

Domestic jewellery consumption value up 10% in H1 FY2024

Authors: Mr Sujoy Saha, Vice President, ICRA Limited
Mr Raunak Modi, Senior Analyst, ICRA Limited

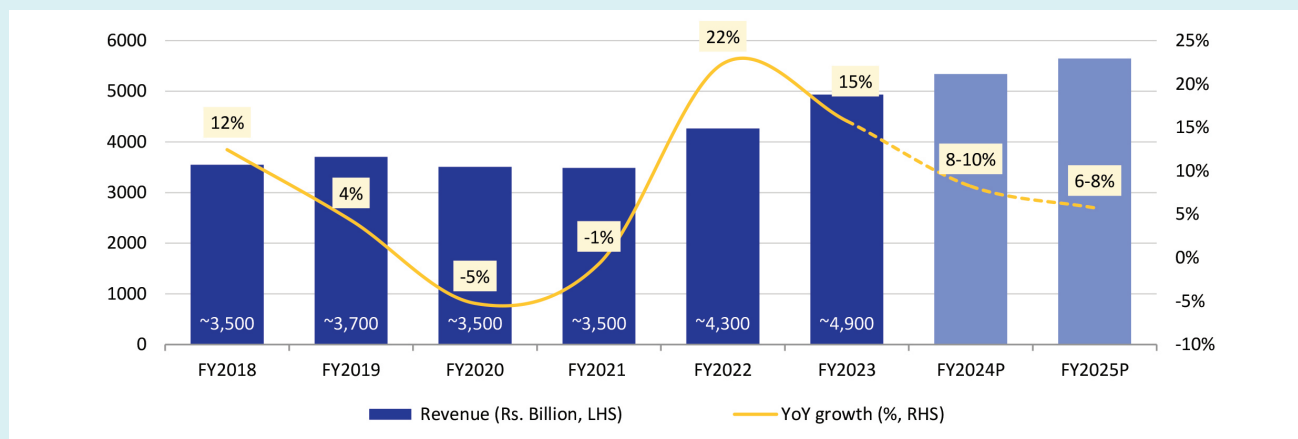
ICRA estimates the domestic jewellery consumption (in value terms) to have increased by ~10% year-on-year (YoY) in H1 FY2024, on top of a 36% YoY expansion in H1 FY2023, aided by stable demand during Akshaya Tritiya and the wedding season amidst Indians' strong cultural affinity for gold. ICRA projects the industry to grow by 5-6% YoY (in value terms) in the seasonally strong H2 FY2024, which coincides with the festival and the wedding season, translating into an 8-10% expansion on a YoY basis in FY2024. Uncertainty about recovery of rural consumption owing to persistent high inflation coupled with heightened volatility in gold prices since early October 2023 remain key demand constraints.

After remaining volatile between December 2022 and April 2023, gold prices were relatively stable in the range of Rs. 5,600-5,700 per gram in H1 FY2024, up ~14% compared to the average price level in H1 FY2023. Elevated prices supported revenue expansion of most jewellery retailers during the period in the face

of muted volume growth on a high base. The evolving global economic and geopolitical environment and the recent tensions in the Middle East could exacerbate gold price volatility over the coming months.

Nonetheless, ICRA expects the organised jewellery retailers to outperform the industry over the medium term, driven by planned retail expansion and tailwinds from accelerated formalisation of the industry, owing to heightened regulatory oversight. ICRA's sample of 12 large jewellery retailers, which accounts for ~70% of the organised market, is projected to record a revenue growth of 15-18% YoY in FY2024, beating industry expansion. While most jewellers benefitted from extraordinary inventory gains from a steep rise in gold prices in early Q1 FY2024, increased spending on advertising and sales promotion amid intensifying competition is expected to have nullified most of the gains. ICRA's sample set of companies is projected to record an operating profit margin of 7.8-8.0% in FY2024.

Exhibit: Trend in annual jewellery demand growth (in value terms)



Source: World Gold Council, ICRA Research

