of the consumer. Therefore, as per a recent directive by Ministry of Consumer Affairs, Food & Public Distribution, BIS will forbid the sale of hallmarked gold jewellery or gold antiquities that do not have a 6-digit alphanumeric HUID after March 31, 2023. This step has been taken to protect consumers' interest and enhance their confidence in purchase of hallmarked gold jewelry with traceability and assurance of quality.

Buyback Schemes:

Certain banks may be authorized to buy back gold coin if it is sold by them. This is done to increase the liquidity of gold coin. The buyback scheme allows the sellers to receive the maximum value of gold through direct bank transfer or in the form of a pure gold bar with 9999, 999 and 995 purity upon paying a nominal transaction fee. To ensure the transparency and smooth verification process, Metals and Minerals Trading Corporation (MMTC) uses technology in which the seller can track the system to determine the actual value of the gold jewellery, coins and bars. MMTC also ensures that the individuals who sell gold will receive the maximum worth of their gold through the process.

The present MMTC buyback conditions should be accepted by banks and all other sellers. The MMTC buyback plan for gold coin does not extend to specified banks.

Table 9: Details of Buyback values offered by various jewellers in the market

Type of Product	Value
Gold Jewellery	96% - 98% value of benchmark gold rate
Diamond Jewellery	96%-97% value of benchmark gold rate and 80% value of invoice value of diamonds
Uncut Jewellery	96% value of benchmark gold rate & 70% invoice value of uncut diamonds
Precia or Precious stone jewellery (Ruby, Sapphire, Emerald)	96%-98% value of benchmark gold rate & 70% invoice value of precious stone
Platinum Jewellery	96%-100% value of benchmark platinum rate and 80%-90% of diamond value
Gold coins	96%-97% value of benchmark gold rate
Making charge, other stones and taxes	Buyback is not applicable

Monthly investment plans

A gold savings scheme is similar to a regular bank deposit, except that the end goal is to buy gold. As a result, conventional gold saving plans allow consumers to deposit a set amount of money in installments for a set period of time. At the end of the term, the depositor can acquire gold from the relevant jeweller for the amount of total deposit. These monthly investment plans/ gold saving schemes offered by the jewellers are not regulated by regulatory bodies such as Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI).

The saving scheme does not provide interest on the amount invested, unlike a recurring deposit plan. As a result, add a bonus to the total amount deposited to compensate for the interest loss. These plans are provided by well-known jewellers. However, the fundamental goal of these programs is to make gold purchase easier and more economical. Joyalukkas Easy Buy Gold Purchase Plan, Tanishq Golden Harvest Scheme, GRT Golden Eleven Flexi Plan, Malabar Gold & Diamonds Smart Buy Scheme, Purchase Advance Scheme by Kalyan Jewellers are some of the investment plans which are offered to the customers in India.

Availability of customization

Personalized jewellery was in huge demand in the recent years, but after the recent outbreak of Covid-19, people have been showing more interest in it as they seek meaningful jewellery. When individuals put on their customized jewellery item that is in the form of their initials or a date which means a lot to them, it instantly empowers them as it has a deep meaning and describes a situation or a story. The companies are innovating new designs that are stylish and practical to satisfy the expectations of modern women. Jewellery can be designed in a way such that it can be utilized and worn in multiple ways on multiple occasions.

Recently, a startup company, Three Kit has been successful in providing good online experience for the customers in the jewellery businesses. It generates spectacular 3D and augmented reality for e-commerce with the goal of enhancing the landscape and giving better customer experiences for shoppers and business clients all around the world. Customers may design and preview their ideal jewellery real time, customizing and personalizing a picture of their selected design ring, which allows them to preview their customized jewellery before purchasing.

This type of personalization is likely to be the future of the jewellery business in India. Many jewellery brands are keen on providing such services to their targeted audience. To provide a better shopping experience, companies are investing more resources into customization. This has been successful in retaining existing customers and inviting new customers for purchase. Customization option in jewellery businesses has proven to be one of the most effective Conversion Rate Optimization technique (a method which helps in boosting sales conversions) through an application or website.

Requirement of PAN card for purchase

The Government of India has made presenting PAN card details for gold purchases of Rs 2 lakh and above mandatory. The regulation had an influence on the organized jewellery sector, affecting more than half of the business value. Prior to 1st January, 2016, PAN data was only necessary for purchases of Rs 5 lakh or more. Many consumers who did not have PAN cards faced difficulty in purchasing gold. People who did not have PAN cards, as well as those who did not want to disclose PAN details went to the unorganized retailers to purchase jewellery without bills.

Details one should consider about PAN details for gold purchase:

- If a person is purchasing gold worth more than Rs. 2 lakhs, they must provide their PAN details.
- The buyer's identity will be traded as PAN.
- A tax rate is set, and it must be collected and deposited with the government.
- Providing PAN information is a way of establishing one's financial identity.

Gold ETF, Sovereign Gold Bond and Digital Gold

Over the past few years, multiple instruments for investing digitally in gold have emerged, which gives flexibility to the investor to own as little as Rs. 1, or 0.0005 gm of gold. Further, as these instruments are tradable, the investments are fully liquid with limited liquidation costs unlike those associated with selling gold jewellery (such as making charges loss) etc.

Digital Gold, Sovereign Gold Bond (SGB) and Gold ETF – are digital ways of investing in gold. When buying digital gold, people simply spend money but do not receive physical gold in return. Instead, they receive a certificate, document, or online holdings statement that details how much gold one has bought.

Gold ETFs resemble mutual fund plans with gold as the fundamental commodity, much like stocks in equity mutual funds, and they reflect paper gold because the investment is kept in the Demat account.

Government agencies issue sovereign gold bonds, whose purchase and repayment costs are determined by market rates. The lowest investment in SGB is 1 gm, and the highest investment is 4kg of gold in a single fiscal year.

Digital gold does not attract any cost apart from a one-time levy of 3% GST. Gold ETFs incur recurring annual charges of around 0.5-1%.

4.10 Dynamics of large and small format stores in Gold Retail Market

The Indian Gold Jewellery Market is largely fragmented and unorganized. However, unlike gold jewellery manufacturing, retailing segment has been gradually shifting towards organized sector, with large retail chains dominating jewellery retailing in the urban areas. The size of the jewellery retail store is a function of the location and footfalls expected, and varies across various regions – the stores are generally larger in South India compared to other parts of the country due to higher ticket size of purchases and the requirement of holding higher inventory due to preference for heavier gold jewellery. The stores in semi-urban areas, which are predominantly family-owned single stores are smaller in size. Typical size of a jewellery retail store in urban area varies between 3,000-5,000 sq ft. A number of organized jewellery retailers have also set up large-format retail stores having area of more than 5,000 sq. ft. at locations where footfalls and average ticket size are considerably higher.

Table 10: Comparison of Key Parameters – Small Format Vs Large Format Stores in Urban Areas

Parameter	Small format	Large Format	
Store Size	3000-5000 sq ft	5000-10000 sq ft.	> 10000 sq ft.
Footfalls	Location based		
Inventory Value	~Rs 30 to 40 crore	Rs 50 to 70+ crore	Rs. 75 to 110 crore
No of employees	40 employees	50-60 employees	60-70 employees
Investment	Rs 5,000-8,000 per sq. ft.		
Inventory Turnover	2-3 times		
Employee cost as a % of revenue	1.5%		
Promotion expenditure as a % of revenue	1-1.5%		
Break Even*	1-1.5 years		
Pay-back period*	2-3 years		
Stabilized ROCE	18-20%		

Source: Industry Sources, CareEdge Research

*Break Even and Pay-back period are similar for small and large format stores as the footfalls and ticket size of purchase is significantly higher for a large format store.

4.11 Outlook for gems & jewellery industry in India

The gems & jewellery industry's performance has been weak in the first half of the calendar year, however, the demand is expected to improve in second half led by purchasing during the festivals and holidays. The demand is expected to further revive in subsequent years driven by moderation of inflation, alleviation of global geo-political issues etc. The domestic growth is likely to be driven by a resilience in demand, particularly during the festive and wedding seasons and expansion by organized jewellery retailers pan-India.

Diamonds segment –

India is the world's largest centre for cutting and polishing diamonds with most players concentrated in the two cities of Gujarat – Surat and Navsari. With a global share of more than 90% in the processing of rough diamonds, Cut & Polished Diamonds (CPD) accounted for 58% of the overall gems and jewellery exports from India. The CPD industry mainly caters to demand from the US, Hong Kong and the Middle East.

After witnessing robust growth in exports during FY22, the demand remained largely stable in FY23, on the back of the opening of experience-based spending avenues coupled with continued sluggish demand from the second largest diamond-consuming country China, which continued with its zero-tolerance COVID policy. However, the recent headwinds such as high inflationary pressures across major diamond-consuming nations continues to weigh on the global cut and polished diamonds demand as is evident from the 25% y-o-y dip in exports in H1FY24.

The demand is expected to remain moderate in the near term. Accordingly, on an annual basis, cut and polished diamonds exports from India are expected to decline by about 10-15% in FY24.

Gold jewellery segment –

Most of the demand for gold jewellery comes from the domestic market. The demand for gold jewellery in India is still primarily driven by weddings and festivals, with bridal jewellery alone accounting for at least half of the market. Long-term trends in economic growth, wage growth, wealth division, and urbanization rate will all influence demand for gold jewellery in India.

Gold demand in rural communities usually picks up after the harvest season. Harvesting of Kharif crops runs from September until November and about 70% of Indian agricultural production takes place during the Kharif season. During the festivals of Diwali and Akshaya Tritiya, it is considered extremely auspicious to buy gold. Dhanteras (the first day of Diwali) usually falls during October or November, and Akshaya Tritiya between late April and early May. On average around 40-60 tonnes of gold is sold in India during these two auspicious festivals alone. The continued momentum in demand for gold jewellery, coupled with an increased footprint of organized players is projected to result in healthy growth of the industry in the medium term.

The domestic consumption of gold jewellery declined by about 12% y-o-y in H1CY23 on account of lower purchases due to elevated gold prices. First half of the calendar year is a seasonally weak period for gold jewellery demand in India and the demand is higher in H2 as various festivals are celebrated during this period. Further, a higher number of wedding also take place in H2. Therefore, it is expected that the demand for gold jewellery will pick up in H2CY23.

5 Overview on Bridal Jewellery Segment

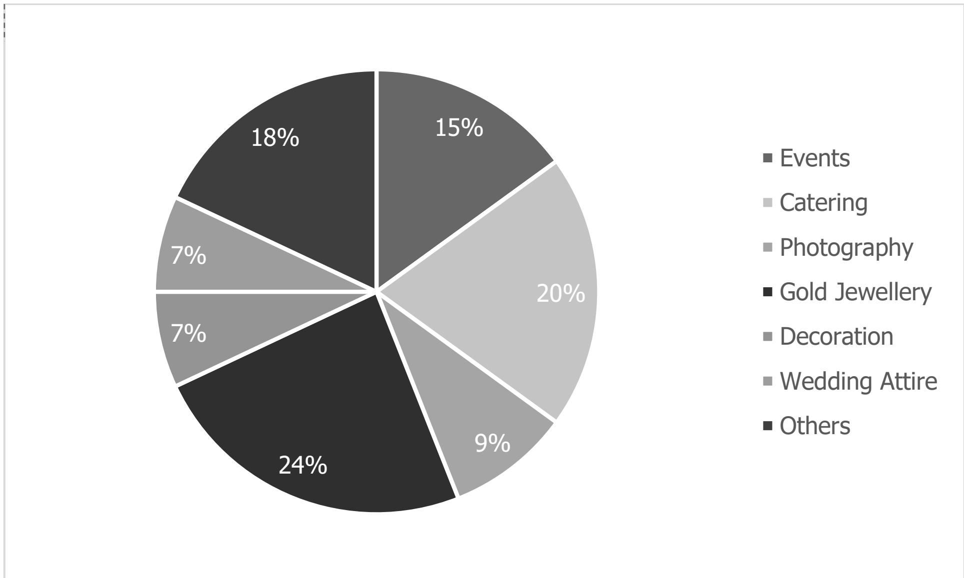
5.1 Evolution of the Wedding Industry and Market Trends

Wedding is the one of the largest industries in India and still, it is largely unorganized. It is estimated that about 10-13 million wedding, of various sizes and scales, are held in India every year. Indian weddings are heavily influenced by traditions and culture. Weddings have greatly evolved in recent years be it a celebrity wedding, mid-range or low-range Indian wedding. Gold jewellery holds high significance in any type of wedding as a part of the traditions and religious beliefs attached to the wedding ceremony.

Cost per wedding

Cost per wedding in India may differ based on numerous factors such as wedding budget, number of functions, traditional rituals, guest count, venue location, food expenses, and others. Indian weddings typically last three days and include a variety of rituals and festivities such as ring ceremony, haldi, wedding ceremony, reception, and others. In India, the average wedding cost ranges from 5 lakhs to 5 crores depending upon the scale of the wedding. For instance, in a metro city, 3-day wedding cost ranges in between 25 lakhs to 50 lakhs. Similarly, in tier-2 city, the 3-day wedding cost ranges in between 5 lakhs to 10 lakhs.

Chart 28: Wedding Expenditure Break-up



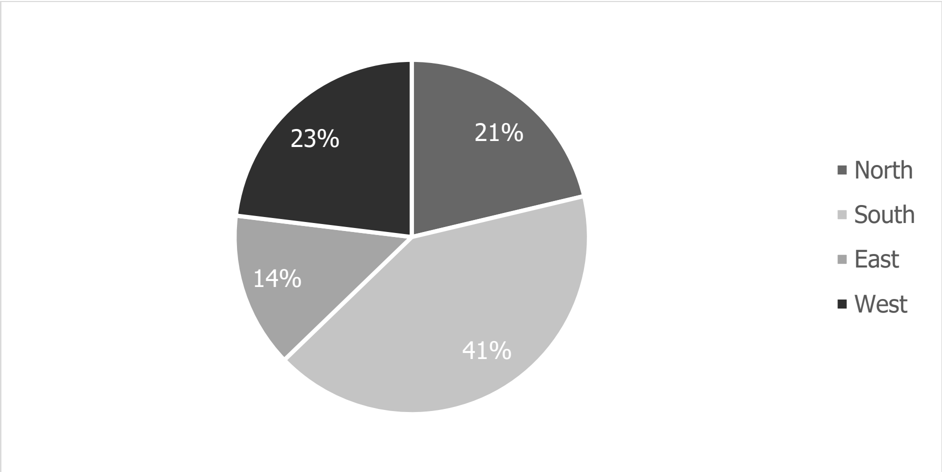
Source: Research Dive, Industry Sources, CareEdge Estimates

It is observed that wedding jewellery accounts for the largest share of the total wedding expenses at 24% followed by the cost of catering. An average of 30 to 250 grams of gold is consumed in marriages across India on gold bangles, mangal sutra, nose rings, necklaces etc. The total cost of these ranges between Rs 1,50,000 and Rs 13,00,000.

5.2 Segments of Indian Jewellery Industry

In India, gold jewellery is the most popular type of jewellery because buying gold on important occasions is considered to bring in good fortune. India's culture is intimately connected to gold, which is associated with festivals, customs, and religious beliefs. Weddings and festivals are the two main occasions for buying gold jewellery in India. South India accounts for 41% of the total jewellery demand followed by West India with 23% share.

Chart 29: Region-wise Break-up of Gold Jewellery Demand



Source: Research Dive, Industry Sources, CareEdge Estimates

Rural and semi-urban regions contribute about 60% of the gold jewellery consumptions while urban areas account for 40%. The share of rural and semi-urban region is higher on account of larger share of population residing in these regions. Further, jewellery is a primary form of investment in these areas and is preferred over conventional investments through banks due to limited literacy, banking network etc.

Based on the type, gold jewellery industry can be segmented into –

- Bridal gold wear
- Daily & fashion gold wear

Table 11: Jewellery Demand Segmentation Based on Wearing Type

	Market share (%)	Weight Range	Purity
Bridal Wear	50%-60%	30-250 gm	18 & 22 carats
Daily & Fashion Wear	40%-50%	5-30 gm	14 & 18 carats

Source: Industry sources; CareEdge Research

5.2.1 Bridal Gold Wear

In Indian marriages, gold holds a lot of significance. Individuals of all ages wear exquisite gold jewellery on such occasions. The bride is the focal point of the wedding and is adorned with significant amount of gold jewellery. Gold has a religious significance in India as many people believe that gold is an auspicious precious metal and provides wealth and success. The significance of this style of jewellery in India originates mostly from the premise that gold given to a lady for her wedding is completely her property and thus an essential source of financial security. Jewellery gifts to the bride and groom's close relatives as well as jewellery purchases made by wedding guests for their use make up an additional, although much smaller, portion of the demand associated with weddings.

Given its significance in Indian weddings, bridal jewellery accounts for 50-60% of the domestic jewellery consumption. Bridal jewellery is typically heavier in weight compared to daily or fashion wear ranging from 30-250 gms depending upon the type of jewellery. Further, they are generally available in 22 carat and 18 carat variants.

Bridal jewellery varies in weight and design across regions of the Indian subcontinent as different community brides wear different designs for their wedding. The gross weight of gold jewellery worn by brides in southern states such as Kerala is significantly higher than the weight of gold jewellery worn by brides from northern and western states which typically stems from the cultural preferences and also is a function of per capita income of the state. South Indian bridal jewellery is dominated by plain gold jewellery while there is a higher preference for studded jewellery in northern states. On an overall basis, plain gold jewellery accounts for 85% of the total bridal jewellery.

Table 12: State-wise Bridal Jewellery Products

State	Large Sets	Small Necklaces	Chains	Bangles	Earrings	Others	Gross weight in gms
Punjab	Diamond Haar		Mangal Sutra	Kundan Kangan	Vala	Maang Teeka, Nathni, Bajo do Kado	190
Rajasthan/ Marwar	Rani Haar	Thewa		Bangdi, Kada, Rajputi Bandgi	Kundan Butti	Rakhdi, Hath Phool, Baju Band, Anguthi	190
Bengal	Sita Haar	Gola Chik		Plai Bala, Mugh Bala, chitra Bala	Jhumkaa	Kamar Chavi, Tikloy, Kamar Band	210
Gujarat		Chandan Haar	Mangal Sutra	Bangdi, Kundan Bangdi	Kundan Butti	Nath, Baju Band, Damani, Pocha	180
Maharashtra	Chapla Haar, Laxmi Haar	Tushi	Mangal Sutra	Tode, Patli	Jhumke	Aangathi, Haath Pan, Nath, Baju Band	250
Mangalore	Akki Sara, Malliga Sara		Mangal Sutra, Mohan Sara	Lakshmi Bale, Coorgi Bale, Kembina bale	Jhimki	Bandhi, Odiyanam, Kemp Ungila	280
Kerala	Kazuthulia, Kasu Mala, Lakshmi Mala, Mulla Motu	Kingini Mala, Manga Mala	Kurumulaka Mala, Patthakam	Kolkata Bangle, Machine Cut Bangle, Thoda Bangles	Jhimki	Toe Ring, Minnu	320
Tamil Nadu	Lakshmi Haram, Muthu Haram	Vella Kal Mookhuthi	Mangal Sutra	Muthu Valayal, Lakhsmi Valayal, Kemu Valayal	Kempu Kal Jhimkki	Ottiyanam, Nethichutty, Jadai Billai	300
Andhra Pradesh	Nakshi Haram	Kandabaranam	Sutaru Golusu	Kanjan,Gajalu	Buttalu	Aravanki, Nakshi Vaddanam, Jada	300

Source: CareEdge Research, Industry Sources

5.2.2 Daily and Fashion Wear

Daily and Fashion wear jewellery accounts for 40-50% of the domestic gold jewellery consumption. These are typically lighter jewellery ranging from 5-30 gms in weight. Daily and fashion wear jewellery has grown in popularity in recent years as customers preference for more affordable and useful options for their everyday jewellery needs has increased. To meet the demand from younger customers, especially those who desire to wear gold jewellery that suits their western-style clothing, manufacturers are increasingly concentrating on manufacturing lightweight ornaments. This trend has resulted in the rise of minimalist designs, which have basic shapes and clean lines and are frequently made with less gold.

Millennial demand, rising internet usage, and increasing smartphone penetration have contributed to the recent rapid rise of the Indian online jewellery business focused primarily on daily and fashion wear jewellery. Consumers between the ages of 18 and 45 account for the majority of sales. Despite an increase in online jewellery sales, the typical ticket weights are between 5 and 10 grams. Online buyers typically buy 18-carat gold jewellery that is lightweight and suitable for everyday wear.

Young shoppers are interested in contemporary styles that go well with western attire. Big chain stores are also focusing increasingly on daily wear and fast-moving jewellery (such as chains and rings). Manufacturers and designers are developing product lines expressly for this market as they become more aware of changing consumer preferences.

5.3 Trends in Bridal Jewellery

- India, the second-largest consumer of gold jewellery worldwide, has seen tremendous transformation in recent years owing to the changing consumer preferences. The demand for gold jewellery in India is still mostly driven by weddings and festivals, with bridal jewellery alone accounting for more than half of the industry.

- The gold market is changing, with varying styles and tastes due to economic development, globalization, and shifting customer preferences. For instance, the demand for lighter and studded gold bridal jewellery has increased in the recent years on account of the rise in gold prices.

- There are diverse regional preferences throughout the country in connection to bridal jewellery. While a majority of the demand is for plain gold jewellery, the market share for studded jewellery i.e. jewellery studded with diamond and other precious and semi-precious stones (such as Polki, Kundan, or Jadau) is between 15% to 20%. Studded jewellery consumption is much higher in Northern India while, the consumption in the South India continues to be largely plain gold jewellery.

5.4 Growth Drivers for the Jewellery Industry

Favorable demographics to drive bridal jewellery demand:
India has more than half the population below the age of 25. The average age of marriage for women in India is 22. Therefore, the number of weddings per year is expected to increase in the upcoming years. This, in turn, is anticipated to augment demand for bridal jewellery.

Importance of Gold Jewellery in Indian weddings and festivals:
Wedding and festival demand is one of the key drivers for gold jewellery in India as it forms part of the traditions, beliefs and customs and is considered to be an auspicious purchase. The significance of bridal jewellery is evident from the 50%+ share of this variant in the overall domestic demand. In the societies across the social strata, parents start investing in gold and gold jewellery when the girl child is of a very young age with an objective to purchase the required quantity over the years till the child is of marriageable age. Further, gold jewellery is also purchased during

festivals like Diwali and Akshaya Tritiya. The significance of gold jewellery is deep-rooted in the Indian culture and is expected to continue to drive the demand for gold jewellery, especially in the bridal segment, in the coming years.

Preference towards gold jewellery as an investment in rural India:
Rural India accounts for 60% of the domestic gold jewellery consumption. Gold was the main investment product across rural areas in the past due to low penetration of the banking and financial services. However, while the penetration of banking system has increased, gold jewellery has remained the major form of investment due to continuation of the preference based on past experience and higher amount of tangibility attached to gold jewellery. This preference for gold jewellery as an investment is expected to continue in the medium-long term.

Rising awareness and aspirational value:
Rapid expansions by large retail chains even in tier II and tier III cities has increased the exposure of buyers in such locations to different designs and large variety of jewellery. The awareness of product types, designs etc. has also increased significantly driven by the sharp rise in penetration of the internet and smart phones. The advent of e-commerce in the jewellery industry has given buyers located in the interiors, access of the urban market suppliers and designs as well. The various marketing campaigns run by the large jewellery retailers has further created demand and increased aspirational value attached to the jewellery. These factors will continue to augment domestic jewellery demand.

Increasing number of working women:
Gold jewellery is primarily consumed by women. An increase in number of working and financially independent women especially in the urban areas is likely to boost the demand for gold jewellery in India. Driven by this trend, the gold jewellery industry has witnessed an increase in consumption of daily and fashion wear jewellery. Further, the jewellers have also started focusing on lighter jewellery and jewellery which can be worn with western and office attires.

5.5 Impact of Gold Prices on Jewellery Demand

The international gold prices have been on a rising trend and have been hitting multi-year highs driven by factors such as rising inflation, geo-political tensions, availability of high liquidity globally, etc. As domestic manufacturers and retailers of gold jewellery are majorly dependent on imported gold, the domestic gold prices generally trend in line with the international gold prices and have doubled in past decade.

It has been observed that when the gold prices rise, the demand for gold jewellery is more resilient compared to the investment demand. While daily and fashion wear purchases may be postponed due to lower affordability, bridal jewellery demand may not see significant impact of gold price rise as it is an event linked purchase which cannot be deferred. Even if there is some temporary impact during first half of the calendar year as it’s a seasonally weak period, demand generally picks up in the second half on account for festivals and weddings.

A large quantum of bridal jewellery is also purchased in exchange for old jewellery, gold coins or bars which the families have invested in over a period of time to accumulate gold for future weddings. Such practices provide a natural hedge to consumers against gold prices and help in sustaining demand for bridal jewellery even if the gold prices increase. Further, the domestic jewellers are fairly adaptable to rising price trends and introduce more light weight designs and products to ensure that bridal jewellery remains affordable.

Chart 30: Growth trend of Jewellery Demand vis-à-vis Gold Price

Source: CareEdge Research, Industry Sources

6 Gold Jewellery Wholesale Market in India

6.1 Overview on Gold Jewellery Wholesale Market in India

In the gold jewellery sector, retailers generally purchase gold jewellery from wholesalers who manufacture the jewellery or outsource the manufacturing to job-workers. Most jewellers outsource manufacturing of majority of the plain gold jewellery inventory held by them while studded jewellery is procured through a mix of in-house manufacturing and outsourcing. The share of wholesale segment in the jewellery sourcing mix has increased considerably over years with the growth of large retail chains who see value in sourcing from wholesalers due to variety of designs and product innovation. Further, this permits the jewellery retailers to focus on the retail business.

Procurement of jewellery from wholesalers is more prevalent in urban India which has large-scale presence of jewellery retailers. In this model of wholesale business, the gold required for manufacturing of jewellery is procured by the manufacturer itself. In contrast, the manufacturing of jewellery by job workers or karigar is more common in rural India wherein the gold is procured by the retailer for manufacturing of specific designs. In 2022, the share of wholesale segment in gold jewellery was estimated to be in the range of 60-65% of the overall gold jewellery consumed in India. i.e. 360-390 tonnes per annum.

6.2 Sub-segments of Gold Jewellery Wholesale Market in India

6.2.1 By Segment - Organized and Unorganized Manufacturers

The wholesale jewellery sector in India has traditionally been highly fragmented and dominated by unorganized firms. The unorganized sector dominates the wholesale industry, and organized penetration in the wholesale industry in India is comparatively lower at around 20-25%, which was less than 10% a decade earlier. The growth of the organized wholesale segment has been driven by multiple factors including the expansion of organized retailing, rise in exports, tightening of the regulatory environment etc. Organized retailers prefer organized manufacturers as their order size is quiet large which cannot be fulfilled by small manufacturers. Further, following benefits are attached to sourcing from organized manufacturers:

Consistency and quality: Organized wholesalers are more likely to have standard processes in place, resulting in consistent quality across their products. This consistency is critical for this business which requires a reliable supply of products for their operations.

Transparency and availability of Capital: Organized wholesalers are more transparent in product pricing; gold sourcing value chain etc. and also have access to capital for financing the inventory.

Efficiency and cost savings: Organized wholesalers often have economies of scale that allow them to produce products more efficiently and at a lower cost. This can translate into cost savings for retailer that purchase their products.

Customization and flexibility: Organized wholesalers have the ability to customize products to meet the specific needs of their customers. This flexibility can be important for retailers that require tailored solutions such as looking to develop a theme based jewellery line etc.

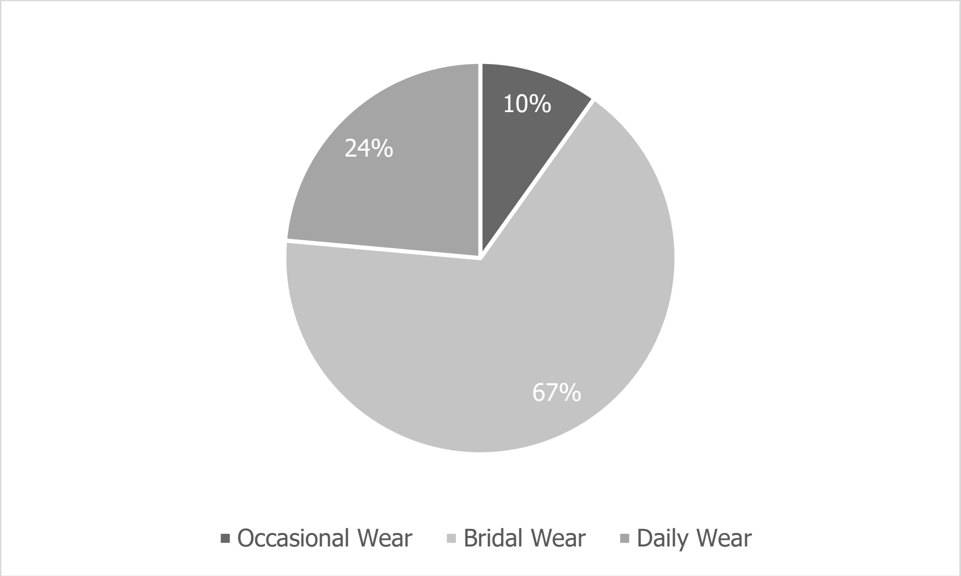
Regulatory compliance: Organized wholesalers are more likely to be compliant with regulatory requirements, which is critical for large conglomerates, listed jewellers etc.

Risk management: Organized wholesaler are likely to have risk management protocols in place, which can help mitigate potential disruptions in supply chains.

6.2.2 By Wearing – Bridal and non-Bridal

Based on the wearing type, wholesale jewellery industry can be segmented into – bridal wear and daily and fashion/occasional wear. The Bridal jewellery segment accounts for about 65-70% share of total wholesale jewellery segment by volume, non-bridal accounts for the balance of about 30-35%.

Chart 31: Indian Wholesale Jewellery Market share in % - By wearing



Source: Research Dive, Industry Sources, CareEdge Estimates

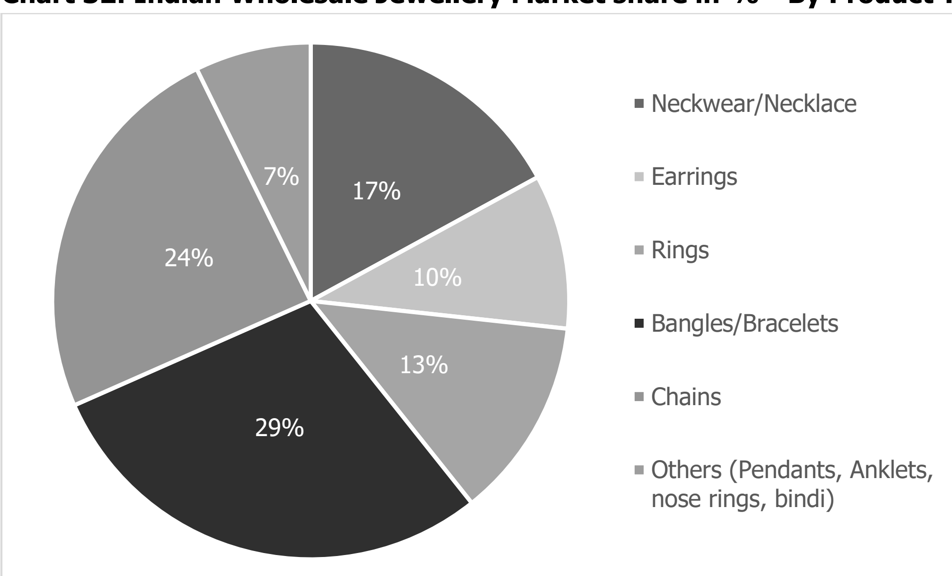
6.2.3 By Product-Type

There are multiple products in gold jewellery such as bangles, chains, necklaces, rings, earrings, pendants, and others.

Necklace	Collar Necklaces , Kundan Necklaces , Polki Necklace , Rani Haar
Earrings	Bell-Shaped Earrings , Dangles , Hoops, Studs
Bangles Bracelets	Kada, Kundan, Cuffs, Filgree, Nagapadam Vala
Chains	Classic Rollo, Cable Corvette , Modern Omega , Box
Rings	Diamond Studded Gold Rings, Gender - neutral Rings, Vintage Nostalgia

At present, the market share of each of these products is depicted through the chart below:

Chart 32: Indian Wholesale Jewellery Market share in % - By Product Type



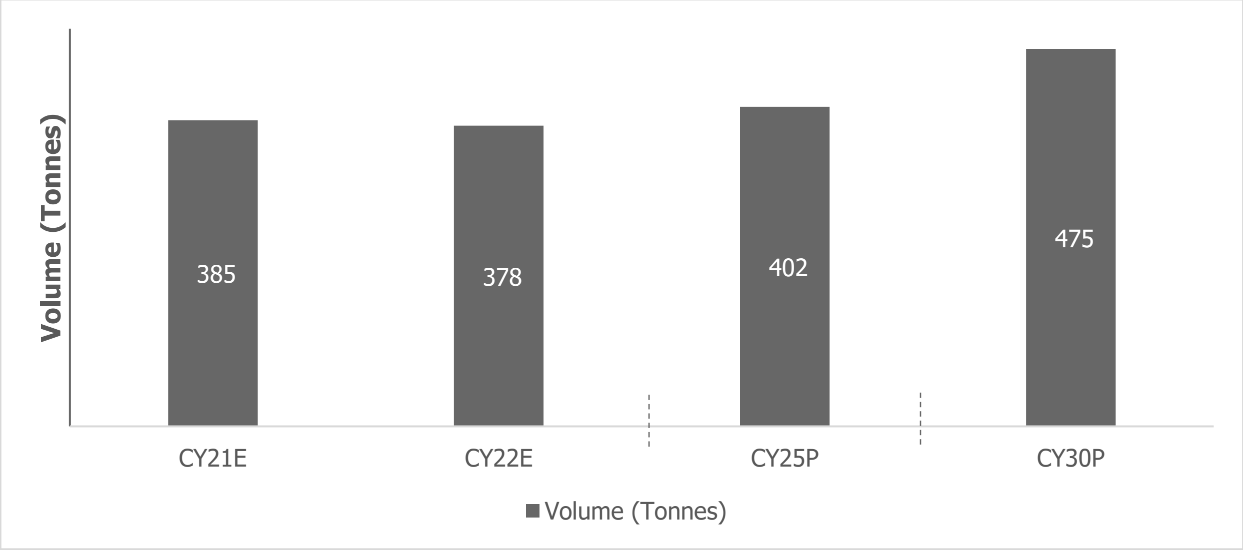
Source: Research Dive, Industry Sources, CareEdge Estimates

6.3 Outlook of Gold Jewellery Wholesale Market in India

6.3.1 Outlook of overall gold jewellery wholesale market in India

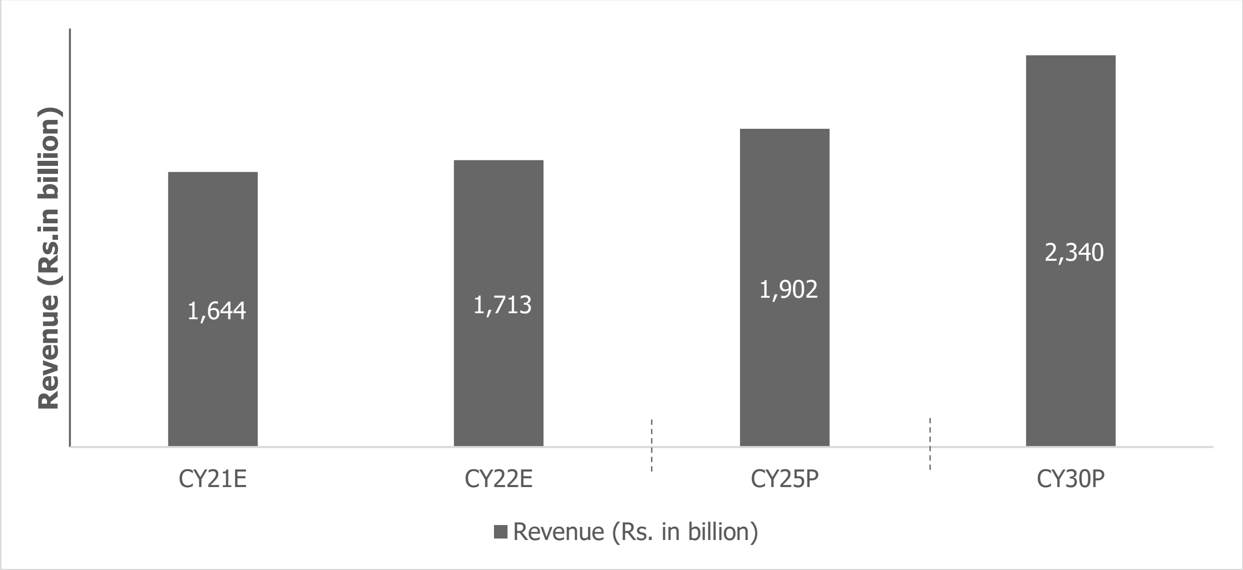
The domestic gold jewellery wholesale industry is expected to grow from 378 tonnes (out of 600 tonnes total gold jewellery demand) in 2022 to 402 tonnes by 2025 and 475 tonnes by 2030, at a CAGR of 2.5%. In value terms, the industry size is expected to increase to Rs. 2,340 billion in 2030 from Rs. 1,713 billion in 2022.

Chart 33: Indian Jewellery Wholesale Market Size – By Volume



Note: E- Estimates, P-Projection; Source: Research Dive; CareEdge Research

Chart 34: Indian Jewellery Wholesale Market Size – By Value

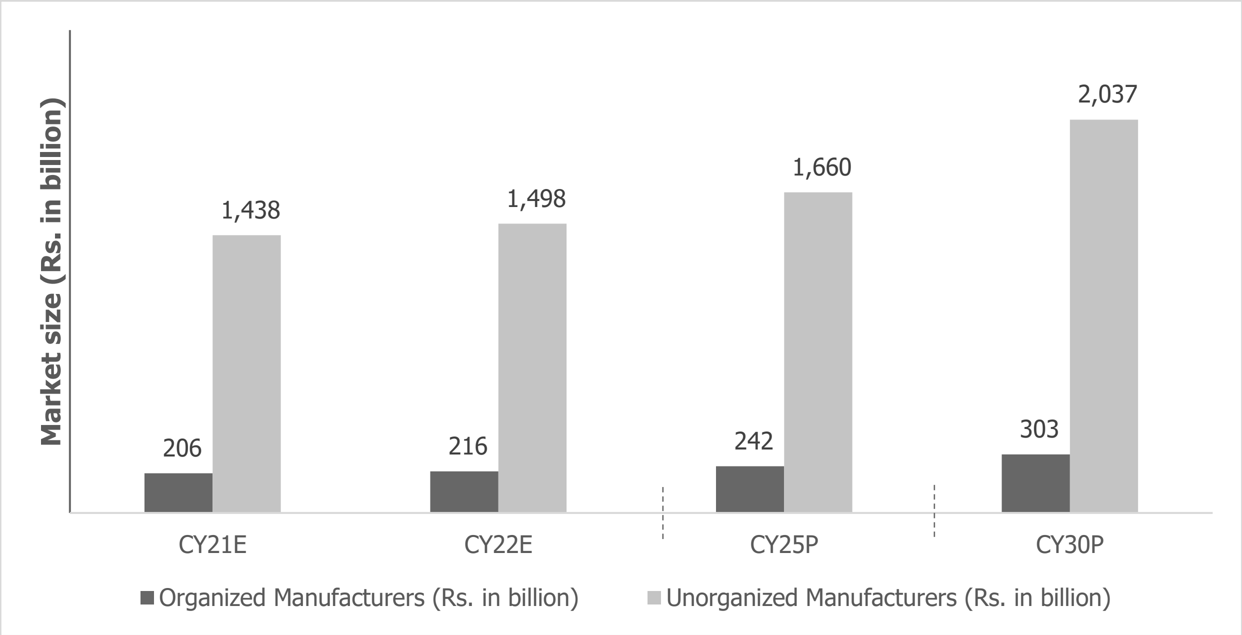


Note: E- Estimates, P-Projection; Source: Research Dive; CareEdge Research

6.3.2 Outlook on Organized and Unorganized Segment

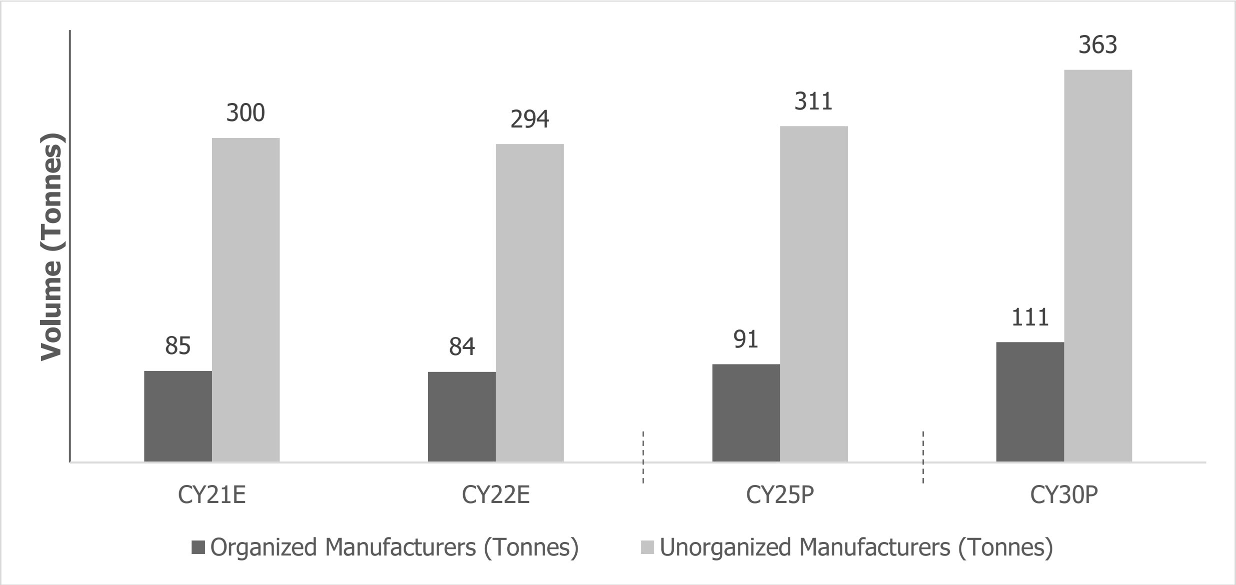
The jewellery wholesale sector in India has traditionally been highly fragmented and dominated by unorganized firms. The unorganized sector dominates the wholesale industry, and organized wholesale penetration in India is comparatively lower than in developed countries. In Indian wholesale jewellery sector, unorganized segment accounts for lion's share with about 85%+ share.

Chart 35: Indian Jewellery Wholesale Market size trend (in Rs. Billion)- Organised v/s Unorganised



Source: E- Estimates, P-Projection; Source: Research Dive; CareEdge Research

Chart 36: Indian Jewellery Wholesale Market size trend (in Volumes)- Organised v/s Unorganised



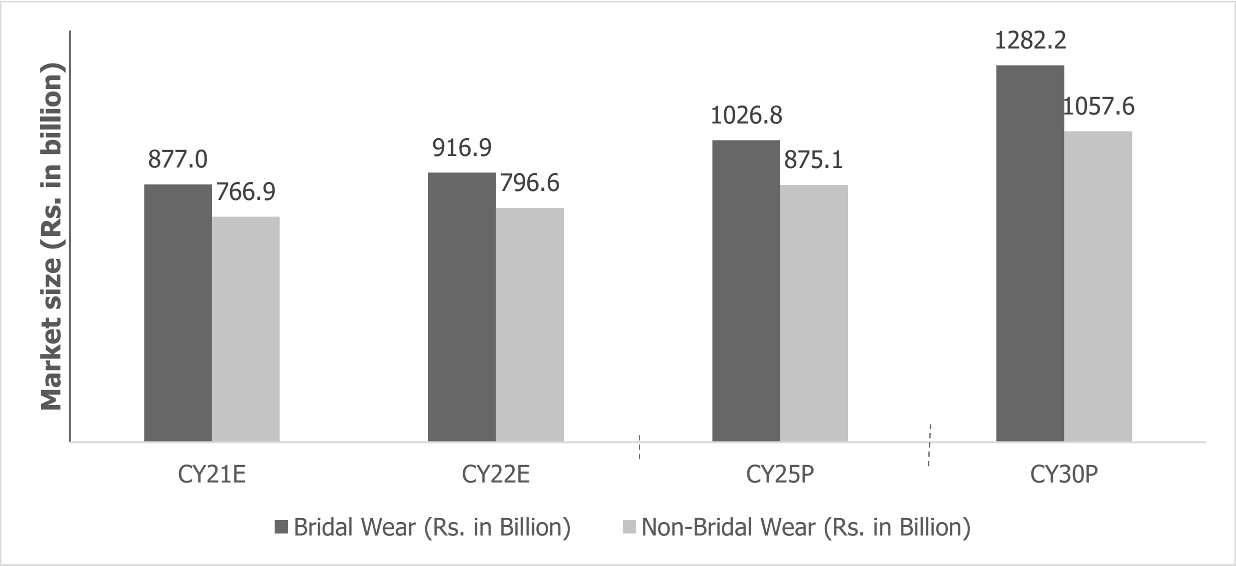
Source: E- Estimates, P-Projection; Source: Research Dive; CareEdge Research

The organized segment is projected to register 3.8% CAGR for the CY22-CY30 while unorganized segment is projected to make 3.3% of CAGR for the same period.

6.3.3 Outlook on Bridal and Non-Bridal Jewellery

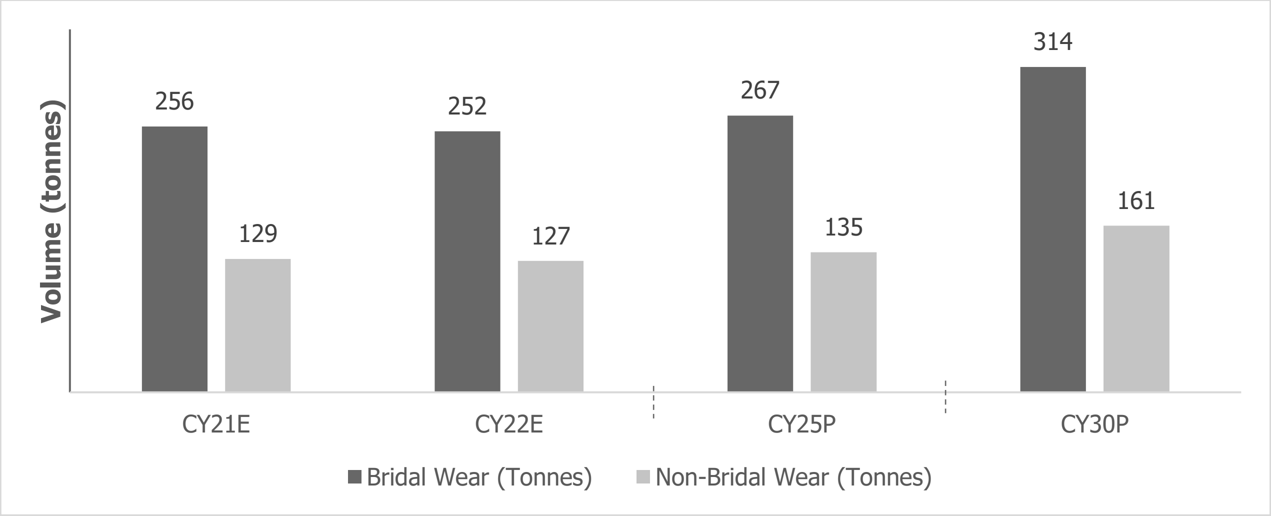
The Indian Wholesale market in the bridal segment is expected to register ~3% CAGR for the period 2022-2031. Whereas, in non-bridal segment, occasional wear is projected to make ~1.7% CAGR growth for the same period and daily wear is projected to make higher growth of ~3.5%.

Chart 37: Indian Jewellery Wholesale Market size trend (in Rs. Billion) - By wearing



Source: E- Estimates, P-Projection; Source: Research Dive; CareEdge Research

Chart 38: Indian Jewellery Wholesale Market size trend (in volumes) -By wearing



Source: E- Estimates, P-Projection; Source: Research Dive; CareEdge Research

7 Regulatory Process and framework for the Gems & Jewellery Industry in India

7.1 FDI Norms

The gems & jewellery industry is the second largest Foreign Exchange Earner (FEE) in the Indian economy. India is known as the hub of the global jewellery due to its low costs, availability of skilled labour, and other benefits like policy support etc. There are various Government policies that support the industry. Currently, 100% Foreign Direct Investment (FDI) is permitted in the sector under the automatic route.

This sector has become a focus area for promoting exports. The Indian Government has taken various initiatives for investment promotion and technology upgradation. The country is looking forward to build a 'Brand India' in the global market because of its growth prospects. The Government of India's decision to bring FDI in retail market expedited the growth in organized jewellery sector. This opened an opportunity to millions of people for jobs in various departments like logistics, repackaging centers, distribution channels, housekeeping, security etc. FDI has been one of the key drivers in uplifting the jewellery sector and contribute towards the overall development of the economy. The FDI Equity Inflow in Gem & Jewellery sector during FY2015 - FY2022 (Till September 2022) was USD 786.43 Million.

7.2 Goods & Services Tax (GST)

Prior to introduction of the GST regime, gold attracted 2% tax constituting of service tax and value added tax (VAT) of 1% each. The tax rate levied on gold sale increased from 2% to 3% due to introduction of GST and had a critical impact on the jewellery industry. An additional 5% GST is applicable on the making charges of gold jewellery in India. GST of 1.5% is levied on cut and polished diamonds.

Implementation of GST benefited interstate business transactions as different states operated varying tax structures before the GST, which subsumed into a single tax rate post GST rollout. It has also simplified purchase of bullion. Further, the implementation of GST has improved the transparency and accountability especially of the organized sector.

7.3 Gold imports by the RBI

Given that gold is thought to be a reliable inflation safeguard and that global inflation is on the rise, central banks have become a major source of gold demand. The RBI purchases gold frequently for its reserves with an objective to diversify the assets under which country's foreign exchange reserves are held. This is used as a safe investment tool against inflation and brings stability among overall reserves of the central bank during that inflationary period. Gold is usually bought in the form of gold bars. RBI's gold reserves stood at 787.4 tonnes at end of December 2022.

7.4 Authorized Banks for Purchase of Gold

Individuals can buy gold from banks either in physical or digital form. Generally, banks provide multiple schemes with options such as physical gold in form of bars and coins, digital gold, sovereign golf bonds (SGBs) etc.

Table 13: Authorized banks which are permitted to purchase gold from other countries

Axis Bank	Bank of India
Bank of Baroda	Federal Bank
Industrial and Commerce Bank of China	HDFC Bank
IndusInd Bank	ICICI Bank
Punjab National Bank	Indian Overseas Bank
Kotak Mahindra Bank	Karur Vysya Bank

State Bank of India	RBL Bank
Yes Bank	Union Bank of India

7.5 Latest Budget provisions for the gems and jewellery industry in India

The Union Budget 2023-24, announced by the Finance Minister Mrs. Nirmala Sitharaman had some new provisions and updates for the gems and jewellery industry. They are as follows:

- **Reduction in customs duty on seeds used to make lab-grown diamonds**

The import duty on seeds used to make lab-grown diamonds was reduced from 5% to 0% with a view to boost domestic manufacturing.

- **The conversion of physical gold into digital gold will not attract capital gains tax**

Basic customs duty (BCD) on gold bars was reduced to 10% from 12.5% but the Agriculture Infrastructure Cess was increased to 5% from the 2.5%. Overall, there was no change in the tax implication on gold import.

- **Increase in customs duty on Articles of Precious Metals such as gold/silver/platinum**

The customs duty on import of items made of rare metals like gold, silver, and platinum was increased from 20% to 25%.

- **Facilitation of jewellery exports via e-commerce**

India is the global leader in this industry and its exports were affected adversely due to the Covid-19 pandemic. The Government had aided to promote the export sector by accelerating the exports through e-commerce and a simplified regulatory framework for the same was implemented by June, 2022. As a result, it will increase the international customer database in the near future which will boost the sales as the international customers will have easy access in terms of purchase.

- **Regulation of online market**

In continuous efforts to boost the industry, the government will also formulate a regulation of gems and jewellery market in the online platform. This system will facilitate in monitoring of transactions and protection of data in today's digital world where there is a large space for fraudulent activities to take place. This will also help in rural economy development and will build the confidence of the customers while following fair and transparent trade practices.

The reforms initiated by the government will enhance the operations in the Indian market and provide a platform to compete against other jewellery dealers in the global level.

7.6 Central Government's Gold Monetization Scheme

Gold Monetization Scheme (GMS) is a scheme which was launched by the Central Government of India in November 2015 with an objective to make productive use of the gold that is kept idle at home or stored by households and institutions of the country in their bank lockers. Another motive behind this scheme was to reduce the country's dependency on gold imports. Individuals, institutions, corporates & temple trusts can deposit their gold for short, medium and long-term period with RBI designated banks under this scheme. This will help them in earning interest at a rate of interest chosen by Central Government.

The Government modified the existing Gold Deposit Scheme and Gold Metal Loan Scheme with an intention to permit investors to earn term deposits with both interest earnings and security on their investments in gold. This scheme has benefited them in saving costs of gold storage and also helped government from bearing borrowing costs.

With the new Revamped Gold Monetization Scheme in 2021, few more additional provisions were added to the GMS.

Revamped Gold Deposit Scheme (R-GDS):

- Increase of banks participation in GMS
- Dematerialization of Medium-Term Government Deposit (MTGD) Long Term Government Deposit (LTGD) Certificates for tradable and mortgageable
- Encourage jewellers as Collection and Purity Testing Centres (CPTCs)
- Reduction of minimum deposit under R-GDS
- Payment of interest in respect of STBD
- Permission given to banks to purchase standard locally refined/sourced from refineries and Gold Spot Exchanges
- Interbank lending of IGDS/LBMA standard Bullion
- Development of GMS digital platform for transparency and traceability
- Public communications and awareness program
- Use of MLTGD gold under GMS for bullion leasing under GML

Revamped Gold Metal Loan (R-GML)

- Repayment of Gold Metal Loan (GML) in lots of 1kg
- Repayment of gold loan under GML using locally sourced IGDS standard bullion
- Availability of GML to all jewellers with a valid working capital credit limit

All these amendments have been passed to strengthen the Gold Monetization Scheme. To alleviate the financial distress caused by the Covid-19 pandemic among the households, small businesses, and entrepreneurs, the RBI has provided a relaxation by increasing the permissible loan-to-value ratio (LTV ratio indicates the percentage value of the property which can be granted to a borrower by banks) to 90% from 75% for those who want to take loans against gold and jewellery for non-agricultural purposes. At present, the government is reconsidering about the scheme on not being effective and not attaining its goals. Moreover, the cost of the scheme is said to outweigh its benefits.

7.7 Training initiatives by Government agencies such as the Gems and Jewellery Skill Council of India

Gems and Jewellery Skill Council of India (GJSCI) is council body which is established in 2012 under the supervision of the National Skill Development Corporation (NSDC) and is presently operating under the Ministry of Skill Development & Entrepreneurship (MSDE). GJSCI is an institution that encourages skill development among workforce in the Indian Gems & Jewellery Industry. They provide training for processing of diamonds, colored gemstones, manufacturing of jewellery and other areas such as wholesale, retail and exports. They also undertake initiatives to provide manufacturing setups with latest technology and other resources for upgrading.
Its founding organizations are as follows:

1. **The Gem & Jewellery Export Promotion Council (GJEPC):** GJEPC, setup by the Ministry of Commerce, Government of India in 1966, is the apex body that drives the growth of Indian exports in the gems & jewellery industry. It eases interaction between the industry and the Ministry of Commerce & Industry, Ministry of Finance, DGFT, Department of commerce, Department of finance on issues related to trade. It holds integrity and carries out Kimberly Process Certification Scheme for diamonds. It also runs various training institutes which focus on manufacturing skills, design and other technical skills that are required in the industry. GJEPC helped Micro, Small & Medium Enterprises (MSMEs) by providing modern machines that are affordable. GJEPC addresses the concerns and issues that are faced in gems & jewellery industry. They identified the need for a new revamped Gold Monetization Scheme, import duty reduction of gold, hallmarking etc. Recently, the organization arranged numerous trade events and webinars virtually for buyers and sellers across the globe

which helped the industry in recovery process. A few of them include virtual IIJS, India Global Connect, virtual International Gems & Jewellery Show (e-IGJS) etc.

2. **All India Gem and Jewellery Domestic Council (GJC):** It is a national trade federation which is established to promote and advance the growth in gems & jewellery industry. It ensures of fair-trade practices that are carried in the industry and manages the efficiency of business. GJC constitutes of various divisions such as wholesalers, retailers, allied, gold, silver, platinum, diamonds, gem stones, machinery, etc. It is responsible for developing uniformity and promoting transparency and compliance standards which ultimately contributes towards the industrial growth and development.

3. **The SEEPZ Gems & Jewellery Manufacturers' Association (SGJMA):** SEEPZ was founded in 1989 and represents the gems and jewellery units in SEEPZ SEZ region. It is established by jewellery units in SEEPZ and resolves problems which arise in export production and growth.

4. **The Jewellers Association, Jaipur**: It was formed for the progress and growth of gem & jewellery trade of Jaipur. The Association conducts shows/exhibitions as well to enable exhibitors and buyers to interact directly.

7.8 Hallmarking of Jewellery in India

Bureau of Indian Standards (BIS) introduced the hallmarking scheme under BIS Act, Rules and Regulations for jewellery in India in 2000 and the same was made mandatory with effect from June 2021. From July 1, 2021, all gold jewellery products have to be hallmarked with Hallmark Unique Identification (HUID) only. After introduction of this, hallmark consisted of 3 marks viz, BIS logo, purity of the article and six-digit alphanumeric HUID. Each hallmarked article has unique HUID number which is traceable. However, the old hallmarked jewelry with four marks without HUID was also permitted to be sold by the jewellers simultaneously with the 6-digit HUID mark. The hallmark on the jewellery indicates the quality of jewellery and it protects the interest of consumers by having quality checks on jewellery. BIS conducts random market surveillance on accredited jewellers at set intervals. This involves collecting hallmarked gold jewellery from a licensee's retail store or manufacturing facility and having it examined for compliance at a BIS-accredited hallmarking centre. BIS has also advanced an online digital solution in which the assaying and hallmarking centre is automated.

The hallmarking on the jewellery builds a trust in the consumers as it gives them a sense of purity in carats. As a result, they tend to buy more and more jewellery from trusted brands which increases the sales of the jewellery. With the introduction of the scheme, not only customers but also the owners of jewellery outlets have benefitted. Bureau of Indian Standards scheme has been successful in uplifting the quality and increasing reliance of the gems and jewellery industry.

7.9 Jewellery Parks

Jewellery parks are integrated industrial parks which provide access to facilities under one roof, including manufacturing units, commercial areas, residences for industrial workers, commercial support services and an exhibition centre. Multiple State Governments are promoting the setting up of jewellery parks to encourage the gems and jewellery sector which is currently characterized by poor working environment, low economies of scale, limited space for modern machinery etc. Jewellery parks will help in streamlining manufacturing which will in turn improve the domestic and international trade. The existing special economic zones (SEZs) - Sitapura Special Economic Zone in Jaipur and Santacruz Electronics Exports Processing Zone (SEEPZ) in Mumbai have sizeable manufacturing units with modern technology that has helped improve export potential. Currently, there are two jewellery parks operational in Ankurhati, West Bengal and another in Surat, Gujarat. Ankurhati focuses on plain gold jewellery whereas Surat engages in diamond cutting and polishing, and jewellery manufacturing. Three more jewellery parks are coming up - two in Mumbai and one in Raipur.

8 Competitive Landscape of Key Players in the Gems and Jewellery industry

8.1 Malabar Gold Pvt. Ltd.

- **Company Profile:**

Malabar Gold & Diamonds is the flagship company of Malabar Group and is a jewellery manufacturer, distributor, and retailer. The company have their wholesale units and factories spread across India, Middle East, Far East & USA.

Key Financials (Standalone):

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	31,379.8
Operating Profit Margin	%	3.5
Net Profit Margin	%	2
Return on Capital Employed (ROCE)	%	42
Debt to Equity	Times	0.44
Average inventory turnover	Times	15.85
Average marketing spend as a percentage of revenue	%	0.15
Per Store Data		
Total Number of stores	Number	312
Revenue per store	Rs. Crore	101.01
EBITDA per store	Rs. Crore	3.50

Source: Company Annual reports & CareEdge Research
Note: FY23 and Q1FY24 financials are not available

- **Key product segments and brands:**

Key Products
Gold
Diamond
Platinum
Gold Coin
Solitaires

- **Key Distribution Channel –** Retail

8.2 Titan Company Ltd.

- **Company Profile:**

Titan Company Ltd. is an integrated watch manufacturer with a distribution footprint to a premium lifestyle company with a presence in jewellery, watches, fragrances, eyewear, and Indian dress wear. The key jewellery brands for Titan include Tanishq & CaratLane. Tanishq jewellery is more focused on a retail-based business model having 791 retail stores (including CaratLane) across more than 253 towns pan-India.

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22	FY23	Q1FY24
Revenue	Rs. Crore	27,210	38,270	11,145
Operating Profit Margin	%	12.95	13.25	10.79
Net Profit Margin	%	8.01	8.71	6.97
Return on Capital Employed (ROCE)	%	23.68	28.49	-
Debt to Equity	Times	0.57	0.52	-
Average inventory turnover	Times	2.62	2.76	-
Average marketing spends as a percentage of revenue	%	-	-	-
Per Store Data				
Total Number of stores (excluding CaratLane)	Number	444	541	559
Revenue per store	Rs. Crore	NM	NM	NM
EBITDA per store	Rs. Crore	NM	NM	NM

Source: Company Annual reports & CareEdge Research; NM: Not Meaningful

- **Key Financial Information – CaratLane (Standalone):**

Indicative Financials	Unit	FY22	FY23
Revenue	Rs. Crore	1,267.18	2,155.09
Operating Profit Margin	%	6.02	9.01
Net Profit Margin	%	7.85	4.75
Return on Capital Employed (ROCE)	%	18.91	25.31
Debt to Equity	Times	3.86	3.66
Average inventory turnover	Times	3.19	3.02
Average marketing spend as a percentage of revenue	%	7.38	7.17
Per Store Data			
Total Number of stores (excluding CaratLane)	Number	138	222
Revenue per store	Rs. Crore	9.18	9.71
EBITDA per store	Rs. Crore	0.74	1.08

Source: Company Annual reports & CareEdge Research

- **Key product segments and brands:**

Key Products
Gold

Diamond
Gemstone
Solitaire
Digital Gold

Key Brands
TANISHQ
ZOYA
MIA
CARATLANE

Source: Company Website

- **Key Distribution Channel –** Retail

- **Expansion plans:**

➢ Titan Company is looking to expand its jewellery business internationally, with plans to open roughly 20 stores in regions such as the United States, Canada, and Gulf Cooperation Council countries by FY25.

➢ The company is planning to further expand the space of 15 existing stores and open 40 new stores in India in FY24.

8.3 Joyalukkas India Ltd.

- **Company Profile:**
  Joyalukkas India Ltd. (Joyallukas) is a jewellery manufacturer, distributor, and retailer. It is a multinational Indian jewellery company with offices in Thrissur, Kerala, and Dubai, United Arab Emirates. Gold, silver, diamonds, timepieces, and other valuable stones are sold by the company. Joyalukkas India caters to customers all around the world. They have 85 showrooms in India spread across 13 states and 45 showrooms across the globe.

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22	FY23
Revenue	Rs. Crore	10,294.55	14,513.43
Operating Profit Margin	%	11.5	10.5
Net Profit Margin	%	6.8	6.2
Return on Capital Employed (ROCE)	%	20.3	21.1
Debt to Equity	Times	1.28	1
Average inventory turnover	Times	4.04	2.47
Average marketing spend as a percentage of revenue	%	0.9	0.8
Per Store Data			
Total Number of stores	Number	85	85
Revenue per store	Rs. Crore	121.11	170.75
EBITDA per store	Rs. Crore	13.96	17.5

Source: Company Annual reports & CareEdge Research.
Note: Q1FY24 financials are not available

- **Key product segments and brands:**

Key Products
Coin & Bars
Gold
Diamond
Gemstone
Uncut Diamonds
Platinum
Silver

Key Brands
PRIDE- Diamond Bridal Collection
ELEGANZA- Polki Diamond Collection
APURVA- Antique Collection
RATANA- Precious Stone Jewellery
VEDA- Traditional Jewellery Collection
ZENINA- 22 Karat Turkish Collection
MASAAKI- Pearls
Li'L JOY- Kids Jewellery

Source: Company Website.

- **Key Distribution Channel –** Retail

- **Expansion plans:**
  Joyalukkas is already present in most parts of the southern region and plans to expand in the same region as there is potential for additional expansion due to the region's high demand for jewellery. The company plans to open eight new showrooms across India over the next two years, with a concentration on Telangana, Maharashtra, Odisha, and Karnataka.

8.4 Senco Gold and Diamonds Ltd

- **Company Profile:**
  Senco Gold and Diamond is a brand owned by Senco Gold Ltd. having a legacy of over five decades. They specialize in selling jewellery made of gold, diamonds, platinum, precious and semi-precious stones, and other metals. Costume jewellery, gold and silver coins, and silver kitchenware are among the additional products. Senco Gold & Diamonds sells through a variety of outlets, including its 62 franchisee showrooms and 80 company-operated showrooms - mainly located across West Bengal, Maharashtra, Uttar Pradesh, Delhi, Jharkhand, Odisha and few other states.

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22	FY23	Q1FY24
Revenue	Rs. Crore	3,547.56	4,202.70	1,304.08
Operating Profit Margin	%	8.29	8.61	5.92
Net Profit Margin	%	3.58	3.83	2.18
Return on Capital Employed (ROCE)	%	19.01	17.05	-
Debt to Equity	Times	1.65	4.18	-
Average inventory turnover	Times	2.99	2.57	-
Average marketing spends as a percentage of revenue	%	1.43	1.93	
Per Store Data				
Total Number of stores	Number	127	142	142
Revenue per store	Rs. Crore	27.93	29.60	9.18
EBITDA per store	Rs. Crore	1.55	2.55	0.48

Source: Company Annual reports & CareEdge Research.

- **Key product segments and brands:**

Key Products
Gold
Diamond
Platinum
Coins & Bars
Solitaires
Everlite

Source: Company Website.

- **Key distribution channels:** Retail

8.5 Asian Star Company Limited

- **Company Profile:**
  Asian Star Company Limited is a manufacturer of diamonds jewellery which are traded worldwide. The company has manufacturing units in Mumbai, Surat and Hosur. From the procurement of raw diamonds to the cutting and polishing of those diamonds, jewellery production to distribution and retailing, its vertically integrated activities cover the whole value chain. The Company has global operations with presence in New York, Chicago, Antwerp, Dubai, Shanghai, Hong Kong, Bangkok, and Singapore, which are among the major places that consume diamonds.

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22	FY23	Q1FY24
Revenue	Rs. Crore	3,034.25	3427.02	667.63
Operating Profit Margin	%	3.33	3.21	4.57
Net Profit Margin	%	1.92	1.67	2.83
Return on Capital Employed (ROCE)	%	5.93	6.44	-
Debt to Equity	Times	0.72	0.67	-
Average inventory turnover	Times	6.39	5.57	-
Average marketing spend as a percentage of revenue	%	0.010	0.0037	-

Source: Company Annual reports & CareEdge Research.

- **Key product segments and brands:**

Key Products
Generic Diamonds
Certified Diamonds
Special Cut Diamonds
Ceramic fine Jewellery

Source: Company Website.

- **Key distribution channels:** - Wholesale
- **Expansion plans, if any, across geographies including international expansion**
  To cater to growing needs of the domestic market, the company plans to open a unit at Surat to boost their jewellery manufacturing capacity. They have initiated the blueprint for the pilot project which will occupy 4,000 sq. ft.

8.6 Ashapuri Gold Ornament Limited

- **Company Profile:**
  Ashapuri Gold Ornament Ltd. is a manufacturer and wholesaler of gold jewellery. The company is into this business for more than 2 decades and serves jewellers mainly from metro cities and many other urban locations. The manufacturing of jewellery is done on job work basis at Ahmedabad and Rajkot.

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22	FY23	Q1FY24
Gross Revenue	Rs. Crore	163.85	158.01	19.95
Operating Profit Margin	%	2.58	1.73	4.63
Net Profit Margin	%	1.87	1.13	2.37
Return on Capital Employed (ROCE)	%	5.20	3.14	-
Debt to Equity	Times	0.05	0.08	-
Average inventory turnover	Times	3.74	2.76	-
Average marketing spends as a percentage of revenue	%	0.0024	0.0029	-

Source: Company Annual reports & CareEdge Research.

- **Key product segments and brands:**

Key Products
Gold – Pota Jewellery
Gold – Kundan Jewellery
Gold – Ghat Jewellery
Antique Jewellery

Source: Company Website.

- **Key Distribution Channel –** Wholesale

9 Competitive landscape of Key Private Gold Jewellery Wholesalers and Retailers in Gems and Jewellery Industry in India

9.1 Key Wholesalers:

9.1.1 RBZ Jewellers Ltd.

RBZ Jewellers Ltd. is a Gujarat based Company and one of the leading organized manufacturers of gold jewels in India, specializing in antique bridal gold jewellery and distributor to reputable nation-wide retailers and significant regional players in India. The Company has an extensive client base spread across 20 states and 72 cities within India. The Company operates its retail showroom under the brand name "Harit Zaveri" and is an established player in Ahmedabad who offers a variety of gold and other jewellery items at different price ranges. The Company has its modern, well-equipped manufacturing plant and shop showroom located in Ahmedabad. All gold jewellery products in line are hallmarked by BIS and diamond jewellery is certified by various agencies including IGI and GIA.

Information	Description
Year of Establishment	2008
Primary Business	Gold Jewellery
Geographical Presence	India

Product Portfolio
Bridal Collection
Antique Gold Jewellery
Polki Jewellery
Kundan Jewellery

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22	FY23
Revenue	Rs. Crore	252.11	287.93
Operating Profit Margin	%	10.62	13.12
Net Profit Margin	%	5.71	7.76
Return on Capital Employed (ROCE)	%	19.88	20.23
Debt to Equity	Times	0.85	1.04
Average inventory turnover	Times	1.98	1.68

Source: Company Annual reports & CareEdge Research.

The reported net profit margin in FY22 for RBZ Jewellers Ltd. was the highest compared to the gold jewellery wholesalers analyzed in this report.

9.1.2 Laxmi Jewellery Export Pvt. Ltd.

'Laxmi Jewellery' brand was created in 1978, along with its sister concern Laxmi Jewellery Export (P) Ltd. It is a producer and supplier of a wide selection of 22-carat jadtar and 18-carat diamond jewellery. The company's jewellery has been 916 Hallmarked and IGI certified with high quality for the past 25 years. The company is manufacturing 'Kundan,' also known as Jadtar. The company works with all Indian jewellery showrooms and export to the UK, the U.S., and Dubai.

Information	Description
Year of Establishment	1978
Primary Business	Gold Jewellery
Geographical Presence	India

Product Portfolio
Necklace
Fashion Earrings
Other Jewellery Products

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	896.47
Operating Profit Margin	%	2.87
Net Profit Margin	%	1.91
Return on Capital Employed (ROCE)	%	21.41
Debt to Equity	Times	0.92
Average inventory turnover	Times	9.82

Source: Company Annual reports & CareEdge Research
Note: FY23 Financials are not available

9.1.3 Modern Jewels Pvt. Ltd.

(Modern Jewellers) is a jewellery retailer based in Gujarat, India. The company was established in 1983 and has since grown to become a trusted brand in the Indian jewellery market. Modern Jewellers offers a wide range of gold, diamond, and platinum jewellery for men and women. The company has a strong focus on design and offers a variety of contemporary and traditional designs to cater to different customer preferences. In addition to its retail business, Modern Jewellers also offers customized jewellery designs to its customers. The company has one showroom located in Ahmedabad, offering customers a premium shopping experience. The showrooms are designed to provide a comfortable and welcoming environment for customers to browse and shop for jewellery.

Information	Description
Year of Establishment	1983
Primary Business	Gold Jewellery
Geographical Presence	Gujarat

Product Portfolio

Product Portfolio	Description
Cufflinks	• Net Weight: 10 grams • Gold Carat: 14 K White Gold • Diamond: 0.60 cts Round (VS-SI GH) • Colour stone: Tigers Eye
Necklace Set	• Net Weight: 267 grams Necklace, 80 grams earrings • Gold Carat: 22 K Yellow Gold • Colour stone: White Moissanite Polki, Ruby, Russian Emeralds
Pendant Set	• Net Weight: 100 grams Necklace, 45 grams earrings

	• Gold Carat: 22 K Yellow Gold • Colour stone: White Moissanite Polki, Ruby, Pearl, Emeralds

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	298.40
Operating Profit Margin	%	5.80
Net Profit Margin	%	3.76
Return on Capital Employed (ROCE)	%	23.18
Debt to Equity	Times	2.68
Average inventory turnover	Times	5.65

Source: Company Annual reports & CareEdge Research
Note: FY23 Financials are not available

9.1.4 Manubhai Zaveri

Manubhai Zaveri is a jewellery store located in Gujarat, India. It was founded in 1970. The business sells gold, diamond, and silver jewellery in traditional and contemporary forms for men, women, and children.

In addition to selling jewellery, the business provides services such as jewellery repair, cleaning, and polishing. The company has established itself as a partner for some of the most renowned national and international retail chains for many decades. The organization also has an export division that has a presence in several regions, including the U.S., Europe, the Middle East, and South Asia.

Information	Description
Year of Establishment	1970
Primary Business	Gold Jewellery
Geographical Presence	India

Product Portfolio
Bridal Collection
Occasion wear & Gifting
Love from Bikaner
Fusion Jewellery
Heirloom
Diamond Love

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	101.07
Operating Profit Margin	%	3.71
Net Profit Margin	%	5.03
Return on Capital Employed (ROCE)	%	6.25
Debt to Equity	Times	0.35
Average inventory turnover	Times	2.32

Source: Company Annual reports & CareEdge Research
Note: FY23 Financials are not available

9.1.5 Aradhana Jewellery Pvt. Ltd.

Aradhana Jewellery Pvt. Ltd. (Aradhana Jewellery) a private company that was incorporated on October 12, 2022. Aradhana Jewellery offers a wide range of products, including gold and silver jewellery, diamond jewellery, and gemstone jewellery. The company also offers customized jewellery design services to its customers.

Information	Description
Year of Establishment	2022
Primary Business	Gold Jewellery
Geographical Presence	India

9.1.6 S. K. Jewellers Pvt. Ltd.

S.K. Jewellers is a Mumbai-based company that was founded in 1993. The company is a manufacturer and wholesaler specializing in the wholesale sale of distinctive gold bangles, gold rings, gold earrings, antique rings, and antique necklaces. the revenue of S.K. Jewellers in 2021 was ~120 crores.

Information	Description
Year of Establishment	1993
Primary Business	Gold Jewellery
Geographical Presence	India

9.1.7 Radhey Shyam Jewellers Pvt. Ltd.

Radhey Shyam Jewellers Pvt. Ltd. is a company with third generation jewellery business family with carrying legacy of more than 60 years. This business was founded by Late Radhey Shyam Goel in the early fifties. This business incorporated as private limited entity in the year 1994. The operations of the company are Delhi based.

Information	Description
Year of Incorporation	1994
Primary Business	Wholesaling and retailing of traditional Indian gold & Diamond Jewellery
Geographical Presence	Delhi

Product Portfolio
Gold Bangles
ORO Bangles
Gold Necklace Set
Diamond Sets
Diamond Rings
Diamond Bracelet
Polki Jewellery

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	161.00
Operating Profit Margin	%	3.3%
Net Profit Margin	%	0.7%
Return on Capital Employed (ROCE)	%	8.6%

Indicative Financials	Unit	FY22
Debt to Equity	Times	3.32
Average inventory turnover	Times	4.89

Source: Company Annual reports & CareEdge Research
Note: FY23 Financials are not available

9.1.8 S K Seth's Jewellers Pvt. Ltd.

The business came into existence in the year 1972. The company incorporated in the year 2011 as private limited company. The store is located at Zaveri Bazar, Mumbai.

Information	Description
Year of Incorporation	2011
Primary Business	Wholesaling and retailing of traditional Indian gold & Diamond Jewellery
Geographical Presence	Mumbai

Product Portfolio
Traditional Gold Jewellery
Bridal Jewellery

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	2.96
Operating Profit Margin	%	-4.7%
Net Profit Margin	%	-6.4%
Return on Capital Employed (ROCE)	%	-13.1%
Debt to Equity	Times	0.79
Average inventory turnover	Times	2.49

Source: Company Annual reports & CareEdge Research
Note: FY23 Financials are not available

9.1.9 Aadey Jewels Pvt. Ltd.

Aadey Jewels Pvt. Ltd. is an unlisted private company incorporated on 05 December, 2012. It is located in Ahmedabad, Gujarat

Information	Description
Year of Incorporation	2012
Primary Business	Wholesaling Indian gold & Diamond Jewellery
Geographical Presence	Ahmedabad

Product Portfolio
Traditional Gold Jewellery
Bridal Jewellery

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	204.8
Operating Profit Margin	%	1.5%
Net Profit Margin	%	1.1%
Return on Capital Employed (ROCE)	%	44.4%
Debt to Equity	Times	0.08
Average inventory turnover	Times	73.77

Source: Company Annual reports & CareEdge Research
Note: FY23 Financials are not available

9.1.10 Cluster Jewellery Ltd.

The company was incorporated in 2004 by Mr. Mahendra Kumar Shah. The company manufactures and sells gem-studded gold jewellery to retailers and has a retail outlet in Ahmedabad (Gujarat).

Information	Description
Year of Incorporation	2004
Primary Business	Wholesaling and Retailing of Indian gold & Diamond Jewellery
Geographical Presence	Ahmedabad

Product Portfolio
Antique/ Heritage Jewellery

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	13.33
Operating Profit Margin	%	0.85%
Net Profit Margin	%	0.42%
Return on Capital Employed (ROCE)	%	2.5%
Debt to Equity	Times	0.92
Average inventory turnover	Times	2.79

Source: Company Annual reports & CareEdge Research.
Note: FY23 Financials are not available

9.2 Key Retailers:

9.2.1 K Jewels Pvt. Ltd.

K Jewels was incorporated as private limited company in the year 2003. The company is engaged in retailing of Jadtar Jewellery, Antique Gold Jewellery, Heritage Jewellery and Diamond Jewellery. The company has one store in Surat.

Information	Description
Year of Incorporation	2003
Primary Business	Retailing of traditional Indian gold & Diamond Jewellery
Geographical Presence	Surat (Gujarat)

Product Portfolio
Jadtar Jewellery
Antique Gold Jewellery
Heritage Jewellery
Diamond Jewellery

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	8.35
Operating Profit Margin	%	12.9%
Net Profit Margin	%	10.3%
Return on Capital Employed (ROCE)	%	9%
Debt to Equity	Times	0.65
Average inventory turnover	Times	0.67

Source: Company Annual reports & CareEdge Research
Note: FY23 Financials are not available

9.2.2 Suresh Zaveri Ornaments LLP

The business originally came into existence in the year 1975. The business was incorporated as LLP in the year 2015. The entity was founded by Mr. Suresh Patel. The legacy is being taken forward by his son Mr. Parth Patel.

Information	Description
Year of Incorporation	2015
Primary Business	Retailing of traditional Indian gold & Diamond Jewellery
Geographical Presence	Ahmedabad

Product Portfolio
Antique Gold
Jadtar
Diamond
Kada
Ring
Earring (Butti)

- **Key Financial Information (Standalone):**

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	0.53
Operating Profit Margin	%	NA
Net Profit Margin	%	34.5%
Return on Capital Employed (ROCE)	%	NA
Debt to Equity	Times	NA
Average inventory turnover	Times	NA

Source: Company Annual reports & CareEdge Research
Note: FY23 Financials are not available

9.3 Competitive Analysis - Based on FY22 Financials

Indicative Financials	Revenue	Operating profit margin	Net profit margin	Return on Capital Employed (ROCE)	Debt to Equity	Average inventory turnover
Units	Rs. Crore	%	%	%	Times	Times
RBZ Jewellers Ltd.	252.11	10.27	6.00	19.00	0.84	2.35
Wholesale players						
Laxmi Jewellery Export Pvt. Ltd.	896.47	2.87	1.91	21.41	0.92	9.82
Modern Jewels Pvt. Ltd.	298.40	5.8	3.76	23.18	2.68	5.65
Manubhai Zaveri Pvt. Ltd.	10.11	3.71	5.03	6.25	0.35	2.32
Radhey Shyam Jewellers Pvt. Ltd.	161.00	3.27	0.68	8.62	3.32	4.89
S K Seth's Jewellers Pvt. Ltd.	2.96	-4.70	-6.39	-13.16	0.79	2.49
Aadey Jewels Pvt. Ltd.	204.80	1.52	1.13	44.44	0.08	73.77
Cluster Jewellery Pvt. Ltd.	13.33	0.85	0.42	2.53	0.92	2.79
Retail players						
K.K.Jewels Pvt. Ltd.	8.35	12.93	10.30	0.09	0.65	0.67
Suresh Zaveri Ornament LLP	0.54	NA	34.49	0.01	NA	NA

Contact

Tanvi Shah	Director – Advisory & Research	tanvi.shah@careedge.in	022 6837 4400
Vikram Thirani	Head – Business Development	vikram.thirani@careedge.in	022 6837 4400

CARE Analytics and Advisory Private Ltd
(Wholly-owned subsidiary of CARE Ratings Ltd.)
Office No. 602, 6th Floor, Rustomjee Aspiree, Off Eastern Express Highway, Sion East, NA, Mumbai, Mumbai City[1]400022, Maharashtra, India
Phone: +91-22-68374400

Connect:

About:

CareEdge (CARE Group) is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics capability and detailed research methods. CareEdge is one of the leading credit rating agencies in India. It has an impressive track record of rating companies for almost three decades and has played a pivotal role in developing the corporate debt market in India. CareEdge provides near real time research on all domestic and global economic developments. The wholly owned subsidiaries include CareEdge Advisory & Research arm focused on providing advisory and consultancy services and CareEdge Risk solutions a platform that provides risk management solutions.