

INDIAN GOLD JEWELLERY RETAIL INDUSTRY



ICRA

RESEARCH SERVICES

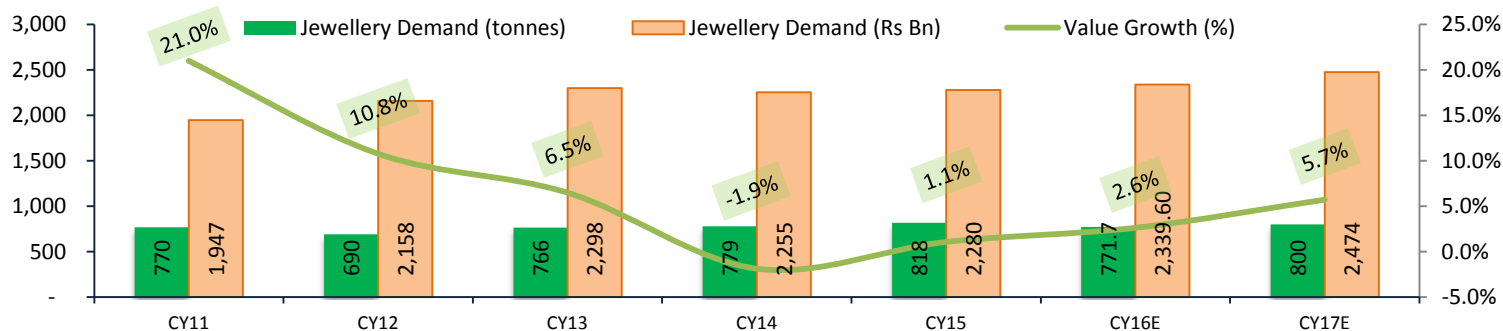
Jewellery volumes to remain subdued in the near term on continued uptrend in gold prices; however, medium term growth to remain intact

ICRA Research Services | Social Comment

CY2016 Demand Outlook: During the current year, ICRA estimates the jewellery industry to record ~3% value growth, which is lower than our earlier estimates of 5-6% growth – this is largely owing to steady rise in gold prices denting volumes. However, overall volumes are likely to be buffered to an extent by improvement in rural demand (on the back of better monsoons), renewed expansion thrust of organized players and higher than expected recycling of gold (with rising gold prices). Emphasis on boosting rural economy in the Union Budget 2016-17 is also likely to spur rural demand which could augur well for the industry over the next three years. ICRA expects organized retailers (who comprise ~25% of the market) to continue recording better than industry volumes, given changing consumer preferences favoring branded players and improved financing environment which would support capital requirements to pursue expansion. Implementation of hedging mechanisms and evolution of formal corporate setups are also expected to help organized players navigate through the volatility in the industry, even as the overall regulatory environment continues to evolve with the Government of India (GoI) focused on reducing investment related demand for gold, in its efforts to reduce the import burden.

ICRA expects volumes to recover in CY2017 (~3-4% growth), post the likely stabilization of gold prices at higher levels. In recent years, price volatility has become one of the major demand dampeners in India - with sharp price increases resulting in decline in new purchases, and a commensurate increase in the recycling activity (exchange buying). However, it has been witnessed that, consumers revert to fresh purchases upon stabilization of gold prices, indicating the fundamental strength of jewellery demand. There has also been periods, where demand has increased in spite of price increases, propelled by consumer's expectations of further increase in gold prices.

Exhibit 1: Indian Jewellery Demand Trends



Source: ICRA research

ICRA had recently conducted a survey on demand outlook and various other parameters among leading jewellery retailers. Key highlights of demand related responses have been presented in this note. A detailed copy of the survey including responses on other categories such as price outlook, expansion plans, financial performance, hedging, etc is available for subscribers at the following link – [Gold Survey](#).

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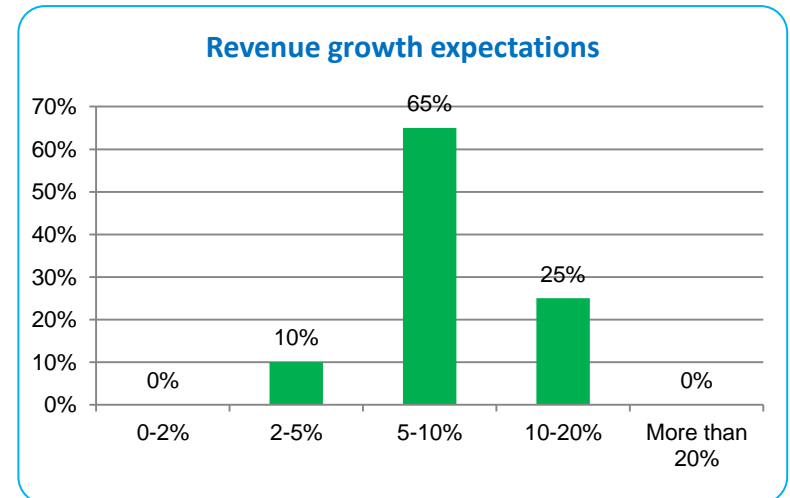
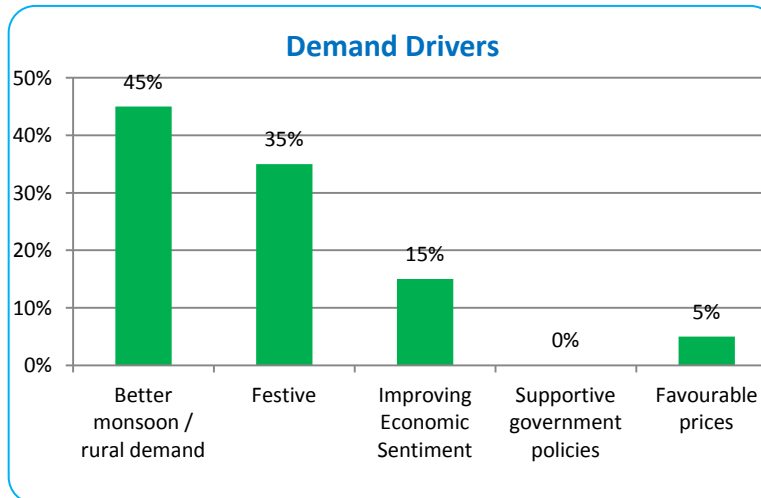
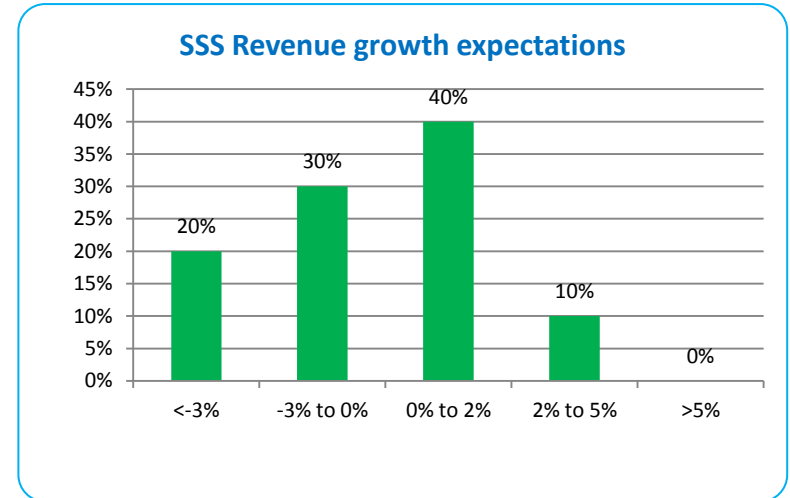
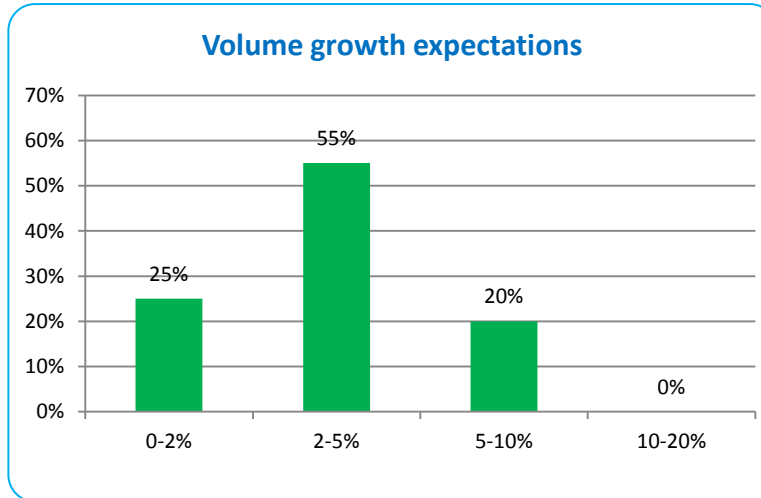
Annexure: Highlights of the Survey

The survey of leading players reveals demand for jewellery to grow at a pace of 3% spurred by price increases with volume growth likely to be modest; however, larger retailers are expected to fare better driven by store expansion

Festive season and anticipated improvement in rural demand supported by better monsoon are being highlighted as factors supporting volumes.

Same store sales is expected to remain modest, limited largely by competition

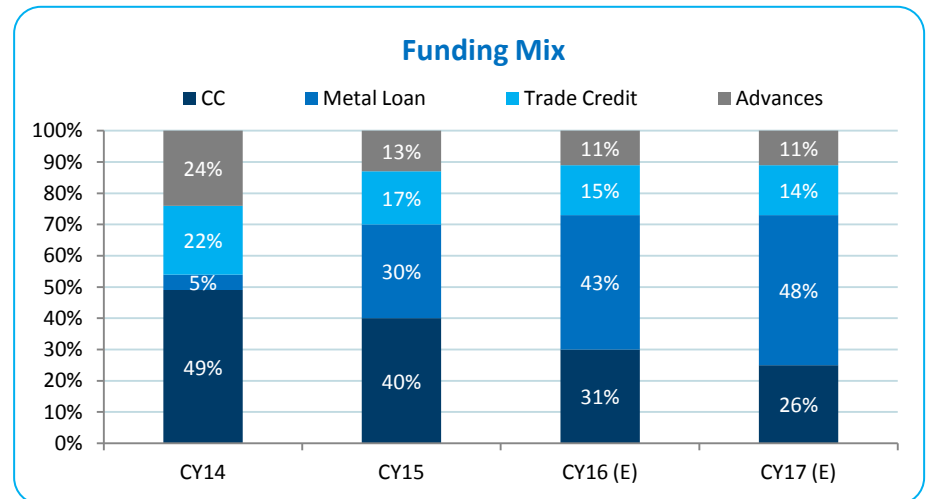
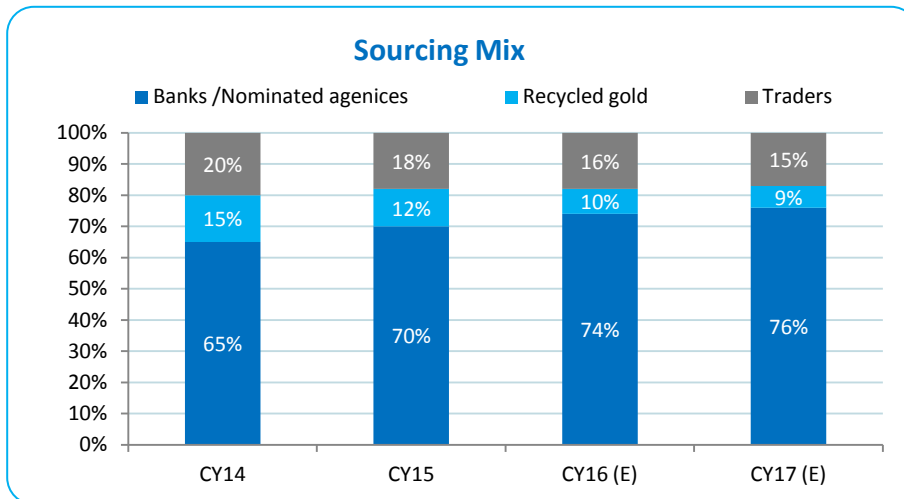
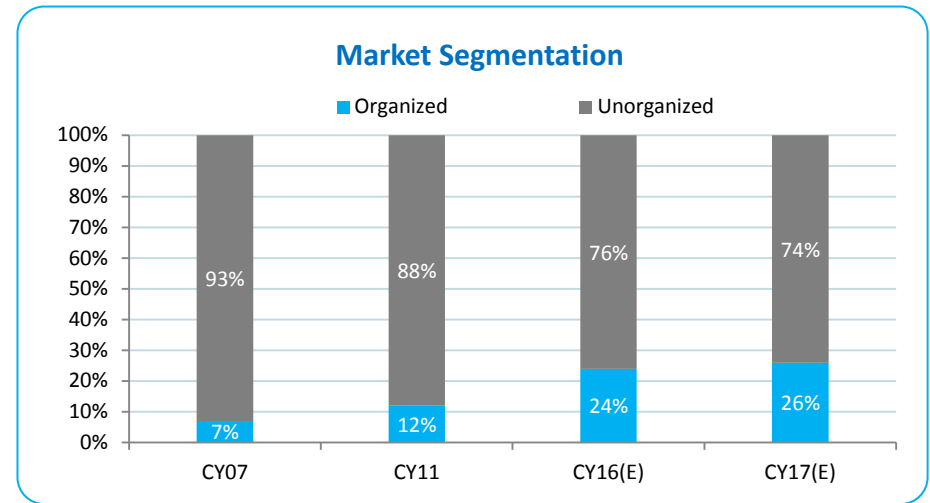
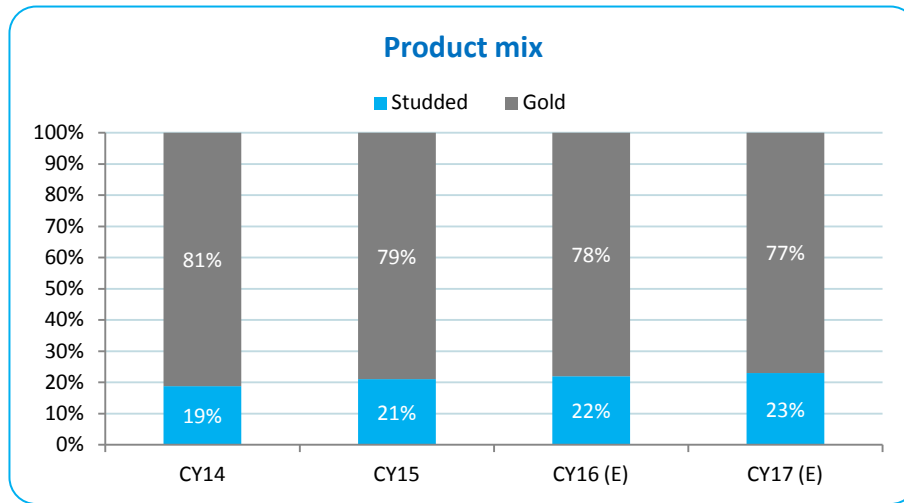
Exhibit 2: Survey Results



Source: ICRA research; SSS: Same store growth

Annexure: Industry Snapshot

Exhibit 3: Industry Snapshot



Source: ICRA research



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