

Indian Organised Jewellery Retailers set to outpace Industry Growth in FY2024

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ICRA expects the organised jewellery retailers in India to continue to outpace the industry in FY2024, aided by planned store additions by a majority of large jewellery retailers and market share gains due to accelerated formalisation of the industry. Its sample set of 12 major organised jewellers¹ is projected to record a revenue growth of ~12-15% YoY in FY2024, despite a high base and evolving macro-economic environment, against the expected industry growth of 8-10% YoY. In terms of profitability, operating margin of ICRA's sample set is likely to remain comfortable and stabilise at around 7.5-8% over the next two years. With the debt protection metrics and liquidity position of players in the sample set expected to remain comfortable, supported by higher earnings on the back of improved scale of operations, the industry outlook is Stable.

ICRA projects the industry growth to moderate to 8-10% YoY (in value terms) in FY2024 with volume growth likely to remain constrained by expected volatility in gold prices amidst global macro-economic



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uncertainties and evolving domestic inflation. Nonetheless, the strong cultural affinity of Indians to gold is likely to support festive and wedding demand for gold jewellery. Most jewellery retailers in ICRA's sample are estimated to have recorded revenue growth in excess of 15% YoY on Akshaya Tritiya 2023. The aggressive retail expansion by most players during FY2023 along with a steep increase in gold prices (~10-12% higher YoY in April 2023) are likely to have aided revenue growth while volume growth remained muted in the light of the



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high base, evolving domestic inflation and volatility in gold prices.

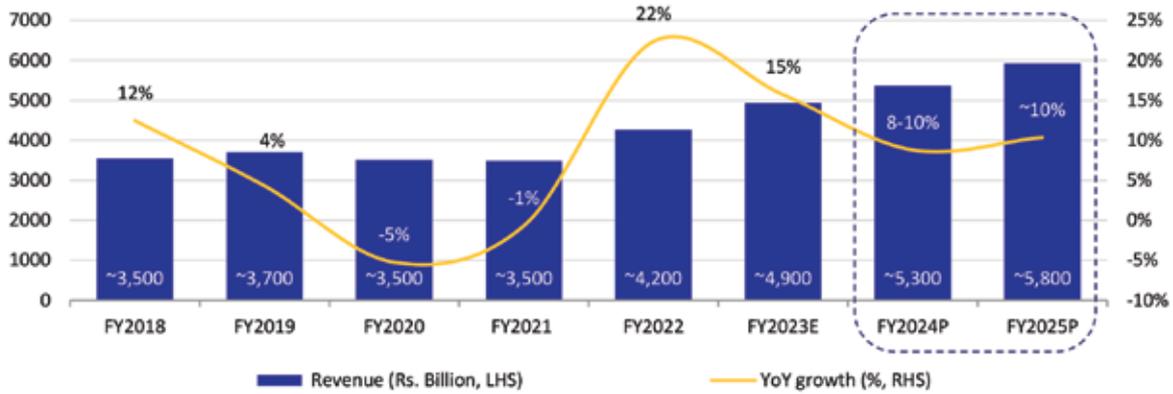
While ICRA projects the operating margins of organised players to witness some moderation in FY2024 owing to higher operating costs for new stores and increasing competition, the benefits of economies of scale and likelihood of inventory gains for some jewellers in FY2024 are likely to support the operating margins in the range of 7.5-8% over the coming years, higher than the average levels of ~6.5% witnessed before the pandemic.

1 ICRA's sample includes Titan Company Limited, Kalyan Jewellers India Limited, Jos Alukkas Group, Joyalukkas India Limited, Senco Gold Limited, Thangamayil Jewellery Limited, M/s. Purushottam Narayan Gadgil, P.N. Gadgil & Sons Limited, Lalithaa Jewellery Mart Private Limited, P C Chandra Group, Bhima Jewellers Trivandrum Group and Bhima Jewels Private Limited.

Despite the projected increase in debt levels to fund the inventory for new stores, the debt protection metrics for the larger players are estimated to remain comfortable, as reflected by the estimated interest coverage of more than 5.0 times and total outside liabilities to tangible net worth ratio of less than 1.5 times over the next 12-18 months, against 5.6

times and 1.4 times, respectively, estimated in FY2023. After a brief hiatus in FY2021 and FY2022 owing to the pandemic-induced uncertainties, the organised jewellers accelerated their retail expansion in FY2023 with the store count of ICRA's sample set estimated to have risen by more than 20% during the year. The momentum is

likely to continue in FY2024 with an estimated increase in store count by 18-20% YoY. Consequently, the inventory turnover ratio for the sector is likely to remain under some pressure over the next couple of years as new stores have an average breakeven period of 12-18 months.



Source: WGC, CMIE, ICRA Research



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