INDIAN MARKET OVERVIEW

- The Indian jewellery industry is a significant economic and cultural sector, contributing substantially to the country's GDP and exports. It is characterized by a diverse range of products, including traditional gold, silver, platinum, diamond, and contemporary fashion jewellery. The industry is highly competitive, fragmented, and disorganized.
- India is also the world's largest exporter of cut and polished diamonds, contributing significantly to the global diamond trade. In FY24, India's gems and jewellery exports stood at US$22 billion.

MARKET SIZE

- As of 2023, the Indian jewellery market size was estimated at USD 85.52 billion, accounting for 24.21% of the global jewellery market.

- As of March 2024, India's gold and diamond trade contributed ~7% to India's Gross Domestic Product (GDP) and 15.7% to India's merchandise exports. The market is experiencing a Compound Annual Growth Rate (CAGR) of 12%.

- The organized sector now constitutes 20% of the jewellery industry, driven by factors such as stock market volatility, wedding season, and rising disposable income which has fueled gold demand.

SUSTAINABILITY

The environmental and ethical dilemma surrounding the use of natural stones and gems is being tackled through the introduction of lab-grown diamonds in the market. Policy changes such as mandatory hallmarking and stricter compliance to standards like the Kimberley Process, increase consumer trust and provide encouragement for a greener future.

- The unorganised sector still dominates the Indian jewellery market, with over 500,000 local jewellers accounting for approximately 62–64 percent of the market in FY24.

- However, while still a minority, organised retailers are gaining market share. Unorganized players are also starting to mimic their organised competitors by using fair pricing practices and building consumer trust.

PORTER'S ANALYSIS

POTENTIAL NEW ENTRANT - Moderate Threat

The jewellery industry is largely unorganized, leaving significant room for big players to expand. However, it is capital-intensive, requiring large investments in inventory and trust-building. Established brands like Tanishq, Malabar and Kalyan Jewellers currently dominate the organised market.

POWER OF SUPPLIERS - Low

There is very little bargaining power of suppliers owing to heavy competition in this segment- based on pricing and quality.

POWER OF BUYERS - High

Indian consumers are price-sensitive and easily switch between brands, local jewellers and online retailers. While big brands offer trust, local jewellers attract buyers with lower prices. The high competition gives buyers strong bargaining power.

AVAILABILITY OF SUBSTITUTES - High

Substitute products disrupt the industry. For example, the recent wave of lab-grown diamonds (LGDs). However, most players are still continuing with the traditional businesses in the Indian market and haven't evolved towards LGDs.

COMPETITION IN THE INDUSTRY - High

There is cut-throat competition among existing competitors to earn customer trust and loyalty while maintaining profitable margins.

COMPLEMENTARY GOODS

The Indian Jewellery industry is majorly driven by weddings and events. With the number of events and weddings along with Indian disposable incomes increasing year on year, the demand for both Jewellery and metals like gold is increasing, inflating their prices.

KEY GROWTH DRIVERS

DEMAND SIDE

- **Increasing disposable incomes are expanding India's middle class, where gold remains a preferred asset for investment against inflation.**

As Indian households become financially well-off, they're more likely to spend money on luxury and high-value items like jewellery. The data from the World Gold Council supports this claim, reporting that approx. 1% increase in gross national income (GNI) per capita leads to a 0.9% rise in gold demand.[1] Additionally as rural employment quality is expected to improve, 65% of the population still lives in rural areas and is expected to purchase more jewellery.[2]

- **A rising young population with evolving consumer behaviour.**

Influenced by global trends, consumers aged 25-40 are demanding branded trendy, everyday jewellery that suits their contemporary lifestyles. This is reflected in the market as the share of gold jewellery has declined to about 82% in 2023 from about 87% in 2016, while the preference for diamonds and other metals has grown from around 8% to 16% due to the interest in diverse designs.[6]

- **Jewellery's cultural significance in India**

Jewellery has a deep cultural and traditional importance in India with bridal jewellery accounting for 50-55% of sales in the market. Weddings and festivals are the two primary occasions driving gold purchases in India. Beyond its value as an ornament, it has tremendous emotional values as it represents family heritage and financial security and hence demand is expected to remain strong.

SUPPLY SIDE

- **A positive regulatory environment is attracting investment and building trust among consumers**

Firstly, 100% FDI is now allowed in the Indian jewellery market allowing for innovation and competitiveness. Secondly, the mandatory BIS hallmarking scheme is building customer confidence and reducing malpractices. Lastly, The Gold Monetization scheme improves gold liquidity by letting gold deposits to earn interest.

- **Availability of Skilled Labor and Artisanal Craftmanship**

India has a rich heritage of jewellery craftsmanship particularly in handmade and temple jewellery. Through skill development initiatives like the *Skill India program* by the Government of India, there have been trained artisans who are ensuring a continued supply of labour for both traditional and modern jewellery production

MARKET TRENDS AND DYNAMICS

LIFECYCLE

The Indian Jewellery industry is at a stage that could be considered in between the growth and maturity phase in terms of industry lifecycle.

The Jewellery industry remains fragmented, with disruption through online and omnichannel companies chipping away market share from more traditional players.

However, the industry is witnessing a move towards consolidation on the Jewellery Manufacturing front as the number or manufacturers operating large scale factories increase, with the numbers going from 10% in 2015-20 to over 20% now.

This consolidation primarily stems from national brands greater access to credit, and economies of scale from the inventory they carry. The future focus of the industry lies in establishment of jewellery parks to aid organisation and focus on worker conditions.

KEY TRENDS

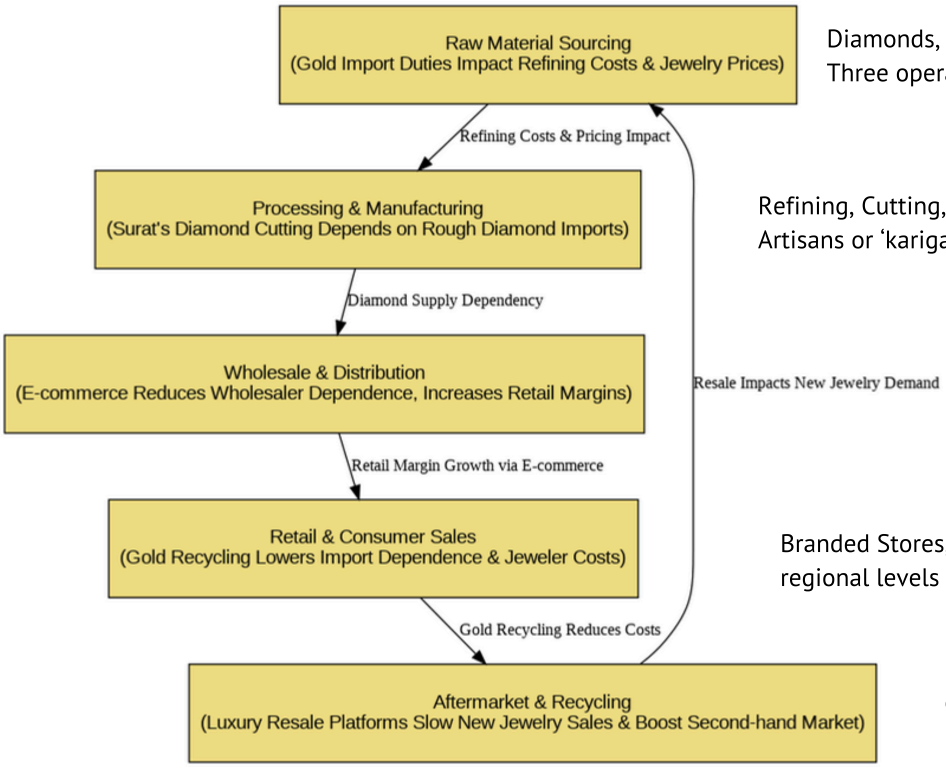
- Lab-grown diamonds are priced 30–40% lower than their mined counterparts and offer strong ethical and environmental credentials.
- Advances in production techniques—such as enhanced 3D rendering and virtual try-on capabilities—have further reduced costs while expanding design flexibility.
- India's dominance in processing and cut & polished diamond exports (over 90% globally) and its position as the second-largest exporter of lab-grown diamonds provide significant scale and innovation potential.
- Moreover, maturing production processes may yield gross margins comparable to or exceeding the 30–40% typical of traditional diamond segments, while retailers with robust omnichannel capabilities are expected to see accelerated consumer adoption.

MARKET OUTLOOK

In spite of rising gold prices and local supply constraints, daily-wear jewellery and the organised retail segment have been growing at rates in the high teens. As the younger demographic has increasing opted for purchases in jewellery that are worn frequently, the Daily Wear Jewellery segment has witnessed a 17% CAGR growth over CY21-23.

The Organised segment has accquired a growing pie of the increasing jewelllery industry, seeing growth from a 2% market shjare in 2000 to a 35% market share in 2023. This growth is extected to sustain given increasing regulation in the jewellery industry, with introduction of compulsory Hallmarking (2021), PAN Cards (2016), and a growing requirement for trusted sellers of jewellery.

VALUE CHAIN ANALYSIS



Diamonds, Silver, Platinum and Gemstone
Three operational gold mines, i.e., Hutti, Uti and Hirabuddini.

Refining, Cutting, Polishing and Crafting.
Artisans or 'karigars' form the backbone of the industry.

Wholesalers, Exporters and E-Commerce

Branded Stores, Online Sales and Retail Markets operating at regional levels

Gold Recycling and Second-hand Jewellery

RISKS AND MITIGATION STRATEGIES

RISKS	MITIGATION STRATEGY
Limited domestic gold mines make the market reliant on imports, which makes it vulnerable to global price swings and supply chain disruptions.	India needs to diversify its sourcing by encouraging domestic exploration and trade partnerships with multiple countries. Investing in recycled gold and lab-grown diamonds can also help reduce dependence on raw imports.
Overdependence on imports exposes the Indian jewelry industry to the risks of the geopolitical set up, trade restrictions, and logistical problems	India should enhance its domestic refining and processing capabilities and introduce technology-driven supply chain solutions like blockchain for better transparency and efficiency.
The dependence of the jewellery industry on traditional artisans and manual processes slows down production and makes it difficult to scale.	India needs to upskill artisans through both government and private training programs. Faster adoption of automation technologies such as CAD and 3D printing can speed up the design process and reduce dependence on manual labor.
High import duties on gold and cut diamonds, along with mandatory hallmarking and complex tax structures, increase costs and make it harder to comply with regulations.	The industry should work together for lower import duties and a more streamlined hallmarking system. Investing in digital tracking and compliance management systems can also help in following the regulations. Strong compliance frameworks, interacting with legislators, and using government incentives can also further reduce these difficulties.
The Indian jewellery market is fragmented, with regional players dominating. This makes it challenging for businesses to expand nationally due to diverse consumer preferences and difficulties in establishing brand trust across different regions.	Businesses should focus on building a strong online presence and use digital marketing to gain national recognition. They should also develop region-specific jewellery collections to cater to local tastes while still maintaining a consistent national brand identity.
The jewelry industry struggles with working capital and raising capital due to high inventory costs, liquidity issues, unsold stock, and delayed payments.	To mitigate NWC issues, businesses can adopt just-in-time inventory management, digitized tracking (RFID) and flexible consignment models. To overcome the risk of difficulty in raising capital companies should diversify funding, adopt asset-light expansion, use government incentives, and explore IPOs or gold-backed credit.

INVESTMENT THESIS

- Jewellery brands are aggressively expanding through the FOCO (franchise-owned, company-operated) model. This allows them rapid growth with minimal capital investment thereby supporting deeper penetration into Tier 3/4 cities.
- Presently tier-3 city penetration remains just 18%, leaving ample opportunity for brands to expand and capture market share. With efficient scaling and improving margins, the sector presents a strong investment case for the organized sector.
- The top 10 listed jewellery companies are averaging good ROCE of about 16%.
- Organized players like Kalyan, Titan, and Malabar have a very high repeat customer rate of around 50%. This not only aids them in sustaining revenue but also helps them in scaling and acquiring new customers in tier 3 and 4 cities.
- More young buyers are choosing lightweight, everyday jewellery over traditional heavy pieces, driving 17% CAGR growth in the daily-wear segment from 2018 to 2023. At the same time, small brands and startups are stepping up to capture the unorganized market, and with big players trading at steep P/E multiples of 40-80, these emerging names could offer great investment opportunities with attractive long term returns.
- Gold has outperformed Nifty50 with a 17% CAGR over the last five years. The recent gold import duty cut from 15% to 6% has lowered costs and boosted exports which can be seen in their Export numbers.
- The Indian jewellery market has been expanding at a 12-14% CAGR, driven by weddings and rising disposable incomes, especially in Tier 2/3/4 cities.
- At the same time, hallmarking and other regulations like compulsory pan cards are forcing unorganized sectors out of the market.
- Lab-grown diamonds (LGDs) are gaining traction in India as they are offering 25%+ margins. The US and China are already at 70-80% adoption for LGDs and steep growth is expected in the Indian market as well.
- Silver, though only 3% of the jewellery market, has delivered 18% CAGR returns in the last five years. It is expected to grow in the future supported by surging industrial demand from EVs, solar energy and 5G.

ANTI-THESIS

- Jewellery brands frequently face challenges regarding bank credit, in light of major frauds such as the Nirav Modi, Mehul Choksi fraud of over Rs. 130 Billion. Furthermore, according to the RBI's December 2021 Financial Stability Report, 20% of the loans in the Jewellery industry as categorised as NPAs, furthering the issue. This is primarily due to the high involvement of cash dealings in the Jewellery Industry.
- We have also witnessed a increase in NWC within the jewellery business, with top players like Titan seeing their NWC and Cash Conversion Cycles going from 55 and 142 days in 2014 to 115 and 171 days in 2024. Increases in these operational efficiency ratios could further compound on the credit and capital issues that Jewellery companies face across the industry. This is also validated through Titan's WACC going from 11.82% in 2020 to 13.93% in 2024.
- Extreme increases in regulations may lead to a slowdown in demand in the industry. For example. the government imposition of 3% GST on Gold has led to a slowdown in purchase of gold bars and coins. This is because, according to Metals Focus, 30-40% of the bars and coins have been converted to jewellery. Under the current scheme, a consumer would have to pay 3% tax on the purchase and a further 3% tax on jewellery for a given bullion, leading to double taxation. The notion of taxation and regulation on a asset that is generally deemed an investment may lead to a move towards unregistered bullion or reduced demand.
- Growth in the industry, to some extent may already be priced in. A calculation of the weighted P/E of the top 10 MCap Companies in the industry reveals a relatively high weighted price to sales of 82.97.

CONCLUSION

Ultimately, estimated at USD 85.52 billion in 2023 and accounting for 24.21% of the worldwide market, the Indian jewellery sector is a culturally encoded behemoth that generates roughly 7% to GDP and 15.7% to merchandise exports. Rising disposable incomes, a growing middle class, and changing consumer tastes fuel its strong 12% CAGR; wedding wear (55%), daily wear (35%), and event-led categories firmly anchor demand. While silver though just 3% of the market has provided 18% CAGR returns, gold is the leading material (81%). bolstered by a growing share of diamonds (15%) and novel lab-grown alternatives offering 30–40% cost advantages and superior margins. Supported by positive government changes like 100% FDI, required hallmarking, and recent gold import duty cuts, together with high repeat customer rates and growing organised retail in underpenetrated Tier 3/4 cities, the sector offers a compelling investment case. The Indian jewellery market is a definite buy given its deliberate mix of sustainability, creativity, and history.

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Calculation for Weighted P/E: Weighted $P/E = \sum(\text{Market Cap} \times P/E) / \sum \text{Market Cap}$
Companies: Titan Company, Kalyan Jewellers, P N Gadgil Jewellers, PC Jeweller, Senco Gold, Thangamayil Jewellers, Sky Gold, Rajesh Exports, Vaibhav Global