Industry Research Report
on
Indian Gems and Jewellery Sector

April 2024

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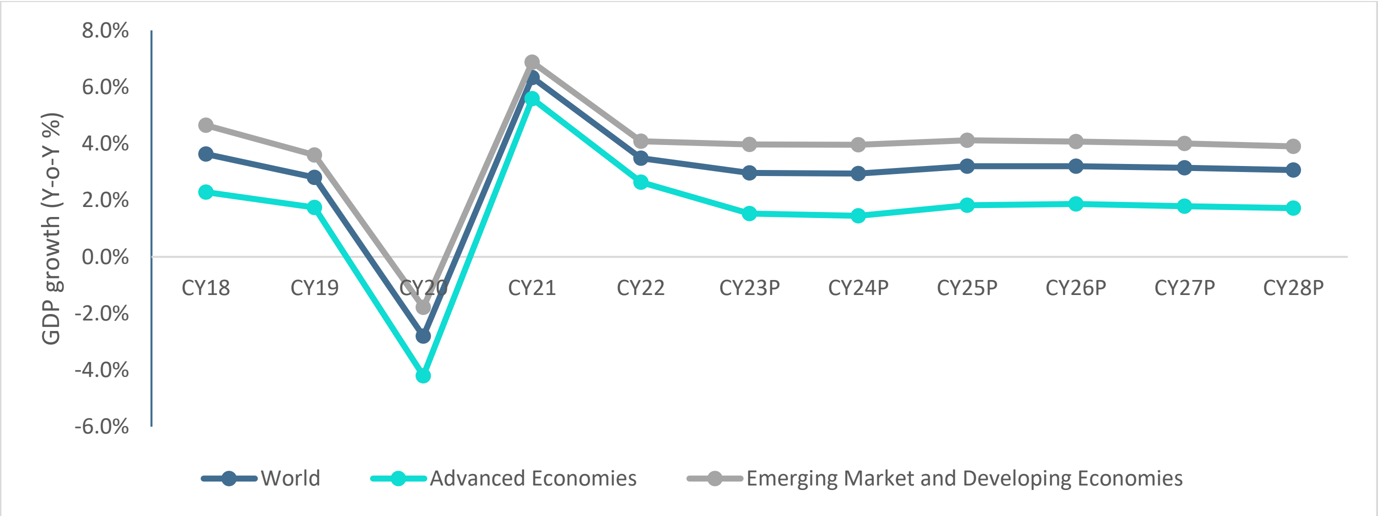
1. Economic Outlook

1.1 Global Economy Outlook

As per the International Monetary Fund (IMF)'s World Economic Outlook growth projections released in January 2024, the global economic growth for CY23[1] stood at 3.1% on a year-on-year (y-o-y) basis, down from 3.5% in CY22 due to disruptions resulting from the Russia-Ukraine conflict and higher-than-expected inflation worldwide. On the other hand, the global economic growth for CY24 is projected to remain stable at 3.1%, attributed to growth resilience in major economies due to high government and private spending, rapidly subsiding inflation rates, and advanced economies easing their fiscal policies. Cost of borrowing remained high as central banks fights inflation. For the next 4 years, the IMF projects world economic growth in the range of 3.1%-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, October 2023

Table 1: GDP growth trend comparison - India v/s Other 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
Euro Area	1.6	-6.1	5.6	3.3	0.7	1.2	1.8	1.7	1.5	1.3
United States	2.3	-2.8	5.9	2.1	2.1	1.5	1.8	2.1	2.1	2.1

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

Advanced Economies Group

[1] CY – Calendar Year

For the major advanced economies GDP is projected to decline to 1.5% in CY24 from 1.6% in CY23. Going forward it is projected to rise thereafter to 1.8% in CY25. The 2024 growth projection is adjusted upwards by 0.1%, driven by stronger-than-anticipated growth in the US but tempered by slower growth in the euro area.

One of the major countries from this group is the **United States**. In the United States, economic growth is anticipated to decline from 2.5 percent in 2023 to 2.1 percent in 2024 and further to 1.7 percent in 2025. This trajectory is attributed to the delayed impacts of monetary policy tightening, incremental fiscal tightening, and a moderation in labor market dynamics, all of which are projected to dampen aggregate demand. The upward adjustment of 0.6 percentage points for 2024, compared to the October 2023 World Economic Outlook (WEO), is primarily driven by statistical carryover effects stemming from the stronger-than-expected growth observed in 2023.

Further, the **Euro area's** growth is forecasted to rebound from a low estimated rate of 0.5 percent in 2023, attributed to significant exposure to the Ukraine conflict, to 0.9 percent in 2024 and further to 1.7 percent in 2025. This recovery is underpinned by stronger household consumption as the impact of energy price shocks diminishes, coupled with a decrease in inflation, thereby bolstering real income growth. However, compared to the October 2023 World Economic Outlook (WEO) forecast, there's a downward revision of 0.3 percentage points for 2024, mainly due to carryover effects from the weaker-than-expected outcome in 2023.

Emerging Market and Developing Economies Group

For the emerging market and developing economies group, GDP growth stood at 4.1% in CY23, similar to 4.1% in CY22. This growth is further projected to remain constant at 4.1% in CY24 and 4.2% in CY25. All 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,** projected growth is revised to 4.6% in CY24 followed by 4.1% in CY25. The upgrade is driven by carryover effects from stronger-than-expected growth in 2023 and heightened government spending on capacity building to address natural disasters. Whereas, **India** is projected to remain strong at 6.5% for both CY24 and CY25 backed by resilient domestic demands despite external headwinds.

The **Indonesian** economy is expected to register growth of 5% both in CY24 and CY25 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’s growth slowed at -1.1% in CY23 attributed to lower oil production. Going forward, GDP is expected to grow at 2.7% and 5.5% in CY24 and CY25, respectively. On the other hand, Brazil is expected to project growth of 1.7% in CY24 driven by strong domestic demand and increase in trading partner companies.

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 nominal 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 environment 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 real GDP grew by 7.0% in FY23 and stood at ~Rs. 161 trillion despite the pandemic in previous years and geopolitical Russia-Ukraine spillovers. In Q1FY24, the economic growth accelerated to 8.2%. The manufacturing sector maintained an encouraging pace of growth, given the favorable demand conditions and lower input prices. The growth was supplemented by a supportive base alongside robust services and construction activities. This momentum remained in the range in the Q2FY24 with GDP growth at 8.1%, mainly supported by acceleration in investments. However, private consumption growth was muted due to weak rural demand and some moderation in urban demand amid elevated inflationary pressures in Q2FY24.

India's GDP at constant prices surged to Rs. 43.72 trillion in Q3FY24 from Rs. 40.35 trillion in Q3FY23, marking an 8.4% growth rate. This upswing was fueled by robust performances in construction, mining & quarrying, and manufacturing sectors and investment drove the GDP growth, while both private and government consumption remained subdued. In 9MFY24, GDP surged by 8.2% to Rs. 126 trillion compared to 7.3% in the previous year largely due to increase in investments and growth in domestic demand (investment growth increased 10.6% y-o-y while private consumption was 3.5% higher).

Real GDP in the year FY24 is estimated to grow at 7.6% at Rs. 172.90 trillion as per second advance estimate of the Ministry of Statistics and Program Implementation. It is expected that domestic demand, especially investment, to be the main driver of growth in India, amid sustained levels of business and consumer confidence.

GDP Growth Outlook

- Driven by resilience in urban demand and the front loading of the government's capital expenditure, the H1FY24 witnessed a strong growth. While festive cheer will support urban demand in Q3, the outlook for rural demand revival remains clouded amid monsoon deficiency and likely hit to the agricultural production.

- The recent announcements of various relief measures such as LPG price reduction and extension of Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) are expected to provide some cushion and so far, investment demand has remained robust. However, there could be some moderation in H2FY24 as both the government and private sector may restrain their capital spending ahead of the general elections. Despite some expected moderation in the

H2FY24, India's overall GDP growth for FY24 is expected to remain on a firm footing. In terms of fiscal deficit for the year, the Finance Ministry has estimated it to be at 5.1% of GDP.

- 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. In the Interim Budget 2024-25, significant emphasis is placed on infrastructure development with an increased capital expenditure outlay of Rs. 11,11,111 crores, amounting to 3.4% of the GDP.

- 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.

Prior to the Interim Budget, in December 2023, the RBI in its bi-monthly monetary policy meeting estimated a real GDP growth of 7% y-o-y for FY24 comparatively lower from MoSPI's estimate of 7.6%.

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

FY25P (complete year)	Q4FY24P	Q1FY25P	Q2FY25P	Q3FY25P	Q4FY25P
7.0%	6.5%	7.2%	6.8%	7.0%	6.9%

Note: P-Projected; 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.

In FY23, 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, garnering Rs. 22.3 trillion.

In Q1FY24, this sector expanded at a slower pace of 3.5% y-o-y growth compared to y-o-y growth a quarter ago. This further stumbled to 1.2% in Q2FY24. Overall, H1FY24 registered a 2.4% growth with weakest monsoon experience caused by El Nino conditions.

In the Interim Budget 2024-25, the government plans to boost private and public investment in post-harvest activities and expand the application of Nano-DAP across agro-climatic zones. Strategies for self-reliance in oilseeds and dairy development are to be formulated, alongside ramping up the Pradhan Mantri Matsaya Sampada Yojana and establishing Integrated Aquaparks. Allocation for PM-Formalization of Micro Food Processing Enterprises scheme has increased from Rs. 639 in FY24 to Rs. 880 crores in FY25.

Going forward, rising bank credit to the sector and increased exports will be the drivers for the agriculture sector. However, a deficient rainfall may have impact on the reservoir level, weighing on prospects of Kharif sowing. Considering these factors, the agriculture sector is estimated to attain Rs. 22.7 trillion and mark 1.8% y-o-y growth for complete FY24.

• **The industrial sector** witnessed 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 FY23 grew by 4.4% with estimated value Rs. 45.2 trillion owing to a rebound in manufacturing activities and healthy growth in the construction sector.

The industrial sector grew by 5.5% in Q1FY24, while Q2FY24 growth was up by 13.2% owing to positive business optimism and strong growth in new orders supported manufacturing output. The industrial growth was mainly supported by sustained momentum in the manufacturing and construction sectors. Within manufacturing, industries such as pharma, motor vehicles, metals, petroleum and pharma witnessed higher production growth during the quarter. The construction sector (13% growth in Q2FY24) benefited from poor rainfall during August and September and higher implementation of infrastructure projects. This was reflected in robust cement and steel production and power demand in Q2FY24. Overall, H1FY24 picked up by 9.3% with manufacturing and construction activities witnessing significant acceleration. In Q3FY24, growth rate slowed down to 10.4%.

India's industrial sector is experiencing strong growth, driven by significant expansion in manufacturing, mining, and construction. This growth is supported by positive business sentiment, declining commodity prices, beneficial government policies like production-linked incentive schemes, and efforts to boost infrastructure development. These factors collectively contribute to the sustained buoyancy in industrial growth due to which the industrial growth is estimated at 7.9% on y-o-y basis registering the value of Rs. 48.9 trillion in FY24.

• **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.

Overall, in FY23, 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 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. The service sector growth in Q2FY24 moderated to 5.8% partly due to the normalization of base effect and some possible dilution in discretionary demand. Considering these factors, service sector marked 8% growth in H1FY24. In Q3FY24 growth slowed to 6.7% compared to 9.7% last year in the same quarter.

With this performance, 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. With this, the growth of service sector is estimated at Rs. 86.2 trillion registering 7.7% growth in FY24 overall.

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

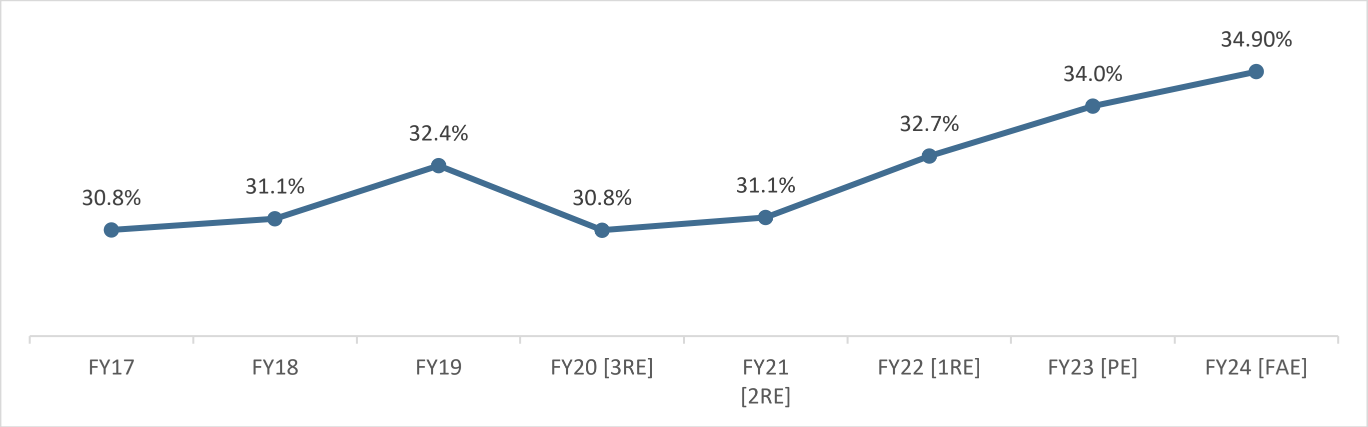
At constant Prices	FY19	FY20	FY21	FY22 (FRE)	FY23 (PE)	FY24 (FAE)
Agriculture, Forestry & Fishing	**2.1**	**6.2**	**4.1**	**3.5**	**4.0**	**1.8**
Industry	**5.3**	**-1.4**	**-0.9**	**11.6**	**4.4**	**7.9**
Mining & Quarrying	-0.9	-3.0	-8.6	7.1	4.6	8.1
Manufacturing	5.4	-3.0	2.9	11.1	1.3	6.5
Electricity, Gas, Water Supply & Other Utility Services	7.9	2.3	-4.3	9.9	9.0	8.3
Construction	6.5	1.6	-5.7	14.8	10.0	10.7
Services	**7.2**	**6.4**	**-8.2**	**8.8**	**9.5**	**7.7**
Trade, Hotels, Transport, Communication & Broadcasting	7.2	6.0	-19.7	13.8	14.0	6.3
Financial, Real Estate & Professional Services	7.0	6.8	2.1	4.7	7.2	8.9
Public Administration, Defence and Other Services	7.5	6.6	-7.6	9.7	7.2	7.7
GVA at Basic Price	**5.8**	**3.9**	**-4.2**	**8.8**	**7.0**	**6.9**

Note: FRE – First Revised Estimates, PE – Provisional Estimate, FAE – First Advance 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 (GFCF) to GDP climbed up to its highest in the last decade at 34%. Continuing in its growth trend, this ratio is expected to reach 34.9% in FY24.

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



Note: 3RE – Third Revised Estimate, 2RE – Second Revised Estimates, 1RE – First Revised Estimates, PE – Provisional Estimate, FAE-First Advance 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

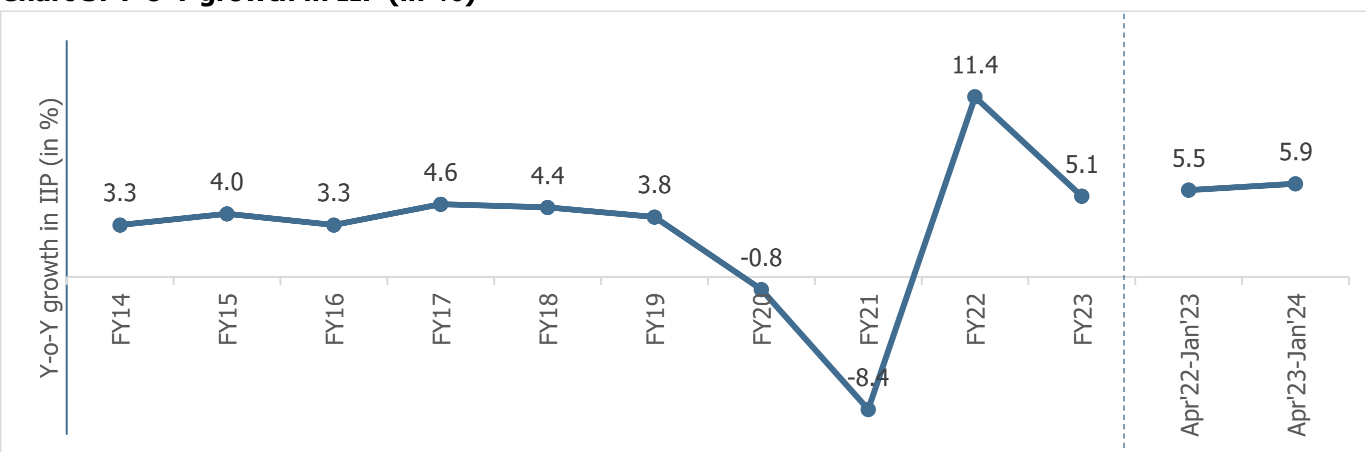
Improved Core and Capital Goods Sectors helped IIP Growth Momentum

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 favorable base and a rebound in economic activities. The period April 2023 – January 2024, industrial output grew by 5.9% compared to the 5.5% growth in the corresponding period last year. For the month of January 2024, the IIP growth slowed down to 3.8% compared to the last year primarily on account of a normalization of base.

So far in the current fiscal, while the infrastructure-related sectors have been doing well, slowing global growth and downside risks to rural demand have posed a challenge for industrial activity. Though the continued moderation in inflationary pressure offers some comfort, pain points in the form of elevated prices of select food items continue to persist.

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



Source: MOSPI

1.2.5 Consumer Price Index

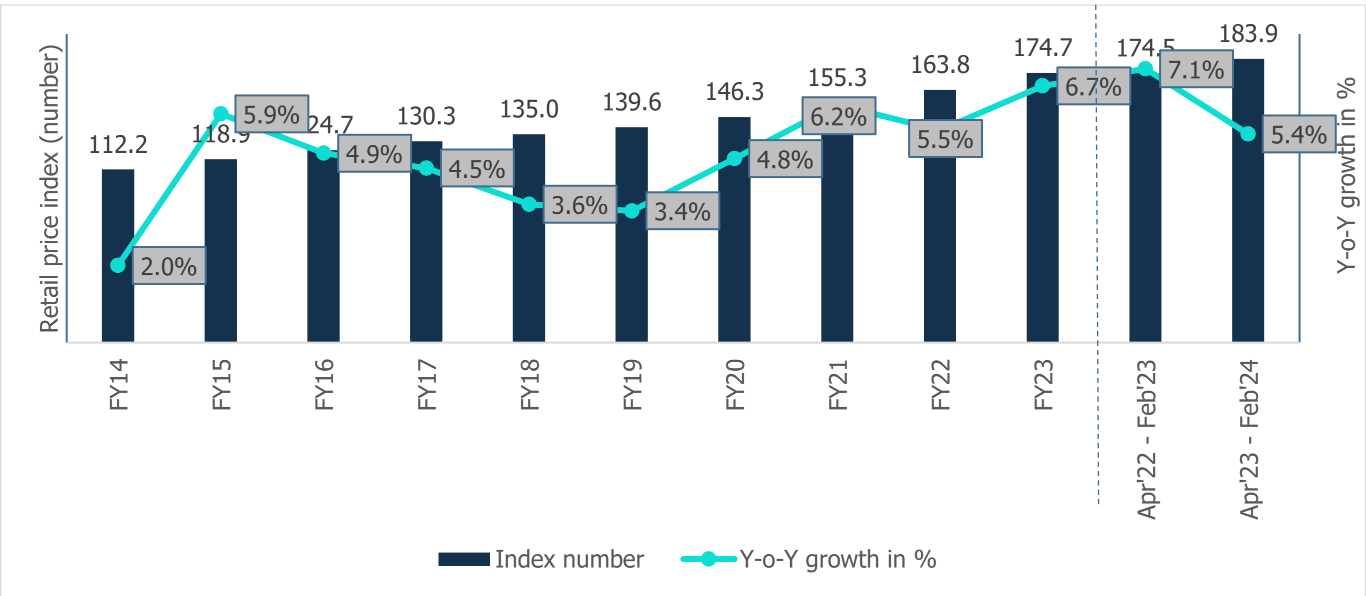
India's consumer price index (CPI), which tracks retail price inflation, stood at an average of 5.5% in FY22 which was within RBI's targeted tolerance band of 6%. However, consumer inflation started to upswing from October 2021 onwards and reached a tolerance level of 6% in January 2022. Following this, 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%. In July 2023, the CPI had reached the RBI's target range for the first time since February 2023 at 7.4% largely due to increased food inflation. This marked 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 had risen significantly to 65%, surpassing their weight in the CPI basket. In August 2023, the food inflation witnessed some moderation owing to government's active intervention. This was further moderated for second consecutive month in September 2023 to 5%, led by a sharp correction in vegetables prices and lower LPG prices. Helped by deflation in the fuel and light category, the retail inflation in October 2023 softened at 4.9%. This trend reversed in November 2023 due to spike in certain vegetable prices as well as sticky inflation in non-perishable food items such as cereals, pulses and spices and the CPI rose to 5.6%. In the month of December 2023, elevated food prices and an unfavorable base drove headline inflation to a four-month peak of 5.7%. However, in the month of February, inflation decreased marginally to 5.09%.

While the consistent decrease in core inflation due to falling commodity prices and diminishing demand-side pressures is encouraging, the ongoing high food inflation, potentially exacerbated by a projected drop in Kharif production and uncertainties around Rabi sowing, remains worrisome. Despite these concerns, the favorable base effect throughout Q4FY24 and the expected easing of food price pressures with the arrival of fresh crops from January to March could help mitigate inflation risks.

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

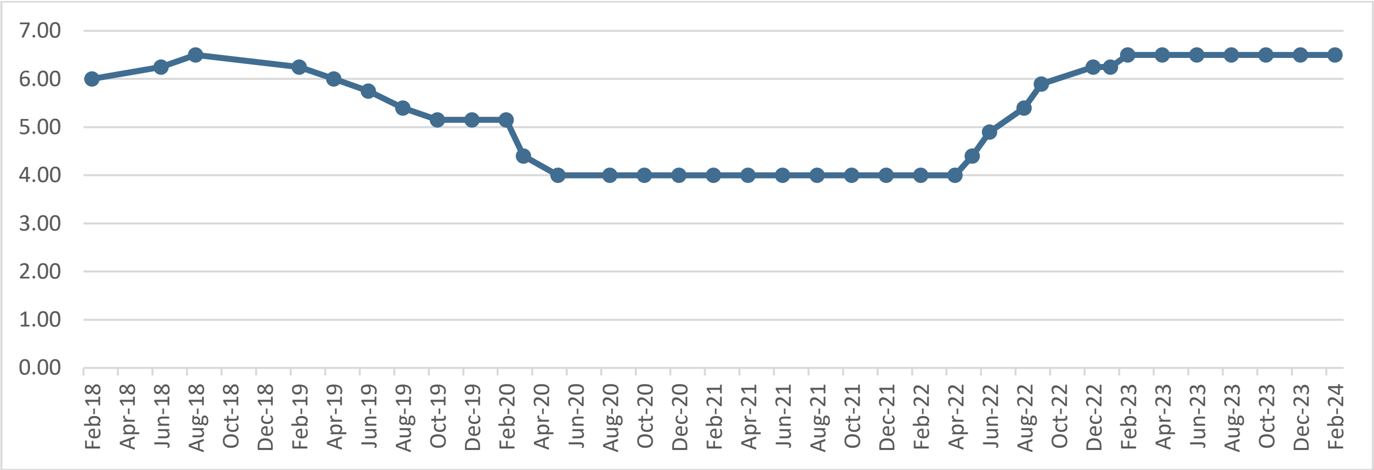


Source: MOSPI

The CPI is primarily factored in by RBI while preparing their bi-monthly monetory policy. At the bi-monthly meeting held in December 2023, RBI projected inflation at 5.4% for FY24 with inflation during Q3FY24 at 5.6%, Q4FY24 at 5.2%, while for FY25 it is pegged at 4.5% and in Q1FY25 at 5.0%, Q2FY25 at 4.0%, Q3FY25 at 4.6% and Q4FY25 at 4.7%.

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. Considering the current inflation situation, RBI has kept the repo rate unchanged at 6.5% in the last five meetings of the Monetary Policy Committee.

Chart 5: RBI historical Repo Rate



Source: RBI

In a meeting held in December 2023, RBI also maintained the liquidity adjustment facility (LAF) corridor by adjusting the standing deposit facility (SDF) rate of 6.25% as the floor and the marginal standing facility (MSF) at the upper end of the band at 6.75%.

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.

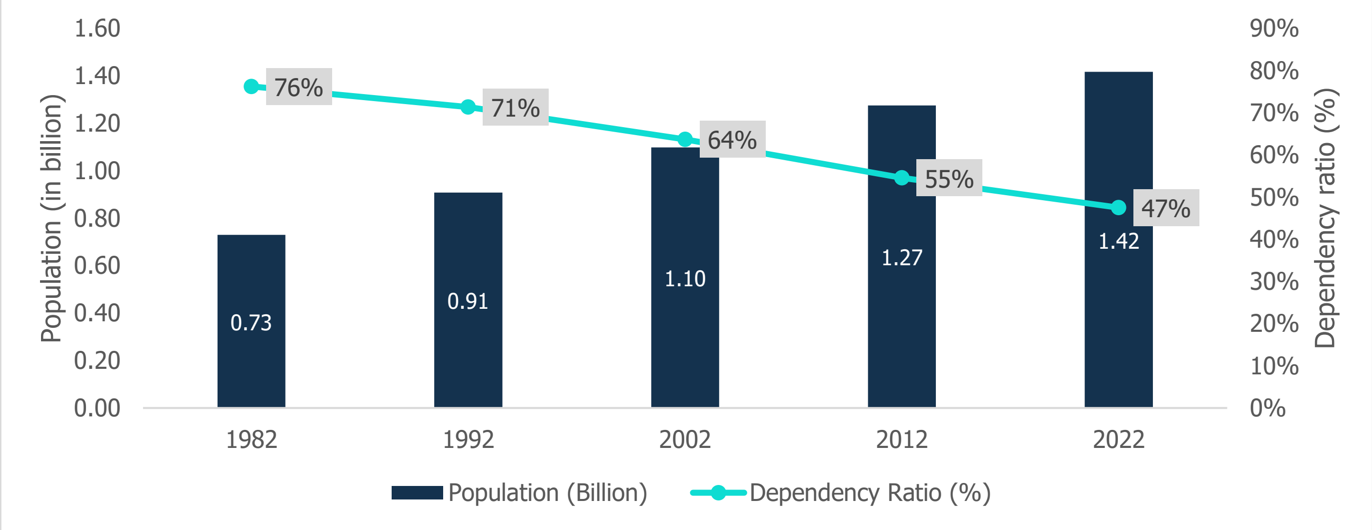
1.2.6 Overview on Key Demographic Parameters

- **Population growth and Urbanization**

The trajectory of economic growth of India and private consumption is driven by socio-economic factors such as demographics and urbanization. According to the world bank, India's population in 2022 surpassed 1.42 billion slightly higher than China's population 1.41 billion and became the most populous country in the world.

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 an improving share of working-age population generating income, which is a good sign for the economy.

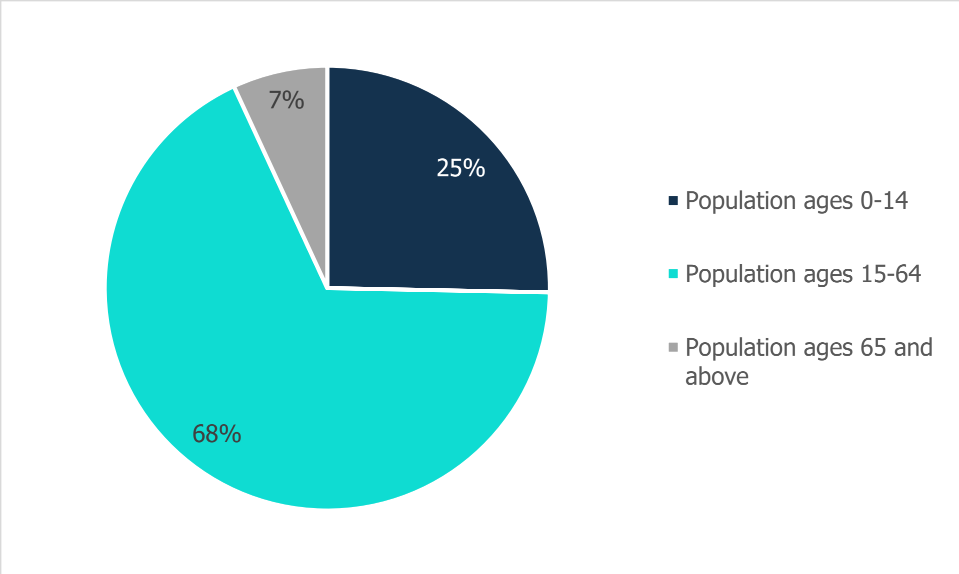
Chart 6: Trend of India Population vis-à-vis dependency ratio



Source: World Bank Database

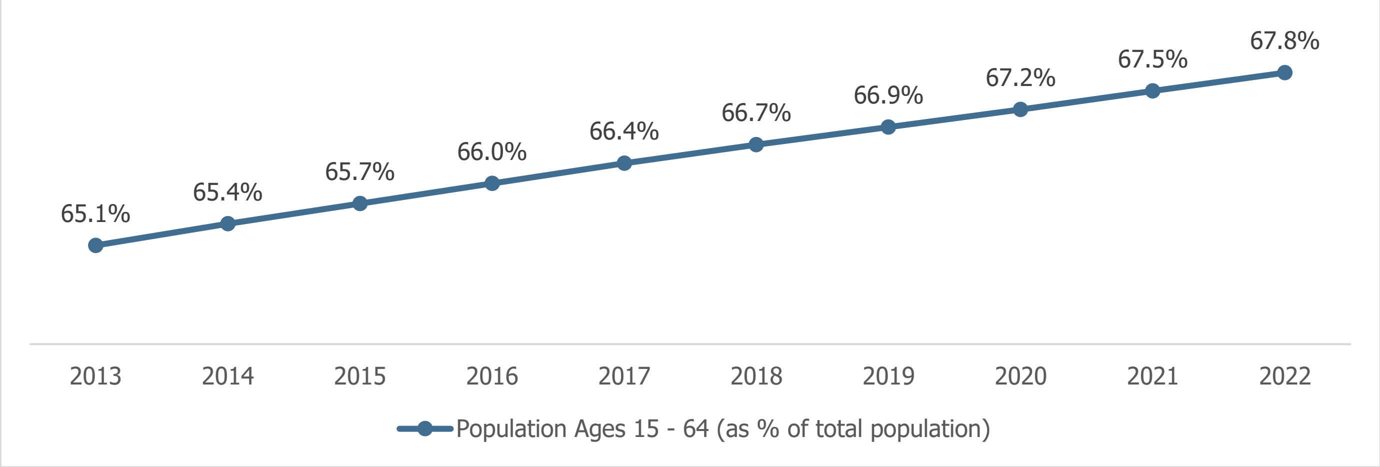
With an average age of 29, India has one of the youngest populations globally. With vast resources of young citizens entering the workforce every year, it is expected to create a 'demographic dividend'. India is home to a fifth of the world's youth demographic and this population advantage will play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

Chart 7: Age-Wise Break Up of Indian population



Source: World Bank Database

Chart 8: Yearly Trend - Young Population as % of Total Population

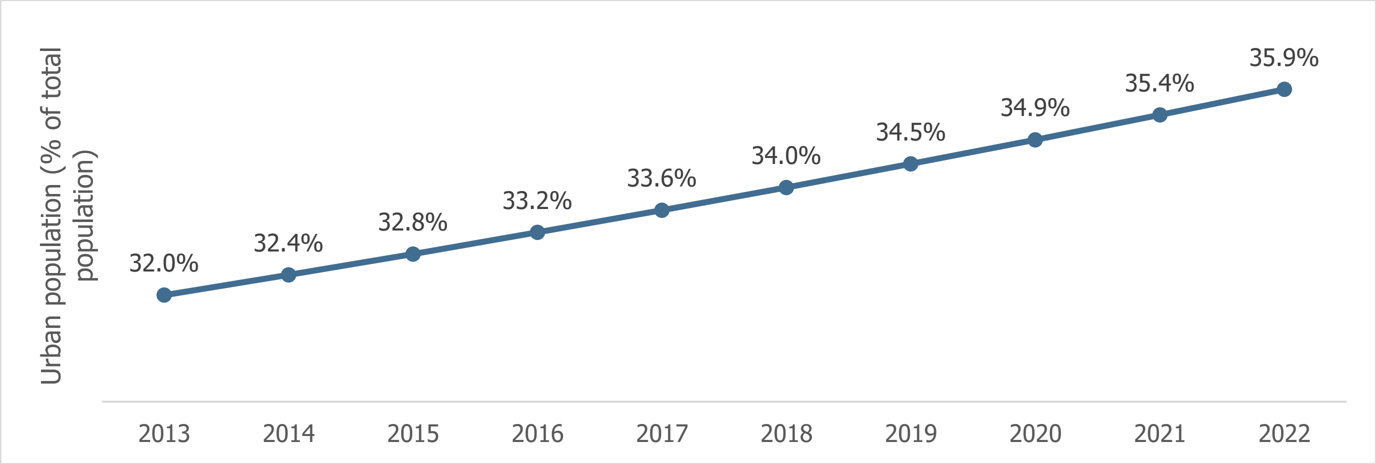


Source: World Bank database

- **Urbanization**

The urban population is significantly growing in India. The urban population in India is estimated to have increased from 403 million (31.6% of total population) in 2012 to 508 million (35.9% of total population) in the year 2022. People living in Tier-2 and Tier-3 cities have greater purchasing power.

Chart 9: Urbanization Trend in India



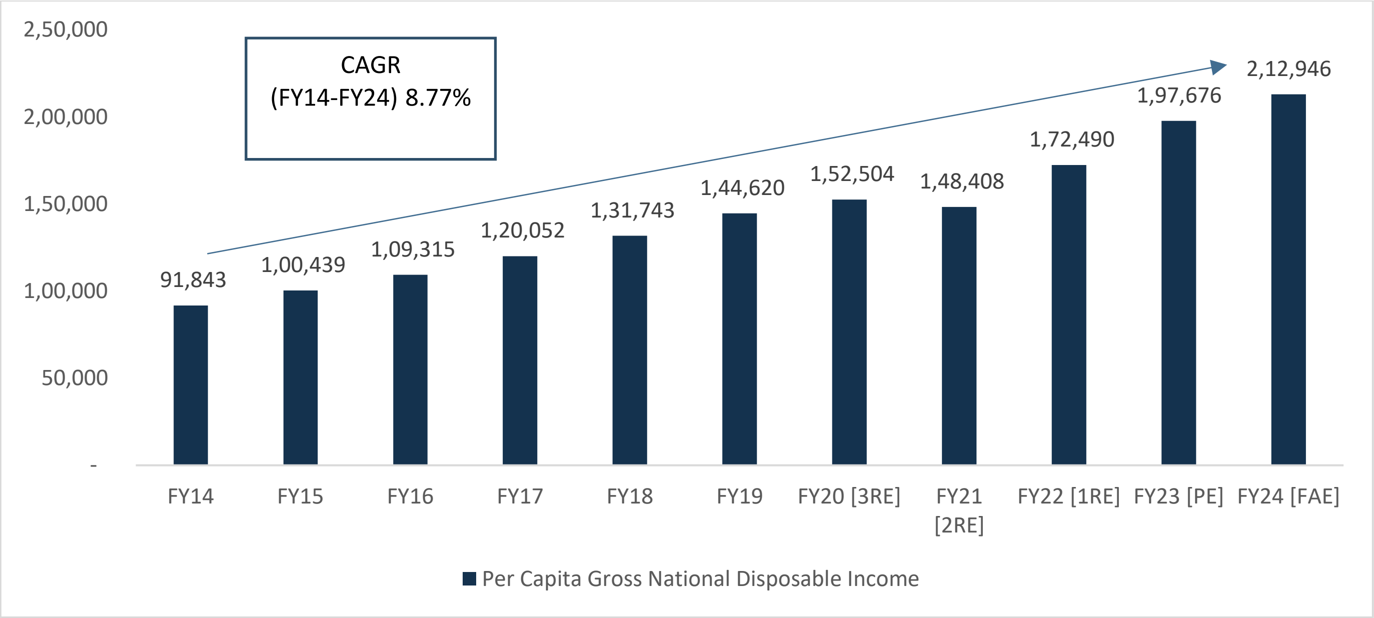
Source: World Bank Database

- **Increasing Per Capita Disposable Income**

Gross National Disposable Income (GNDI) is a measure of the income available to the nation for final consumption and gross savings. Between the period FY14 to FY24, per capita GNDI at current prices registered a CAGR of 8.77%. More disposable income drives more consumption, thereby driving economic growth.

The chart below depicts the trend of per capita GNDI in the past decade:

Chart 10: Trend of Per Capita Gross National Disposable Income (Current Price)

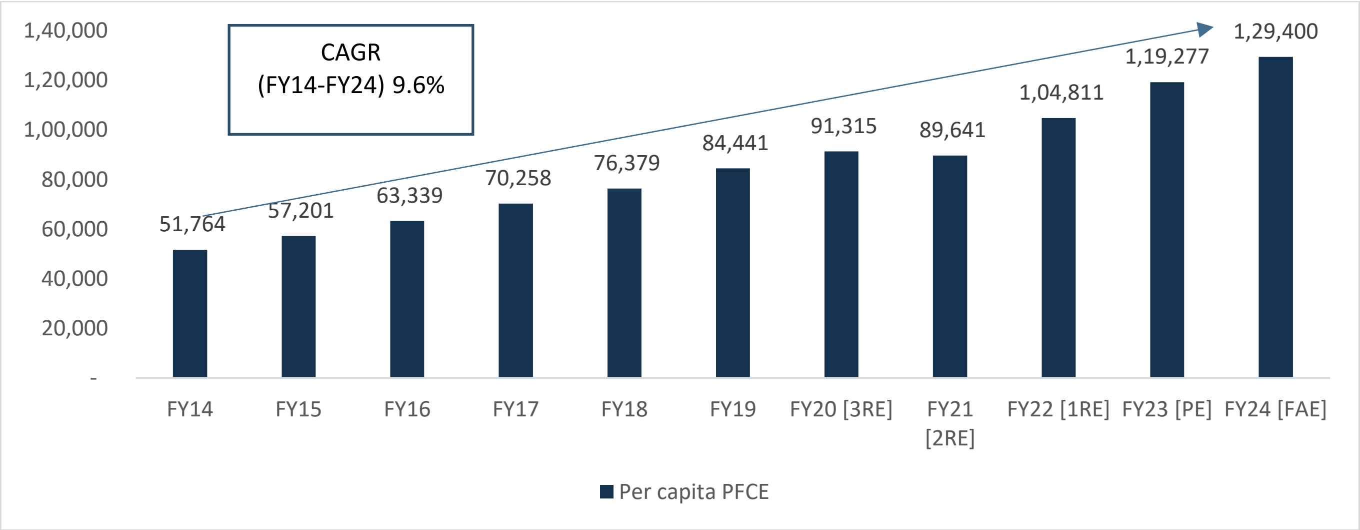


Note: 3RE – Third Revised Estimate, 2RE – Second Revised Estimates, 1RE – First Revised Estimates, PE – Provisional Estimate; Source: MOSPI

- **Increase in Consumer Spending**

With increase in disposable income, 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 significant growth in the past decade at a CAGR of 9.6%. Following chart depicts the trend of per capita PFCE at current prices:

Chart 11: Trend of Per Capita Private Final Consumption Expenditure (Current Price)



Source: MOSPI

1.2.7 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. According to IMF's forecast, it is expected to 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, investments in technology 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, as per the Indian Meteorological Department (IMD), the rainfall witnessed a deficit until September 2023. A drop-in yield due to irregular monsoons and a lower acreage can lead to a demand-supply mismatch, further increasing the inflationary pressures on the food basket. Going forward, the rising domestic demand will be driven by the rural economy's performance and continual growth in urban consumption. However, high domestic inflation and global headwinds pose a downside risk to the domestic demand.

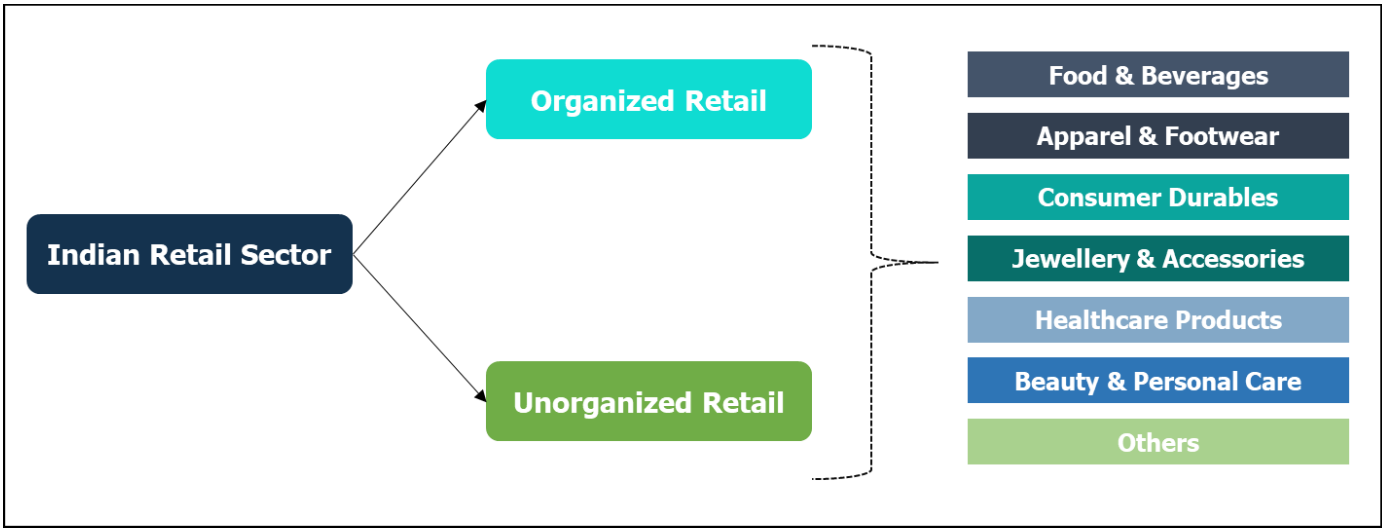
At the same time, public investment is expected to exhibit healthy growth as the government has allocated a strong capital expenditure of about Rs. 10 lakh crores for FY24. The private sector's intent to invest is also showing improvement as per the data announced on new project investments. However,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

2. Overview of Indian Retail Sector

2.1 Overview

The Indian retail sector is one of the fastest-growing sectors. It 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, innovations, and 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 and unorganized segments. Currently, the unorganized sector dominates the retail industry and organized retail sector penetration in India is much lower compared to the developed countries. This also 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 due to consumer behavior changes. 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 into 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.

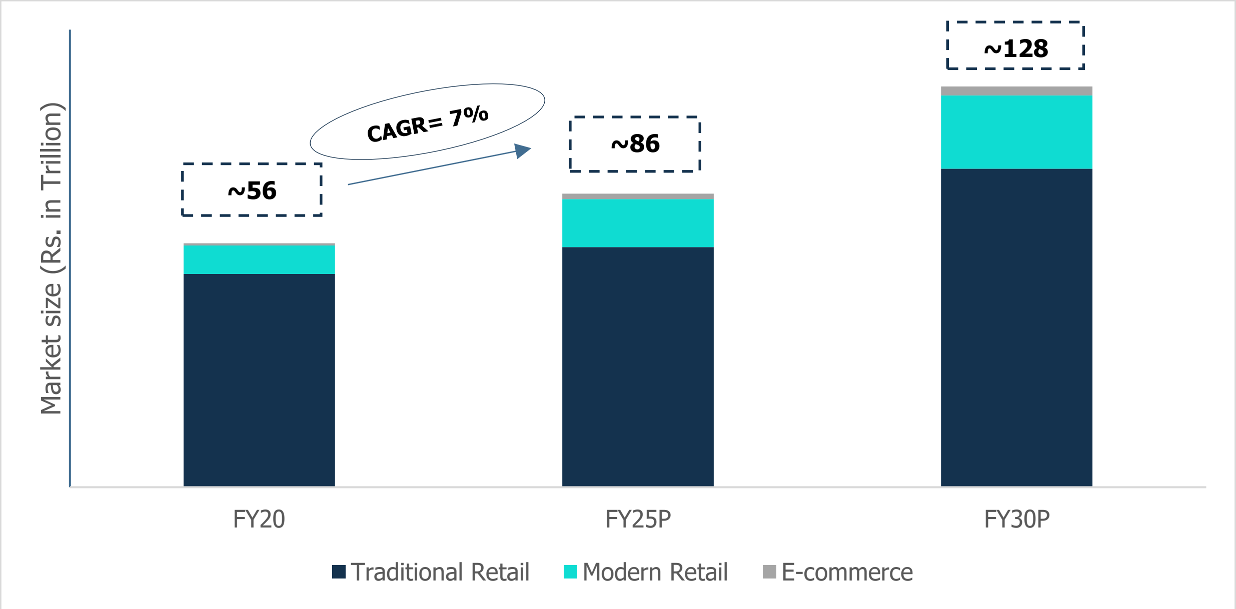
Furthermore, with the introduction of hypermarkets, super-marts, and cash-and-carry stores as well as geographic growth from metros to Tier 1 cities, modern retail evolved. Consumers' primary concern shifted from quality shopping experiences to convenience. Subsequently, technological advancements surged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

Moreover, 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 an 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. Whereas inventory management, merchandising, and logistics management are all handled in a more organized manner and form a part of the organized retail channel.

Chart 12: Indian Retail Market Size



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

In FY20, the retail sector was valued at approximately Rs. 56 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. During FY22, the impact of COVID-19 started gradually waning off and the need for real-life experience brought consumers back to offline retail. Consecutively, consumer demand began improving on a sequential basis and sales started to pick up. By 2030, the retail sector is anticipated to create 25 million new employments.

Furthermore, the sector is likely to continue to grow leading to an increase in footfalls which will support the sales growth going forward. The revenue has reached pre-COVID levels mainly driven by the 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 9MFY24 as well.

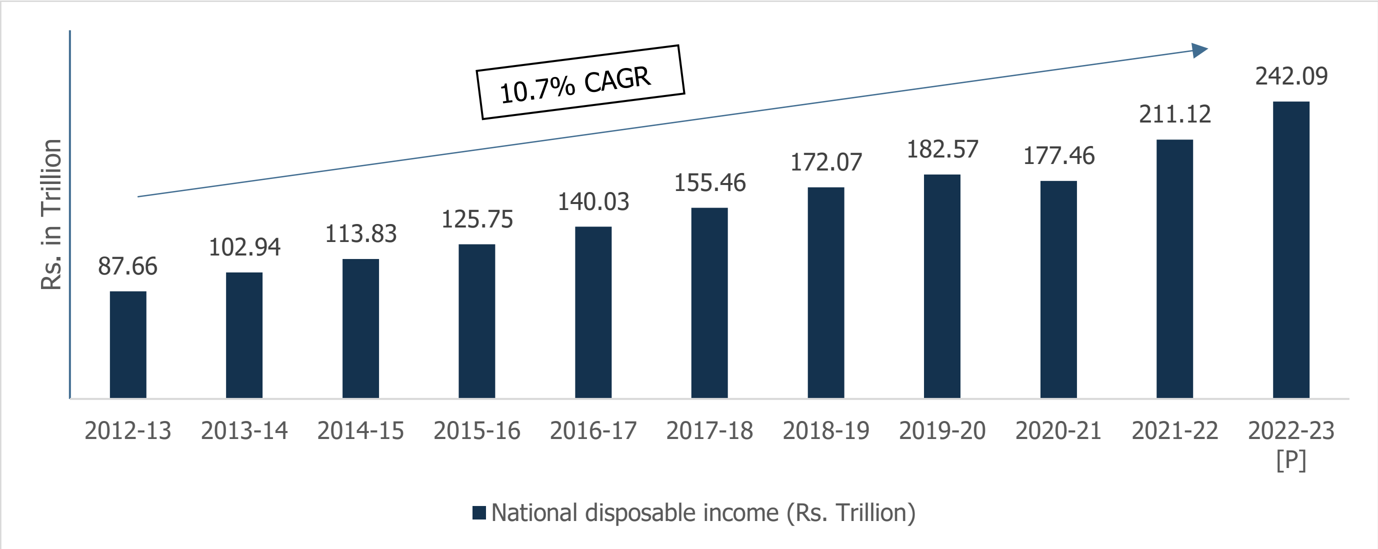
For the coming years, the market size is estimated to grow to nearly Rs. 86 trillion by FY25 and around Rs. 128 trillion in FY30 on account of changing lifestyle and demand-supply drivers like increasing purchasing power, innovative financing through easy credit, growing entry of foreign retailers, and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

2.3 Demand Drivers for the Indian Retail Market

- **Increasing Purchasing Power**

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

Chart 13: 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). It is a type of financing that allows retailers to receive cash advances based on their future credit and debit card sales. Whereas invoice financing is a type of financing where retailers can get upfront cash by selling their unpaid invoices to a financial institution. The collective efforts 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 instrumental 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. 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 the 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, the 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.

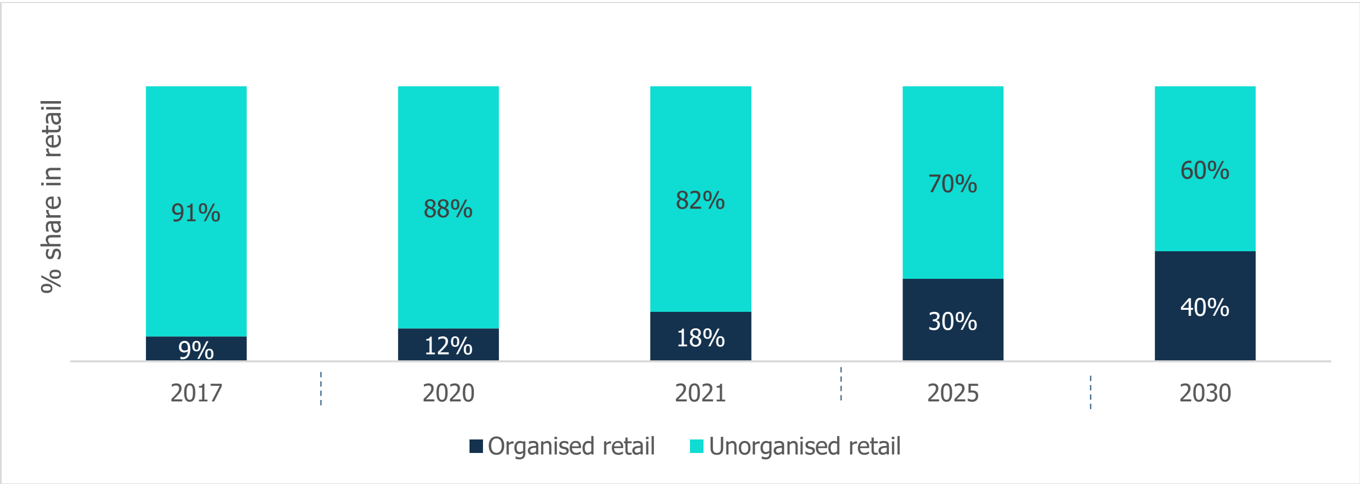
4) National Retail Policy:

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

3. Overview of the 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 14: Share of Organised Retail



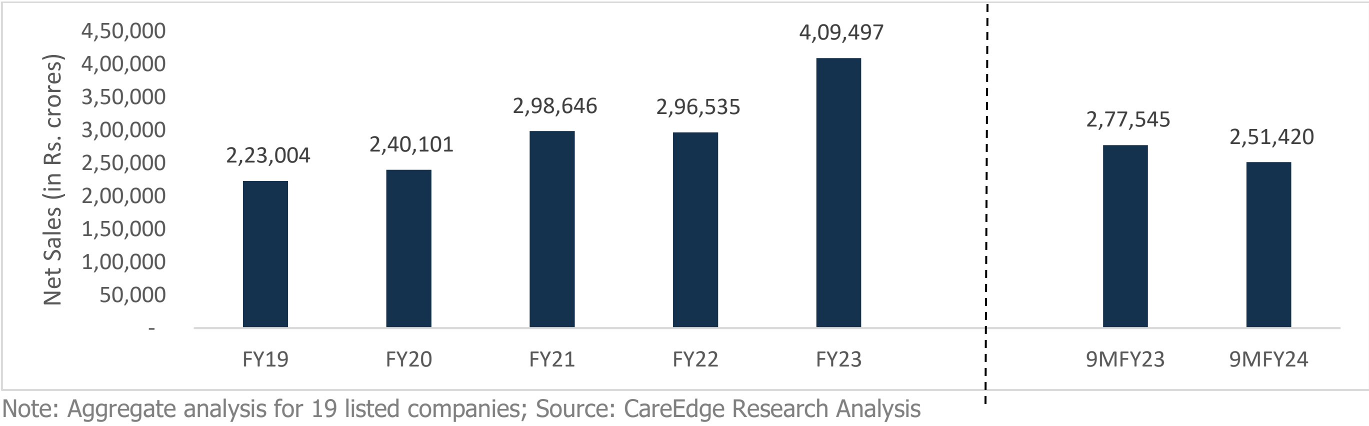
Source: Industry Sources, CareEdge Research

The expansion of the organized retail market in India is mostly attributable to shifting customer behavior. Increased affluence, changing lifestyles, and favorable demographic patterns have all contributed to the shift in consumer behavior. Consumers now prefer to shop at a location where they can enjoy food, entertainment, and shopping – all in 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 a significant increase surpassing the pre-pandemic level.

The chart below depicts the revenue growth trend for the organized retail sector:

Chart 15: Revenue trend of the Indian Organized Retail Market



Note: Aggregate analysis for 19 listed companies; Source: CareEdge Research Analysis

Continuing this positive trajectory, FY23 registered high revenue growth even exceeding historic levels. In 9MFY24 the sales declined by ~9% y-o-y. The long-term outlook also continues to remain positive. By FY25 and FY30, the organized market share is projected to increase to about 30% and 40%, respectively, of the total retail market.

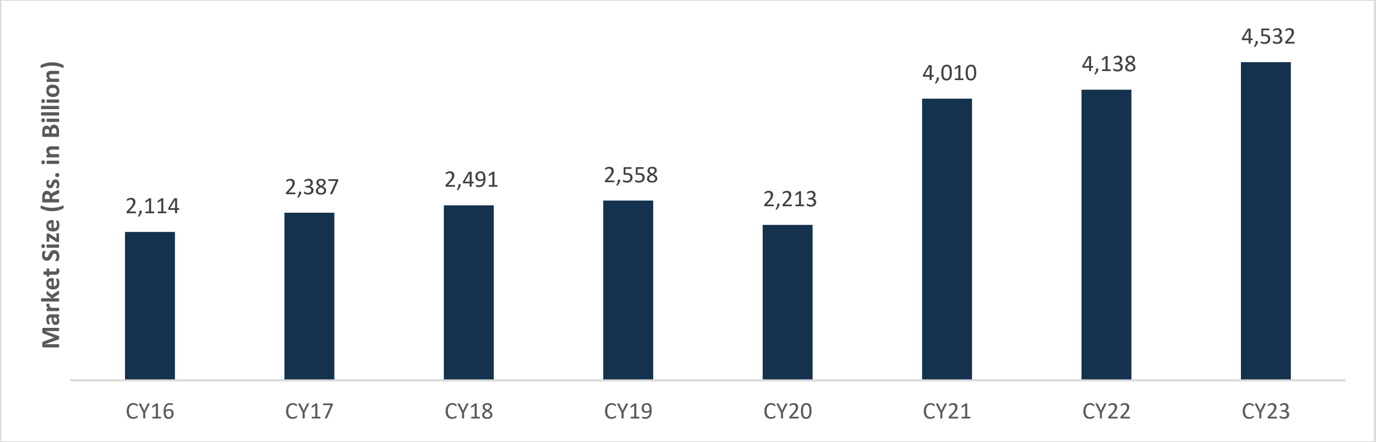
4 Overview of the Gems and Jewellery Industry in India

4.1 Indian Gems & Jewellery Industry

The Indian Gems and Jewellery (G&J) business has traditionally been fragmented with consumers mainly purchasing from family jewelers. The fragmented nature of this sector makes it difficult to quantify the number of jewelers 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 only profitable and high-margin but also an underpenetrated industry in India, which means there is a lot of room for growth. Moreover, consumers are more predisposed to branded jewellery particularly in metro & tier I cities, given the rising media and Western influences and willingness to pay a premium.

Chart 16: Indian Domestic Jewellery Market Size



Source: Industry sources, CareEdge Research.

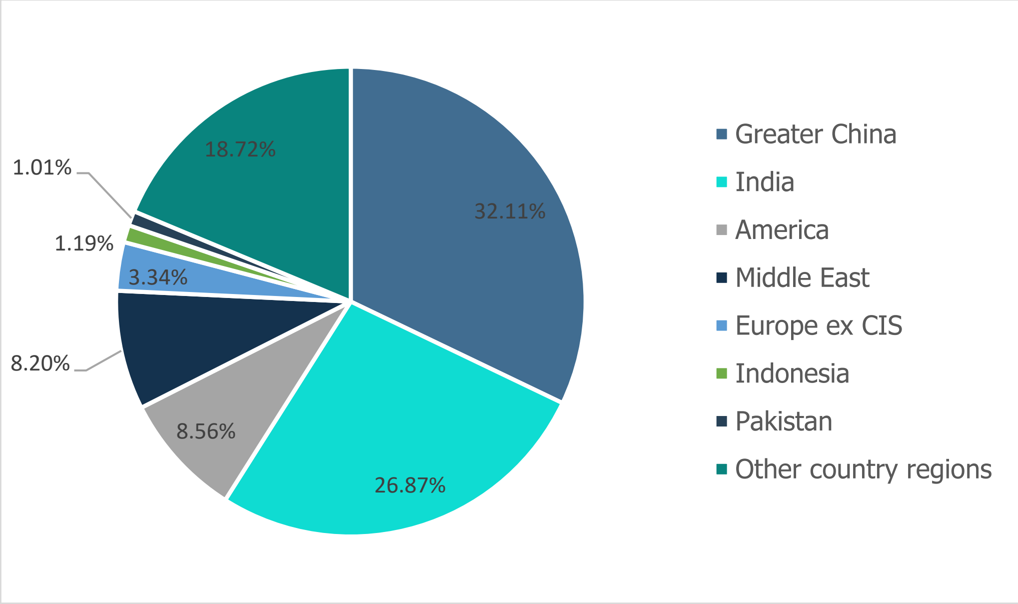
In CY20, the domestic jewellery (gold and studded) industry was negatively impacted by the COVID-19 outbreak and the industry size contracted by nearly a fourth. In CY23, the domestic jewellery industry stabilized at around Rs. 4,532 billion. Additionally, in CY23, the demand for gold jewellery remained subdued in terms of volume and declined by about 2%, while the gold price registered a ~7% increase compared to its previous year.

The long-term demand prospects for the sector are supported by a growing working population, higher disposable income, easier access to credit, and improved living standards. To cater to the changing consumer preferences and design trends, larger stores are offering more variety and a diverse range of jewellery. This continuous adaptation to consumer trends and behavior is likely to further 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).

The chart below depicts country-wise gold jewellery consumption:

Chart 17: Country-Wise Market Share in Gold Jewellery Consumption in CY23 (in %)



Note: Greater China includes Chain mainland, Hong Kong, and Taiwan province; Middle East includes Saudi Arabia, UAE, Kuwait, Egypt, Iran, Turkey, Russian fed. and other Middle Eastern 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

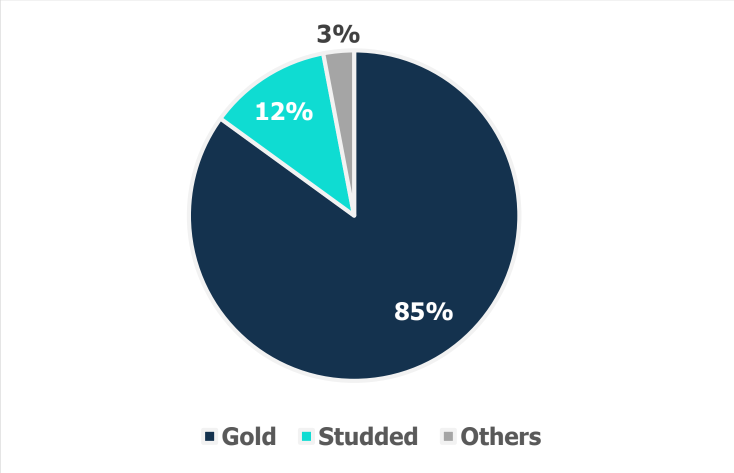
Source: World Gold Council, CareEdge Research

4.2 Share of Various Segments in the 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 18: Indian Domestic Jewellery Market Share Estimates CY22 (Rs. 4,641 billion)



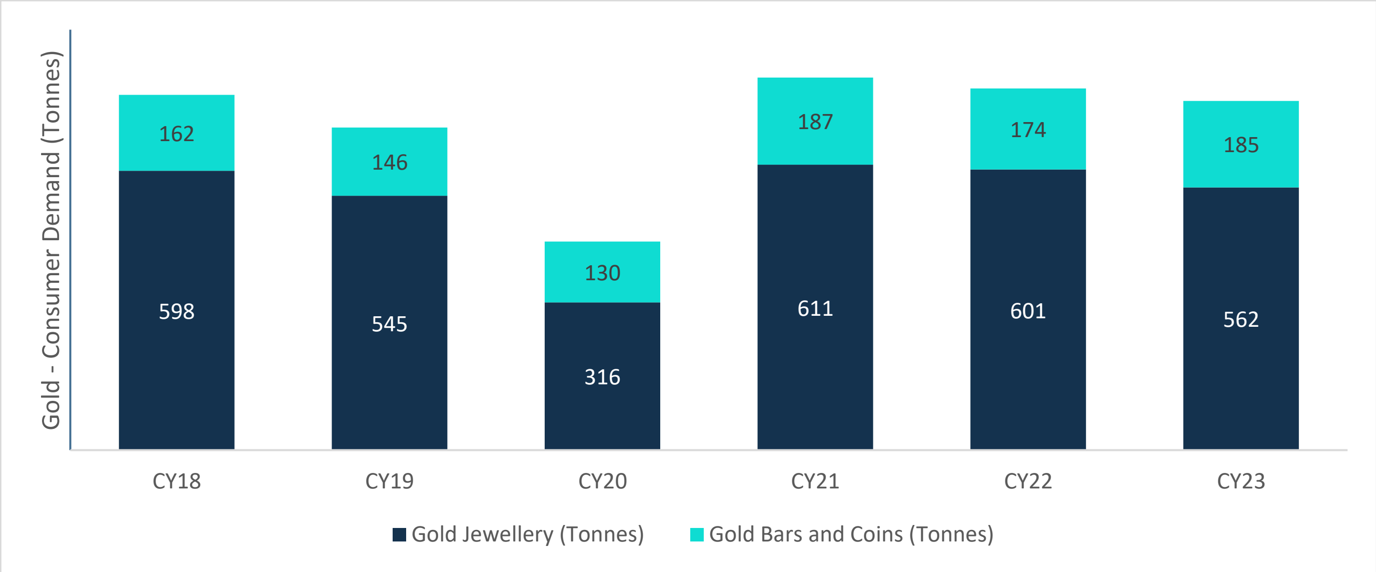
Source: CareEdge Research based on Industry Sources.

Note: Studded include: diamonds, coloured gems, gemstones, & others including 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 just limited to consumption as is the case with fashion jewellery. They 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 & trust concerns, and other elements that influence jewellery purchases have all contributed to gold jewellery's significance.

Chart 19: Gold Demand Trend in India



Source: CareEdge Research, Industry Sources

In CY22, the total demand for gold jewellery by Indian consumers was estimated at ~600 tonnes. As compared to the previous year, the demand witnessed a slight degrowth in CY22 from ~610 tones in CY21. The overall demand in the gold market is largely in the form of gold jewellery and gold coins/bars. Whereas gold jewellery continued to contribute a major share of gold demand in CY23 at about 75%.

In CY23, the overall gold demand witnessed a slight moderation of 3.6% as a rally in gold prices given the curtailed demands due to geopolitical tensions. A slight impact of the price rally was seen during the festive season quarter (December 2023) as well.

Studded Jewellery

Apart from gold jewellery, the other type of jewellery gaining traction is the studded ornaments segment. The key factor contributing to this segment growth is the younger population's preference for diamond-studded gold jewellery, typically made of 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.

Furthermore, many urban millennials, unlike the previous generations, are drawn to studded jewellery. Such jewellery is easy on the pocket, and therefore, supports multiple purchases. Also, most young population believe that heavy gold jewellery is for the elderly. Similarly, they regard 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 persuade customers that their investment would not depreciate.

Cut and Polished Diamonds

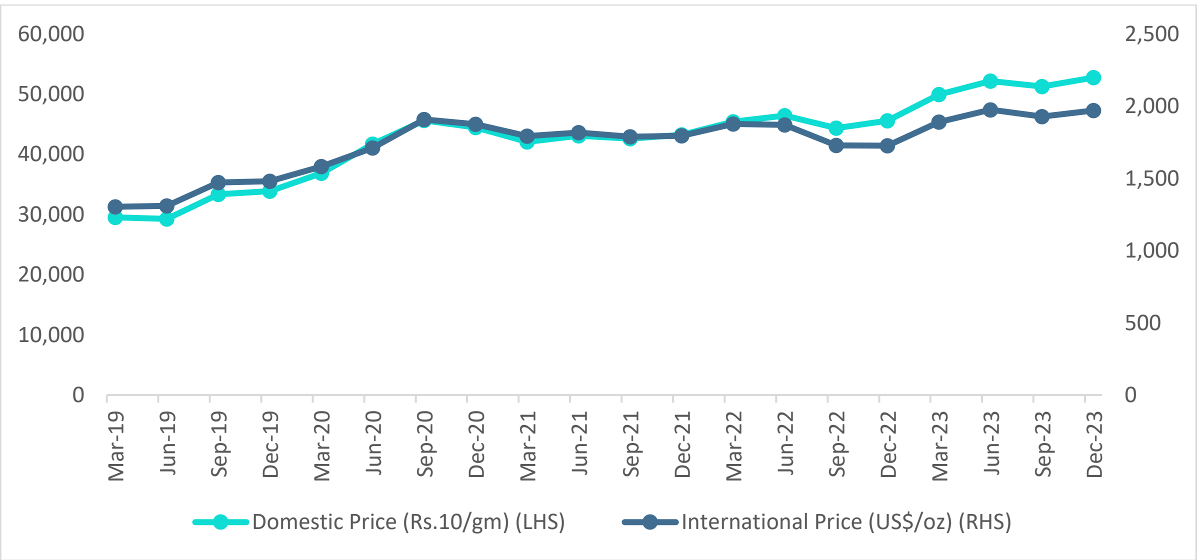
India is one of the leading cutting and polishing centres for diamonds, supplemented by government policies. India is deemed a hub for this industry given the low cost and steady availability of highly skilled labor. Due to its potential for growth and value addition, the government considers this segment as a focus area for exports.

The industry has become highly sophisticated over the years with the use of advanced technologies 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 the standard measure for assigning grades.

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

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

Chart 20: Trend in International Gold Prices



Source: World Gold Council; CareEdge Research

The 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.

Further, 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, the 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 boosted gold prices. Consequently, prices 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 prices were impacted by the US Federal Reserve's decision to tighten its monetary policy amid rising inflation. Similarly, 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.

Furthermore, international gold prices declined in September 2022 and October 2022 and stood at USD 1,683 per troy ounce and USD 1,664 per troy ounce, respectively. From November 2022 to January 2023, international gold prices 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 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 the collapse of Silicon Valley Bank and the takeover of Credit Suisse by UBS Group created uncertainty and drove investments in gold. The gold price rise was also on account of the expectation of the pause in rate hikes by the US Federal Bank.

Further, gold prices marginally corrected from 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, gold prices were 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 geopolitical tensions will continue to impact gold prices as the demand for gold increases during geopolitical escalations globally. Besides, domestic gold prices mimic international gold prices. Therefore, the declining gold prices would help support the demand for physical gold in India.

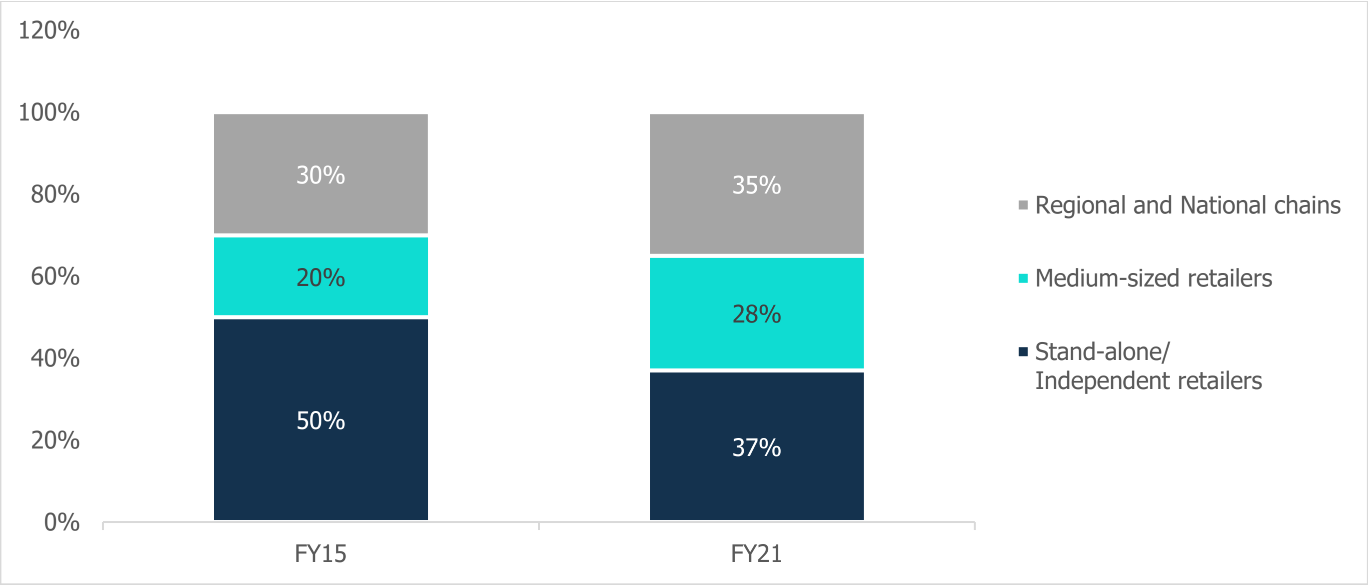
4.4 Share of Organized Players in the Indian Gems and Jewellery Industry

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 jewellers 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 21: Retail Gold Jewellery Market Landscape in India by Market Share



Source: Industry sources; CareEdge Research

In CY22, the share of the 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 of players such as Kalyan Jewellers, Asian Star Company Ltd., Titan Ltd., Joyalukkas 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 the 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. The expansion of the 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 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. Overall, the gems & jewellery sector is dynamic with rapid developments. Additionally, several changes are in place both in terms of customer behavior and the industry as a whole.

Choosing a digital platform has allowed jewellers to reach 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 further allows customers to view the products.

To provide the optimum user experience, a few Indian startups and several large retail companies have embraced cutting-edge technologies 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.

Further, online merchants are providing a more comprehensive buying experience, with the objective of merging the in-store purchase experience into a digital platform with high-quality pictures, great navigation, and simple product configuration options. With more merchants 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. Simultaneously, consumer expectations are growing and they want more than just the finest selections with a pleasant shopping experience.

Moreover, gold jewellery is gaining a steady foothold in the online retail sector. Despite the fact that the gold jewellery category requires more consulting and higher average transactions, both existing and emerging companies are catching up with trustworthy and transparent services. This is attributed to online access to hallmarked jewellery in a wide range of styles transformed the business of jewellery shopping. E-catalogues, 360-degree product views, and virtual try-ons all had a significant influence on the Indian online jewellery market.

Also, the companies 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 the Gemological Institute of America (GIA), the Gemological Science International (GSI), Hoge Raad Voor Diamant (HRD), and the International Gemological Institute (IGI) certify the items.

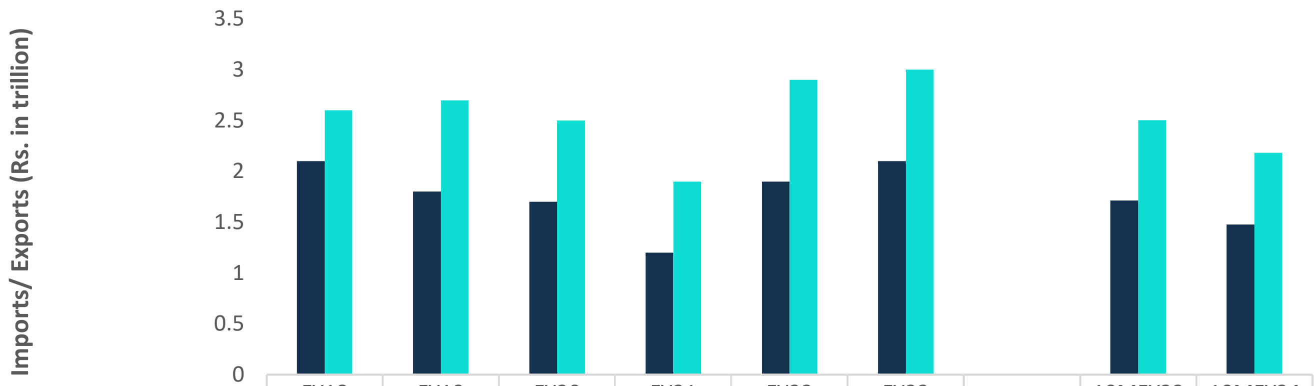
The manufacture and distribution of gold jewellery is experiencing a full revolution as a result of modern technology and changing lifestyles. Millennial customers see jewellery as an essential aspect of their fashion and style.

4.6 Trends in Imports and Exports of Gems and Jewellery in India

4.6.1 Overview

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

Chart 22: Yearly Import Export Trends - Overall Gems and Jewellery



	FY18	FY19	FY20	FY21	FY22	FY23		10MFY23	10MFY24
Imports (Rs. in trillion)	2.1	1.8	1.7	1.2	1.9	2.1		1.7	1.5
Exports (Rs. in trillion)	2.6	2.7	2.5	1.9	2.9	3.0		2.5	2.2

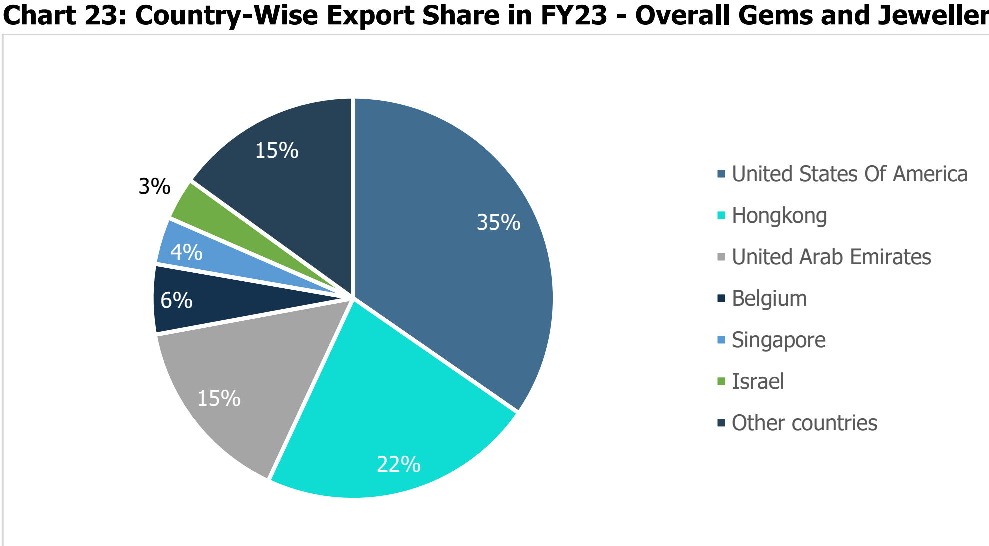
Source: Gems & Jewellery Export Promotion Council (GJEPC)

Growing Government Focus toward Export Promotion

The Government of India, along with all the stakeholders of the G&J sector, are well committed to 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, the superior quality of Indian manufacturers has enabled the Indian gems & jewellery trade market to penetrate markets like the 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 India's exports in FY23 and around 31% share YTD FY24 (April 2023-December 2023).

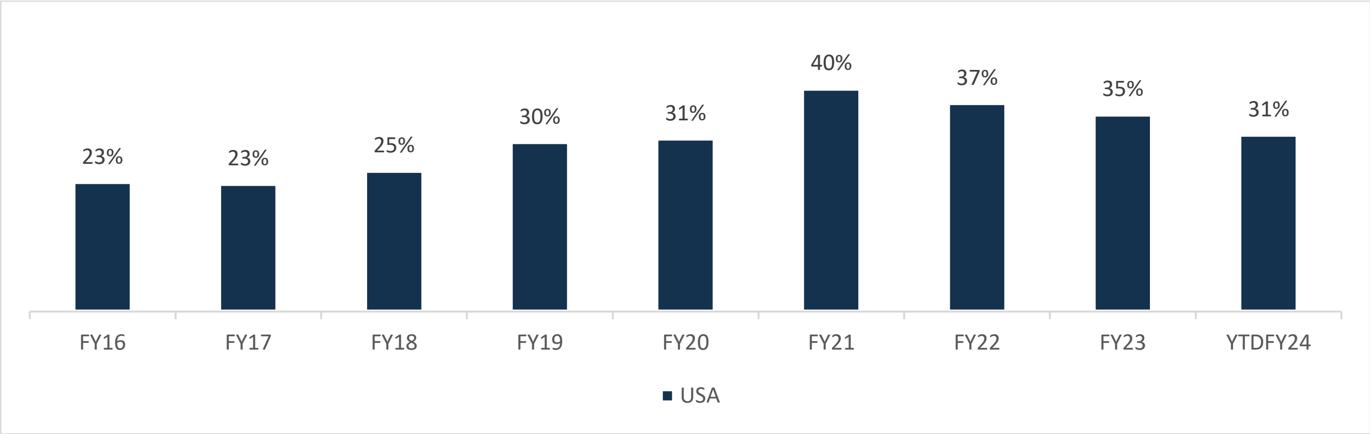
Chart 23: Country-Wise Export Share in FY23 - Overall Gems and Jewellery



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, the levy of additional tariffs on Chinese jewellery being exported to the 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 24: Trend in the Share of the US Market in Indian G&J Exports



Source: Gems & Jewellery Export Promotion Council (GJEPC), CMIE
Note: YTDFY24 denotes the period from April 2023-December 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 10FY24, the exports of cut and polished diamonds accounted for 50% while gold jewellery (plain and studded) accounted for 35% of the total G&J exports. Rough diamonds held the majority of the share of about 67% and 63% in G&J imports during FY23 and 10MFY24, respectively, as it is a highly import-oriented segment.

Cut and Polished Diamonds:

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

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%
10MFY23	91.1	1.56%	1439.1	-3.42%
10MFY24	137.5	50.97%	1082.9	-24.75%

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

The cut & polished diamond segment is an export-oriented segment in India. During FY23, the cut & polished segment contributed ~57% of the overall exports in the gems & jewellery segment. Whereas the overall exports of cut & polished diamonds stood at Rs. 1,766 billion in FY23, showing a 2.9% decline as compared to Rs. 1,821.1 billion in

FY22. Also, imports during FY23 witnessed a minor decline to Rs. 104.8 billion as compared to Rs. 111.1 billion in the previous year.

In terms of volume, the exports of cut & polished diamonds stood at 246.1 lakhs carat in FY23 showing a 19% decline compared to FY22. Overall, the decline in exports can be attributed to the geopolitical tensions between Russia and Ukraine, the normalization of demand, and a significant increase in prices.

During 10MFY24, the exports of cut and polished diamonds stood at Rs. 1083 billion, implying a decline of 24.75% y-o-y. In terms of volumes, the exports of cut and polished diamonds stood at 154.41 lakh carats in 10MFY24, a 23.21% decline compared to 10MFY23. The decline in exports was on account of the normalization of the pent-up demand post-recovery from concerns around the Russia-Ukraine crisis, rising inflation in global economies, and weak demand from China and Western countries. The imports grew by 50.97% y-o-y to Rs. 137.5 billion in 10MFY24.

The USA is a key market for India in cut and polished diamond exports, whereas Hong Kong is the second-largest export market followed by the UAE. The Indian gems and jewellery sector are exploring Cambodia, Vietnam, and the European Eastern Bloc – three relatively untouched markets with great export potential. The major importer country was Hong Kong until FY22. In FY23, the 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 the 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. In FY23, rough diamond imports stood at Rs. 1,393.7 billion and contributed with 67% share in total G&J imports. In 10MFY24, the import of rough diamonds declined by 16.68% y-o-y to Rs 931.8 billion.

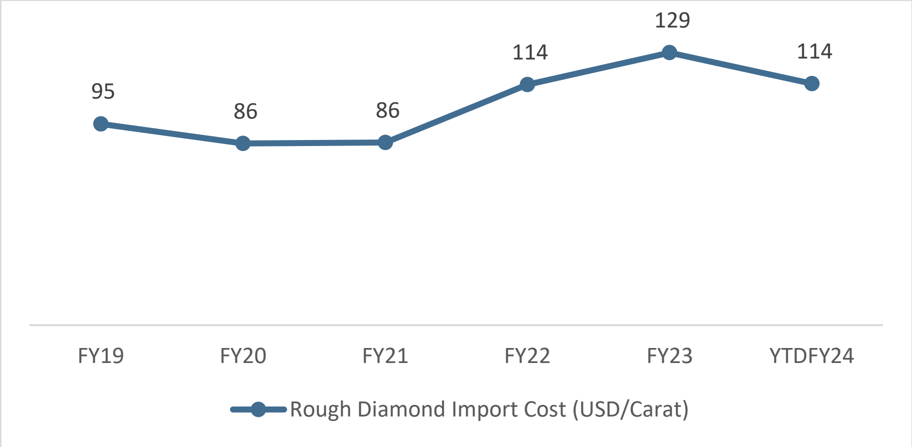
One of the reasons for the decline in the import of rough diamonds between 10MFY24 was due to a two-month ban on imports from October 2023 to December 2023. The decision was announced by GJEPC, which acted as a representative of the Indian diamond industry. The ban resulted in order to find a balance between supply and demand as the demand for natural diamond jewellery had declined in the US and China. The prices of polished diamonds too had declined. However, the ban has now been lifted due to stability in prices.

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%
10MFY23	1118.3	1.22%	65%
10MFY24	931.8	-16.68%	63%

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

Chart 25: Trend in Rough Diamond Import Prices

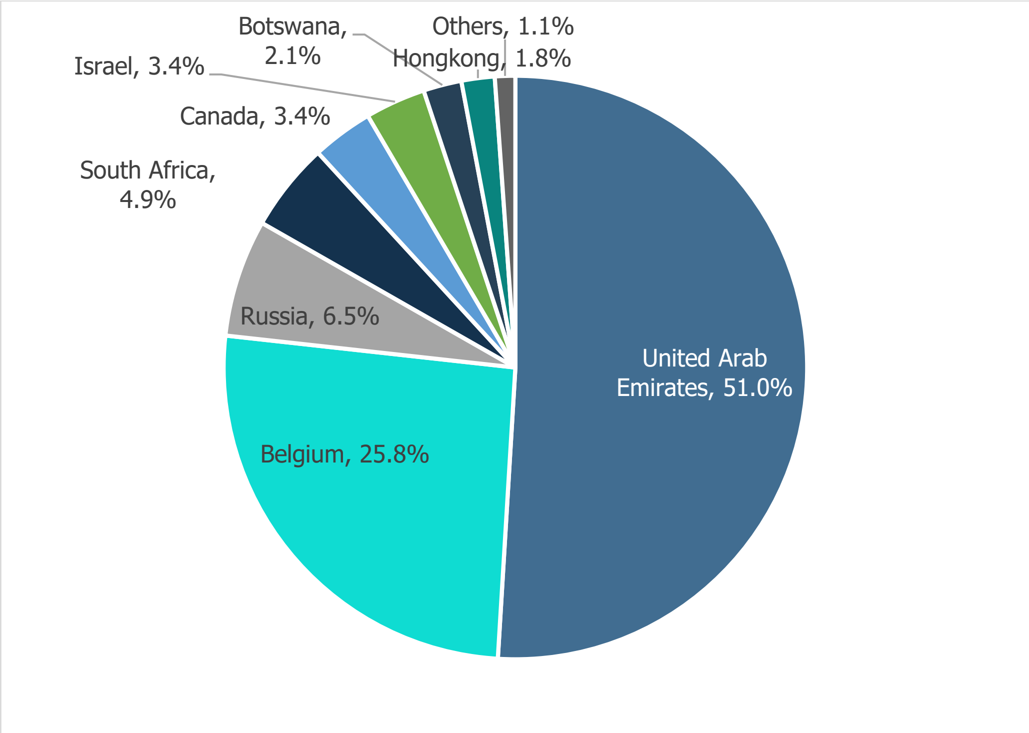


Source: Gems & Jewellery Export Promotion Council (GJEPC), Note: YTD denotes the period from April 2023 to January 2024

Rough diamond prices have increased over the past two to three years as the ongoing Russia-Ukraine war has resulted in a declined 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 the increasing 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 26: 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 35% of total exports of G&J in FY23 and 10FY24, respectively.

Table 7: Exports of Gold Jewellery

Gold Jewellery (Rs. in billion)	Exports	Y-o-Y growth
FY19	840.1	44%
FY20	842.7	0.2%
FY21	354.8	-57%
FY22	680.8	-20%*
FY23	756.4	11%
10MFY23	639.7	-
10MFY24	768.6	20%

Note: *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 a recovery in exports with 11.2% growth y-o-y. During this period, the commissioning of the India-United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA) resulted in significant growth in exports of plain gold jewellery balancing the gap in exports to key markets such as the United States of America and Hong Kong. The gold jewellery exports grew by 20% y-o-y in 10MFY24 as compared to 10MFY23.

Further, 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. During COVID-19 and the subsequent 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 a recovery in consumer sentiments and pent-up demand. The demand for gold is expected to register a further increase on account of the festive and marriage seasons.

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	2,170.7	18%	9,55,370	22%
FY19	2,295.3	6%	9,82,710	3%
FY20	1,992.4	-13%	7,19,930	-27%
FY21	2,542.8	28%	6,51,240	-10%
FY22	3,440.9	35%	8,79,010	35%
FY23	2,804.8	-18%	6,78,300	-22%
10MFY23	2,258.8	-20%	5,56,930	-23%
10MFY24	2,976.5	32%	6,22,350	12%

Source: CMIE

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 terms given the higher demand due to pent-up demand from the 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 pandemic. Subsequently, there was a shortage of yellow metal due to the restrictions imposed in major supplying countries.

In addition, the basic customs duty on gold was raised from 7.5% to 12.5%, effective 1 July 2022, resulting in a ~4.4% increase in total taxes levied on gold imports. During FY23, the import value registered a decline of 18% on account of higher costs due to the increased duty coupled with elevated international gold prices. Whereas, the import volume declined by 22%. During YTD FY24 (April 2023-December 2023), the gold imports have grown by 12% in volume and 32% in value.

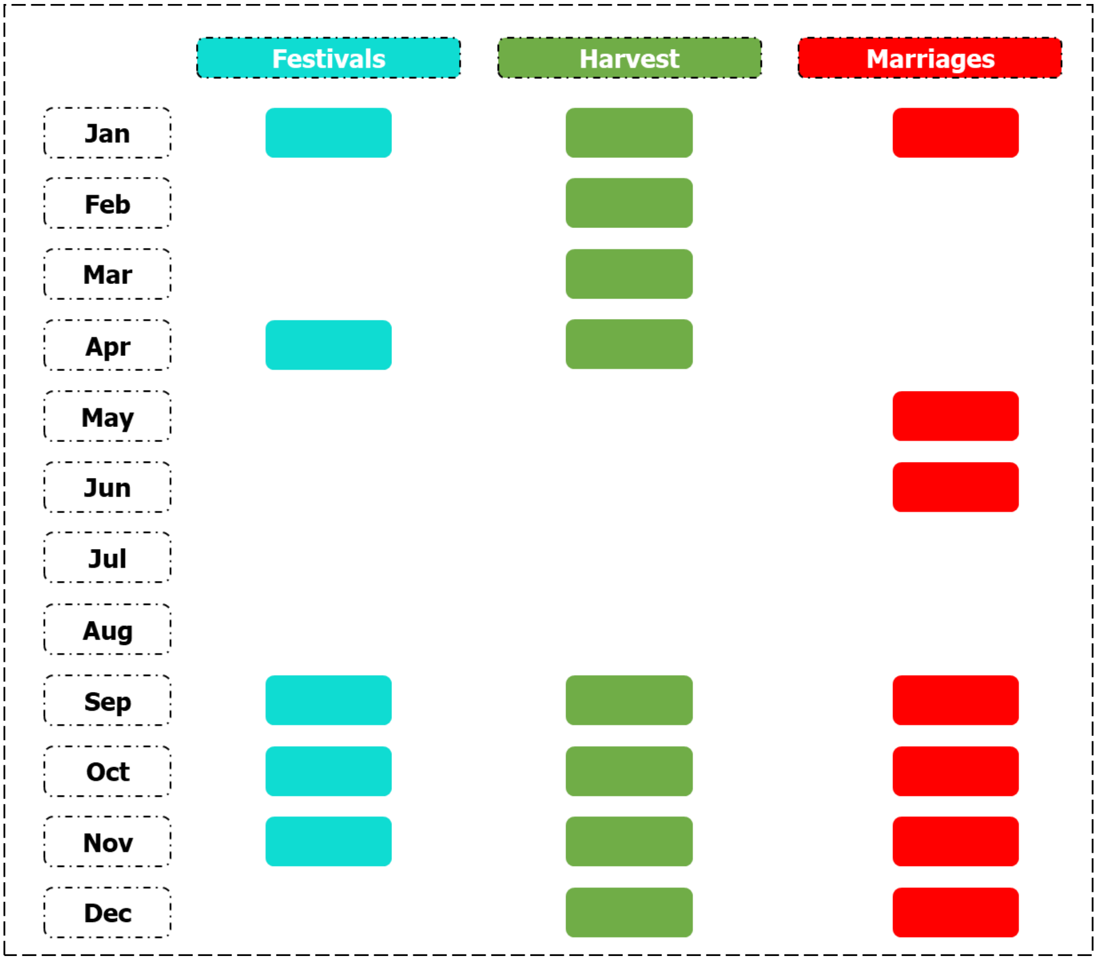
The top three countries for raw gold imports by India are Switzerland, the UAE, and South Africa. Swiss gold accounted for about 36% of India's gold imports in FY23 and 39% in YTD FY24 (April 2023-December 2023), in value terms. Switzerland has the world's largest gold refining and transportation hub which resulted in an increase in import dependence on Switzerland.

4.7 Key Demand Drivers for Gems and Jewellery in India

Weddings and Festivals 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 2: Seasonality in Jewellery Buying



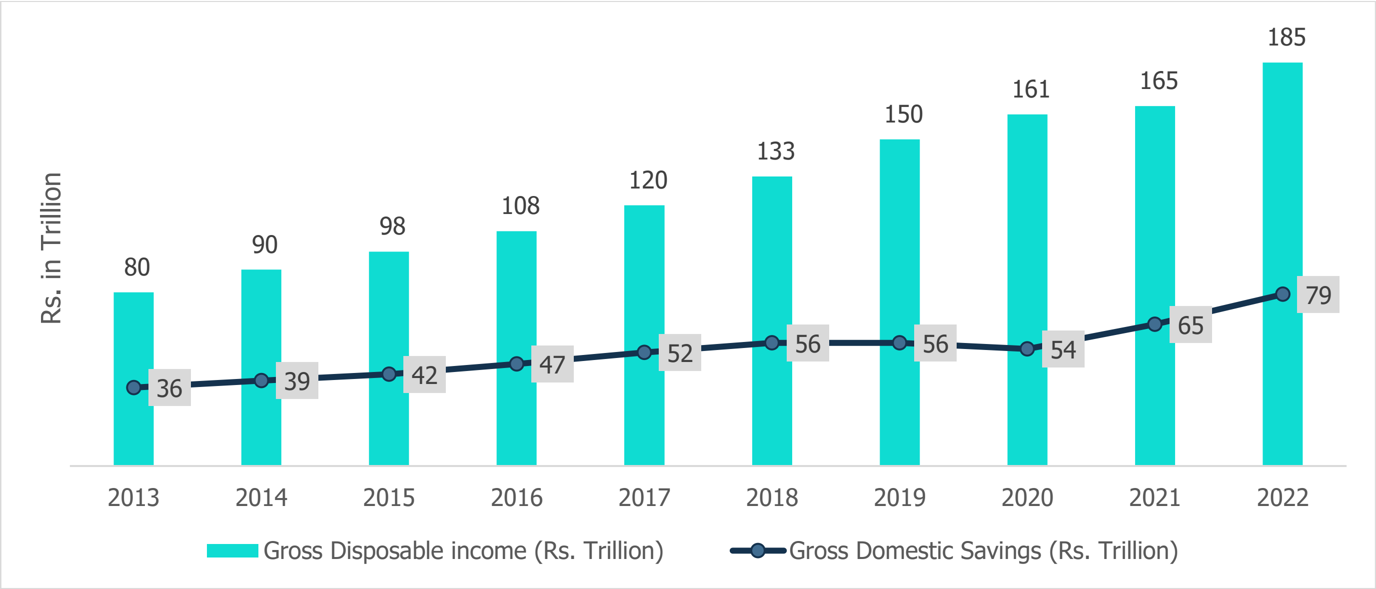
Source: CareEdge Research based on Industry sources.

Demand for jewellery rises in the months of the 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. Moreover, gold demand in Tier II and Tier III towns is influenced by agricultural output and monsoon. During auspicious religious events like 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 27: Trend in Gross Domestic Savings



Source: World Bank Database; CMIE

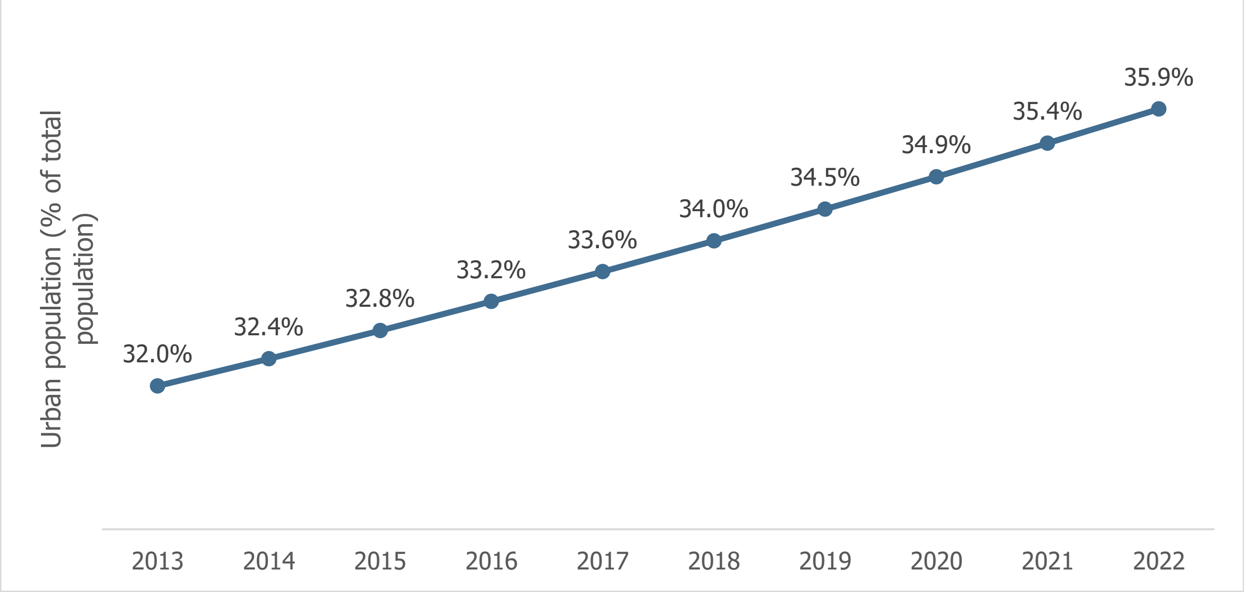
Although there is a growing propensity to consume gold as income rises, the proportion of gold in one's portfolio does not rise at the same rate. A fall in household savings rates, availability of different investment avenues, and agricultural earnings can be hurdles to Indian demand.

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 the perception of its excellence because a brand is synonymous with quality.

Furthermore, customers are more intelligent and knowledgeable. As a result, shopping has moved to a new level, not only in terms of perspective but also in terms of method. Besides, with the rise of supermarket culture, sales and marketing of gems and jewellery have changed significantly. Today's youth have more discretionary income and are ready to spend on their preferred indulgences. Branded jewellery has a higher level of satisfaction among people than non-branded jewellery due to its 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. They turn to trusted brands that can provide authenticity, purity, and innovative designs.

Chart 28: 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. 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 (prices of materials such as gold and 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 establishes 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 an 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, organised jewellers provide ready-to-wear items, thereby reducing customer waiting time.

Exposure to Gold-Savings Schemes:
The emerging gold investment avenue in India at present is a 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 the 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 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 to scaling up operations in the jewellery industry 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 labor and standardization, particularly in the fragmented sector. This is compounded by infrastructural deficiencies, a 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 begins 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 markets.

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. 2,805 billion in FY23. In 10MFY24, the total gold imported was Rs 2,977 billion. 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 2023-January 2024 stand at Rs 931.75 billion in value terms and 985.39 lakh carats in volume terms. India imports rough diamonds primarily from Belgium, the United Kingdom, Israel, and the United Arab Emirates.

Impact of Global Slowdown
The United States, Hong Kong, the UAE, and Belgium are key export destinations for the Indian G&J industry. The United States accounted for about 35% of total exports of gems and jewellery in FY23. 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 the Retailing of the 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 the 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 a provision for the common consumers to have the purity of their unhallmarked 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 were to be hallmarked with HUID only. The hallmark consisted of 3 marks viz, BIS logo, purity of the article, and six-digit alphanumeric HUID. Each hallmarked article has a unique HUID number which is traceable. However, the old hallmarked jewellery 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.

On the other hand, the simultaneous sale of two types of hallmarked jewellery by the jewels was creating confusion in the minds of the consumers. Therefore, as per a recent directive by the 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' interests and enhance their confidence in the purchase of hallmarked gold jewellery with traceability and assurance of quality.

Buyback Schemes:

Certain banks may be authorized to buy back gold coins if it is sold by them. This is done to increase the liquidity of gold coins. 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 transparency and a smooth verification process, the 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 coins 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 and 70% invoice value of uncut diamonds
Precia or Precious stone jewellery (Ruby, Sapphire, Emerald)	96%-98% value of benchmark gold rate and 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 charges, other stones and taxes	Buyback is not applicable

Source: Industry Sources, CareEdge Research

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 instalments 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 the total deposit. These monthly investment plans/gold saving schemes offered by the jewellers are not regulated by regulatory bodies such as the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI).

The saving scheme does not provide interest on the amount invested, unlike a recurring deposit plan. As a result, a bonus is added 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 purchases 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, and Purchase Advance Scheme by Kalyan Jewellers are some of the investment plans which are offered to customers in India.

Availability of Customization

Personalized jewellery has been in huge demand in recent years. However, after the recent COVID-19 outbreak, people have been showing more interest as they seek meaningful jewellery. Individuals find it empowering to have their customized jewellery in the form of their initials or a date. Which signifies a deep meaning or 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 a contented 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 in real-time, customizing and personalizing a picture of their selected design ring, which allows them to preview their customized jewellery before purchasing.

Furthermore, 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 options in jewellery businesses have proven to be one of the most effective Conversion Rate Optimization techniques (a method which helps boost sales conversions) through an application or website.

Requirement of PAN Card for Purchase

In January 2016, the Government of India 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 unorganized retailers to purchase jewellery without bills.

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 invest and 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 the Gold Retail Market

The Indian gold jewellery market is largely fragmented and unorganized. However, unlike gold jewellery manufacturing, the retailing segment has been gradually shifting towards an organized sector, with large retail chains dominating jewellery retailing in 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 a higher ticket size of purchases and the requirement of holding higher inventory given the preference for heavier gold jewellery. The stores in semi-urban areas, predominantly family-owned single stores, are smaller in size. The 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 an 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 crores
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 are significantly higher for a large format store.

4.11 Outlook for the Gems & Jewellery Industry in India

The gems & jewellery industry's performance has been weak in the first half of CY23. However, the demand is expected to improve in the second half, led by purchasing during the festivals and holidays. The demand is expected to further revive in subsequent years driven by the moderation of inflation and alleviation of global geopolitical issues. Also, the domestic growth is likely to be driven by resilience in demand, particularly during the festive and wedding seasons and expansion by organized jewellery retailers across 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 continue to weigh on the global cut and polished diamonds demand as is evident from the 25% y-o-y dip in exports during 10MFY24.

Furthermore, the government has identified lab-grown diamonds (LGD) as an emerging sector. The India-UAE CEPA will further boost the growth of this industry.

The LGD exports are expected to be driven by the growing use of such diamonds in various end-use industries, rising synthetic diamond trade, and environmentally friendly manufacturing of such diamonds. LGDs are now categorized as a separate, more affordable commodity and their demand is expected to grow due to increased supply and technological advancement.

The demand is expected to remain moderate in the near term. Accordingly, on an annual basis, cut and polished diamond 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 the 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 and the increased footprint of organized players are projected to result in healthy growth of the industry in the medium term.

On the other hand, the domestic consumption of gold jewellery declined by about 7% y-o-y in CY23 on account of lower purchases due to elevated gold prices. The first half of the CY23 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.

However, investment demand, constituting a quarter of overall consumption demand, is anticipated to perform better. Factors such as ongoing global geopolitical and economic uncertainties, positive domestic economic prospects, and increasing investment inflows into domestic financial markets could contribute to the support of investment demand for gold.

5 Overview of the Bridal Jewellery Segment

5.1 Evolution of the Wedding Industry and Market Trends

Weddings are among the largest industries in India. However, it is largely unorganized. It is estimated that about 10-13 million weddings, of various sizes and scales, are held in India every year. Indian weddings are heavily influenced by traditions and culture.

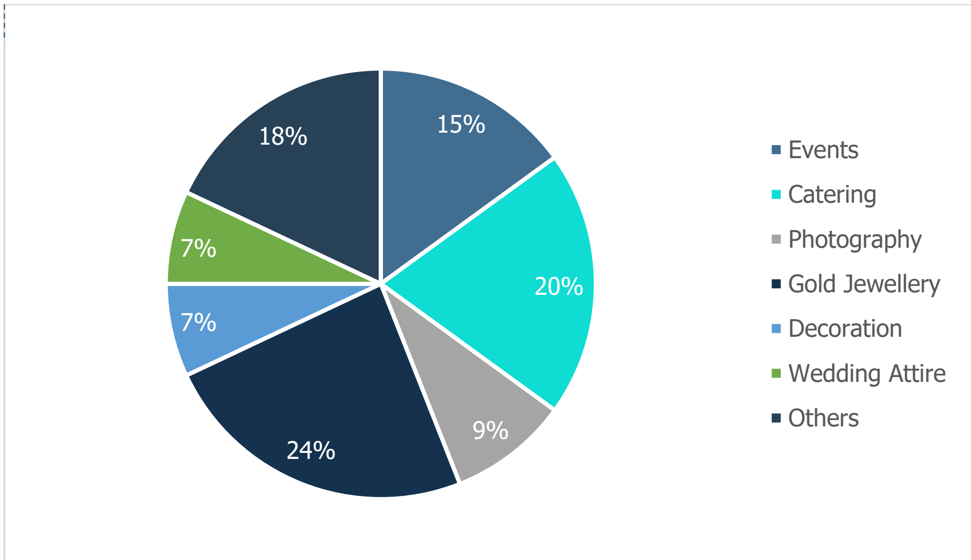
Weddings have greatly evolved in recent years be it a celebrity wedding, mid-range or low-range Indian wedding. Gold jewellery holds high significance in any type of wedding as a part of the traditions and religious beliefs attached to the wedding ceremony.

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 a ring ceremony, haldi, wedding ceremony, reception, and others.

In India, the average wedding cost ranges from 5 lakhs to 5 crores depending on the scale of the wedding. For instance, in a metro city, a 3-day wedding cost ranges between 25 lakhs to 50 lakhs. Whereas in tier-2 cities, the 3-day wedding cost ranges between 5 lakhs to 10 lakhs.

Chart 29: Wedding Expenditure Break-up



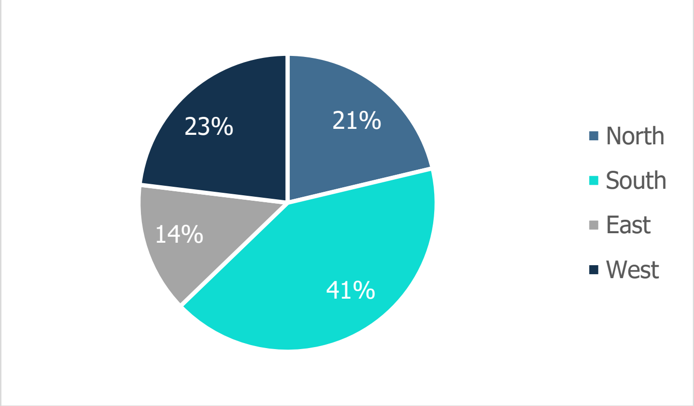
Source: Research Dive, Industry Sources, CareEdge Estimates

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 the 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 30: 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 consumption while urban areas account for 40%. The share of rural and semi-urban regions is higher on account of the larger share of the 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 and banking networks.

Based on the type, the 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 a 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 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 weddings. 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. This typically stems from cultural preferences and functions as the 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 jeweller.

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 Bangdi	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 Source

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 customer 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. Also, big chain stores are 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 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 South India continues to be largely plain gold jewellery.

5.4 Growth Drivers of 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. Also, it 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 societies across the social strata, parents start investing in gold and gold jewellery when the girl child is young with an objective to purchase the required quantity over the years till the child is of marriageable age.

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

Preference for 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 the low penetration of banking and financial services. However, while the penetration of the banking system has increased, gold jewellery has remained a major form of investment due to the continuation of the preference based on past experience and the 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 have increased the exposure of buyers in such locations to different designs and a large variety of jewellery. Simultaneously, the awareness of product types and designs has increased significantly driven by the sharp rise in penetration of the internet and smartphones. Whereas the advent of e-commerce in the jewellery industry has given buyers located in the interiors, access to the urban market suppliers and designs as well. Additionally, the marketing campaigns run by the large jewellery retailers have 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 the 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, jewellers have also started focusing on lighter jewellery and jewellery which can be worn with western and office attires.

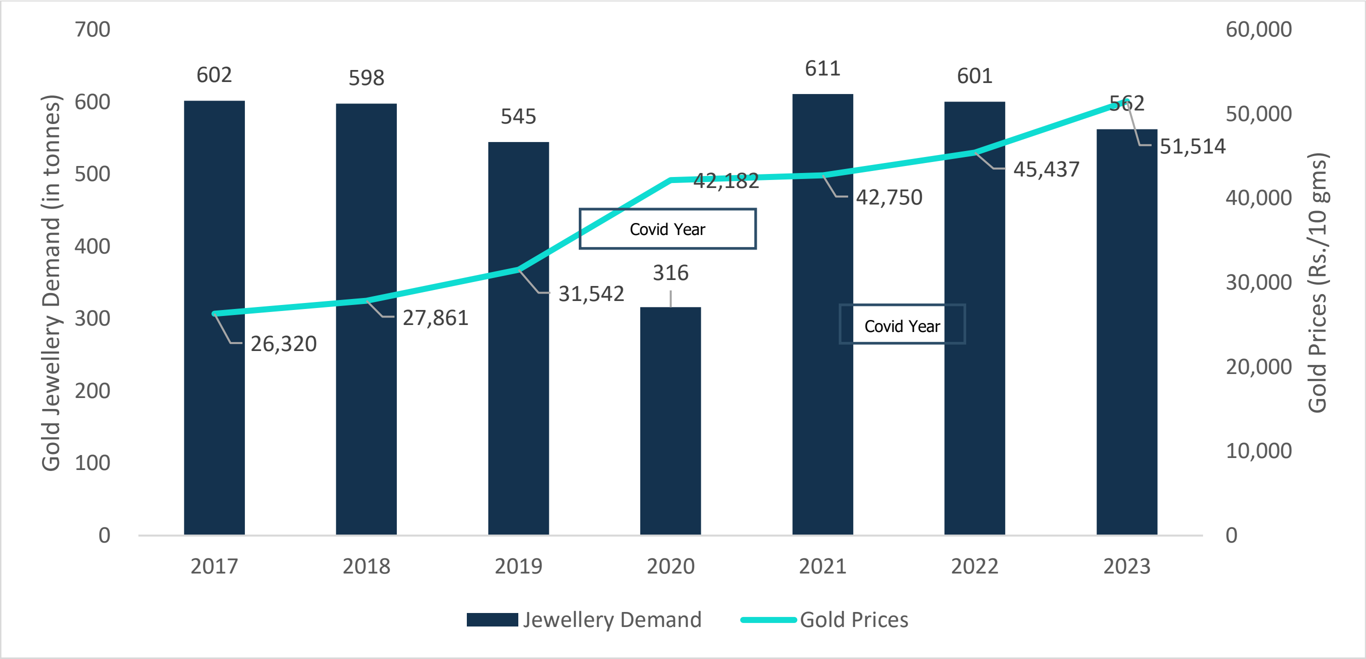
5.5 Impact of Gold Prices on Jewellery Demand

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

It has been observed that when 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 a 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 the first half of the calendar year as it is a seasonally weak period, demand generally picks up in the second half on account of festivals and weddings.

A large quantum of bridal jewellery is 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 sustain demand for bridal jewellery even if the gold prices increase. Further, domestic jewellers are fairly adaptable to rising price trends and introduce more lightweight designs and products to ensure that bridal jewellery remains affordable.

Chart 31: 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 of the 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 workers. Most jewellers outsource manufacturing of the 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 the wholesale segment in the jewellery sourcing mix has increased considerably over the years with the growth of large retail chains that see value in sourcing from wholesalers due to a variety of designs and product innovations. This further permits the jewellery retailers to focus on the retail business.

Furthermore, the procurement of jewellery from wholesalers is more prevalent in urban India, which has a large-scale presence of jewellery retailers. In this model of wholesale business, the gold required for the 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 the 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 the 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%, less by 10% than a decade earlier. The growth of the organized wholesale segment has been driven by multiple factors including the expansion of organized retailing, rising exports, tightening of the regulatory environment, etc. Organized retailers prefer organized manufacturers as their order size is quite large which cannot be fulfilled by small manufacturers.

Further, the 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, which requires a reliable supply of products for their operations.

Transparency and Availability of Capital: Organized wholesalers are more transparent in product pricing and gold sourcing value chain. They 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 retailers that purchase their products.

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

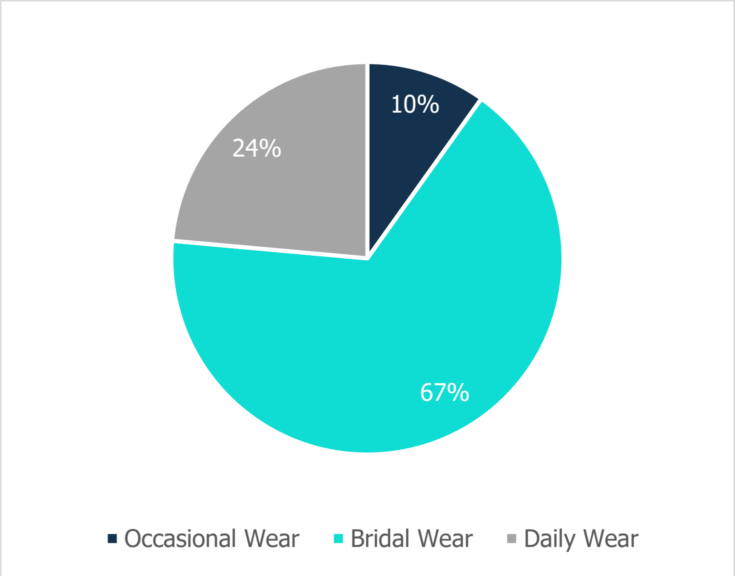
Regulatory Compliance: Organized wholesalers are more likely to be compliant with regulatory requirements, which is critical for large conglomerates, listed jewellers etc.

Risk Management: Organized wholesalers 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, the 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 the total wholesale jewellery segment by volume and non-bridal accounts for the balance of about 30-35% in terms of volume.

Chart 32: Indian Wholesale Jewellery Market Share in % - By Wearing



Source: Research Dive, Industry Sources, CareEdge Estimates

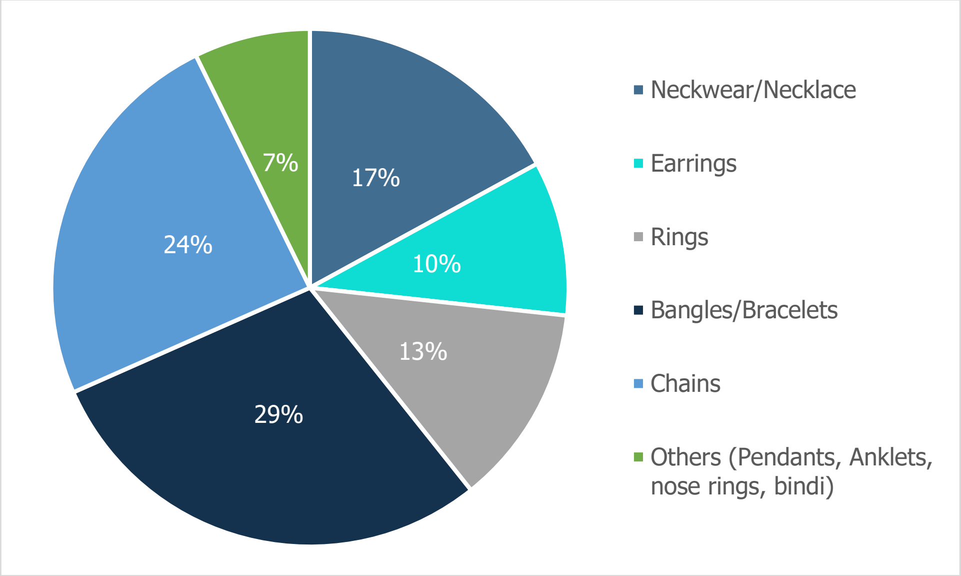
6.2.3 By Product Type

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 in the chart below:

Chart 33: Indian Wholesale Jewellery Market Share in % - By Product Type



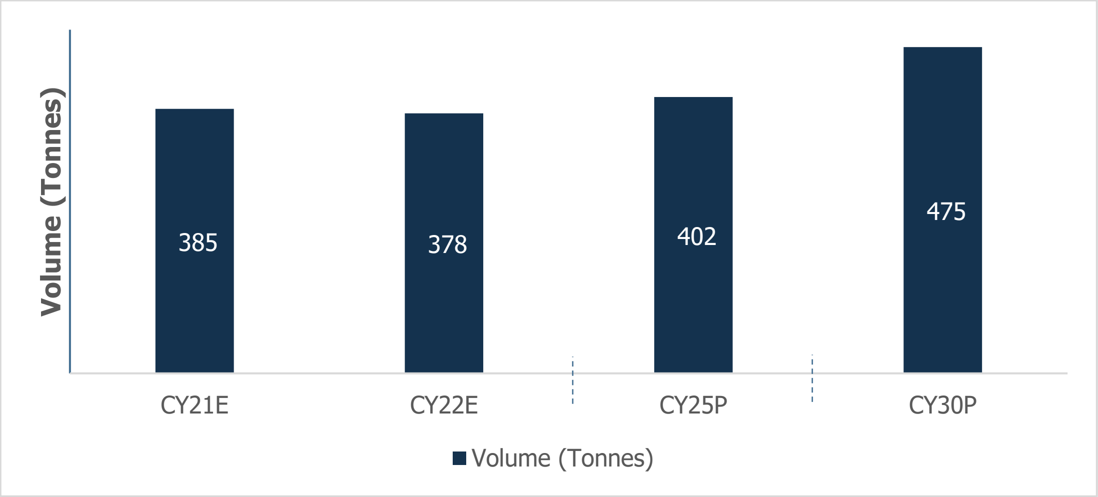
Source: Research Dive, Industry Sources, CareEdge Estimates

6.3 Outlook of the Gold Jewellery Wholesale Market in India

6.3.1 Outlook of the Overall Gold Jewellery Wholesale Market in India

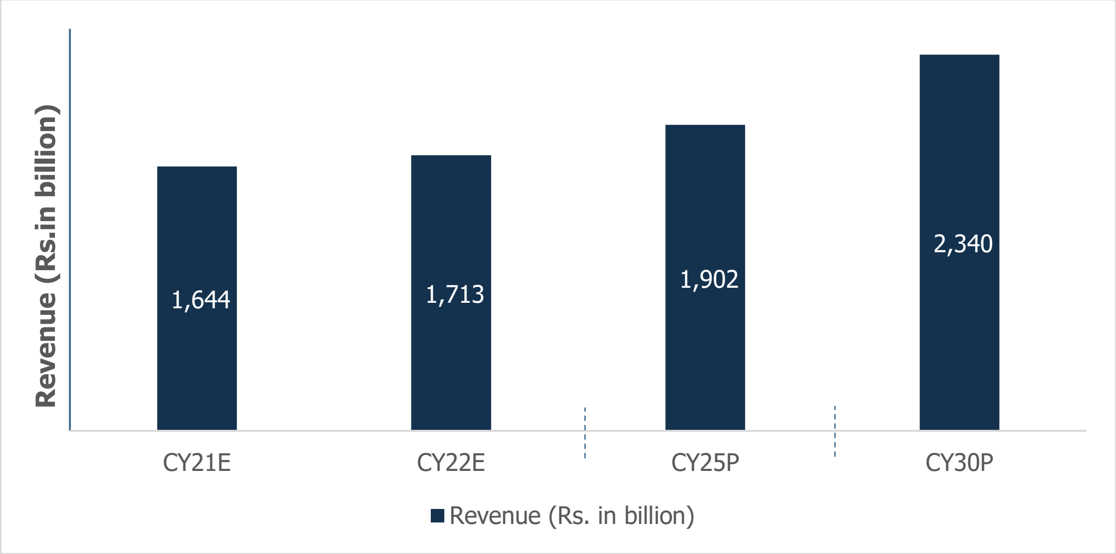
The domestic gold jewellery wholesale industry is expected to grow from 378 tonnes (out of 600 tonnes total gold jewellery demand) in 2022 to 402 tonnes by 2025 and 475 tonnes by 2030, at a CAGR of 2.5%. In value terms, the industry size is expected to increase to Rs. 2,340 billion in 2030 from Rs. 1,713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

Chart 34: Indian Jewellery Wholesale Market Size – By Volume



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

Chart 35: Indian Jewellery Wholesale Market Size – By Value

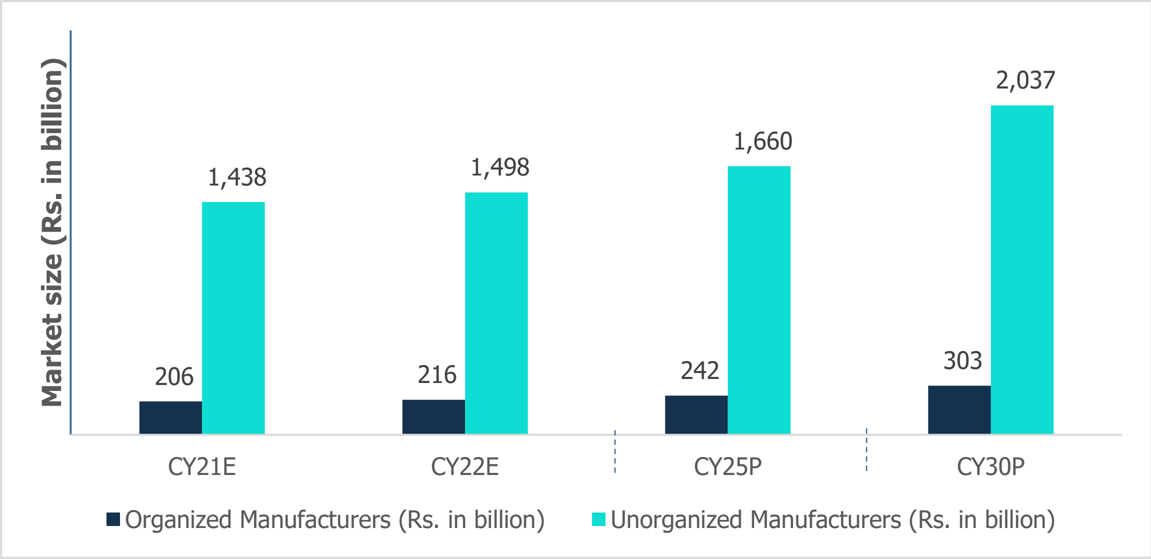


Note: E- Estimates, P-Projection; Source: Research Dive; CareEdge Research

6.3.2 Outlook on the Organized and Unorganized Segments

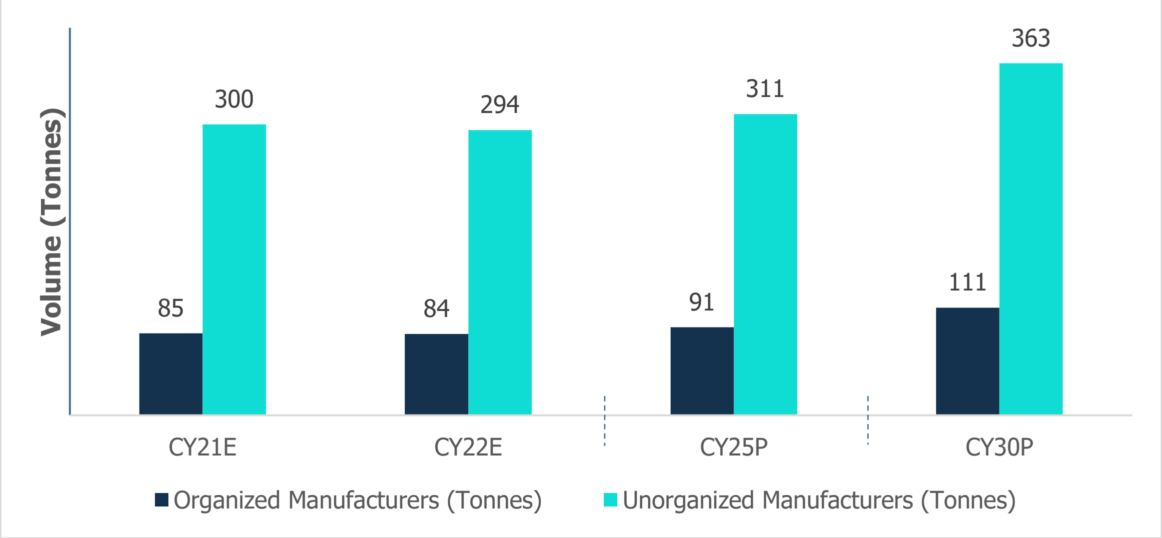
The jewellery wholesale sector in India has traditionally been highly fragmented and dominated by unorganized firms. The unorganized sector dominates the wholesale industry and organized wholesale penetration in India is comparatively lower than in developed countries. In the Indian wholesale jewellery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

Chart 36: Indian Jewellery Wholesale Market Size Trend (in Rs. Billion)- Organized v/s Unorganized



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

Chart 37: Indian Jewellery Wholesale Market size trend (in Volumes)- Organized v/s Unorganized



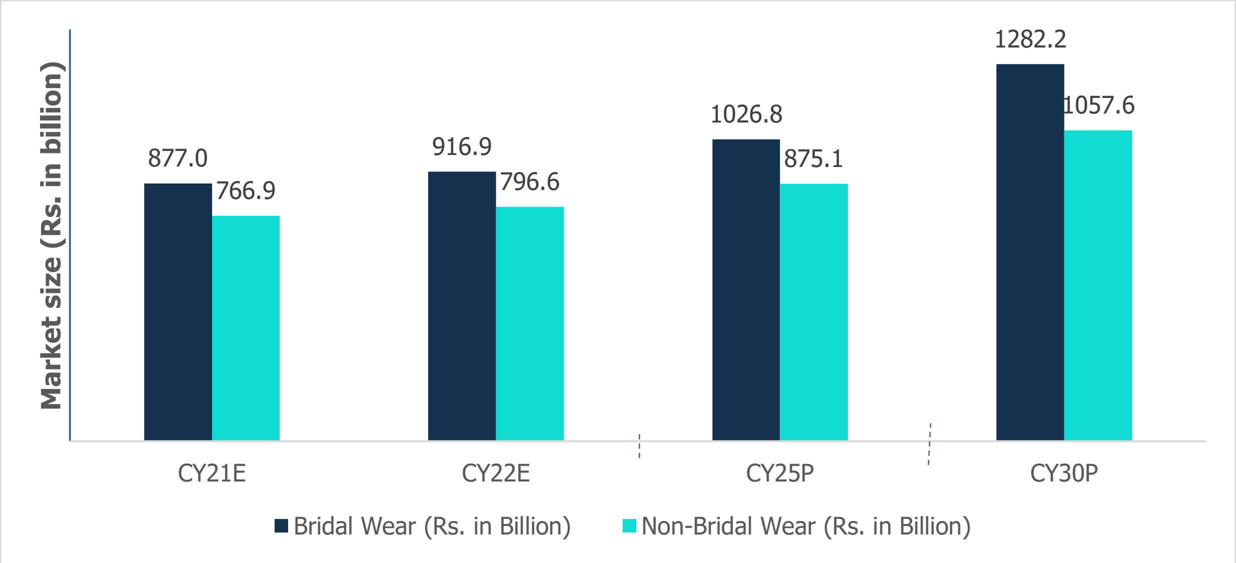
Source: E- Estimates, P-Projection; Source: Research Dive; CareEdge Research

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

6.3.3 Outlook on Bridal and Non-Bridal Jewellery

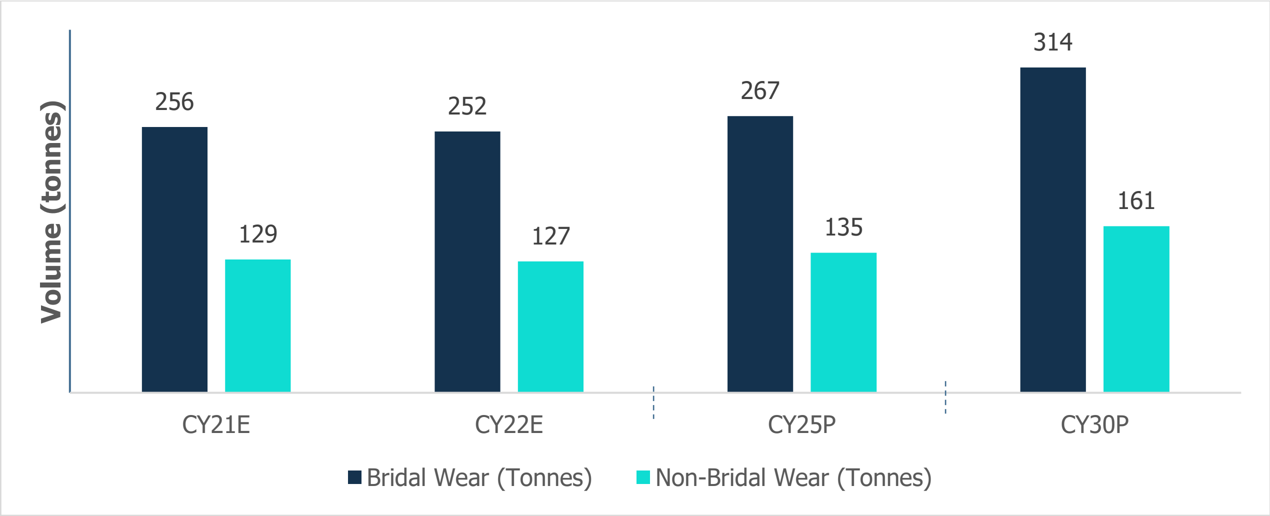
The Indian wholesale market in the bridal segment is expected to register ~3% CAGR for the period, 2022-2030. Whereas, in the non-bridal segment, occasional wear is projected to record ~1.7% CAGR growth for the same period and daily wear is projected to make higher growth of ~3.5%.

Chart 38: Indian Jewellery Wholesale Market Size Trend (in Rs. Billion) - By Wearing



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

Chart 39: 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 global jewellery due to its low costs, availability of skilled labor, and other benefits like policy support etc. Various government policies 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 government has taken various initiatives for investment promotion and technology upgradation. The country is looking forward to building a 'Brand India' in the global market because of its growth prospects.

The Government of India's decision to bring FDI into the retail market expedited the growth in the organized jewellery sector. This facilitated substantial job opportunities in various departments like logistics, repackaging centres, distribution channels, housekeeping, security, etc. FDI has been one of the key drivers in uplifting the jewellery sector and contributing towards the overall development of the economy. The FDI Equity Inflow in the gem & jewellery sector during FY2016 – H1FY24 was USD 568 million.

7.2 Goods & Services Tax (GST)

Prior to the introduction of the GST regime, gold attracted a 2% tax, consisting service tax and a value-added tax (VAT) of 1% each. The tax rate levied on gold sales increased from 2% to 3% due to the 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 the purchase of bullion. Further, the implementation of GST has improved transparency and accountability, especially in 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 the objective of diversifying the assets under which the country's foreign exchange reserves are held. This is used as a safe investment tool against inflation and brings stability to the 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 800.79 tonnes at the end of September 2023.

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 the form of bars and coins, digital gold, sovereign golf bonds (SGBs), etc.

Table 13: Authorized Banks 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% 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 imports.

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

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

- **Increasing Import Duty on Gold and Silver Findings**

The import duty on gold and silver findings and coins of precious metals has increased to 15% from 10%. This includes Basic Custom Duty (BCD) of 10% and 5% of AIDC (Agriculture Infrastructure Development Cess). Findings are items like hooks, clips, pins, screws, etc., which are components of jewellery making. Further, the Finance Ministry has also increased the import duty on precious metals to 14.35%.

- **Facilitation of Jewellery Exports via E-Commerce**

India is the global leader in this industry and its exports were affected adversely due to COVID-19. 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 the 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 at 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 to make productive use of the gold 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, corporations, and temple trusts can deposit their gold for a short-, medium-, and long-term period with RBI-designated banks under this scheme. This will help them earn interest at a rate of interest chosen by the Central Government.

The government modified the existing Gold Deposit Scheme and Gold Metal Loan Scheme with the 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 the government bear borrowing costs.

With the new Revamped Gold Monetization Scheme in 2021, a 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 is given to banks to purchase standard locally refined/sourced from refineries and Gold Spot Exchanges
- Interbank lending of IGDS/LBMA standard Bullion
- Development of the 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 the 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 implemented to strengthen the Gold Monetization Scheme. To alleviate the financial distress caused by COVID-19 among 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 availing loans against gold and jewellery for non-agricultural purposes. At present, the government is reconsidering the scheme as 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

The Gems and Jewellery Skill Council of India (GJSCI) is a council body 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 the workforce in the Indian gems & jewellery industry. They provide training for the processing of diamonds, coloured gemstones, manufacturing of jewellery, and other areas such as wholesale, retail, and exports. They also undertake initiatives to provide manufacturing setups with the 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, and Department of Finance on issues related to trade. It holds integrity and carries out the Kimberly Process Certification Scheme for diamonds. It also runs various training institutes, which focus on manufacturing skills, design, and other technical skills 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 the 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 the 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 established to promote and advance the growth in the gems & jewellery industry. It ensures fair-trade practices carried out in the industry and manages the efficiency of businesses. GJC constitutes 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 contribute towards 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 the SEEPZ SEZ region. It is established by jewellery units in SEEPZ and resolves problems arising in export production and growth.

4. The Jewellers Association, Jaipur: It was formed for the progress and growth of the 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 the 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. The hallmark consisted of 3 marks viz, BIS logo, purity of the article, and six-digit alphanumeric HUID. Each hallmarked article has a unique HUID number which is traceable.

However, the old hallmarked jewellery 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 also has an advanced online digital solution in which the assaying and hallmarking centre is automated.

Furthermore, the hallmarking of the jewellery builds trust in the consumers as it gives them a sense o
f 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. The Bureau of Indian Standards scheme has been successful in uplifting the quality and increasing reliance on 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 promote the setting up of jewellery parks to encourage the gems and jewellery sector, which is currently characterized by a 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 has wholesale units and factories spread across India, the Middle East, the Far East, and the USA.

Key Financials (Standalone):

Indicative Financials	Unit	FY22
Revenue	Rs. Crore	31,379.80
Operating Profit Margin	%	2.18
Net Profit Margin	%	2.05
Return on Capital Employed (ROCE)	%	36.85
Debt to Equity	Times	0.44
Average inventory turnover	Times	15.85
Average marketing spends 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 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 of 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 898 retail stores (including CaratLane) across more than 450 towns pan-India.

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

Indicative Financials	Unit	FY22	FY23	9MFY24
Revenue	Rs. Crore	27,210	38,270	35857
Operating Profit Margin	%	11.86	12.46	10.92
Net Profit Margin	%	8.01	8.71	7.69
Return on Capital Employed (ROCE)	%	33.36	39.23	-
Debt to Equity	Times	0.02	0.10	-
Average inventory turnover	Times	1.99	2.09	-
Average marketing spends as a percentage of revenue	%	-	-	-
Per Store Data				
Total Number of stores (excluding CaratLane)	Number	444	541	636
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	1,257.17	2,155.09
Operating Profit Margin	%	6.80	9.71
Net Profit Margin	%	7.85	4.75
Return on Capital Employed (ROCE)	%	57.74	84.37
Debt to Equity	Times	1.57	2.57
Average inventory turnover	Times	2.15	1.97
Average marketing spends 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. (Joyalukkas) is a jewellery manufacturer, distributor, and retailer. It is a multinational Indian jewellery company with offices in Thrissur, Kerala, and Dubai, the 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	%	11.53	10.45
Net Profit Margin	%	6.80	6.20
Return on Capital Employed (ROCE)	%	44.97	41.56
Debt to Equity	Times	0.58	0.46
Average inventory turnover	Times	4.04	2.47
Average marketing spends 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: 9MFY24 financials are not available

- **Key Product Segments and Brands:**

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

Source: Company Website

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

- **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 a few other states.

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

Indicative Financials	Unit	FY22	FY23	9MFY24
Revenue	Rs. Crore	3,534.64	4,075.56	4099.73
Operating Profit Margin	%	7.87	7.80	7.07
Net Profit Margin	%	3.68	3.95	3.71
Return on Capital Employed (ROCE)	%	34.21	32.05	-
Debt to Equity	Times	1.19	1.24	-
Average inventory turnover	Times	2.46	2.10	-
Average marketing spends as a percentage of revenue	%	1.43	1.93	
Per Store Data				
Total Number of stores	Number	127	142	155
Revenue per store	Rs. Crore	27.93	29.60	26.45
EBITDA per store	Rs. Crore	1.55	2.55	1.85

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 Channel -** Retail

8.5 Asian Star Company Limited

- **Company Profile:**

Asian Star Company Limited is a manufacturer of diamond jewellery which is 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, and jewellery production to distribution and retailing, its vertically integrated activities cover the whole value chain. The company has global operations with a 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	9MFY24
Revenue	Rs. Crore	3,034.25	3427.02	2018.00
Operating Profit Margin	%	2.91	3.37	3.71
Net Profit Margin	%	1.92	1.67	2.43
Return on Capital Employed (ROCE)	%	9.32	9.87	-
Debt to Equity	Times	0.72	0.67	-
Average inventory turnover	Times	5.24	4.61	-
Average marketing spends 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 Channel** - Wholesale

- **Expansion Plans:**

To cater to the growing needs of the domestic market, the company plans to open a unit in Surat to boost its 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 has been in 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 work basis at Ahmedabad and Rajkot.

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

Indicative Financials	Unit	FY22	FY23	9MFY24
Gross Revenue	Rs. Crore	163.85	158.00	114.36
Operating Profit Margin	%	3.18	2.29	5.45
Net Profit Margin	%	1.87	1.13	3.80
Return on Capital Employed (ROCE)	%	5.23	3.30	-
Debt to Equity	Times	0.05	0.08	-
Average inventory turnover	Times	3.45	2.53	-
Average marketing spending 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 the Gems and Jewellery Industry in India

9.1 Key Wholesalers:

9.1.1 Utssav CZ Gold Jewels

Utssav CZ Gold Jewels have been manufacturing CZ-studded gold jewellery since 2007, with a specialization in 18kt rose gold jewellery. Offering a wide range of jewellery varieties, the company has established a strong presence across India. Through enduring partnerships with reputable wholesalers and retailers, Utssav CZ Gold Jewels consistently receive orders.

Engaged in the manufacturing and distribution of hallmarked 18 and 22-carat yellow and white gold CZ-studded jewellery such as rings, earrings, pendants, bracelets, and necklaces, the company's revenue predominantly originates from the domestic market, operating under a B2B model. Notably, it holds a significant market share in the northern region of India. Procurement of gold primarily occurs through bullion players.

Information	Description
Year of Establishment	2007
Primary Business	Gold Jewellery
Geographical Presence	India

Product Portfolio
Plain Gold Jewellery

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

Indicative Financials	Unit	FY22	FY23
Revenue	Rs. Crore	123.30	238.19
Operating Profit Margin	%	5.07	5.02
Net Profit Margin	%	2.52	2.97
Return on Capital Employed (ROCE)	%	21.97	40.62
Debt to Equity	Times	2.54	1.91
Average inventory turnover	Times	4.99	10.56

Source: Company Annual Reports & CareEdge Research

9.1.2 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 nationwide 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	9MFY24
Revenue	Rs. Crore	252.11	287.93	241.26
Operating Profit Margin	%	10.62	13.12	13.99
Net Profit Margin	%	5.71	7.76	7.82
Return on Capital Employed (ROCE)	%	32.82	32.95	-
Debt to Equity	Times	0.85	1.04	-
Average inventory turnover	Times	1.98	1.68	-

Source: Company Annual Reports & CareEdge Research

9.1.3 Sky Gold Ltd.

The brand 'Sky Gold Ltd.' was established in 2008, focusing on the design, production, and promotion of gold jewelry. Operating under a business-to-business (B2B) model, Sky Gold Limited primarily sells its products to mid-range jewelers and boutique stores. These then distribute the products through various channels, including online platforms and retail outlets.

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

Product Portfolio
Rangi
Marisa
Saathiya
Sovana
Misha
Shaan
Tazim
Kenvar
Zenna
Kimora
Shai
Rose
Bridal

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

Indicative Financials	Unit	FY22	FY23	9MFY24
Revenue	Rs. Crore	785.70	1153.80	1232.11
Operating Profit Margin	%	2.58	3.15	4.21
Net Profit Margin	%	2.16	1.61	2.18
Return on Capital Employed (ROCE)	%	31.58	31.74	-
Debt to Equity	Times	1.19	1.49	-
Average inventory turnover	Times	10.61	13.84	-

Source: Company Annual Reports & CareEdge Research

9.1.4 Uday Jewellery Industries Ltd.

Uday Jewellery Industries Ltd originated as Net Trade Innovations Private Limited, incorporated on May 13, 1999. It transitioned into a Public Limited Company on February 16, 2000. The company operates within the realms of manufacturing, selling, and trading stone-studded gold jewelry, diamond-studded jewelry, silver items, and cubic zirconia adorned with natural and coloured stones across various geographical regions, encompassing both domestic and export markets. Uday Jewellery Industries Ltd is affiliated with the Sanghi Group.

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

Product Portfolio
Stone-studded gold jewellery
Diamond-studded jewelry
Silver items
Cubic Zirconia

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

Indicative Financials	Unit	FY22	FY23	9MFY24
Revenue	Rs. Crore	121.54	176.73	131.34
Operating Profit Margin	%	6.52	7.53	9.27
Net Profit Margin	%	4.70	5.38	6.59
Return on Capital Employed (ROCE)	%	14.45	21.11	-
Debt to Equity	Times	0.47	0.49	-
Average inventory turnover	Times	3.02	3.31	-

Source: Company Annual Reports & CareEdge Research

9.1.5 Laxmi Jewellery Export Pvt. Ltd.

The '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 exports 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	FY23
Revenue	Rs. Crore	896.47	891.03
Operating Profit Margin	%	2.87	3.11
Net Profit Margin	%	1.91	2.45
Return on Capital Employed (ROCE)	%	22.80	23.09
Debt to Equity	Times	0.93	0.45
Average inventory turnover	Times	9.40	9.26

Source: Company Annual Reports & CareEdge Research
Note: 9MFY24 Financials are not available

9.1.6 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	FY23
Revenue	Rs. Crore	298.40	396.12
Operating Profit Margin	%	6.32	9.96
Net Profit Margin	%	3.76	6.70
Return on Capital Employed (ROCE)	%	25.27	54.52
Debt to Equity	Times	2.68	0.54
Average inventory turnover	Times	5.65	7.00

Source: Company Annual Reports & CareEdge Research
Note: 9MFY24 Financials are not available

9.1.7 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)	%	14.71
Debt to Equity	Times	0.35
Average inventory turnover	Times	2.01

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

9.1.8 Aradhana Jewellery Pvt. Ltd.

Aradhana Jewellery Pvt. Ltd. (Aradhana Jewellery) is a private company 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

9.1.9 S. K. Jewellers Pvt. Ltd.

S.K. Jewellers is a Mumbai-based company 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

9.1.10 Radhey Shyam Jewellers Pvt. Ltd.

Radhey Shyam Jewellers Pvt. Ltd. is a third-generation jewellery family business, carrying a legacy of more than 60 years. This business was founded by Late Radhey Shyam Goel in the early fifties. This business was incorporated as a 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	%	2.33
Net Profit Margin	%	0.68
Return on Capital Employed (ROCE)	%	8.62
Debt to Equity	Times	3.32
Average inventory turnover	Times	4.66

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

9.1.11 S K Seth's Jewellers Pvt. Ltd.

The business came into existence in the year 1972. The company was incorporated in the year 2011 as a 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	FY23
Revenue	Rs. Crore	2.96	5.14
Operating Profit Margin	%	-4.56	1.97
Net Profit Margin	%	-6.39	0.64
Return on Capital Employed (ROCE)	%	-12.84	7.91
Debt to Equity	Times	0.79	0.61

Source: Company Annual Reports & CareEdge Research
Note: 9MFY24 Financials are not available

9.1.12 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	FY23
Revenue	Rs. Crore	204.8	180.05
Operating Profit Margin	%	1.52	1.99
Net Profit Margin	%	1.13	1.47
Return on Capital Employed (ROCE)	%	47.54	38.58
Debt to Equity	Times	0.08	0.05
Average inventory turnover	Times	71.65	20.74

Source: Company Annual Reports & CareEdge Research
Note: 9MFY24 Financials are not available

9.1.13 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	FY23
Revenue	Rs. Crore	13.33	20.84
Operating Profit Margin	%	0.85	0.99
Net Profit Margin	%	0.42	0.59
Return on Capital Employed (ROCE)	%	1.72	3.96
Debt to Equity	Times	0.61	0.45
Average inventory turnover	Times	3.26	4.37

Source: Company Annual Reports & CareEdge Research
Note: 9MFY24 Financials are not available

9.2 Key Retailers:

9.2.1 KK Jewels Pvt. Ltd.

K Jewels was incorporated as a private limited company in the year 2003. The company is engaged in the 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	%	11.58
Net Profit Margin	%	10.32
Return on Capital Employed (ROCE)	%	9.01
Debt to Equity	Times	0.63
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	FY23
Revenue	Rs. Crore	0.56
Operating Profit Margin	%	NA
Net Profit Margin	%	34.12
Return on Capital Employed (ROCE)	%	NA
Debt to Equity	Times	NA
Average inventory turnover	Times	NA

Source: Company Annual Reports & CareEdge Research
Note: 9MFY24 Financials are not available

9.3 Competitive Analysis- Based on FY23 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
Utsav CZ Gold Jewels Limited	238	5.02	2.97	40.62	1.91	10.56
Titan Company Ltd.	38857	12.46	8.71	39.23	0.10	2.09
Carat Lane	2155	9.71	4.75	84.37	2.57	1.97
Joyalukkas India Ltd.	14513	10.45	6.20	41.56	0.46	2.47
Senco Gold and Diamonds Ltd.	4075	7.80	3.95	32.05	1.24	2.10
Asian Star Company Ltd.	3427	3.37	1.67	9.87	0.67	4.61
Ashapuri Gold Ornaments Ltd.	158	2.29	1.13	3.30	0.08	2.53
RBZ Jewellers Ltd.	287	13.12	7.76	32.95	1.04	1.68

10 Annexure

Abbreviation	Full form
AHC	Assaying and Hallmarking Centers
AIDC	Agriculture Infrastructure Development Cess
B2B	Business to Business
BCD	Basic Customs Duty
BIS	Bureau of Indian Standards
CAGR	Compounded Annual Growth Rate
CEPA	Comprehensive Economic Partnership Agreement
CPD	Cut & Polished Diamonds
CPI	Consumer Price Index
CPTC	Collection and Purity Testing Centres
DGFT	Directorate General of Foreign Trade
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
e-IGJS	International Gems and Jewellery Show
FDI	Foreign Direct Investment
FEE	Foreign Exchange Earner
FTA	Free Trade Agreement
G&J	Gems and Jewellery
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GIA	Gemological Institute of America
GJC	Gem and Jewellery Domestic Council
GJEPC	Gems & Jewellery Export Promotion Council
GJSCI	Gems and Jewellery Skill Council of India
GML	Gold Metal Loan
GMS	Gold Monetization Scheme
GNDI	Gross National Disposable Income
GSI	Gemological Science International
GST	Goods & Services Tax
GVA	Gross Value Added
HRD	Hoge Raad Voor Diamant
HUID	Hallmark Unique Identification
IGI	International Gemological Institute
IIJS	India International Jewellery Show
IIP	Index of Industrial Production
IMD	Indian Meteorological Department
IMF	International Monetary Fund
LAF	Liquidity Adjustment Facility
LBMA	London Bullion Market Association
LGD	Lab-Grown Diamonds

LTGD	Long Term Government Deposit
MCA	Merchant Cash Advances
MLTGD	Medium and Long Term Government Deposit
MMTC	Metals and Minerals Trading Corporation
MOSPI	Ministry of Statistics and Program Implementation
MSDE	Ministry of Skill Development & Entrepreneurship
MSF	Marginal Standing Facility
MSMEs	Micro, Small & Medium Enterprises
MTGD	Medium-Term Government Deposit
NSDC	National Skill Development Corporation
PFCE	Private Final Consumption Expenditure
PLI	Production-Linked Incentive
PMGKAY	Pradhan Mantri Kalyan Anna Yojana
PMMY	Pradhan Mantri Mudra Yojana
PPP	Purchasing Power Parity
RBI	Reserve Bank of India
R-GDS	Revamped Gold Deposit Scheme
ROCE	Return on Capital Employed
SDF	Standing Deposit Facility
SEBI	Securities and Exchange Board of India
SEEPZ	Santacruz Electronics Exports Processing Zone
SEZs	Special Economic Zones
SGB	Sovereign Gold Bond
SGJMA	SEEPZ Gems & Jewellery Manufacturers' Association
STBD	Short Term Bank Deposit Scheme
VAT	Value-Added Tax
WEO	World Economic Outlook

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