2023

Indian Jewellery Retail Industry Report

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Contents

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1. Overview of Indian Economy

1.1 India GDP and GDP Growth

India is the world's 5th largest economy and expected to be in top 3 global economies by FY 2050

India ranks fifth in the world in terms of nominal gross domestic product ("GDP") and is the third largest economy in the world in terms of purchasing power parity ("PPP"). India is estimated to be among the top three global economies in terms of nominal GDP by FY 2050.

Exhibit 1.1: GDP Ranking of Key Global Economies (CY 2022)

Country	Rank	% Share (World GDP, at current prices)	Rank PPP	% Share (World GDP, PPP)
United States	1	25.3%	2	18.5%
China	2	18.1%	1	15.5%
Japan	3	4.2%	4	3.5%
Germany	4	4.1%	6	3.2%
India	**5**	**3.4%**	**3**	**7.2%**
United Kingdom	6	3.1%	10	2.2%
France	7	2.8%	9	2.3%
Italy	8	2.0%	12	1.9%
Canada	9	2.1%	15	1.4%
Korea, Republic	10	1.7%	14	1.6%

Source: World Bank Data, RBI, Technopak Research

India expected to fare better than developed economies and recover to a high growth path in coming years

India's real gross domestic product ("**GDP**") has sustained an average growth between 6% and 7% since FY 1991. India has been the fastest-growing G20 economy since FY 2015, with annual growth rate hovering around 7%. India's economy grew at 6.1% in FY 2019. The real growth rate declined to ~4% in FY 2020 and witnessed a contraction of 7.3% in FY 2021 due to the outbreak of COVID-19 pandemic. India resumed its growth journey in FY 2022 and grew at 9.5% in FY 2022 and at 6.8% in FY 2023.

Exhibit 1.2: Real GDP growth rate of Key Global Economies (CY)

Country	2018	2019	2020	2021	2022	2023P	2024P
United States	3.2%	2.1%	-3.0%	5.2%	2.1%	1.6%	1.1%
China	7.1%	5.9%	2.1%	8.2%	3.0%	5.2%	4.5%
Japan	0.6%	0.3%	-4.3%	0.0%	1.1%	1.3%	1.0%
Germany	2.9%	0.0%	-5.6%	2.9%	1.8%	-0.1%	1.1%
United Kingdom	0.0%	3.2%	-9.4%	6.9%	4.0%	-0.3%	1.0%
India*	**6.1%**	**4.2%**	**-7.3%**	**9.5%**	**6.8%**	**5.9%**	**6.3%**
France	1.9%	1.8%	-7.9%	5.5%	2.6%	0.7%	1.3%
Italy	0.9%	0.4%	-8.9%	3.0%	3.7%	0.7%	0.8%
Brazil	0.0%	0.0%	-4.1%	3.6%	2.9%	0.9%	1.5%
Canada	2.4%	1.9%	-5.3%	3.6%	3.4%	1.5%	1.5%
Russia	0.0%	7.1%	-4.1%	3.6%	-2.1%	0.7%	1.3%

Source: World Bank data, WEO April 2021 by IMF; Data of India is based on Financial Year (April-March) basis.

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** Secondary sources and Technopak Research*

Comparison with other Countries

The country wise nominal GDP of key countries is given in the table below:

Exhibit 1.3: Country Wise Nominal GDP (USD trillion)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 P	2024 P	CAGR (2013-2019)	CAGR (2021-2024)
USA	15.5	16.2	16.8	17.5	18.2	18.7	19.6	20.6	21.4	20.9	23	25.5	26.9	27.7	4.12%	6.45%
China	7.6	8.5	9.6	10.5	11.1	11.2	12.3	13.9	14.3	14.7	17.5	18.1	19.4	20.9	6.87%	6.06%
Japan	6.2	6.3	5.2	4.9	4.4	5	4.9	5	5.1	5	4.9	4.2	4.4	4.5	-0.32%	-2.58%
Germany	3.7	3.5	3.7	3.9	3.4	3.5	3.7	4	3.9	3.8	4.2	4.1	4.3	4.5	0.88%	1.95%
UK	2.7	2.7	2.8	3.1	2.9	2.7	2.6	2.9	2.8	2.7	3.2	3.1	3.2	3.4	0.00%	1.84%
India*	**1.2**	**1.3**	**1.5**	**1.7**	**1.8**	**2.1**	**2.3**	**2.5**	**2.7**	**2.6**	**3.2**	**3.4**	**3.7**	**4.1**	**10.29%**	**8.26%**
Brazil	2.6	2.5	2.5	2.5	1.8	1.8	2.1	1.9	1.9	1.4	1.6	1.9	2.1	2.2	-4.47%	11.37%
Russia	2	2.2	2.3	2.1	1.4	1.3	1.6	1.7	1.7	1.5	1.8	2.2	2.1	2.1	-4.91%	5.61%
Indonesia	0.9	0.9	0.9	0.9	0.9	0.9	1	1	1.1	1.1	1.2	1.3	1.4	1.5	3.40%	7.96%
Turkey	0.8	0.9	1	0.9	0.9	0.9	0.9	0.8	0.8	0.7	0.8	0.9	1.0	1.1	-3.65%	10.86%
Saudi Arabia	0.7	0.7	0.7	0.8	0.7	0.6	0.7	0.8	0.8	0.7	0.8	1.1	1.1	1.1	2.25%	10.52%
South Africa	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.00%	1.23%
World	**73.8**	**75.5**	**77.6**	**79.7**	**75.1**	**76.4**	**81.4**	**86.4**	**87.7**	**84.9**	**90.1**	**100.2**	**105.6**	**110.8**		

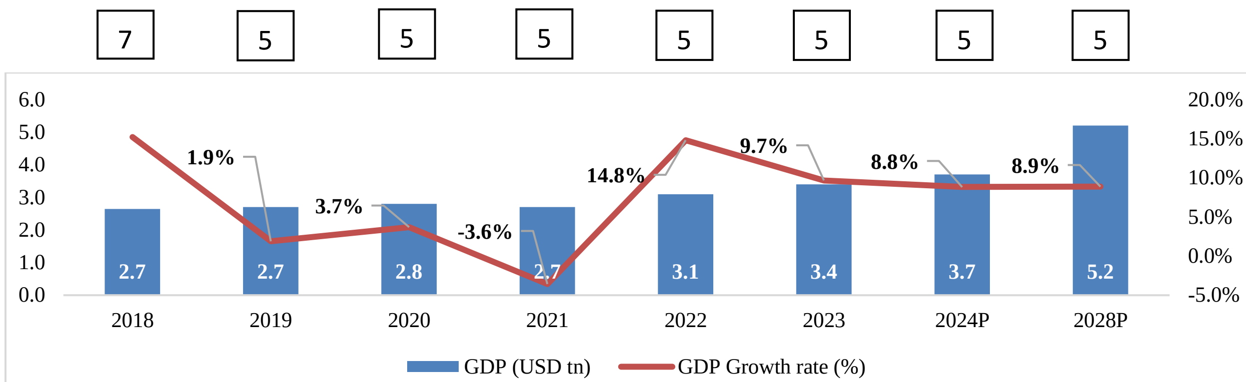
Source: India Data from RBI, Future growth rate from OECD Data, Technopak Research
1USD = INR 80
Data in CY
** For India, CY 2011 means FY 2012, CY 2012 means FY 2013 and so on.*

India's GDP Growth

Since FY 2005, Indian economy's growth rate has been twice as that of the world economy and it is expected to sustain this growth momentum in the long term. In FY 2023, India's Nominal GDP reached USD 3.4 Tn and is expected to reach USD 5 Tn by FY 2028. It is also expected that the growth trajectory of Indian economy will enable India to be among the top 3 global economies by FY 2050.

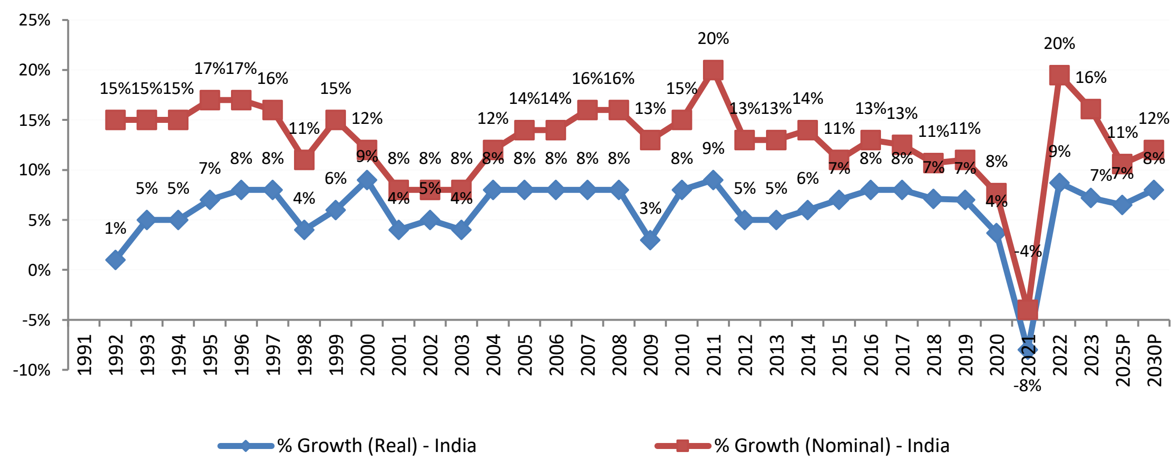
Several structural factors are likely to contribute to economic growth in the long run. These include favorable demographics, reducing dependency ratio, rapidly rising education levels, steady urbanization, growing young & working population, IT revolution, increasing penetration of mobile & internet infrastructure, increasing aspirations and affordability etc.

Exhibit 1.4: India's Nominal GDP (FY) (USD Tn)



1 USD=INR 80
White boxes at the top refer to India's GDP rank on a global basis

Exhibit 1.5: Historical GDP Growth (%)



Source: RBI Data, World Bank, IMF

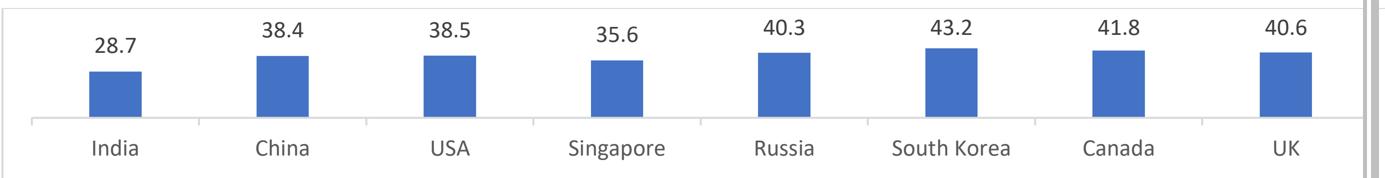
1.2 Key demographic drivers for economic growth

India's medium to long term growth and its positive impact on private consumption will be determined by inter-play of demographics, urbanization, and policy reforms.

Demographics

India has one of the youngest populations globally compared to other leading economies. The median age in India is estimated at 28.7 years for CY 2022 as compared to 38.5 years and 38.4 years in the United States and China, respectively, and is expected to remain under 30 years until CY 2030. With a growing young population, the demand for premiumization is also growing. With more young people joining the workforce and earning higher salaries, there is a corresponding increase in disposable incomes, and hence the ability to afford premium products and services.

Exhibit 1.6: Median Age (in years): Key Emerging and Developed Economies in (CY 2022)



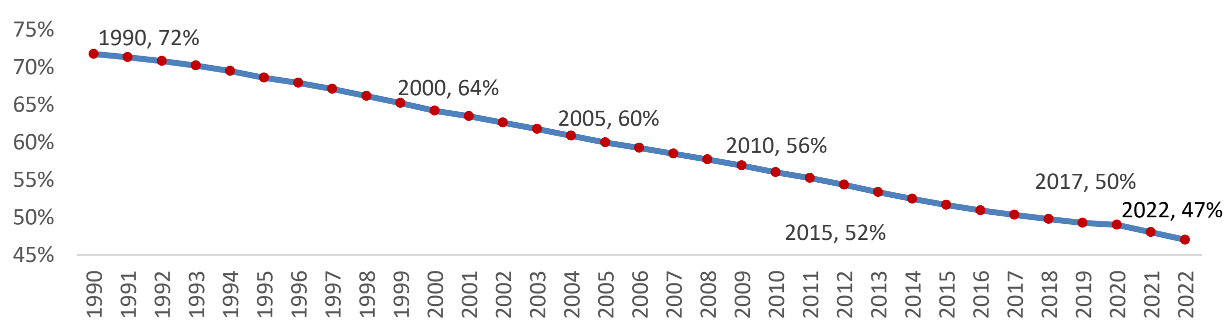
Source: World Population Review, Technopak Analysis

Currently India is the most populated country in the world, home to 1.4 billion people which is about one sixth of the world's population. 54% of the total population is between 15 to 49 years while 80% of the population is below 50 years old. This indicates that India's youth and working age population contribute to the positive demographics.

Dependency Ratio

Age dependency ratio is the ratio of dependents i.e., population younger than 15 or older than 64 to the working-age population i.e., 15-64. In India dependency ratio was as high as 72% in CY 1990, but it has been on a decline since then. In CY 2010, it was 56% which has been reduced to 50% in CY 2019, and it further decreased to 47% in CY 2022. Decreasing dependency ratio means the country has higher percentage of people with income which is good sign for the economy. Lower dependency ratio implies fewer dependents on individuals with income which will allow them to spend their discretionary income on leisure activities such as travel. eating out etc.

Exhibit 1.7: Age Dependency Ratio (% of working-age population)



Source: CEIC, Year indicates CY

Women Workforce

Numerous factors, including better health care and greater media focus are allowing women in India, in both urban and rural areas, to exercise greater influence on their families and society. The most important factor, however, is educational opportunity. Between 2005 and 2015, enrolment of girls in secondary education increased from 45.3% to 81% and in CY 2019 was higher than enrolment of boys. Higher education has also seen an increase in women enrolment, with almost 20% of women pursuing higher education studies compared to 22% of men.

These changes are expected to have a broad impact on societal factors, including workforce demographics and economic independence for women. The share of women workforce in the services sector has increased from 17.5% in CY 2010 to 28%in CY 2019. This increase of women in the workforce has seen a shift of patterns in terms of household activity, including a downward trend in home cooked meals and an increase in demand for "out of home" consumption and packaged food consumption.

Exhibit 1.8: Sector wise Split of Female Employment in India (CY)

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Agriculture	67.0%	63.6%	60.0%	59.4%	58.7%	57.9%	57.2%	56.4%	55.5%	54.7%	53.6%
Industry	15.5%	17.1%	18.8%	18.4%	18.2%	18.0%	17.7%	17.5%	17.3%	17.4%	17.9%
Services	17.5%	19.3%	21.3%	22.2%	23.2%	24.1%	25.1%	26.1%	27.2%	28.0%	NA

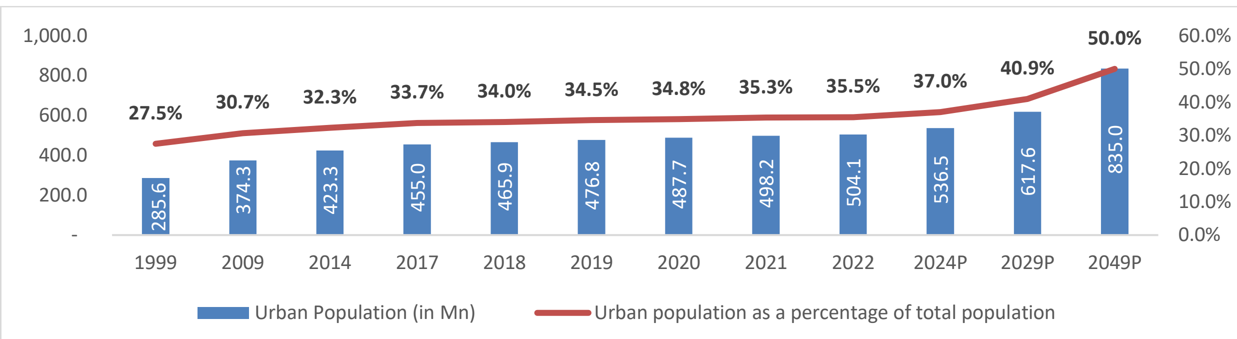
Source: World Bank Data

Urbanization

Urbanization is one of the most important pillars of India's growth story. The concentration of population in cities fuels demand for various goods and services, propelling sectors like housing, transportation, retail, and infrastructure development. As cities expand, they become hubs of economic activity and innovation, leading to increased consumerism and market opportunities, thereby contributing significantly to India's overall economic advancement.

India had the second largest urban population in the world in absolute terms at 498.2 Mn in CY 2021, second only to China. However, in CY 2022, only 35.5% of India's population is classified as urban compared to a global average of ~57%. It is the pace of India's urbanization that is a key trend fueling India's economic growth.

Exhibit 1.10: Increasing Urbanization



Source: World Bank, IMF

Exhibit 1.11: Urban Population as Percentage of Total Population of Key Economies (CY 2022)

Country	World	India	China	USA	Singapore	Russia	Malaysia	Vietnam	UK
Urban Population Share % of total population	57%	36%	64%	83%	100%	75%	78%	39%	84%

Source: World Bank

Nuclearization

The growth in the number of households exceeds population growth, which indicates an increase in nuclearization in India. According to the 2011 census, 74% of urban households have five or less members, compared to 65% in 2001. It is expected that that smaller households with higher disposable income will lead to a greater expenditure in, among others, jewellery, fashion, home & living, packaged food and food services. The growing trend in nuclearization and higher disposable income will lead to higher spend in health and wellness categories as it is one of the priority categories.

Exhibit 1.12: Indian Household Size and Growth Trend

Year	Total No. of HHs (Mn.)	Avg. HH Size	Avg. Urban HH size	Decadal growth rate of HHs	Decadal growth rate population
1981	119	5.5	5.4	19.2%	24.7%
1991	148	5.5	5.3	24.4%	24.4%
2001	192	5.3	5.1	29.7%	25.7%
2011	248	4.8	4.6	29.2%	16.4%
2021P	317	4.4	4.0	27.8%	9.0%
2030P	386	3.9	3.6	21.8%	18.1%

Source: Census

Exhibit 1.13: Distribution of Households by number of persons (in Mn)

	FY 2001			FY 2011		
No. of person	Total HH	Rural HH	Urban HH	Total HH	Rural HH	Urban HH
1 Person	8	6	2	10	7	3
2 Persons	16	12	5	24	17	8
3-5 Persons	95	65	29	137	88	49
6-10 Persons	67	50	17	70	51	19
11 Persons and above	7	5	2	7	5	1

Source: Census

Aatma Nirbhar Bharat Abhiyaan

Almost equivalent to 10% of GDP, the stimulus package announced by the Indian government contains 1.2% of direct stimulus measures and the remaining 8.8% includes liquidity support measures and credit guarantees. Investments for infrastructure development and credit facilitation for agriculture, horticulture, fisheries, animal husbandry and food processing industries and support to other MSMEs through public sector expenditure entails a long -term investment and dividend cycle. It is expected to attract participation from private players and create more job opportunities resulting in an uptick in income levels and thereby consumption. The Government of India has allocated ₹1,500 Bn for investments and credit facilitation for various areas of agriculture, horticulture, fisheries and animal husbandry.

Pradhan Mantri Garib Kalyan Anna Yojana

The scheme was launched on 26th March 2020 during the COVID-19 pandemic, with a budget of ₹1,700 Bn for the period from April-June 2020. The food ministry estimated that benefit of the PMGKAY had reached to nearly 740 million people by the end of May 2020. The benefits of the scheme were extended up to November 2020 with an additional budget of ₹900 Bn due to the request from 10+ states for extension.

Jewellery sector to benefit from the positive macro-economic trends with aspirational value and as a prominent savings asset class

Jewellery sector has been a prominent savings asset class which has been culturally part of Indian society. Indian society has traditionally been investing in jewellery as an asset class which guards them against asset erosion and liquid nature of asset provides access quick cash in case of emergency. The biggest driver to growth in jewellery sector is growing income profile of India. A continuous economic growth with a favorable demographic profile and high contribution of private final consumption expenditure (PFCE) are growth drivers to the Indian jewellery sector.

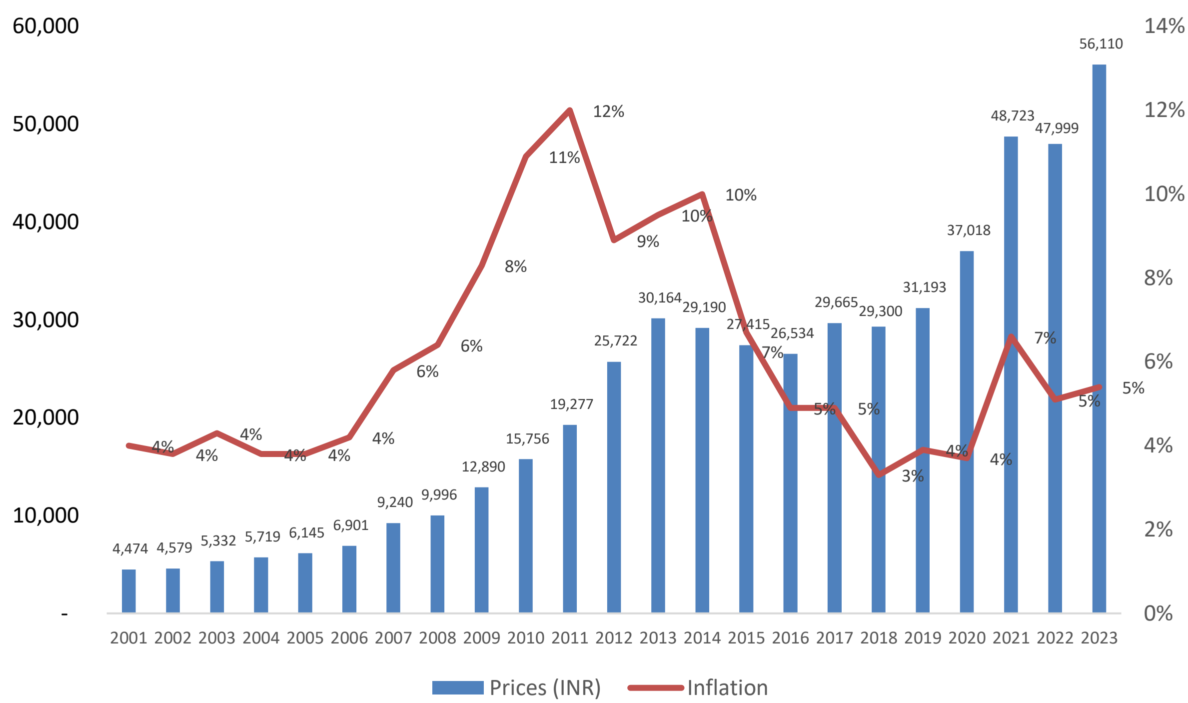
These trends further amplify the traditional importance of gold to Indian markets. An increase of 1% in gross per capita national income leads to a rise in gold demand by close to 1%.

The importance of rural markets with relatively lower urbanization levels as compared to world leading economies and limited penetration of other financial products as savings instruments is another important driver for jewellery sector. The savings quotient of jewellery in rural areas is much more amplified as compared to urban centers.

The value of gold as protection against inflation is well documented with growth in gold prices has been higher than inflation over the last 10 to 15-year horizon. As per estimates for each 1% increase in inflation gold demand increases by 2.6%.

Jewellery demand in general and gold demand has growth drivers across positive news as well as negative news in the economy which makes it an evergreen segment in Indian retail sector.

Exhibit 1.14: Historical Gold Prices in India (FY)



Source: RBI, World Bank
Average Gold prices, per 10 grams

Growing Middle Class

The households with annual earnings between USD 5,000-10,000 have grown at a CAGR of ~10% from FY 2012-2020 and their number is projected to further double by 2025 from 2020 levels. The households with annual earnings between USD 10,000-50,000 have grown at a CAGR of 20% between FY 2012-2020.
Increase in number of households with annual earnings of USD 10,000 to USD 50,000 has been leading to an increase in discretionary spending on food and beverages, apparel & accessories, jewellery, luxury products, consumer durables and across other discretionary categories. The consumption pattern also has moved towards higher spend on branded products and purchase from organised retail.

Exhibit 1.15: Household Annual Earning Details

Year	Total House Holds (in Mn.)	% Share of Total HHs with Annual earning less than USD 5000	% Share of Total HHs with Annual earning USD 5,000 - 10,000	% Share of Total HHs with Annual earning USD 10,000 –50,000	% Share of Total HHs with Annual earning greater than USD 50,000
2009	236	79.6%	15.2%	4.7%	<1%
2012	254	67.0%	23.8%	8.7%	<1%
2014	267	62.6%	26.5%	10.2%	<1%
2015	274	55.1%	30.9%	13.2%	<1%
2018	295	28.5%	41.2%	29.3%	1%
2020	310	25.6%	42.5%	30.6%	1.30%
2030P*	386	18.0%	37.0%	42.0%	3.0%

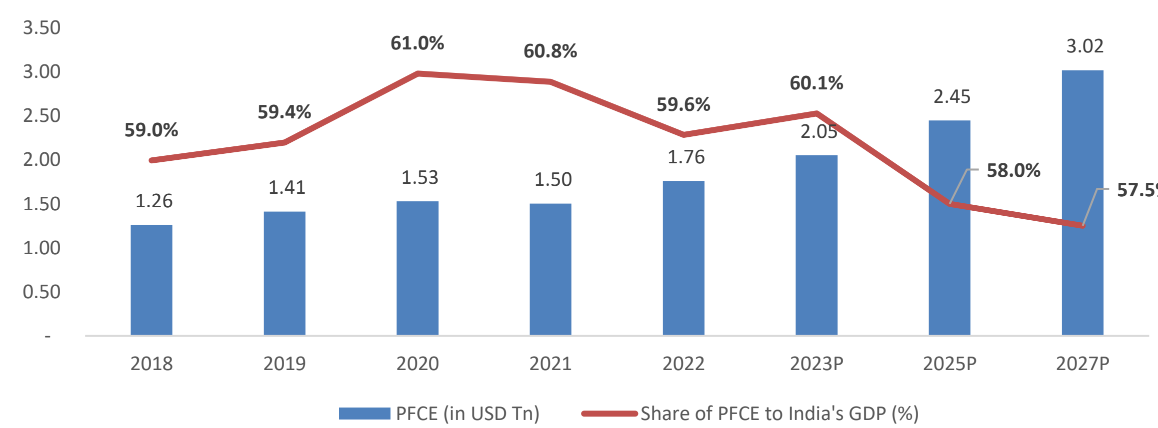
*Source: *Technopak Estimates & Analysis*

1.3 Private Consumption in India

High share of domestic consumption in Private Final Consumption Expenditure

GDP growth in India is expected to be driven by rising private final consumption expenditure. India is a private consumption driven economy where the share of domestic consumption is measured as private final consumption expenditure (PFCE). This private consumption expenditure comprises both goods (food, lifestyle, home, pharmacy etc.) and services (food services, education, healthcare etc.). High share of private consumption to GDP has the advantage of insulating India from volatility in the global economy. It also implies that sustainable economic growth directly translates into sustained consumer demand for goods and services. In FY 2023 PFCE of India was valued at USD 2 Tn (INR 1,63,984 Bn), which accounted for 60.1% of India's GDP. With the rapidly growing GDP and PFCE, India is expected to be one of the top consumer markets in the world.

Exhibit 1.16: India's Total Private Final Consumption Expenditure (Current Prices USD Tn) (FY) and Share of Private Final Consumption Expenditure to GDP (%) (FY)



Source: World Bank, RBI, IMF, Ministry of Statistics and Program Implementation , Technopak Research & Analysis, 1 USD=INR 80

PFCE in India has exhibited varying y-o-y growth rates over the past few years. During FY 2018 and FY 2019, the PFCE grew by 10.6% and 12.0% respectively. India's PFCE witnessed a 1.7% degrowth during FY 2021, primarily attributed to the pandemic's disruptive effects on consumer spending patterns and economic uncertainty. Nevertheless, it rebounded in FY 2022 due to the pent-up demand and recorded a high growth of 17.1%, indicating a robust expansion in consumer spending and a sustained momentum in private consumption. The PFCE in India has grown at a CAGR of 10.2% during FY 2018 to FY 2023 and is further expected to grow at a CAGR of 10.1% during the next 4 years, reaching USD 3 Tn (INR 2,41,280 Bn) by FY 2027. Share of PFCE to India's GDP has been in the range of 59-61% and is expected to go down till 57.5% in next 5 years.

2. Indian Consumer Retail Basket

2.1 Retail Market in India

Retail Market in India was valued at US$ 461 Bn in FY 2015 and reached a value of US$ 746 Bn in FY 2020, growing at 10.1% CAGR over this period. Currently, the Retail Market in India is valued at US$ 951 Bn (INR 76,06,572 Cr) in FY 2023 and is expected to grow at a CAGR of 10.5% to reach US$ 1,417 Bn (INR 1,13,39,918 Cr) by FY 2027.

Exhibit 2.1: India's Consumption Basket (USD Bn) (FY)

	FY 2015	FY 2020	FY 2022	FY 2023	FY 2027 (P)	CAGR (FY 2022-27P)
GDP	1,662	2,544	2,958	3,357	5,245	12.1%
PFCE	966	1,530	1,762	1,981	3,061	11.7%
% Share of PFCE in GDP	58.1%	60.2%	60.9%	59.6%	56.0%	-
Retail	461	746	844	951	1,417	10.9%

Source: Secondary Research, Technopak analysis.1US$ = INR 80

Share of Urban and Rural in Indian Retail

Indian consumption was traditionally biased on the rural consumption owing to a high share of population residing in rural areas. Over the years, an increase in urban population led to an increased share of consumption from urban sector. In FY 2015, Urban India contributed to ~48.5% of the total retail whereas rural India contributes ~51.5% of total retail. In FY 2022, the share of Urban consumption increased to~52%. It is expected that, by FY 2027, the share of urban consumption would be ~56%.

Exhibit 2.2: Indian Household Size and Growth Trend (in USD Bn)

Year	Total Retail	Urban Consumption	Urban Share	Rural Consumption	Rural Share
2015	461	226	49%	235	51%
2020	746	373	50%	373	50%
2022	844	439	52%	405	48%
2023	951	494	52%	456	48%
2027 P	1,417	794	56%	624	44%

Source: Secondary Research, Technopak Analysis

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Exhibit 2.3: Share of various categories in overall Indian Retail Basket

Type of Categories	Categories	FY 2020	FY 2022	FY 2023	FY 2027 (P)	CAGR (FY 2022-27)
	Total Retail (INR Bn)	**746**	**844**	**951**	**1,418**	**10.93%**
Need based	Food and Grocery	64.70%	67.60%	65.10%	59.40%	8.10%
	Pharmacy & Wellness	2.90%	3.00%	3.00%	3.20%	12.00%
Primary Non-Food	Apparel & Accessories	8.31%	6.76%	7.96%	10.37%	28.23%
	Jewellery	7.50%	6.60%	7.30%	8.70%	17.30%
	Consumer Electronics	6.40%	6.30%	6.70%	7.80%	16.00%
	Home & Living	4.30%	3.70%	4.00%	4.50%	15.40%
	Footwear	1.20%	1.00%	1.00%	1.30%	18.00%
Other Non-Food	Others	4.70%	5.00%	4.90%	4.70%	9.20%
	Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

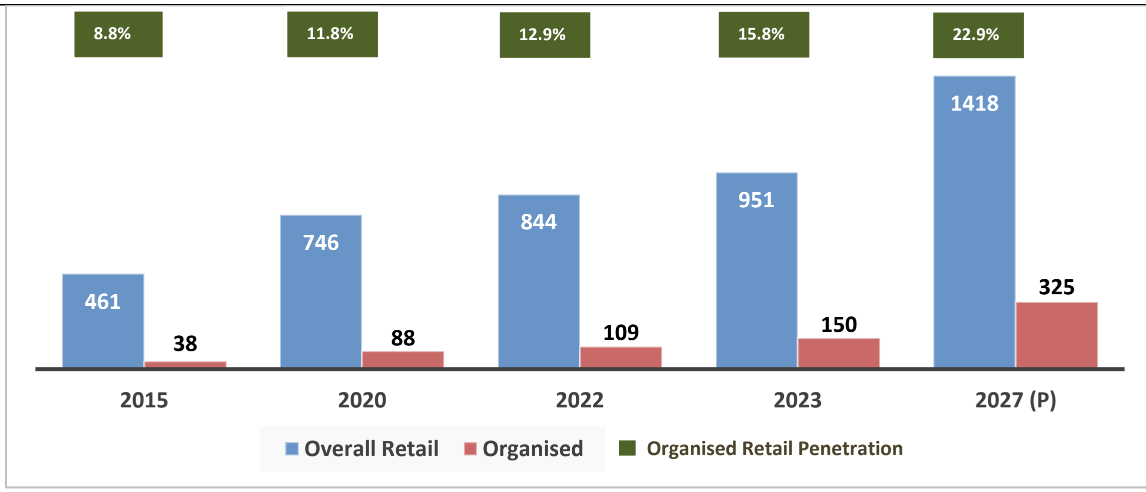
**Accessories includes Bags, Belts, Watches and Wallets; Others include Books & Stationery, Toys, Eyewear, Sports Goods, Alcoholic Beverages & Tobacco etc. Source: Technopak analysis; Year Indicates FY. 1US$ = INR 80*

2.2 Evolution of Retail in India

Organized retail in India originally started with the emergence of weekly bazaars and fairs. These bazaars and fairs used to be a big attraction for consumers. Over time, with the support of governments for Public Distribution System and corporate sectors to increase their brand presence, the organized retail sector began to take shape. In 2015, the total retail market in India stood at USD 461 billion. Organized retail, while still in its nascent stage contributed to ~8% of the total retail market in India while the unorganized sector still has a significant share, contributing to ~92% of the total retail market. The emergence of an increasing middle class, rise of consumerism and entry of foreign retailers gave a significant push to the development of organized retail in India. In FY 2020, the total retail market in India reached a value of USD 746 Bn. The organized retail market in the same year reached a value of USD 95 Bn contributing to ~12% of the overall retail market.

In FY 2022, the total retail market reached a value of USD 844 Bn whereas the organized retail market reached a value of USD 109 Bn, contributing to ~13% of the total retail market in India. This shift is expected to increase over the next few years. By FY 2027, it is expected that the overall retail market would reach a value of USD 1,418 Bn growing at ~11% CAGR whereas the organized retail market is expected to reach a value of USD 325 Bn contributing to ~23% of the total retail market in India and maintain its growth rate of ~24% CAGR over the next 5 years. It is estimated that in FY 2023, the total retail market reached a value of USD 951 Bn whereas the organized retail market reached a value of USD 150 Bn, contributing to ~16% of the total retail market in India.

Exhibit 2.4: Overall Retail Market (USD Bn) (FY)

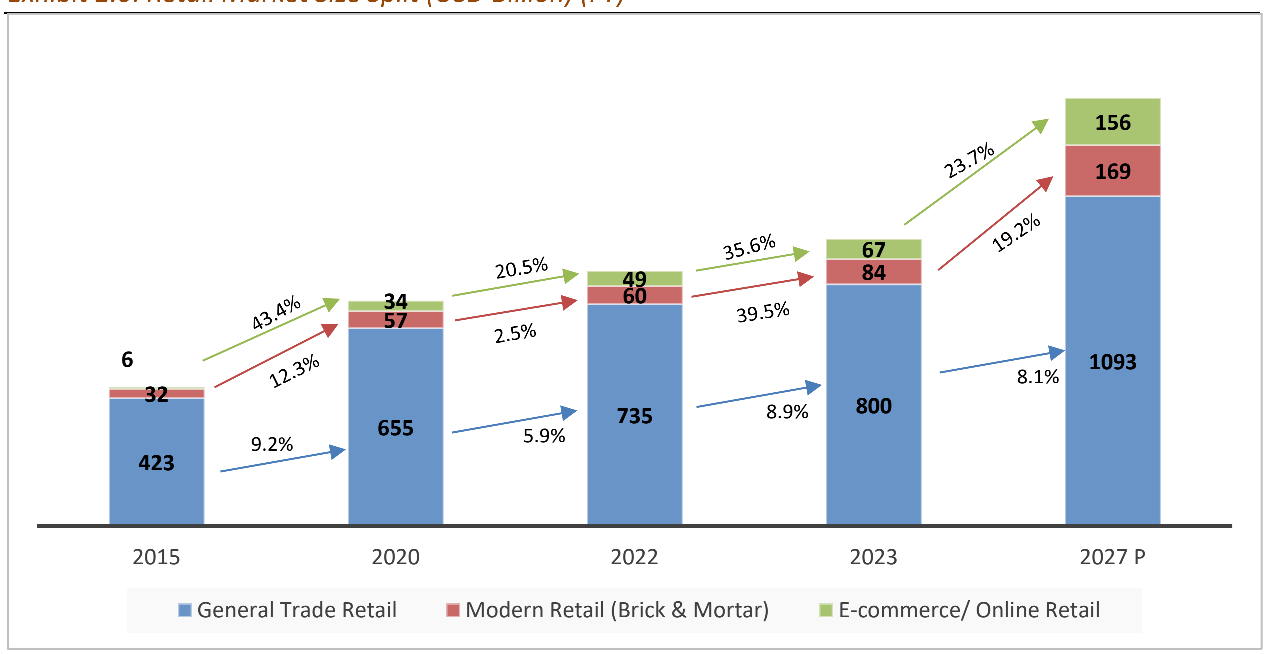


Source: Technopak analysis

Exhibit 2.5: CAGR / YoY growth of Retail Markets

Retail Market	CAGR (FY 2015-20)	CAGR (FY 2020-22)	YoY (FY 2022-23)	CAGR (FY 2022-27)
Overall Retail	10.1%	3%	12.7%	10.9%
Organised Retail	18.1%	7.7%	37.6%	24.4%

Exhibit 2.6: Retail Market Size Split (USD Billion) (FY)



Source: Secondary research, Industry reports, Technopak Analysis; 1 USD= INR 80

Indian retail is characterized by dominance of Traditional (Brick and Mortar) trade and rising prominence of Modern (EBOs/Supermarkets/E-commerce) trade in categories other than need based categories. The high share of food and grocery in retail basket and relatively low penetration of modern trade has kept the overall share of modern trade on lower side.

Traditional retail has the largest market share in the retail category and is dominated by unorganized players having wide reach to the market.

Growth in the Modern retail will be driven by market entry beyond top 500 cities and growth of omnichannel as an additional channel for sales.

E-Commerce has the highest growth driven by increased internet penetration and growing consumer preference for online retail.

Exhibit 2.7: Share of Brick & Mortar and E-commerce across Categories

Category	FY 2015					FY 2020					FY 2022				
	% Total Disc Retail	Retail Mkt (USD Bn)	Traditional	Org. B&M	E-Commerce	% Total Disc Retail	Retail Mkt (USD Bn)	Traditional	Org. B&M	E-Commerce	% Total Disc Retail	Retail Mkt (USD Bn)	Traditional	Org. B&M	E-Commerce
Food & Grocery	66%	307	98%	2%	0%	65%	483	96%	4%	1%	68%	571	95%	4%	1%
Jewellery	8%	33	77%	20%	3%	8%	56	68%	30%	2%	7%	56	66%	28%	6%
Apparel & Accessories	7%	38	73%	25%	2%	8%	62	68%	15%	18%	7%	57	65%	14%	22%
Footwear	1%	6	74%	16%	10%	1%	9	70%	14%	16%	1%	8	66%	16%	19%
Pharmacy & Wellness	3%	14	91%	8%	1%	3%	22	90%	9%	2%	3%	25	85%	11%	4%
Consumer Electronics	5%	25	95%	5%	0%	6%	48	68%	5%	27%	6%	53	65%	8%	28%
Home & Living	5%	21	75%	17%	8%	4%	32	85%	7%	8%	4%	32	78%	8%	14%
Others	4%	17	89%	10%	1%	5%	35	86%	5%	5%	5%	43	85%	7%	8%
Total	**100%**	**461**	**92%**	**7%**	**1%**	**100%**	**746**	**88%**	**7%**	**5%**	**100%**	**844**	**85%**	**7%**	**6%**

Category	FY 2023					FY 2027 (P)				
	% Total Disc Retail	Retail Mkt (USD Bn)	Traditional	Org. B&M	E-Commerce	% Total Disc Retail	Retail Mkt (USD Bn)	Traditional	Org. B&M	E-Commerce
Food & Grocery	65%	620	93%	5%	2%	59%	843	89%	7%	5%
Jewellery	7%	70	64%	30%	6%	9%	124	58%	33%	9%
Apparel & Accessories	8%	76	61%	18%	21%	10%	147	51%	25%	24%
Footwear	1%	10	65%	15%	20%	1%	19	58%	19%	23%
Pharmacy & Wellness	3%	28	82%	13%	5%	3%	45	78%	13%	9%
Consumer Electronics	7%	63	62%	8%	30%	8%	111	52%	13%	35%
Home & Living	4%	38	75%	9%	16%	5%	65	68%	11%	21%
Others	5%	47	84%	0%	7%	5%	66	80%	8%	12%
Total	**100%**	**951**	**84%**	**9%**	**7%**	**100%**	**1418**	**77%**	**12%**	**11%**

**Accessories include Watches, Bags, Belts, and Wallets*
Others include Books & Stationery, Toys, Eyewear, Sports Goods, Alcoholic Beverages & Tobacco etc.
Source: Technopak Research

2.3 Key Challenges in Organized retail in India

1. **Geographic Diversity**: India is a nation which is geographically spread with culturally diverse consumers. Within each micro region, there exists a multi-layered socio-economic stratum with individualistic need for products, SKUs

and brands. The microscopic differentiation in demand diminishes scale economies. It is estimated that there are ~17 Mn points of sale across urban and rural towns and villages with fragmented demand.

2. **Retail Real Estate**: High quality retail real estate at viable costs is sparse in India. On average, rental costs are 1.5 to 2 times the world average which makes cost to revenue ratio for any retailer / brand unviable and unsustainable (globally the rentals as percent of sales for aspirational brands is ~8%, whereas in India it is in the range of 10-15% that can go as high as 20%).

3. Supply Chain & Distribution: Due to fragmented nature of consumer demand, the distance between consumption and production centers is high. Warehousing and logistics infrastructure growth is still very slow making last mile service delivery difficult as the cost to reach consumers is high.

4. **Sourcing**: Sourcing is a challenge in India since land holdings and production units are small. Further, co-operative movements have not been able to move beyond regions. However, with GST in place, organized players are as competitive as unorganized players from a sourcing perspective. But these factors play out differently for different categories of retail. For instance, the adverse impact of these factors is more pronounced in categories like food & grocery and furniture, but they are muted in categories like lifestyle and fashion. This is reflected in the disparate share of organized retail in different retail categories.

2.4 Key Enablers for Organized Retail in India

Infrastructure investment and upskilling to continue to drive organized retail

Indian retail industry faced severe issues due to lack of infrastructure and lack of technology. Prior to 2011, Indian government denied Foreign Direct Investment in multi-brand outlets. This denied foreign investors ownerships in Modern retail outlets especially supermarkets, hypermarkets, and convenience stores. Post 2012, Indian government announced reforms for the retail industry, permitting foreign players to invest directly in single-brand outlets and allowing global players such as Walmart. The government also permitted FDI in multi-brand outlets up to 51% ownership paving the way for the rise of foreign players in multi brand outlets. This led to an increase in the number of malls, shopping centres and convenience stores in India

Increasing Omni-channel approach by Retailers

'Omnichannel' approach improves customer service by providing multiple communication options. The back-end integration of channels also allows for more flexibility, as the customer can switch between channels throughout an interaction. Hence more flexibility is achieved through back-end integration of channels and provides for a seamless experience for consumers.

Retailers and brands are prioritising the listing of products across online and offline channels including EBOs, MBOs, LFSs, E-commerce marketplaces and verticals.

Digital Penetration is a Key Growth Driver for Organized Retail

The high growth of smart phones and internet users through smart phones is triggering the growth of e-commerce in general. On one hand, where social networking sites, fashion & lifestyle websites, e-commerce platforms are rendering immense exposure, on the other hand, the growth in the volume of digital payments indicate that actual transactions are also witnessing an upward trajectory. Increase in penetration of smart phone and low-cost internet data has led to a boost in online retailing. Option of payment across various methods whether card, cash, wallets, and e-commerce transaction security has led to increasing trust in these payment systems. The option of easy returns at e-commerce portals has led to trial of products and services. As the disposable income is increasing, and with increase in women employment, time has become of essence which has also led to the growth of ecommerce. The pandemic eventually accelerated the pace at which these changes were happening and made companies and consumers alike adapt to the online medium. The number of internet users in India is set to rise approximately upto 1 billion in 2025 from 825 million in 2022. It is also estimated that by 2025 there will be 970 million smartphone users.

E-tail in India has witnessed a rapid growth trajectory and is expected to reach 11% (~INR 12,51,172 Cr) of total retail by FY 2027 from its share of 5.8% in FY 2022 (~INR 3,93,480 Cr), expected to grow at rate of 26%. Between 2015 and 2020, the e-commerce sales have grown at a CAGR of 46%. In 2012, the e-tail pie was INR 4,500 Cr (USD ~0.6 Bn) and that was limited to key categories of Electronics, Books, Stationery, and Music which catered to nearly 50% of the pie. In FY 2023, this share has increased to 7% (~INR 5,36,000 Cr).

Exhibit 2.8: Growth of Digital Penetration

Particulars	FY 2010	FY 2015	FY 2020	FY 2021	FY 2022	FY 2025P	CAGR FY 2015-FY 2022	CAGR FY 2022 – FY 2025
Total Internet Users (Mn)	72	350	687	778	825	900-1000	13%	~5%
Mobile Internet Users (Mn)	24	159	480	754	798	850-950	26%	2-5%
Mobile internet Users as a share of Total Internet Users (%)	34%	45%	70%	97%	96%	~99%	-	-

Source: Secondary Research

Exhibit 2.9: Installed Base of Smart Digital Devices

Number Of Users (In Mn) in India	2010	2015	2020	2022	CAGR 2020-22
Mobile phones	257	534	1000	1200	10%
Smart phones	6	170	480	600	22%

Source: Secondary Research, Economic Times & Mint

Exhibit 2.10: Growth of Internet Habitual Customers in India

Major Indicators	2010	2015	2020	2021	2022	CAGR 2015-22
No. of Facebook users (Mn)	8 (1%)	142 (11%)	320 (23%)	417 (30%)	543 (39%)	21.1%
Share of Railway tickets booked online (%)	NA	55%	65%	65%	65%	-
Volume of Digital Payments (Bn)	0.7	1.3	34.5	40	46	66.4%
Social Network Users India (Mn)	27 (2%)	142 (11%)	530 (39%)	690 (50%)	898 (65%)	30.1%
Smart Phones (Mn)	6 (0.5%)	170 (13%)	480 (35%)	492 (36%)	504 (36%)	16.8%

Source: Secondary Research

Offline Retail and E-commerce will coexist and flourish together

Retailers across categories are moving towards online channel to expand their offerings, to have a place in the 'Omni-channel Ecosystem' where all channels of retailing are essential to reach to the consumers. The lines between offline and online retailing are blurring gradually, whereby consumers connect with brands through any medium of their preference. A purchase made by a consumer is often a mix of various mediums. E.g., A consumer searching online and reading reviews about a product before making a purchase decision, then going to an offline store to look and experience the product, and the eventual purchase could be through either of the channels. This makes presence across mediums essential of retailers to connect with the consumer at every touch point.

3. Overview of Global Jewellery Market

3.1 Global Jewellery Market

The global jewellery market is estimated at $340.7 billion in CY 2022 and is a significant contributor to the world economy. It is also for centuries is an expression of creativity, status, and exclusivity. Diamond and gold are two precious items contributing more than 50% of the global jewellery market. USA, China, and India are the top three markets in the global jewellery market with different pecking order in diamond and gold jewellery market. India in addition to being a big market also plays a significant role in the supply chain of both gold and diamond jewellery market.

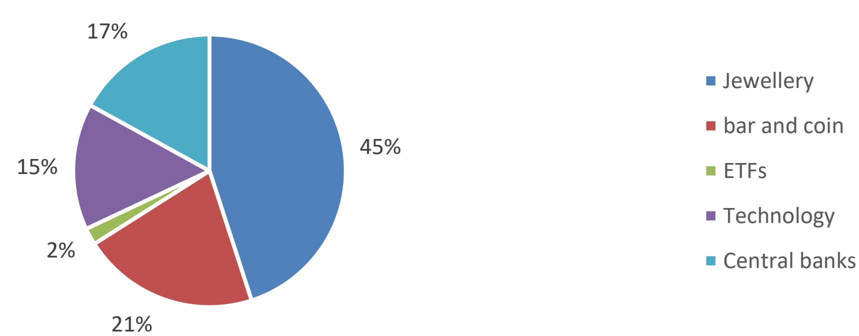
Exhibit 3.1: Global Jewellery Market (CY2022) (~USD 340.7 Bn)

Source: Secondary research, Technopak Analysis
Others include – Gemstones, Coloured Gems, Fashion Jewellery etc.

Global Gold Market

The global gold market is estimated at 4742 tons valued in CY 2022 at close to USD 305.9 billion at average value of LBMA gold price of $1800 per ounce. Demand for gold gets its highest contribution from jewellery retail with 45% of share to overall gold demand. Investment demand in terms of gold coins and bar and ETFs contributed close to 23% of demand with rest coming from central bank and electronics and other technology led sectors. However, COVID has led to a change in distribution of shares across different segments.
In a normal year jewellery contributes 45% of the demand whereas investment demand in terms of gold coins and bars and ETFs contribute 23% of the total demand. Central bank contribution has been close to 17% with the remaining contribution from technology.

Exhibit 3.2: Global Gold Demand by Sector in CY 2022 (4742 Tonnes)



Source: Secondary research, Technopak Analysis

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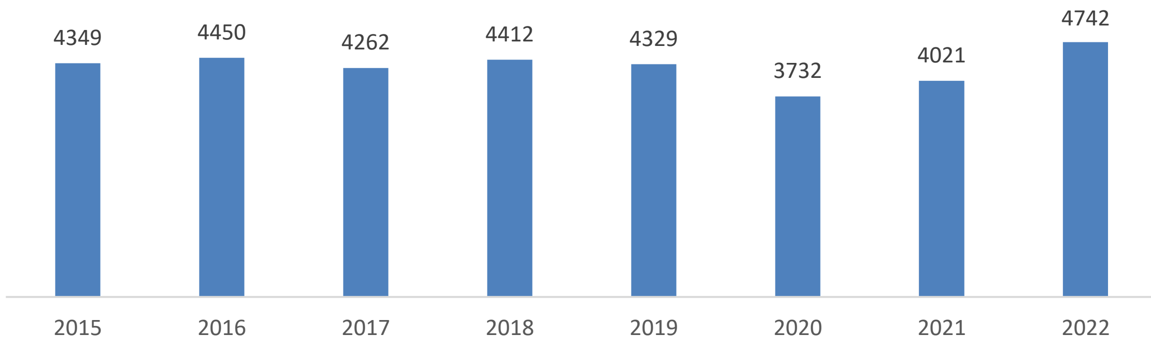
Exhibit 3.3: Global gold demand Volume in Tons (Years in CY)

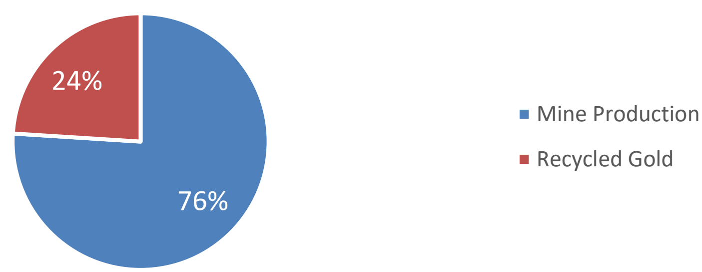


Source: Secondary research, Technopak Analysis

Global Gold Supply Trends

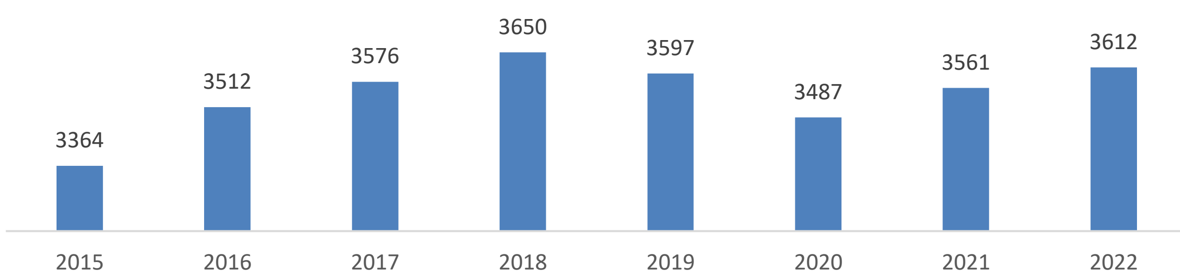
Gold mining meets close to 76% of the world gold demand with the remaining 24% coming from recycling of gold. The top five countries contribute close to 38% of total gold mining industry output. The top three including China, Russia and Australia contribute close to 28% of total gold mining output.

Exhibit 3.4: Gold supply trends CY 2022 (Total value 3,612 tons)



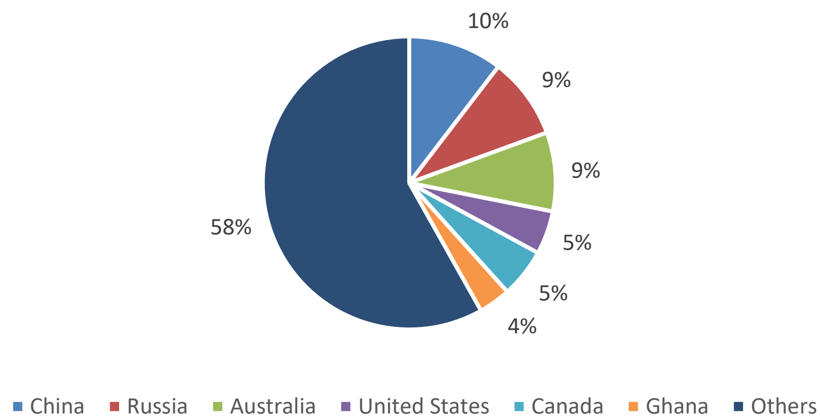
Source: Secondary research, Technopak Analysis

Exhibit 3.5: Gold mine production trends (Value in tons) (Years in CY)



Source: Secondary research, Technopak Analysis

Exhibit 3.6: Share of top gold mining countries CY 2022 (Total value 3,612 tons)



Source: Secondary research, Technopak Analysis

Stable gold prices are key to positive customer demand for gold jewellery

Gold prices are affected by multiple factors both from supply and demand side. Jewellery may be the biggest segment for gold but its prominence as an asset class and a hedging instrument against inflation or unstable geopolitical environment makes its pricing not limited to consumption trends.

Among the supply side factors, mining centres and gold recycling trends are most important. Supply of gold being controlled by a select group of countries as highlighted requires that factors specific to mining sector and overall geopolitical factors including sustainability issues in these countries are stable. Any disruption in supply chain can lead to spiralling of prices. Recycling of gold is more local in nature and availability of gold for recycling is more secondary in nature linked to rising prices of gold.

Gold being used by central bank as an asset class with its value in hedging risks with other asset classes is another important factor with close to 18% of gold being held by central banks. A high inflationary pressure may generally lead to higher allocation to gold by central banks.

An integrated world market for gold with limited opportunity to earn arbitrage with well -established gold standards is also key to stable gold prices. This also ensures that the grey market is kept under control. India as a market is evolving to be truly integrated with the world market and the industry will benefit from same in the long run.
Customer demand for jewellery market will always be led by broader economic strength including GDP growth and stable price environment. Growing income will ensure that discretionary spend increases as spend in sectors which are traditionally favoured. A stable price environment will ensure that it is affordable and gives value for money.

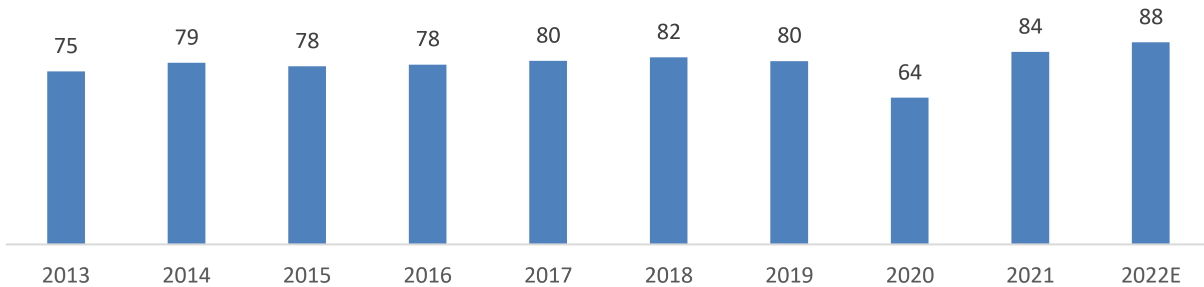
However, what makes gold unique is the fact that people may still invest in gold in difficult economic scenarios given its ability to preserve value as compared to other asset classes.

Global Diamond Jewellery Market overview

Global diamond jewellery market has grown at 5% to reach an estimated value of $ 88 billion in CY 2022 from $ 84 billion in CY 2021. The primary reason for growth in diamond industry is rising demand of diamond jewellery that is grown in laboratories. The other factor is the increase in commitment of trustworthy brands in the diamond industry has raised the diamond market size substantially. Quality, Assurance and Uniqueness provided by trusted brands and manufacturers have attracted customers to purchase more. The increase in acceptance of Metaverse and technologies like AR (augmented reality) has created a link between real and virtual world, providing a new space in the diamond industry and has given new opportunities for the brands to have new sources of revenue, brand equity, and customer purchase. With increasing importance of digital, omnichannel is the future for diamond jewellery retail.

USA is the biggest market for diamond jewellery contributing more than 50% of the market share. China is the second largest market followed by Europe, Japan, India & GCC countries.
The market for diamond jewellery has lower share of bridal wear at 37%. The share of luxury wear in the diamond jewellery segment is close to 20%.

Exhibit 3.7: Global Diamond Jewellery market (CY): Value in $ billion



Source: Secondary research, Technopak Analysis

Exhibit 3.8: Global Diamond Jewellery market (CY 2022): Total value $ 88 billion.

Source: Secondary research, Technopak Analysis

Global Diamond Supply Chain

The average production of rough diamond from 2015 onwards is 135 million carats in volume and USD 14 billion dollars in value. 25% of volume of production including medium and large diamonds (0.4 carats onwards) contribute to 75% in value of total diamond industry. Russia, Botswana, the Democratic Republic of Congo (DRC), Australia and Canada are largest diamond producing countries.

India is the biggest center for cutting and polishing of rough diamonds contributing 95% in volume. China is a very distant second handling 3% of total rough diamonds. Antwerp in Belgium is another important center for cutting and polishing of rough diamonds handling large size and complex rough diamonds. India's dominance in midstream processes is primarily due to the low-cost structure and low manpower cost. Therefore, mid to low range diamond studded jewellery are primarily manufactured in India and high-end jewellery are manufactured in Europe.

Diamond jewellery sales is regional in nature with top international brands contributing close to 10% of the market. However as per industry estimated brands diamond jewellery is to grow by an annual growth rate of 8-12% against the overall industry growth of 3-4 % in the next five years.

Exhibit 3.9: Global Diamond Supply Chain

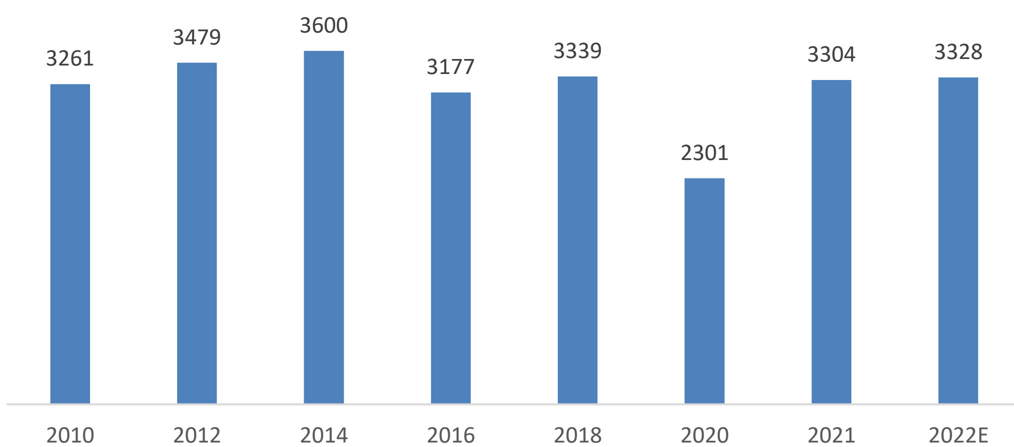
Value Chain	Upstream	Midstream	Downstream
Activity	Production/Mining	Cutting/Polishing	Retailing
Product	rough diamond	Polished diamond	Diamond jewellery
Market size ($ billion)	9-9.5	12-13	62-65
Key Players/markets	• Alrosa • De Beers • Rio Tinto • Petra Diamonds	• India • China • Belgium	• USA • China • Europe • Japan • India • GCC

Source: Secondary research, Technopak Analysis

3.2 India's Positioning in the Global Market

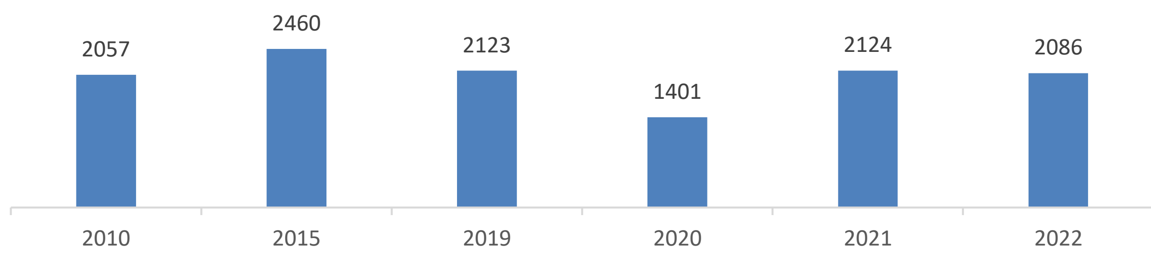
Consumer demand for major markets in gold consisting of jewellery demand and demand for gold coins and bars has now reached an estimated volume of 3,328 tones. India and China are the top two players in the market. Other top three markets are USA, Germany, and Turkey. It is estimated that the top five markets contributed 70% of the total market in 2022.

Exhibit 3.10: Gold consumer demand in major markets (value in Tons) (CY)



Source: Secondary research, Technopak Analysis
Note: Consumer demand includes demand for jewellery and coins and bar, 2022 Estimated

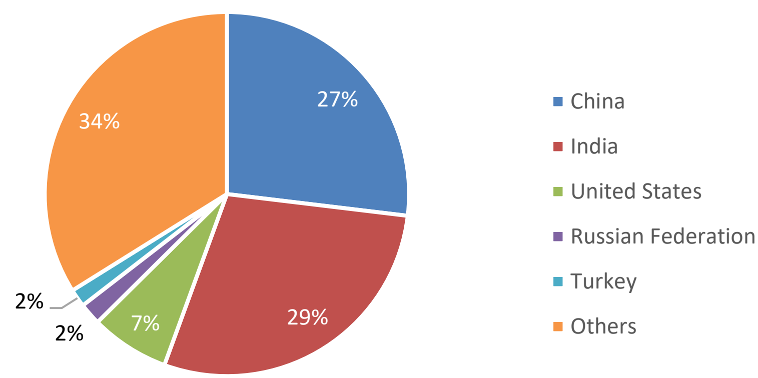
Exhibit 3.11: Annual Jewellery Consumption demand trend: value in tons (CY)



Source: Secondary research, Technopak Analysis

Demand for gold in the jewellery segment was close to 2,086 tons in CY 2022 compared to 2,124 tons in 2021. India is the market leader with a share of close to 29% followed by China contributing 27% in CY 2022. India and China together contribute 56% of gold consumption towards jewellery with top five markets contributing 67% of the total jewellery demand in 2022.

Exhibit 3.12: Gold Jewellery demand CY 2022 in tonnes: major markets (Total value 2086 Tons)

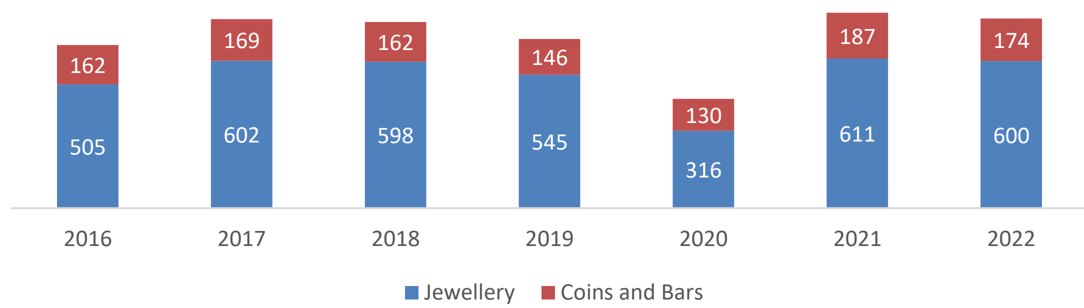


Source: Secondary research, Technopak Analysis

3.3 Breakup of Gold consumption in India

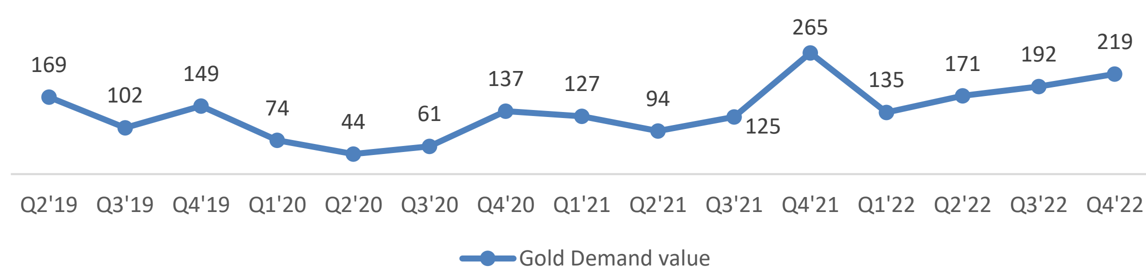
India is the world's second largest market for gold with an average consumption of close to 700-750 tons before COVID -19 pandemic. Gold demand came down by 35% to 446 tons in CY 2020, which has increased by 74% to 774 tons in CY 2022. Gold consumption in India is met by imports with domestic mining contribution of close to 1%. Recycled gold contributes close to 8% of the total supply. Contribution of recycled gold depends on the prevailing prices with an increase in prices leading to higher availability of gold for recycling.

Exhibit 3.13: Indian consumer gold demand (value in tons) (CY)



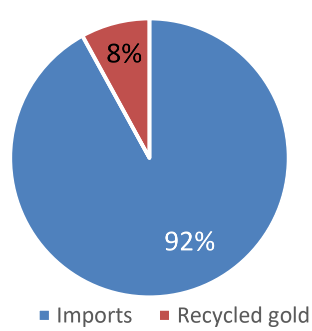
Source: Secondary research, Technopak Analysis
Note: Consumer gold demand includes demand for jewellery and coins & bars and does not include diamond, silver, other precious stones and other metals

Exhibit 3.14: Indian gold demand quarter wise trend CY (value in tons)



Source: Secondary research, Technopak Analysis

Exhibit 3.15: Indian gold supply trend (value in tons) (CY 2022)



Source: Secondary research, Technopak Analysis

4. Jewellery Retail in India

4.1 Evolution of Jewellery Retail in India

Exhibit 4.1: Evolution of Jewellery retail in India

Till 1994	1994-2000	2001-2007	2008-2016	2016 – Present
Dominance of Family Jewellers	**Initiation of Organized Retail**	**Growth of Organized Retail**	**Emergence of Industry Leaders**	**Supply side reforms aided the growth of Organized Retail**
1. Family Jewellers served captive customers 2.Offerings restricted to standard local designs 3. High transaction cost marred by opaque pricing and inaccurate purity	1. Reference creation for organized retail with the launch of Tanishq by Titan 2. Local players foray into regional expansion	1. Brand Building efforts by Organized Retail on planks of trust and transparency Karatometer and Jewellery exchange schemes introduced certificate of authenticity and buy-back schemes 2. Micro-segmentation of the market and launch of sub-brands 3. Growth of franchise model	1.Tanishq emerges as leading players with stores across all regions of country 2. Focus on rural and semi-urban demand 3.Initiation of E-commerce for jewellery retail	1. Demonetization 2. Introduction of GST 3. Compulsory hallmarking of gold jewellery 4. Mandatory PAN Card for transactions above INR 2 lacs
Share of Organized Jewellery Retailing in various phases of growth				
0%	**0% -> 2%**	**~2% -> 6%**	**7% ->27%**	**~27% ->37%**

Source: Secondary Research, Technopak Analysis

- **Dominance of Unorganized Jewellers (Till 1994):** Family jewellers largely dominated the space of Indian Jewellery retailing. These jewellers operate based on trust and flexible credit scheme for their customers. The unorganized jewellery sector was plagued with practices like under-caratage of gold, misrepresentation of quality, opaque pricing and tax evasion.

- **Initiation of Organized Players (1994-2000)**: Brand 'Tanishq' was launched by Titan with the aim to fill these need gaps. It focused on purity, fashion, product design and marketing. In 1995, Gitanjali launched branded jewellery under 'GILI' brand. With concept of BIS hallmarking of gold emerging in 2001, some organized players started selectively offering BIS hallmarked jewellery that differentiated them from unorganized retail in terms of product purity. Some also introduced gold purity checking machines called Karatometers in their retail stores to reinforce customers trust and launched buy back/exchange schemes to expand their customer base.

- **Growth of Organized Pie (2000-2007):** Tanishq turned profitable and reported profit of INR 2.07 Cr on the sales of INR 188 Cr in FY2001 for the first time since its inception. Dominant local players started their regional expansion and in 2001, TBZ opened their first showroom outside Mumbai in Hyderabad. In 2005, Malabar opened its first store outside Kerala in Bangalore. Organized players like Tanishq and Gitanjali deployed franchise model to expand their retail footprints. This period was also marked by the launch of multiple sub-brands by organized retailers to address the demand heterogeneity. Brands such as Nakshatra (2000), Nirvana (2002), Sangini (2004) etc. were launched by Gitanjali and GoldPlus (2005), Zoya (2007) and Mia (2011) were launched by Tanishq.

- **Emergence of Industry Leaders (2008-2016):** Tanishq adopts a nearly uniform product and retailing approach that caters to uniform urban need with mid to premium price positioning. On the other hand, players like Malabar and Joyalukkas succeed to scale up beyond regional footprint by focusing on mass to

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Ankur Bisen
Senior Partner

mid-price positioning with designs localized for different regions. Tanishq initiates a push towards rural markets with Gold Plus. Majority of top jewellers have gold saving scheme in place.

- **Reforms aiding the growth of Organized Jewellery Retail (2016 onwards):** Reforms like GST and compulsory hallmarking of gold Jewellery creates a natural advantage for organized retailers. These initiatives make unorganized retailing of jewellery untenable based on under-caratage and bullion trading. Further, demonetization and use of PAN card on transactions over INR 2 lakhs make unorganized jewellery retailer an unattractive destination for investment purposes.

- **Gold hallmarking becomes mandatory, a push from unorganised to organized jewellery retail:** Three compulsory hallmarking for gold jewellery which took effect from 1st April 2023 has given an advantage for organized retailers. At present only 30% of the Indian gold jewellery is hallmarked. The new norms will help the customer get a fair value for their new purchases and the old jewellery (without hallmark) can be sold to the jewellery manufacturer by the customer and that can be hallmarked while making new jewellery.

Unique advantages of gold retailing

Gold has special place in Indian culture. It is used for traditional purposes like marriage, religious rituals, and gifting. In India gold jewellery has an aspirational value. It serves a dual purpose of ornamentation and investment.

- Selling gold in form of jewellery, bar and coin does not require a push like other lifestyle retail categories such as footwear and apparel.
- There is no inventory obsolescence risk in jewellery retailing as products can be recycled to make new ones.
- Jewellery being a high-ticket item, means the relative cost as the percentage of revenue on rent, employees, and promotions with respect to footwear and apparel is low. Much of the cost of setting up jewellery store goes into inventory.

Exhibit 4.2: Unit Economics for Retail Segments (Modern Formats)

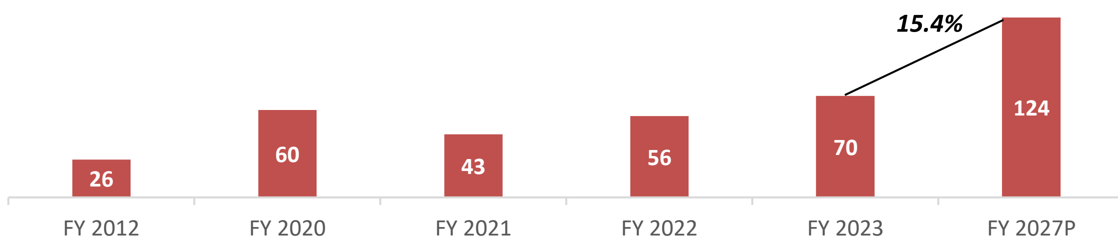
	Pharma Retailing	Food & Grocery Retailing	Jewellery Retailing	Apparel Retailing	Food Services (QSR)
Typical order Value (INR)	250-500	500-1000	20,000-1,00,000	2,000-3,000	500-550
Typical store Area (sq. ft)	~500	1,500-2,500	3,000-5,000	1,000-1,500	1,200-1,600
Typical store Revenue per month (INR)	10-15 Lakhs	30-50 Lakhs	4-6 Cr	15-25 Lakhs	25-35 Lakhs
Average Revenue per sq. ft (INR)	~42,000	~24,000	~1,40,000	~20,000	~26,000
Inventory Cost (INR)	10-15 Lakhs	28-30 Lakhs	30 Cr-40 Cr	~70 Lakhs	10-15 Lakhs
Inventory Turns	9-15 times	12-15 times	2 times	3-4 times	24
Promotional expense as % of store revenue	~1%	1-2%	1-3%	5-7%	4-5%
Employee Cost as % of store revenue	4-5%	5-8%	1-2%	8-10%	9-12%
Capex per store (INR)	4-8 Lakhs	32-35 Lakhs	3-4 Cr	30-35 Lakhs	1.5 -2.5 Cr.
Share of Private Labels	10-15%	15-20%	100%	Varies	100%
Number of SKUs	5,000-15,000	4,000-5,000	1000-1500	500-600*	35-40***
Pay Back Period	~3 years	~3-4 years	~3-5 years	~2-4 years	~3-4 years
Steady State RoCE	40-50%	30-35%	20-25%	25-40%	25-35%

Sources: Secondary research, Primary Interviews, Technopak Research
**SKUs for clothing does not include size variants. Only colour and style options*
**** Combos/meals and Size variations are not included in the SKUs*

4.2 Indian Jewellery Retail Industry

The Indian jewellery retail sector's size in FY 2023 was close to USD 70 billion. The sector's organized retail share stood at approximately 37%, comprised of national and regional players, while the rest of jewellery retail continues to be dominated by the unorganised segment, comprised of over 500,000 local goldsmiths and jewellers. The jewellery retail market is expected to grow to approximately USD 124 billion by FY 2027 on account of the growing economy and rising disposable income, increasing consumer demand for gold, growth in gold prices and rising demand for other categories like diamonds, other precious stones, and costume jewellery.

Exhibit 4.3: Indian Domestic Jewellery Market Size (USD Bn)*



Source: Technopak Analysis, Secondary Research
**Jewellery Market includes jewellery made of gold, diamond, silver, precious stones and fashion jewellery*
Numbers in percentage represents CAGR
1 USD= INR 80, Year Indicates FY

India a predominantly gold jewellery market

India has traditionally been a gold jewellery market with a limited but growing participation of studded jewellery. There are regional preferences in acceptance of studded jewellery. There is cultural difference, religious and trust factors as well as other factors leading to purchase of jewellery which have ensured the prominence of gold jewellery.

1. **Gold jewellery as a prominent savings asset class**: Purchase of jewellery is not limited to consumption like fashion, but it has a strong savings connotation. This is further amplified in rural areas with relatively lower access, literacy and acceptance of another financial savings instrument.

2. **Price discovery of gold is more transparent than studded jewellery:** Gold prices are easily available and have universal acceptance leading to more liquid and assured return. However, in case of studded jewellery price discovery is not transparent and resale value is limited relatively.

3. **Limited exposure and understanding of diamonds:** Jewellery being a big-ticket item for majority and limited understanding of diamonds including size, cut and illumination leads to lesser trust value and higher perceived risk.

Growth Drivers of Jewellery Retail in India

I. Broad basing of economic growth

Five states including Maharashtra, Tamil Nadu, Uttar Pradesh, Gujarat and Karnataka contribute 42.2% of the total market. The next 10 states together with the first five states constitute approximately 80% of the retail market in India. These markets together are expected to grow at a CAGR of more than 6.8% in the coming two years (2023-2025). Instead of the growth being skewed to few pockets, it is expected to uniformly spread out across regions and cities. Given the high share of private consumption in India's GDP and approximately 50% of it is made up of merchandise retail, this pattern of distributive growth will positively impact discretionary categories that already have a high share of the retail expenditure.

Exhibit 4.5: Share of Retail Spending in Select States (USD Bn)

		FY 2022		FY 2023		FY 2025 (P)		
Zone	**States**	**Retail Spending (USD Bn)**	**% of Total Retail**	**Retail Spending (USD Bn)**	**% of Total Retail**	**Retail Spending (USD Bn)**	**% of Total Retail**	**CAGR FY 2021- FY 2025**
North	Delhi	36.3	4.30%	40.9	4.30%	47.7	4.40%	8.02%
	Haryana	32.9	3.90%	37.1	3.90%	43.4	4.00%	8.18%
	Punjab	20.3	2.41%	22.9	2.41%	24.9	2.30%	4.31%
	MP	27.0	3.20%	30.4	3.20%	35.8	3.30%	8.48%
	UP	56.5	6.70%	63.7	6.70%	69.4	6.40%	4.35%
West	Maharashtra	124.1	14.70%	139.8	14.70%	156.2	14.40%	5.70%
	Gujarat	51.5	6.10%	58.0	6.10%	64.0	5.90%	5.06%
	Rajasthan	33.8	4.00%	38.0	4.00%	41.3	3.80%	4.13%
South	AP	32.1	3.80%	36.1	3.80%	38.0	3.50%	2.50%
	Telangana	35.4	4.20%	39.9	4.20%	47.7	4.40%	9.30%
	Tamil Nadu	66.7	7.90%	74.2	7.80%	84.6	7.80%	6.77%
	Karnataka	58.2	6.90%	65.6	6.90%	79.2	7.30%	9.88%
	Kerala	29.5	3.50%	33.3	3.50%	34.7	3.20%	2.09%
East	West Bengal	37.1	4.40%	41.8	4.40%	45.6	4.20%	4.35%
	Orissa	15.2	1.80%	17.1	1.80%	19.5	1.80%	6.73%
	Jharkhand	10.1	1.20%	11.4	1.20%	14.1	1.30%	11.01%
	Bihar	27.0	3.20%	30.4	3.20%	42.3	3.90%	17.87%
North-East	NE States	19.7	2.34%	22.3	0.0234	27.8	2.57%	11.86%
		713.6	**84.55%**	**803.1**	**84.45%**	**916.2**	**84%**	**6.81%**

Source: Technopak Research

II. Jewellery's/Gold's symbolic significance compliments its investment proposition

- Indians have a strong cultural affinity to gold and its purchase is deeply ingrained in the psyche. It serves the dual purpose of consumption (jewellery) and investment (bars/coins). Strong association of jewellery with weddings and festivals creates a natural demand for expenditure for jewellery in India. Such an association is not only unique to India but also offers a natural advantage to jewellery retailing that caters to this association.
  - India is a market of approximately 10 million marriages annually and this market alone is estimated to cater to 300 to 400 tonnes of gold. The age profile of the country will continue to sustain the high growth of weddings in India to support this demand.
  - Across many parts of India, people start purchasing gold well in advance of their requirement. They do this through advance purchase schemes and periodically buying gold in small quantities for future weddings.
  - Gold is purchased not only for the bride and groom but also for personal consumption by friends and families.
  - Gold jewellery also carries a strong symbolic association with wealth and prosperity in India that manifests in the form of purchasing gold jewellery during festivals and auspicious occasions such as Akshaya Tritiya, Navratri/Durgapuja, Ugadi, Karva Chauth, Onam and Diwali Dhanteras,

among others. Strong affinity of the Indian psyche towards gold jewellery over investment in bars and coins as a trend is expected to continue in the future.

- Gold jewellery already carries an investment element which is favourably viewed by Indian households given their propensity to save.

III. Rising share of organized retail in Jewellery will continue

- Between 2007 and 2020, jewellery retailing in India has seen the fastest transition towards organized retailing compared to any other retail category in India. In 2007, organized share of jewellery retail was 6% and that increased to nearly approximately 32% in 2020. In other words, in the last 13 years organized retail not only captured incremental category demand but it has also succeeded in shifting demand away from unorganized retail in its favour.
- Policy push, such as mandatory hallmarking and know-your-customer norms, will weed out some unorganised players and companies lacking the financial stability to withstand this market dislocation. For many unorganised players, liquidating their gold inventory, leveraging higher prices, and consequently shutting down operations may emerge as a more viable option since running operations may not be sustainable going forward. The growth in organised jewellery retail will be driven by select national and regional players with strong fundamentals who will likely get a disproportionate share of this growth unlike organised retail in other discretionary categories which could be more broad-based.

IV. Harvest Economy and Positive Implications on Rural India

- The cultural association with gold jewellery in rural India is even more pronounced than in urban India. As a result, rural India accounts for 58% of gold jewellery demand in India, whereas its share in total retail expenditure is 48%. Farm output, commodity prices and farm incomes therefore have strong causation with jewellery/gold demand. There has been a policy push (Ministry of agriculture and farmer's welfare has been allocated INR 1,250 Bn in 2023-24 Budget) that aims to increase farm incomes through better crop productivity (soil health cards, irrigation initiatives, reduction in cultivation cost), better price realizations (assured 50% profit on cost of production, crop insurance, reduction in post-harvest losses), access to formal credit ("KCC") and efficient market access ("eNAM" connecting wholesale to agri-markets).

- With this state intervention, adequate harvests, and procurement of rabi crop and prediction of a normal monsoon this year, the rural economy is expected to be on a faster track of recovery. This growth has already started to reflect in the earnings announcements of various companies with businesses tied to the rural economy (for example, tractor companies and fertilizer companies). As the condition of the rural economy improves, an uptick would be seen in incomes, and therefore, expenditure and investments in the form of gold will resume.

SWOT Analysis of Indian Jewellery Retail

- ***Strengths*** – Large diamond & jewellery players and having an international presence with strong marketing & distribution network makes the jewellery sector strong in terms of retail presence in India and globally. The gold jewellery sector has a successful track record of both launching new products in the domestic market but also catering to the various market based on the insights from local consumers making a strong brand equity and awareness. Gold jewellery can easily grow in the domestic market with minimum innovation and gold in Indian market is also considered as the investment when compared to other economies.

- ***Weakness*** – The organized & unorganized players have a conflict of interest. Due to the fact, that the raw material needs to be imported and key players stock large quantities of stock resulting in higher inventory cost. Technology is also a factor which is still evolving in Indian market when it is compared to markets like China and others. Expansion possibilities into various other segments like watches, luxury goods and others because the disposable income of people are rising which can impact the demand and the shift is possible to other products. Increase in prices of both gold and diamond can also be considered as factor here. Organized players can also focus on areas where they can improve the customer purchase and post purchase experience.

- ***Opportunities*** – Gold jewellery sector can build a new business model as the disposable income is increasing and buying power also increase as the customer pays for more premium and customized products. Evolving e-commerce and social media-based business models can help gold jewellery players engage with local suppliers or arcticians and reduce the cost of entering the new market. This is possible in both cases for regional player to become a pan India player and a pan India player to enter international markets.

- ***Threats*** – In the recent years, the bargaining power of the customers has increased that is putting the pressure on players to reduce prices and as the gold jewellery can leverage low-cost model of reaching the customers using e-commerce and social media. There can be a competition both at the domestic front and it also open the avenues for international players.

Key trends that signify the construct of the Indian jewellery market:

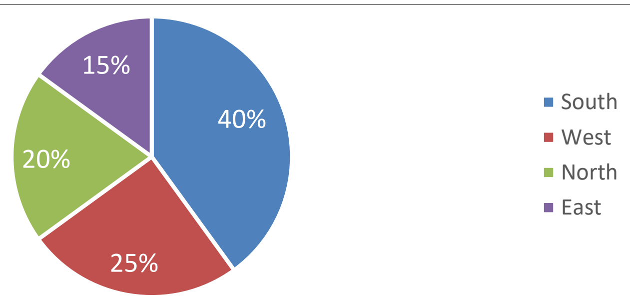
I. Indian jewellery demand is heterogeneous that is influenced by strong regional preferences
II. Indian jewellery retailing is rapidly transitioning towards organized retail
III. A strong rural – urban divide exists with regards to jewellery consumption in India
IV. The Indian gems and jewellery consist of gold, silver, diamond jewellery and other precious gems and pearls but the market is primarily skewed towards gold jewellery
V. India jewellery market can be sliced into fine jewellery and costume jewellery but 94% of the market is made up of fine jewellery.
VI. Role of e-commerce growing in complementing Brick & Mortar Jewellery Retailing

I - Heterogeneous demand influenced by strong regional preferences

Break up of Domestic Jewellery Demand by Region - South India is the largest market in India by region

Indian consumers jewellery consumption is influenced by multiple factors such as region, income, cultural notions and generally vastly differs across states. Southern states contribute 40% of the Indian gold jewellery market followed by the western region constituting 25% of the jewellery market in India.

Exhibit 4.6: Region wise contribution to Jewellery market in India FY 23 (Total value $ 70 billion)



Source: Technopak Analysis, Secondary Research

Indian consumers' jewellery consumption is influenced by multiple factors such as region, income, cultural notions and generally vastly differs across states. Southern states make up 40% of the Indian gold jewellery market while the Eastern states account for 15%. Gross weight of gold worn by a bride in Kerala is more than double the weight of gold worn by a bride in Gujarat signifying that cultural factor score over per capita income when it comes to regional skews observed in jewellery purchase in India. Customer service expectation also varies from one region to other. Wedding jewellery demand is influenced by local traditions and designs. While the gross weight of an average wedding jewellery purchase is 200 gm in Uttar Pradesh, it is 350 gm in Kerala

In the southern states of India, consumer purchasing behaviour gravitates towards traditional plain gold jewellery where margins are typically lower. Consumers in the Northern and Western regions of India are more receptive to studded jewellery and impulse-led lighter-weight jewellery purchases (14k, 18k jewellery) viz-a-vis their southern counterparts. Plain gold jewellery typically has gross margins ranging from 10% to 14%, while diamond-studded jewellery has gross margins ranging from 30% to 35%. Consequently, as the studded ratio (studded jewellery/total revenue) goes up, profitability improves, thereby incentivising the expansion of south focused retailers towards the north, west and east.

Exhibit 4.7: Illustrative Regional Jewellery Demand and Preferences

Region	North	East	West	South
Market Share*	20%	15%	25%	40%
Dominant Categories	Ring, Pendants, necklaces	Bangles, Necklace, Rings	Pendants, Earrings	Pendants, Necklace, Earrings
Gold Type	White & yellow	Yellow	White & yellow	Yellow
Diamond Quality	S1-I1	VVS, Lower colours	VS, all colours	VVS, Better colours
Preferred Cartage	22k, 18k, 14k	22k	22k, 18k, 14k	22k
Important Centres	New Delhi, Jaipur	Kolkata	Mumbai, Ahmedabad	Chennai, Hyderabad, Cochin, Bangalore

Source: Secondary Research, Industry Reports, Technopak Analysis **Contribution to gold jewellery sales*

Exhibit 4.8: Illustrative Regional Jewellery Demand and Preferences (For Weddings)

State	Large Sets	Small Necklace	Bangles, Earrings, and Chains	Gross Weight (In gm)
Kerala	Kazuthulia, Kasu Mala, Lakshmi Mala, Mulla Motu	Kingini Mala, Manga Mala	Kolkata Bangle, Machine cut Bangle, Thoda Bangles, Jhimki, Kurumulaka Mala, Patthakam	350
Andhra Pradesh and Telangana	Nakshi Haram	Kandabaranam	Kangan, Gajalu, Buttalu, Sutaru Golusu	300
Tamil Nadu	Lakshmi Haram, Muthu Haram	Vella Kal Mookhuthi	Muthu Valayal, Lakhsmi Valayal, Kemu Valayal, Kempu Kal Jhimkki, Mangal Sutra	300
Karnataka	Akki Sara, Malliga Sara		Lakshmi Bale, Coorgi Bale, Kembina Bale, Jhimki, Mangal Sutra, Mohan Sara	280
Rajasthan	Rani Haar	Thewa	Bangdi, Kada, Rajputi Bangdi, Kundan Butti	190
Gujarat		Chandan Haar	Bangdi, Kundan Bangdi, Kundan Butti, Mangal Sutra	180
Maharashtra	Chapla Haar, Laxmi Haar	Tushi	Tode, Patli, Jhumke, Mangal Sutra	250
West Bengal	Sita Haar	Gola Chik	Plai Bala, Mugh Bala, Chitra Bala, Jhumka	210
Uttar Pradesh	Choker	Choker	Kundan Kangan, Kaan Matti and Mangal Sutra	200
All India				225-250

Source: Secondary Sources, Technopak Analysis

Seasonality of demand a key trend in jewellery sector

Demand heterogeneity is also influenced by seasonality in jewellery purchases witnessed across regions in India. The key drivers to the category being weddings, festivals and harvesting in rural areas and the seasonal nature of each of the drivers ensures that demand for jewellery in each region is linked to the different months and seasons. Jewellery demand peaks during the run up to marriage months such as May-June, September- January. Agriculture output and monsoon influences gold demand in Tier 2 and Tier 3 towns. A good monsoon can increase crop yields, sweep money into the rural economy and boost gold demand. Rural households invest their proceeds from harvests in gold jewellery during the months of September-November and January to March. Demand for gold and silver jewellery goes up during auspicious religious events like Diwali/Dhanteras in October and November and Akshaya Trithiya, Ugadi in April and May.

Exhibit 4.9: Seasonality in Gold Buying

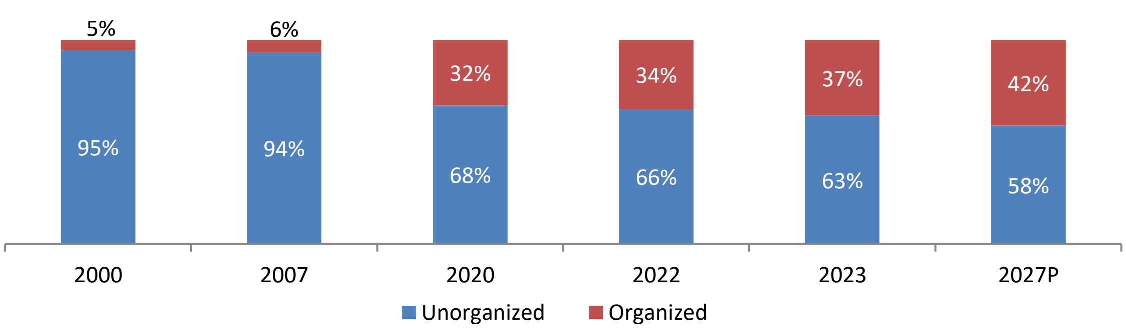
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Gold Buying	■	■	■	■	■	■		■		■	■	■
Festivals	■		■	■				■		■	■	
Marriages	■	■			■	■		■		■	■	■
Harvests	■	■	■	■					■	■	■	■

Source: Primary Research, Technopak Analysis

Such pronounced regional preferences also act as a strong barrier for organized retail to scale up from a regional to a national presence, because it demands a nuanced understanding of varying consumer preferences in local markets, an ability to market effectively to a differing audience, localized sourcing and product strategy, and significant working capital. It is a challenge for organized players to operate at a meaningful scale in each micro market and have reasonably large procurement volume that entice the best of the artisans in each market to work with them. For this reason, only a few local players have managed to become regional players and fewer yet have managed to expand nationally.

II – Transition of Jewellery Retailing towards organized Retail will continue

Exhibit 4.10: Organized and Unorganized Jewellery Market breakup (FY)



Source: Secondary Research, Industry Reports, Technopak Analysis

Reasons for Accelerated Growth of Organized Jewellery Retail

Demand Side factors

- **Urbanization and migration**: Rapid urbanization given economic opportunities have led to the formation of new households and new arrivals in cities, and towns. Migrating consumers' association with their family jewellers is hence disrupted and they rely on trusted brands that can offer transparency, purity, and designs.

- **Growing rural market being catered by organised players**: Rural market continues to contribute 58% of the jewellery demand in India. However, they have limited access to quality products, transparent pricing and designs. Despite the rise in price of gold in the last decade, the volume of gold purchased by a rural consumer has not come down for weddings/ post-harvest etc. as they consider gold as an investment for the future. Few organised players have tapped the rural market through various interventions like physical retail including small and mid-sized stores in rural areas. For example: While Vaibhav jewellers, a leading regional player in South India, caters to all economic segments of the market in the southern region through their dedicated brand outlets, they have a strong rural market focus as well. Rural markets having a larger pie of the retail jewellery market and the inelasticity of rural demand for gold offers large potential for growth. Over 75% of Vaibhav jewellers stores are in Tier 2 and Tier 3 cities catering to the semi urban and rural demand of Andhra Pradesh and Telangana.

- **India's Demographics**: India has more than 65% of its population under 35 years of age and more than 308 million women aged 20 years to 49 years. Though gold based wedding and daily jewellery continue to remain the main component of their demand these consumers are influenced by global trends and seek studded jewellery, better designs and triggers for purchases that average out throughout the year (for instance gifting). They are better aware and look for the assurance of quality, authenticity, and purity of jewellery during their jewellery purchase process. These shifting consumer trends offer natural advantages to organized players who can cater to these needs.

- **Price transparency and product quality:** Indian jewellery consumers are becoming increasingly brand conscious and developing greater sophistication in their jewellery preferences. They are exposed to a variety of global and national brands for luxury products. They expect similar transparency and product quality for their jewellery. They wish to understand the price methodology followed (cost of materials such as gold, silver, and precious stones, making charges etc.) and be assured of quality of the final product, which can be aptly handled by organised retailers only. Players like Tanishq and Joyalukkas were among the pioneers in the Indian jewellery market in adhering to the highest quality standards for jewellery and introducing price transparency into their products.

- **Service Expectations:** Jewellery represents an asset with lifetime ownership and tacitly acts as an investment asset. Therefore, consumers now expect jewellery purchases to be amply supported by after-sales service like product buyback at fair market price, transparency in billing and product customization, among others. Such demands necessitate services to accompany product retailing and organized players are better placed to bundle them to address this need. Also, organized jewellers offer readymade products which eliminated wait time for customers.

- **Impact of promotional campaigns and sustained brand building effort:** Organized jewellery retailing has been on a sustained brand building trajectory since 2000. Jewellery retailers now adopt a multi-pronged marketing approach that leverages social media, print, television, PR and radio. Organized retailers have successfully used this approach to educate customers about purity, transparency, and trust to build their brand and that has helped them to capture the growing incremental demand.

- **Retailing experience:** Organized jewellery retailing today signifies ready-made ornaments, wide product range that offers designs and selection, and a superior showroom experience that agrees well with the changing expectation of the consumers. Its ability to offer a better retailing experience has therefore shifted jewellery consumption demand in its favour.

Supply Side factors

- **Demonetisation:** This led to the adoption of plastic/digital money in the jewellery sector. The adoption of cashless transactions has brought in further transparency into the sector. Demonetization helped organized players to further penetrate the wedding market and the high-value jewellery segment by capturing market share from unorganized players whose business was predominantly based on cash.

- **Goods and Services Tax:** The Goods and Services Tax ("GST") with effect from July 1, 2017, brought in greater transparency in the jewellery market by enforcing tax compliance. It favours organized players that can manage prescribed processes

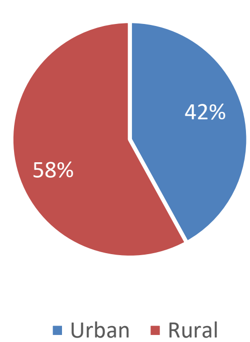
- **Compulsory hallmarking of Gold Jewellery:** Under-caratage has been a long-standing challenge for jewellery retailing in India and had provided an unfair advantage to many unorganized jewellery retailers who were not required to disclosure purity standards. Three compulsory hallmarking which took effect from 1st April 2023 puts additional cost and process requirements on unorganized players and aims to address this issue. It will lead to a further shift of business from the unorganized to the organized jewellery segment.

- **Mandatory permanent account number ("PAN") Card** on transactions above INR 200,000 with effect from January 1, 2016, for jewellery purchase: As per government estimates, jewellery was a major destination for undisclosed income (black money) in India. The PAN card requirement makes it compulsory to establish the identity of the buyer which makes it difficult for unorganized retailers to operate.

III – Distribution of Urban – Rural Consumption

Urban India accounts for approximately 42% (~USD 29 Bn) of gold jewellery demand and the rest 58% (~USD 41 Bn) is contributed by rural India. Gold ownership is higher in rural India, and it rises with income levels. The tendency to save more is higher in semi urban and rural areas with limited options for investment esp. during weddings and post-harvest. Rural and Urban India can be considered as two distinct markets. Consumers in rural India prefer to invest in gold jewellery, however urban consumers invest in bars and coins.

Exhibit 4.11: Rural vs urban contribution to jewellery market FY 23 (Total value ~$ 70 billion)



Source: Secondary Research, Industry Reports, Technopak Analysis

The government's intervention in reviving the rural economy through investments, agri-reforms, increasing MNREGA allocation, provision of essential supplies and restoring opportunities for workers will improve conditions in villages going forward and as that happens, jewellery demand will benefit both because of its cultural significance and safety element as a store of value.

The share of organized retailing in rural jewellery retail continues to be low. This is because rural demand is dispersed which increases the cost of retailing for organized retailers. Hence, organized retailers have adopted a two-pronged approach. The first is to increase their presence beyond Tier 1 cities into Tier 2 and Tier 3 towns to capture rural demand from the vicinity of these towns and therefore, organized retailers with a better mix of stores in favour of non-Tier 1 towns are advantaged in capturing this demand. Second, few organized retailers have also been refining their retailing models to directly tap into the rural demand. Tanishq launched GoldPlus in 2005 and created a presence in rural and semi-urban focused retail play in 30 towns across 5 states. In January 2017, GoldPlus was subsumed under the Tanishq brand to consolidate Tanishq's offering under a single brand to cater to both rural and urban demand. Vaibhav Jewellers cater to all economic segments of the market in the regions that they operate through dedicated brands and loyal customer base, Vaibhav jewellers have a strong rural market focus as they believe that besides the rural markets having a larger pie of the retail jewellery market and offering huge potential for organised players, the inelasticity of rural demand for gold offers great potential for growth. In rural market the volume of the gold matters for consumers not the value.

IV – Strong Influence of Gold in Indian Jewellery will continue with emerging sub-segments

Indian consumers' jewellery consumption is influenced by multiple factors such as region, income, cultural notions and generally vastly differs across states. The market is divided as per the type of jewellery the majority share is taken up by gold, contributing to 82% of the total market. This shows that Gold is the most popular metal used in making jewellery.

Exhibit 4.12: Indian fine Jewellery market estimates: Gold vs Studded FY 23 (Total value $70 billion)

Source: Technopak Analysis, Secondary Research

The Indian jewellery market is strongly skewed towards fine jewellery that is signified by an ornamental look, embellishments, and higher weight, among others. This is a direct outcome of the fact that 90% of the jewellery sold in India caters to wedding-related wear and daily wear and only 10% was meant for fashion wear (that signifies light weight). In a market like the United States, such a market composition is usually found to be opposite. However, these sub-segments within jewellery such as light weight gold, silver and studded jewellery have been registering a consistent growth over the last 10 years and now contribute almost 10% to the total fine jewellery segment. While jewellery in India has had a strong association with social occasions and traditions, the growth of this segment signifies a gap that existed in the space of contemporary design sensibility and affordable price points. Through this segment, businesses are targeting younger women with a modern outlook, often residing in urban centres. Businesses have started to address this demand by spinning new lines of products either as separate brands or collections. Tanishq launched its first sub-brand Mia for women with modern sensibilities in 2011 and now has 84 stores across India. Mia by Tanishq mostly sells 14k, 18k gold variants and has launched a line of silver jewellery as well. Players such as FabIndia and Amrapali are important players in the silver jewellery segment. Platforms like Caratlane and Bluestone are also catering to the same segment.

Exhibit 4.13: Jewellery demand breakup by usage

Jewellery Type	Market Share	Cartage	Size
Bridal wear	55%	22k, 18k	30gms-350gms
Daily wear	35%	22k, 18k	5gms-30gms
Fashion wear	10%	18k, 14k	5gms-20gms

Source: Secondary Research, Industry reports, Technopak Analysis

Gross weight of gold worn by a bride in Kerala is more than double the weight of gold worn by a bride in Gujarat signifying that cultural factor score over per capita income when it comes to regional skews observed in jewellery purchase in India. Customer service expectation also varies from one region to other. Wedding jewellery demand is influenced by local traditions and designs. While the gross weight of an average wedding jewellery purchase is 200 gm in Uttar Pradesh, it is 350 gm in Kerala

In the southern states of India, consumer purchasing behaviour gravitates towards traditional plain gold jewellery where margins are typically lower. Consumers in the Northern and Western regions of India are more receptive to studded jewellery and impulse-led lighter-weight jewellery purchases (14k, 18k jewellery) viz-a-vis their southern counterparts. Plain gold jewellery typically has gross margins ranging from 10% to 14%, while diamond-studded jewellery has gross margins ranging from 30% to 35%. Consequently, as the studded ratio (studded jewellery/total revenue) goes up, profitability improves, thereby incentivising the expansion of south focused retailers towards the north, west and east.

The popularity of gold jewellery vs studded jewellery is linked to perceived value as well as the dual role of jewellery as a savings asset. This is more pronounced in the rural segment where the savings profile of jewellery is relatively higher. The perceived value of diamond is limited as an ornament with limited connotations of a savings instrument. The acceptance of studded jewellery will increase as urbanisation increases and savings profile of jewellery in the portfolio is diminished. This is in addition to the cultural factors prevalent in each region.

Exhibit 4.14: Region wise jewellery mixes and margin improvement opportunity

Region	Market Contribution	Organized market size	Share of studded jewellery
South	✓✓✓✓	✓✓✓✓	✓✓
West	✓✓✓	✓✓	✓✓✓
North	✓✓✓	✓✓	✓✓✓
East	✓✓	✓✓	✓✓

Key	
✓✓✓✓	*High*
✓✓✓	*Medium*
✓✓	*Low*

***Source**: Technopak Analysis, Secondary Research*

V - India Jewellery market can be sliced into fine jewellery and costume jewellery. However, 95% of the market by value is still contributed by fine jewellery

Costume/Fashion Jewellery was estimated to register a sale of ~USD 3.4 Bn in FY 2023 in India contributing almost 5% in the Indian jewellery market and is growing steadily at a CAGR of 16% for the next 4 years to register a sale of ~USD 6.2 Bn in 2027. The organized fashion jewellery market in India is only 2 decades old and there are a handful of brands operating in this space.

It is expected that fashion jewellery in India will continue to grow and be patronised by youth looking to choose from a wide range of products at affordable prices. Fashion jewellery is available across different value segments and in a wide range of material, craftsmanship and design character suited for different purposes.
While it is dominated by local labels and unorganised retailers, many organised accessory retailers have come up in the past bringing formality in this segment. The organised retailers and brands are being patronised for their unique brand positioning, design ethos and improved retail experience. International retailers like Swarovski, Accessorize and Claire's retail footprint is still limited to the Metros, Mini-Metros and Tier 1 cities. However Indian accessory retailers are well penetrated with Voylla having close to 120 retail stores across 85 cities and Ayesha being present in 40 EBOS across 16 cities. Lifestyle brands such as H&M, Zara, Aldo and large format retailers such as Lifestyle, Shoppers Stop, Vishal Mega Mart also have a range of fashion jewellery and accessories to complete their product offering. Horizontal e-commerce platforms such as Amazon and Flipkart also sell fashion jewellery and accessories. A bridge to luxury brand Swarovski has also been able to establish a significant retail network presence in India.

Exhibit 4.15: Sales Mix of Fine Jewellery and Costume Jewellery

Source: Secondary Research, Technopak Analysis
Fine Jewellery: Items considered to be fine jewellery are constructed of gold, silver, platinum, diamond and gemstones. Both yellow and white gold must be at least 10 karats or higher to be classified as fine jewellery. Natural gemstones, which possess all the visual, chemical and physical properties of mined gemstones, are categorized as fine jewellery. All natural diamonds and natural pearls are categorized as fine jewellery
Costume jewellery: Jewellery made with inexpensive materials or imitation gems. Most costume jewellery is constructed with plated metal.

VI – Role of E-commerce growing in complementing Jewellery Retail in brick form

E-tail in India has witnessed a rapid growth trajectory and is expected to reach approximately 11% (USD 156 billion) of total retail by FY 2027 from 7% in FY 2023 (USD 67 billion). In FY 2012, the e-tail pie was only USD 0.6 billion with key categories of Electronics, Books, Stationery, and Music catering to nearly 50% of the pie.

Exhibit 4.16: E-tail penetration of Key Categories

	FY 2023			FY 2027P		
Categories	**Retail Size USD Billion**	**E-tail Size USD billion**	**E-tail Penetration**	**Retail Size USD billion**	**E-tail Size USD billion**	**E-tail Penetration**
Food & Grocery	620	14	2%	843	41	5%
Jewellery	**70**	**4**	**6%**	**124**	**11**	**9%**
Apparel & Accessories	76	16	21%	134	32	24%
Footwear	10	2	20%	19	4	23%
Pharmacy & Wellness	28	1.4	5%	45	4	9%
Electronics	63	19	30%	111	39	35%
Home & Living	38	6	16%	65	14	21%
Others	47	4	9%	66	8	12%
Overall Market	951	67	7%	1418	156	11%

Source: Secondary research, Industry reports, Technopak Analysis; 1 USD= INR 80

The online/E-commerce jewellery market is one of the fastest growing industries in India. The industry has been driven by various factors like growing number of internet users, competitive prices of jewellery etc. The consumers can easily compare the products offered online with various brands, specifications and discounts offered. The market has evolved over the last 5 years with major cities like Delhi, Mumbai, Bangalore, Chennai, etc. driving the growth in Jewellery industry.

Young population of age group 23-35 are the target population/consumers. Few of the E-commerce companies operating in the domain are CaratLane, Candere by Kalyan, Bluestone, and other organized players operating in domain many govern the online market.

Exhibit 4.17: Comparison of Online Vs Over the counter Sales

	Online	Over the Counter/Offline
Average Ticket Size	INR 15,000 - 25,000	INR 50,000 - 2.5 Lakhs and above
Type of Jewellery	Daily Wear, Office Wear, Gifting Jewellery	Occasion Wear, Wedding Jewellery, Customize Jewellery
Preferred SKUs	Ear Studs, Chains, Rings, etc.	Necklace, Temple Jewellery, Bridal Jewellery
Assisted Sales	Low	High
Options of Brand & Products	High	Medium
Touch & Feel Experience	Low	High

Discounts & Other offers	High	Medium
Customization	Low	High

Source: Secondary research, Industry reports, Technopak Analysis

Evolving online jewellery businesses have encouraged people to shop for a variety of jewellery like gold, silver, diamond, and platinum etc. at the click of a button. With convenient delivery options and easy payment options has made the jewellery shopping easy and stress free. Though online jewellery plays a crucial role in influencing offline sales, as the digital shift will happen and remain present. But over the counter / offline sales will remain strong for large ticket size jewellery where touch and feel experience play an important role for customers.

Investments in Digital (Websites, E-commerce, Analytics and Customer Relationship Management, Digital payments)

- Internet first brands Caratlane and Bluestone occupy a significant share of online jewellery market. They claim to save cost of inventory, working capital and rental and pass on the savings to customers. They target urban women in 20-40 years age group and 70-85% of their revenue consists of studded (diamonds and precious gems) jewellery. The nature of current jewellery demand in India limits the current form of online retailing to cater to that demand. For these reasons, leading online players have started to open and expand their offline footprints. Caratlane has opened almost 220 offline stores and Bluestone has opened 100 stores. It has also been reported that nearly 60% of Caratlane's revenues and 30% of Bluestone's revenue are being generated from the offline stores. National players like Tanishq and Kalyan have acquired online retailers Caratlane and Candere respectively to tap the dividends from this format of retailing.
- Given the sector embracing formality and the growing penetration of internet in India, the Indian jewellery industry has started to appreciate the need of digital transformation and have embarked this journey. COVID-19 has further given a nudge to accelerate the initiatives. The penetration of e-commerce is expected to grow to 11% of the total jewellery market by FY 2027.
- Omni-channel capabilities that will support all combinations of online and in-store shopping experiences are in the process of being created.
- Loyalty systems are being strengthened to transform the way customer insights are captured and 360-degree customer relationships are built.
- Multi-channel customer engagement capabilities including social media, chatbots and live chat, e-mail, and tele-calling to enhance customers' lifecycle experience across discovery, consideration, purchase, service, and loyalty have been established.
- The brick jewellery retailers have initiated listings on online marketplaces like Amazon with an aim to reach out to new customers.
- Retailers like Tanishq, Kalyan, PC Jewellers, Malabar and Reliance Jewels have their transactional websites. Augmented reality technology players see jewellery as a promising sector for virtual try-ons.
- In April 2021, Tanishq digital gold an initiative by Tanishq, launched digital gold products for which they have tied up with Digital Gold India Pvt Ltd. This will help the customers to buy, sell or exchange the gold through a safer platform. Since the launch many customers are registering on the platform as India is among the key consumers of gold globally. Digital gold also saw a rise in the demand during the lockdown this year. To attract more and more customers Tanishq is offering customers to buy gold a minimum cost of INR 100.
- Vaibhav jewellers have also a developed & designed their website that can be easily navigated serving as a strong starting point to display of their huge collection. To push online sales that would transcend beyond

Southern boundaries and make a strong case for pushing the brand to other micro-markets as well as states. The e-commerce initiative of the company also enables it to reach out to its global customer base. Further, the e-commerce is directly linked through the store which enables direct selling via Augmented Reality and Video Conferencing.

Challenges of Jewellery e-commerce

- **High Share of Bridal Jewellery:** ~90% of India's current jewellery demand is made up of jewellery. Also, ~85% of India's jewellery demand comprises gold. Such a demand requires assisted selling and after sales (customization, insurance, payment options etc.) needs. Currently, brick retail shops are better positioned over pure online shopping destinations to address this demand.

- **High Ticket Item:** High share of bridal wear and gold makes jewellery purchase high ticket price merchandise. This kind of demand gravitates towards retail formats that convey a strong perception of trust and currently brick retail stores manifests this trust better than online shopping.

The Way Forward for E-Commerce in Jewellery Retailing

- The current growth of online jewellery retailing is driven by the affordable range of low carat gold, studded and silver jewellery that caters to urban demand in Metro & Mini-Metros and Tier 1 towns. While the daily wear segment may also merge with this demand and open for e-commerce especially in the urban centres, the wedding-related segment will remain challenged for this channel given the higher ticket value and low incidence of purchase.

- Mirroring the global pattern, online penetration of organised jewellery retail is likely to increase over time. Most leading national players understand the growing importance of this trend and therefore have started to invest in digital marketing and online sales.

- Live streaming e-commerce, relatively a new trend like shopping channel is becoming popular across China and other countries. This is a big opportunity for jewellers, as it will allow them to provide similar experience like in-store and build strong and long-term connections with customers.

- Use of videos and other content is also at a rise as the content provide an overall customer experience via online shopping. High-definition images, 360-degree images & videos of jewellery help consumer visualize wearing the products.

- Online or E-commerce business have encouraged the customers form Tier 2 & 3 to buy jewellery online, because they can get variety of products, convenient delivery options and easy payments options like COD, digital payments etc. The jewellery segment has a huge opportunity in the e-commerce sector with rising demand and huge competition.
- Apart from large players, many regional players such as Vaibhav Jewellers who has regional focus in the states of Andhra Pradesh and Telangana have also forayed into the e-commerce segment. Over the period of 3 years approximately ~2% of the total sales for Vaibhav Jewellers consists of sales from online channel.

- Vaibhav Jewellers is one the first organized jewellery chain from Andhra Pradesh to expand its presence to Telangana. The Company is expanding its presence in Andhra Pradesh and Telangana simultaneously. This will enable to capture the demand and meet the taste of the population of both the states

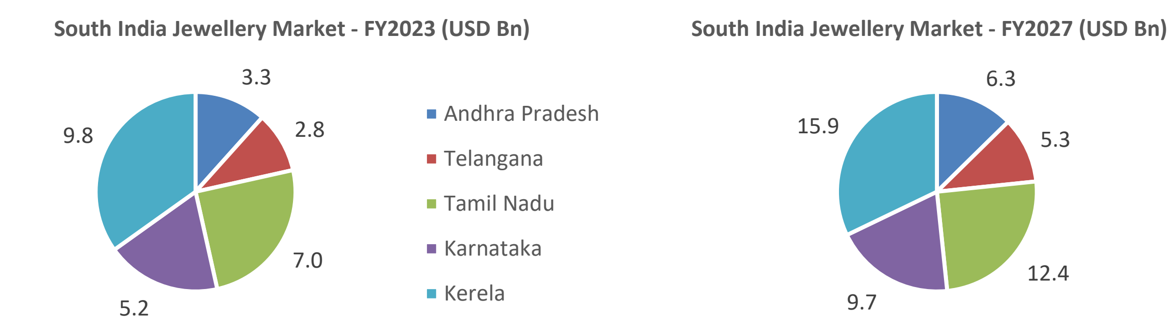
Jewellery Market in South India

Total Domestic Jewellery Market - ~USD 70 Bn in FY 2023

5 Southern states make up 40% of the Indian jewellery market.

Jewellery always had a great influence on the South India market from weddings to cultural traditions. There is divide between South India and rest of India when it comes to gold jewellery. The market differs in customer preferences. North & West India prefers gold jewellery studded with diamonds and other precious stones. However, the consumers in the south prefer yellow gold ornaments with relatively small share of studded jewellery. In terms of number of pairs too, consumers in South India have a greater number of yellow gold ornaments compared to consumers in other parts of India as consumers in south India prefer to buy yellow gold jewellery due to regional and traditional preferences. Consumer awareness about hallmarked gold jewellery is higher in South India which resulted in faster growth of organised jewellery retail in this region. The bureau has set standards for hallmarking of gold jewellery in 3 grades – 14k, 18k & 22k.

Exhibit 4.18: South India Jewellery Market Size (USD Bn) (FY 2023) and (FY 2027)



Source: Technopak Analysis

Gems and jewellery market is growing at a significant pace in India. Out of this South India accounts for the largest share of jewellery market in India, contributing to 40% share in domestic market. Additionally, the Southern region also has higher presence of leading organised players. A large share of the retail network of organised players like Tanishq, Kalyan Jewelers, Joyalukkas and Malabar Gold is present in South India. Out of all these brands, some of the brands like Kalyan Jewellers, and Malabar Gold have majority of their stores in South India. There are some key players of South India which have 100% share in the South Indian market only, such as Thangamayil Jewellery, GRT Jewellers, and Bhima. Vaibhav Jewellers, also a regional jewellery retail chain has presence in micro markets of Andhra Pradesh with a gradual expansion to Telangana through a hyperlocal model. They are currently present in 7 out of 26 districts in Andhra Pradesh and 2 out of 33 districts in Telangana.

Exhibit 4.19: Key Players and their presence in South India

Key Players	Total Store Count	Stores in South India	Share of store in South India
Tanishq	353	100	28%
Kalyan Jewellers	114	70	68%
Thangamayil Jewellery	53	53	100%
Malabar Gold Pvt Ltd	178	120	67%
GRT Jewellers	56	56	100%
Joyalukkas	85	72	85%
Vaibhav Jewellers	13	13	100%
Bhima	18	18	100%

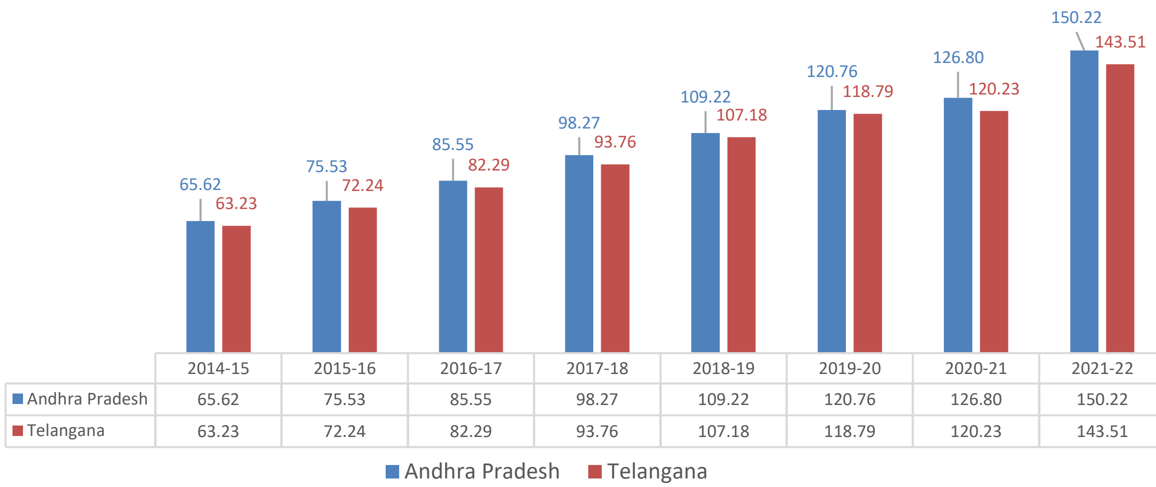
Source: Technopak Analysis, Secondary Research

In South India there has also been a shift in consumption patterns where jewellery is no longer just for weddings and festivals but are also purchased on any joyous occasion including a salary bonus, graduating school, or even starting a new job. As women have become more independent, self-purchase of jewellery is on the rise. The bridal market in the region has been largely dominated by gold, however, minimalism in jewellery in South India, is emerging as a key growth driver for diamond purchase. As more South Indian women are now globally aware of international trends and are becoming environmentally conscious, they are moving towards trusted brands, who offer an assurance of genuineness in their jewellery products.

Micro-Market study of Andhra and Telangana

GSDP of both Andhra Pradesh and Telangana have seen a gradual and steady increase from 2014-15 to 2021-22. This indicates how both the states have developed a healthy growth in their economies. The GSDP at current prices for both states are moving in an upward trajectory. Despite the pandemic taking place in 2021 both states have maintained a forward moving economy.

Exhibit 4.20: GSDP (Current Prices) for Andhra Pradesh and Telangana in USD Bn



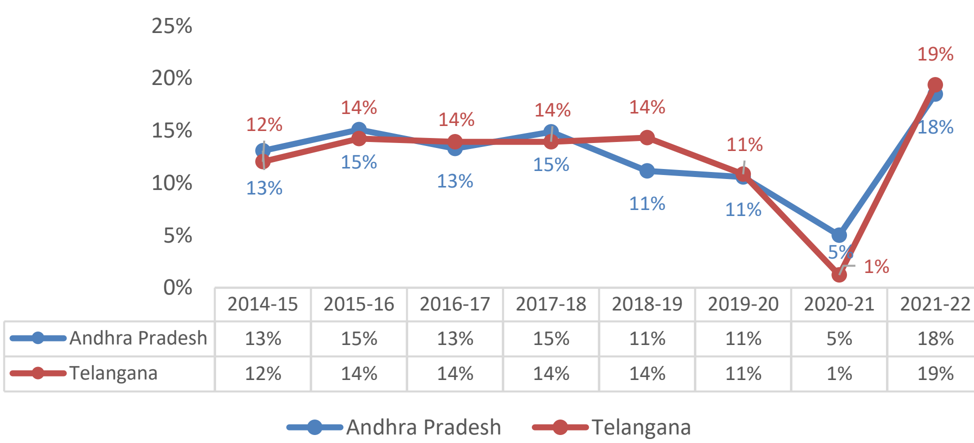
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Andhra Pradesh	65.62	75.53	85.55	98.27	109.22	120.76	126.80	150.22
Telangana	63.23	72.24	82.29	93.76	107.18	118.79	120.23	143.51

Source: Reserve Bank of India *1USD = INR 80*

Year on Year (YOY) Growth rate in GSDP

The year-on-year growth rate for the GSDP (Current prices) for Andhra Pradesh has shown a bit staggered movement and has plummeted in FY 2021 due to the pandemic. As for Telangana the growth rate has been growing positively and has shown decline in growth rate in FY 2021 due to COVID-19. However, in 2021-22, GSDP of both Andhra Pradesh and Telangana has shown high growth rates of 18% and 19% respectively.

Exhibit 4.21: Year on Year (YoY) Growth rate in GSDP (Current Prices) for Andhra Pradesh and Telangana



	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Andhra Pradesh	13%	15%	13%	15%	11%	11%	5%	18%
Telangana	12%	14%	14%	14%	14%	11%	1%	19%

Source: Reserve Bank of India

Population

The population of Andhra Pradesh in 2023 is 5,31,56,000 and for Telangana it is 3,80,90,000. The urban and rural percentage has seen a shift in both the states, from initially having lower percentages of urban population in 2011 to a higher shift in the next 10 years.

Exhibit 4.22: Urban – Rural Split in Andhra Pradesh and Telangana

State	Urban – Rural Split	Urban %	Rural %	Total Population (Mn)
Andhra Pradesh	2011	29.5%	70.5%	49.4
	2023 E	28.4%	71.6%	53.2
Telangana	2011	38.9%	61.1%	35.3
	2023 E	47.6%	52.4%	38.0

Source: Census 2011, Telangana Socio Economic Outlook 2023

Gender Ratio and Literacy rate (FY 2020)

The sex ratio in both the states namely Andhra Pradesh and Telangana have more women as compared to males, and this ratio is higher than the national average. The literacy rate for both men and women for Andhra Pradesh and Telangana is lower than the average literacy rate of the country.

Gender Ratio and Literacy rate for FY 2020			
Andhra Pradesh	**Urban**	**Rural**	**Total**
Sex ratio of the total population (females per 1,000 males)	1,024	1,055	1,045
Women who are literate (%)	77.0	62.0	66.7
Men who are literate (%)	83.9	73.2	76.5
Telangana	**Urban**	**Rural**	**Total**
Sex ratio of the total population (females per 1,000 males)	1,015	1,070	1,049
Women who are literate (%)	78.6	56.6	64.8
Men who are literate (%)	87.2	78.4	82.0
India	**Urban**	**Rural**	**Total**
Sex ratio of the total population (females per 1,000 males)	985	1,037	1,020
Women who are literate (%)	83.0	65.9	71.5
Men who are literate (%)	89.6	81.5	84.4

Source: National Family health Survey

Note: The data collected by National Family Health Survey was completed in 2 years (2019-2021)

Geographic Reforms In Andhra Pradesh and Telangana

Andhra Pradesh

In 2022 Andhra Pradesh has added 13 new districts and has taken the count to 26 districts. The state earlier had 13 district**s**. The names of the new districts added are: Parvathipuram Manyam, Anakapalli, Alluri Seetharama Raju, Kakinada, Konaseema, Eluru, Palnadu, Bapatla, Nandyala, Sri Sathya Sai, Sri Balaji, Annamaya and NTR.

Telangana

As of 2019 Telangana had added 2 more districts and had taken the count to 33 districts from previously having 31 of them. The names of the 2 districts added are: Narayanpet and Mulugu.

Exhibit 4.23: Sources of Income – Andhra Pradesh and Telangana

Sources of Income	
Andhra Pradesh	**Telangana**
• Andhra Pradesh is the Second largest producer of Silk in India next to Karnataka. • Andhra Pradesh ranks first in cultivation of Oil Palm, Papaya, Lime, Coconut, Cocoa, Tomato and Chilies. The State stood 2nd in Mango, Sweet Orange, Cashew & Turmeric in India • Andhra Pradesh state has emerged as the largest producer of fruits in the country contributing 15.6% of the total production at the national level. • Minerals are one of the main sources of revenue to Andhra Pradesh and are also a major contributor for the economic growth of the State. Andhra Pradesh is a mineral rich state containing a vast variety of mineral wealth particularly industrial minerals. • Through its Industrial Policy (2020-23), Andhra Pradesh has put in place various initiatives for developing different segments like Agro and Food Processing, Biotechnology, Bulk drugs and Pharmaceuticals, IT and ITeS, Textile, Automotive and Auto components**,** and Tourism sector. • Andhra Pradesh in April 2022, got a new map with the creation of 13 new districts, taking the number of total districts in the state to 26.	• Telangana State Industrial Infrastructure Corporation Ltd (TSIIC) has developed 19 New Industrial Parks on an extent of 8,560 acres in the State and allotted land to about 2,515 industries on an extent of 956 acres with an expected investment of INR 7,256 Cr And employment potential of nearly 52,562 persons during FY 2022-23. • Telangana has emerged as a leading life sciences hub in Asia, having more than 1000 life sciences companies with a combined value of USD 80 billion. In FY23, there were 240 investment proposals in life sciences sector worth USD 450 million. • Since its formation, Telangana has attracted over USD 50 billion in investments since 2014 in IT & Industries • Hyderabad is emerging as a hotspot for data center space. Due to this the city's inventory is set to grow three times by CY 2023, with 66 MW capacity addition. • In October 2020, the State Government rolled out 10-year Electric Vehicle (EV) policy with the aim to attract USD 4 Bn investments. The policy will aim to make the state a hub for electric vehicles and energy storage systems and will create employment for 120,000 people.

Source: Telangana Annual Report 2022-23, Socio-Economic Survey 2022-23

Key Industries

For Andhra Pradesh some of the key industries are Electronics, Biotechnology, pharmaceuticals, IT, Textile and leather, Tourism, Automotive and auto components, Gems & Jewellery. As for Telangana the Key industries are IT, pharmaceuticals, manufacturing sector, AI, Tourism and Agriculture. In Telangana as per the sectoral contribution the service industry has the maximum contribution of more than 60% since many years.

Exhibit 4.24: Key Industries in Andhra Pradesh and Telangana

Key Industries in Andhra Pradesh	Key Establishments	Key Industries in Telangana	Key Establishments
Automobile and Auto components	• Andhra Pradesh has strong presence of Amara Raja group, which is India's second largest Automotive battery brand. • Andhra Pradesh has an Upcoming tyer manufacturing facility to be set up by Apollo Tyers. • The state has presence of more than 100 automotive and auto-component manufacturers.	**Artificial Intelligence and IT**	• The Govt. of Telangana works closely with diverse stakeholders such as researchers, industrialists, startups, educational institutions to craft an AI-led vision and solve big, massive problems of the state using AI. • Telangana has set an ambitious target of ensuring that AI contributes

	• There are planned auto clusters in Nellore and Chittoor districts. • Multiple world class Automotive Suppliers Manufacturing centers are to be set up in Andhra Pradesh.		USD 5 Bn to the state's IT exports by 2025.
Electronics	• Foxconn's plant has been setup to manufacture phones of leading companies such as Xiaomi and Gionee, Asus, Oppo, Microsoft. • Sri Venkateswara mobile and electronics manufacturing hub in Tirupati houses leading Indian mobile manufacturers • Major Cities of Andhra Pradesh such as Nellore, Chittoor, Visakhapatnam, and Krishna are designated as brownfield Electronic Manufacturing Clusters (EMCs). • New Electronics Manufacturing Clusters (EMC) to be set up in Tirupati. • It is being planned that a FinTech hub will be set up in Visakhapatnam.	**Pharmaceuticals**	• Telangana state contributes nearly one-third to India's production and one-fifth to its exports in the pharmaceutical sector. • Hyderabad is considered as the Life Sciences Capital of India with over 800 life sciences companies. Over the last few years, Telangana has attracted more than USD 1.25 Bn investment in the life sciences sector. • In 2030 Telangana aims to become the leading life-sciences hub in Asia while doubling the sectoral value to USD 100 Billion and adding 400,000 new jobs.
Energy	• Andhra Pradesh is ranked No. 1 in implementation of Energy efficiency and conservation programmes as per World Bank • The state provides 24x7 quality industrial power supply, with lowest T&D losses in the country • Waste-to-energy plants are planned to be set up in 10 districts of the state. • The Govt of Andhra Pradesh is focusing on the development of solar energy projects/programs including Solar P V Pump Sets for Irrigation purpose in large scale in the State.	**Agriculture**	• Agriculture plays a pivotal role in the economy of Telangana and the better performance of this sector is vital for the states's growth. • Agriculture, Forestry, Livestock and Fisheries sectors' Gross Value Added (Current Prices) to the state economy has seen a CAGR of 14.1% from INR 760 Bn in 2014-15 to INR 2,180 Bn in 2022-23 (AE) and during the same period the sector CAGR at all India level is 10.1%.

Source: Telangana Socio-Economic Outlook 2023, Department of Industries of Andhra Pradesh, Invest Telangana

Major Cities of the States

In Andhra Pradesh apart from Vishakhapatnam, Anantapur and Tirupati are also planned to be developed as IT concept cities, as per the Andhra Pradesh Information Technology Policy 2021-24. Telangana is the largest producer of turmeric in the country. In Telangana, the four cities, namely Nizamabad, Karimnagar, Warangal and Adilabad account for around 90% of the production of turmeric in the State.

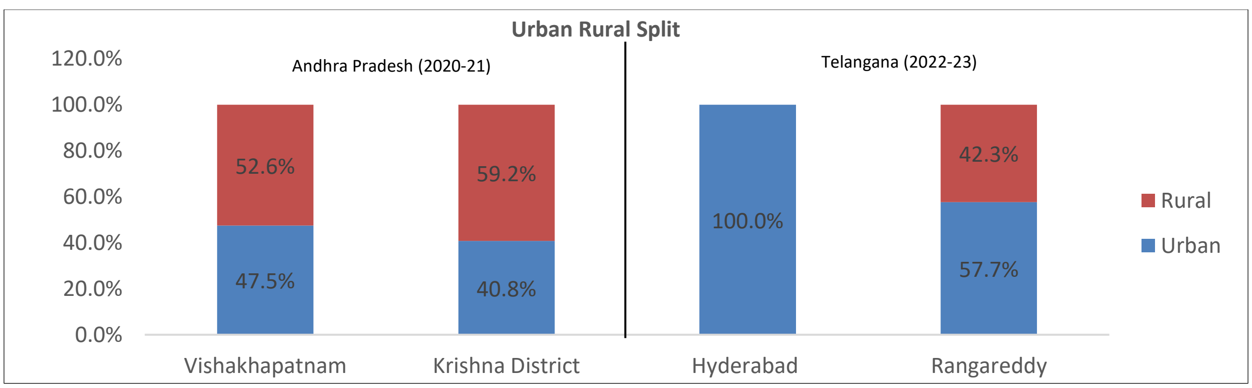
Andhra Pradesh	Telangana
Visakhapatnam	Hyderabad
Vijayawada	Karimnagar
Nellore	Warangal
Amravati	Nizamabad
Anantapur	Adilabad

Cities/Districts with highest per capita in Andhra Pradesh and Telangana

Richest Cities	
Andhra Pradesh	**Telangana**
• The richest cities in Andhra Pradesh are Vishakhapatnam and Krishna district with high per capita income as for Andhra Pradesh in 2019-20.	• The richest cities in Telangana are Hyderabad and Rangareddy. • Rangareddy has the highest per capita income (PCI) of INR 6,69,102 and is followed by Hyderabad which has a PCI of INR 3,49,061.

Source: Socio economic outlook 2023 and Socio-Economic Survey 2019-20

Visakhapatnam and Krishna district are two of the richest cities in Andhra Pradesh and both have above ~50% in rural population. Whereas Hyderabad is fully urbanized hub and Rangareddy too has higher urban population as compared to rural population.



Source: Socio Economic Survey Andhra Pradesh 2021 and Open Data Telangana
Note – For Andhra Pradesh, latest data is not available

Growth Drivers for the Andhra Pradesh and Telangana

As per Andhra Pradesh's budget analysis the agriculture sector in FY 2023 was given 1.52 USD Bn and the budgeted estimates for FY 2024 is 1.75 USD Bn, which is a 15% increase. In Telangana's budget analysis the agriculture sector in FY 2023 was given 2.95 USD Bn and the budgeted estimates for FY 2024 is 3.65 USD Bn, which is a 23% increase Y-o-Y. Some of major growth factors in Andhra Pradesh & Telangana are increasing farmer's income, growing women workforce, rising industrialization, and rapid development in the agriculture sector. The growth drivers have a direct impact on the jewellery sector. Growth in farmer's income in both the states will help grow jewellery sector as rural consumers invest their savings predominantly in gold jewellery. Increase in women workforce will also give advantage to women consumers who are primary consumers of gold jewellery. Increase in income in coastal areas will lead to an increase in savings which will lead to purchase of gold jewellery which is the prominent savings asset class.

Factors	Andhra Pradesh	Telangana
Farmer's Income	Andhra Pradesh ranked fourth in the country in the growth rate of income from the agriculture sector in the last decade (between 2011-12 and 2019-20) with an increase of 5.41 %	Telangana ranked second in India in the growth rate of income from the agriculture sector in the last decade (between 2011-12 and 2019-20) with an increase of 6.59 %
Women Workforce	In FY 22, Andhra Pradesh has 38% women population employed which is one of the highest in the country	In FY 22, Telangana had one of the highest women workforces in the nation with 42% female employment in the state
Agriculture	Around 60% of the state's population is employed in agriculture and allied activities. Andhra Pradesh is ranked first in India to produce Oil Palm, Cocoa, Acid lime, Papaya, Tomato and Chilies. The state ranks second in the production of Mangoes, sweet orange, and Turmeric	Telangana is one of the leading producers and exporters of horticulture crops, including lemons, oranges, and turmeric among others. In Telangana the agriculture and allied sectors grew by 20.9% in FY 21, dwarfing the 3% growth at the national level
Coastal Income	The state is a logistics hub of India, and it has the second-longest coastline in the country. Andhra Pradesh ranks number 1 in fish and shrimp production. The state has a 36.11% share in the total seafood export of the country	Sericulture and fisheries are sustainable sectors in the state. Telangana has the third largest pool of inland fisheries resources in the country
IT and Electronics	Andhra Pradesh has 3 successful operational Electronic Manufacturing clusters (EMCs), and the state contributes to 10% of India's electronic production. In FY21 the state has started planning to set up 3 concept cities for IT related industries and have a focus on creating employment within this sector	Telangana has shown an abundant YOY increase in IT exports, the growth rate has been 12.98% in FY21 as compared to FY20. Employment in the IT sector has also increased, the increase has been of 7.99% in FY21 and a total of 46,489 new jobs were added

Sources: Secondary research

IT Hub

- As of 2020 in Andhra Pradesh there are around 250 IT companies with annual turnover in the range of USD 0.14 Mn to USD 66.7 Mn. All these firms combined employ nearly 35,000 people in the state.
- Telangana Government is aggressively setting up Export Oriented Units (EOU), Software Technology Parks (STP), and Special Economic Zones (SEZ) in the state to facilitate more IT and ITeS investments into India. Telangana's IT/ITeS Exports grew at 17.93% compared to the National Average of 8.09%.
- Hyderabad is a hub for the information technology (IT) industry. Many leading IT companies like Facebook, Google, IBM, and Microsoft have established strong presence in Hyderabad. Even Andhra Pradesh has many top IT companies such as Wipro, TCS, Infosys, Amazon, IBM etc. that have penetrated well in the state.
- In 2021, the Andhra Pradesh state cabinet gave its approval for the new Andhra Pradesh Information Technology Policy 2021-24, this policy is expected to generate more than 55,000 jobs and indirect employment to 0.165 Mn people over its time period. It will also set up three different IT concept cities to provide a boost to remote working.

Jewellery Sector in Andhra Pradesh and Telangana

Gems and Jewellery is one of the 14 thrust sectors under the Telangana government's industrial policy. Hyderabad is a world-renowned center for precious and semi-precious studded jewellery. The jewellery crafted in Andhra Pradesh is divided into gold and silver jewellery. The style used is Mughal and the USP of the work is its elegance and craftmanship.

In FY 2023, the total market size of Andhra Pradesh and Telangana was USD 3.3 Bn and USD 2.8 Bn respectively. While the Andhra Pradesh jewellery market is expected to grow to USD 6.3 Bn by FY 2027 at a CAGR of ~18%, the Telangana market is expected to grow to USD 5.3 Bn during the same period at a CAGR of ~18%.
Rural market in the state of Andhra Pradesh and Telangana contributes 50-52% of the total jewellery market in FY 2023 in these two states. 60-70% of the rural demand for jewellery is driven by weddings followed by the need for investment post-harvest. Presence of organised players like Vaibhav Jewellers in coastal Andhra belt gives them an exposure to agri-customer base and thus their showrooms are aligned to capture the demand coming in from the agri-income based customers.

Organized market contributed ~39% of the total jewellery market in the states of Andhra Pradesh and Telangana in FY 2023 and expected to grow to ~45% of the total market by FY 2027. The current organized market of USD 2.35 Bn in Andhra Pradesh and Telangana together is expected to grow at a CAGR of 22% to USD 5.21 Bn by FY 2027. Regional and National Brands have identified the potential of Andhra Pradesh and Telangana and have a substantial share of their store network in these locations. Regional and National players have a significant presence in Tier 2 and 3 cities which are the new consumption hubs and cater to the semi urban and rural consumer.

One of the leading regional players, Vaibhav Jewellers had a market share of ~4% of the overall Andhra Pradesh and Telangana jewellery market and ~10% of the organised market in these two states in FY2023. Vaibhav jewellers who are led by first generation woman entrepreneur Ms Bharata Mallika Ratna Kumari Grandhi and daughter Grandhi Sai Keerthana, is one of the earlier entrants in the organised jewellery retail market of Andhra Pradesh and continue to focus on regional expansion into the high growth untapped regions within the micro-markets of Andhra Pradesh & Telangana. They were also the early entrants in cities like Visakhapatnam, Parvatipuram, Gajuwaka, etc. and helped in creating the market for branded jewellery in the region.

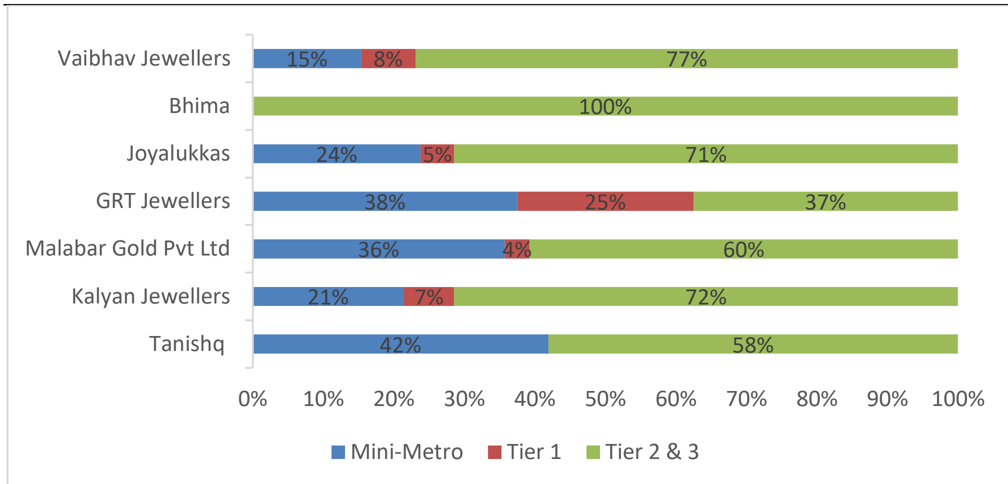
Vaibhav Jewellers follows a hub & spoke model in their region of operation with small sized showrooms operating peripheral to the larger showroom. This allows them to offer new products to the semi urban and rural customers on a continuous basis and capture a share of the market.

Exhibit 4.25: Key Players in South India

Key Players	Total Store Count	Stores in Andhra Pradesh	Stores in Telangana	Stores in Kerala	Stores in Tamil Nadu	Stores in Karnataka	Share of Stores in Andhra Pradesh and Telangana
Tanishq	353	15	16	6	39	24	9%
Kalyan Jewellers	114	8	6	18	21	14	12%
Malabar Gold Pvt Ltd	178	15	19	31	23	32	19%
GRT Jewellers	56	5	3	0	41	6	14%
Joyalukkas	85	13	8	12	23	15	25%
Vaibhav Jewellers	13	11	2	0	0	0	92%
Bhima Jewellers	18	2	0	0	2	14	11%

Source: Technopak Analysis, Secondary Research, Company Website

Exhibit 4.26: EBO Presence across City Types in Andhra Pradesh and Telangana

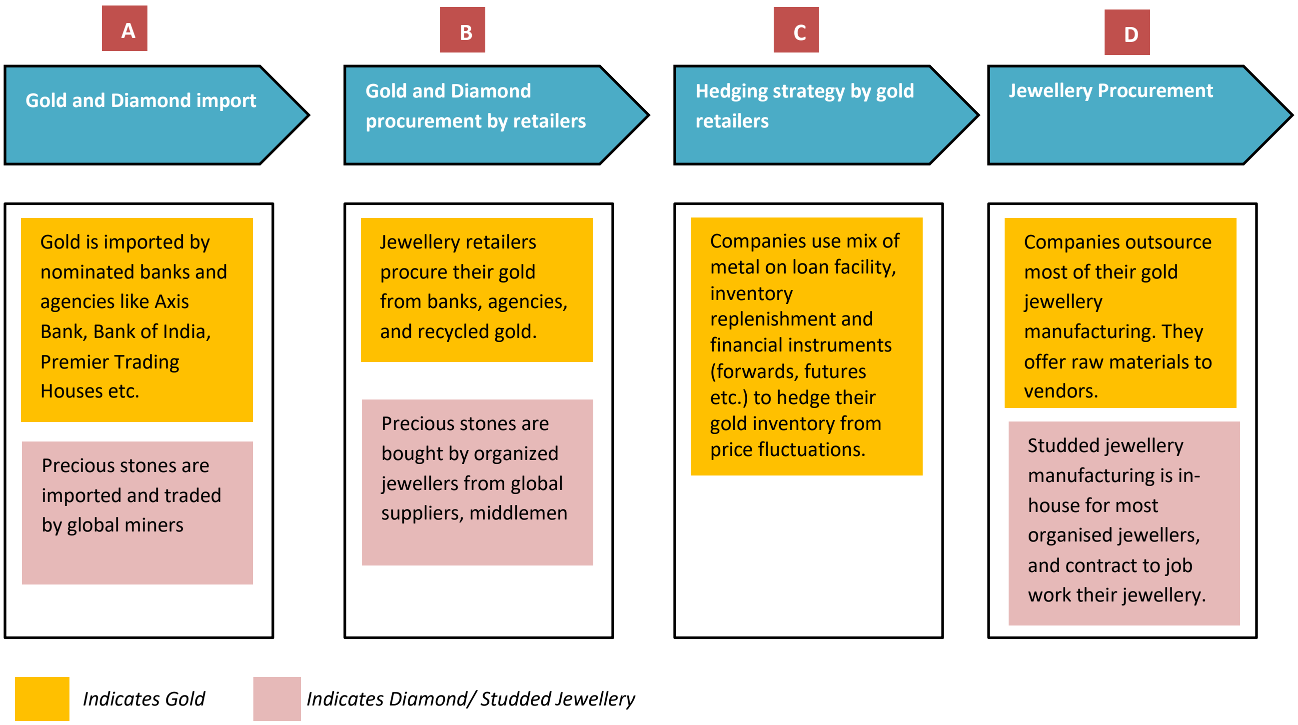


Source: Technopak Analysis, Secondary Research, Company Website
**There are no Metro cities in Andhra and Telangana*

5.Operations in Jewellery Market in India

5.1 Procurement Value Chain for Organized Jewellers

Exhibit 5.1: Procurement Value Chain for Organized Jewellers in India



Source: Secondary Research, Technopak Analysis, Primary Research

A. Gold and diamond import in India

Open General License (OGL) scheme introduced by government in 1997 allowed banks to import gold in India. The RBI authorizes banks for importing gold. The foreign trade policy (FTP) regulates agencies which are licensed by the DGFT for gold import. Banks import gold on a consignment basis, whereas nominated agencies such as STHs (Star Trading Houses) and PTHs (Premier Trading Houses) are only allowed to import gold on a direct payment basis. Gold is imported in India through 11 airports that are close to key jewellery manufacturing and trading hubs namely:

- North: New Delhi
- West: Mumbai, Ahmedabad, Jaipur
- South: Bengaluru, Chennai, Cochin, Coimbatore, Hyderabad, Trivandrum
- East: Kolkata

India imported 706 tonnes in CY 2022 as compared to 1,067.72 tonnes of gold in CY 2021. India's average monthly gold imports during April 2022-February 2023 stood at 58.33 tonnes, which is lower than the average gold imports of 76.57 tonnes in April 2021-February 2012, 80.86 tonnes in April 2018-February 2019 and 62.88 tonnes in April 2019-February 2020.

Ankur Bisen
Senior Partner

Exhibit 5.2: Import from Major Countries in India (In tonnes)

Countries	2019	2020	2021	% Growth (2019-21)
Switzerland	354.58	164.92	469.55	32.4
UAE	74.33	42.46	120.16	61.6
South Africa	36.05	23.97	71.68	98.8
Guinea	5.62	14.93	58.72	944.8
Peru	48.56	29.11	49.53	1.9
Others	317.24	154.72	298.08	-6.0
Total	**836.38**	**430.11**	**1,067.72**	**27.6**

Source: GJEPC

B. Procurement of Gold and precious stones by Jewellery Retailers

Jewellery retailers procure their gold from certified banks and agencies & recycled gold. Under Gold-on-lease scheme, jewellers lease gold for 180 days with lease interest rate between 3% and 8% p.a. The scheme acts as natural hedge against price volatility of gold and enhances return on capital of jewellers reducing their interest on capital employed (i.e., 10% per annum). Jewellers can also procure gold from nominated agencies using bank guarantees/ Demand Draft /Banker's Cheque etc). Jewellers also use recycled gold to meet their demand. The sources of recycled gold are recycled jewellery, manufacturing scrap and industrial scrap. In 2018, 11% of Indian gold demand was met by recycled gold, which reached 17% in 2019 due to increase in gold recycling in India, owing to higher commodity prices and decrease in consumption. Total gold recycled in India during 2020 was 95.5 tonnes as compared to 119.5 tonnes in 2019. In year 2020, 21% of Indian gold demand was met by recycled gold. However, total recycled gold in India in 2021, declined by 21% to 75.2 tonnes, as compared to 95.5 tonnes in 2020.

C. Hedging Strategies

Companies use mix of metal on loan facility and financial instruments (forwards, futures etc.) to hedge their gold inventory from price fluctuations.

Gold-on-lease facility: Earlier jewellers imported gold through upfront payment without any credit. This put strain on their working capital. The fluctuation of gold prices and dollar-INR exchange rate further worsened their woes. Purchased gold is reflected as inventory in their balance sheet. Under gold-on-lease scheme, jewellers lease gold for typically 180 days with lease interest rate between 3% and 8%.
However, the effective interest rate sometime moves up to 10% because of price fluctuations and difference in local and international price of gold. The benefits of gold **Gold-on-lease** are as follows

- Natural hedging mechanism
- No inventory risks
- Relatively lower interest expense
- Improved efficiency

Financial Instruments: Organized players use financial instruments like future, forwards, options etc. to protect their margins from price fluctuations of precious metals. Regulatory framework such as income tax exemption for hedging also encourages hedging by organized players.

D. Gold Jewellery Procurement

Majority of gold jewellery manufacturing is unorganized. Only 5-10% of jewellery units operate as organized large-scale manufacturers. Due to low capital requirement for small workshop this sector has remained unorganized. These workshops do not own the gold and precious gems on which they work.

- Organized players outsource most of their gold jewellery manufacturing to vendors at pre-determined prices for predefined designs. Brands have their own design team for identifying latest designs. These teams also buy designs from independent design houses. They have dedicated procurement teams that manage the subsequent sourcing process. They outsource manufacturing to multiple vendors and provide raw materials to these vendors. Following factors influence this outsourcing approach:
    - (i) Sales projection of the products
    - (ii) Type of products
    - (iii) Relationship with the vendor
    - (iv) Vendor capacity for specific type of Jewellery
    - (v) Volume of products being sourced to vendor
    - (vi) Payment terms with the vendor
    - (vii) Urgency of product requirement

- Most leading players outsource their gold jewellery manufacturing. This approach enables them to access specialized local vendors/manufacturers to fulfil regional demand. Leading players track their store level inventory, predict item-wise demand, and consolidate their orders for vendors. This results in higher manufacturing order volume from them in comparison to the order volume from local jewellers and enables them better sourcing margins.
- Large jewellery players with high procurement volume and timely and fair payment terms typically attract the best of the artisans and the designs. Some of these artisans work exclusively for these companies.

Marketing approaches of Organized Jewellery retailers in India

The marketing approach adopted in recent times has been aimed at achieving following objectives:

- To position organized jewellers as a trusted destination on quality, price, and transparency
- To amplify bridal wear jewellery positioning
- To subtly induce demand for diamond/ studded jewellery

Jewellery retailers have uniformly adopted a two-pronged marketing approach to achieve these objectives

I. **Brand Building Initiatives:** Jewellers undertake these marketing approaches primarily to build brand equity in the minds of consumers. It involves digital marketing, TVCs, celebrity endorsements, movie-tie ups etc.

II. **Tactical Initiatives for a short-term objective**: Tactical marketing approaches are primarily aimed to generate short term demand and / or to leverage an event for publicity. It involves radio campaigns, promotional advertisements, activations for local demand generation etc.

National Marketing Approach

I. Marketing Approaches for Brand Building

- **Television** – it is most expensive medium, but it also offers the largest audience reach. National level Jewellery chains use this medium both to build basic customer awareness and to announce upcoming promotions regarding new products and schemes to cater to cyclical demand. They run their ads during the various occasions and festivals showcasing the various schemes and product range offered by them.
- **Celebrity Endorsement:** Popular celebrity endorsements are the mainstay of brand building for Jewellery Retailers in India. Most jewellery chains and online jewellers opt to rope in celebrity ambassadors in line with their price positioning, regional versus national focus, fashion versus bridal & daily wear offering. Brand display star power for their store opening.

Exhibit 5.3: Celebrity brand ambassadors

Brand	Brand Ambassador(s) past and present
Tanishq	Deepika Padukone, Nayanthara
Kalyan Jewellers	Amitabh Bachchan, Jaya Bachchan, Shweta Bachchan-Nanda, Katrina Kaif, Akkaineni Nagarjuna, Prabhu Ganesan, Manju Warrier, Shiva Rajkumar, Wamiqa Gabbi, Pooja Sawant, Ritabhari Chakraborty
Joyalukkas	Kajol, Kangana Ranaut, Meera Jasmine, Bhoomika Chawla, Madhavan, Shreya Ghoshal, Suresh Gopi, Kiccha Sudeep, Allu Arjun, Hrithik Roshan
Malabar Gold & Diamonds	Alia Bhatt, Kareena Kapoor, Dulquer Salmaan, Tamannaah Bhatia, Mohanlal, Suriya Sivakumar
Khazana Jewellery	Kajal Agarwal, Rashmika Mandanna
Senco Gold	Kiara Advani, Ishaa Shah, Sourav Ganguly, Vidya Balan, Dutee Chand
Tribhovandas Bhimji Zaveri	Sara Ali Khan
Vaibhav Jewellers*	Rakul Preet Singh, Kajal Agarwal, Priya Anand

Source: Primary Research, Secondary Research, Company Website; The list captures key brands ambassadors and is not exhaustive.
Note: ex-Brand Ambassador*

- **Print media like Newspapers & Magazines** – This channel is used by many jewellery brands usually to inform customers about upcoming promotions and announce offers around festivals and wedding seasons.
- **Movie Tie-ups/Corporate Tie-ups** – This channel is used by jewellery chains to promote their brand and allow customers to associate their brand with heritage, artistry, and quality of craftsmanship. For ex: Deepika Padukone is seen promoting Tanishq jeweller in the movie, Padmavat. Tribhovandas Bhimji Zaveri associated with Dharma Production for the movie, Kalank.

II. Tactical Marketing Approaches for Short Term Demand

- **Radio** – Some jewellery brands use popular radio stations like Radio Mirchi & Radio City in India to inform customers about their brand. For ex: Tanishq created a series of radio advertisements on Radio Sharda 90.4 FM.
- **New store launches** – Most jewellery chains hire a celebrity ambassador to launch a new showroom. This allows them to generate a buzz and the initiative has proven to be an inexpensive publicity vehicle. For ex: Vaibhav Jewellers bring their brand ambassadors for inauguration of their flagship showrooms. Such events create immediate buzz around the city regarding showroom opening. In 2007, Vaibhav Jewellers launched V Square, its flagship showroom which is one of the largest in Visakhapatnam with approximately 30,000 sq.ft jewellery retail space and is one of India's largest ISO certified jewellery showroom. Each floor of the showroom is dedicated to showcase various jewellery ranges, exclusive silver furniture & gifting solutions.

Exhibit 5.4: Showroom/ Store launch event

Source: Secondary Research

- **Special promotions** – Jewellery chains use their personnel to educate and entice customers to make further purchases, usually at the point of sales.
- **Special events** – Often various jewellery chains hold unique events to build brand awareness and promote their jewellery range. For ex: To promote Gold Plus (Tanishq), a TATA Nano car was adorned with gold that emphasized 5000 years of Indian jewellery making tradition. This car travelled across 30 cities promoting Goldplus (Tanishq).
- **In-store and mall activations** – Jewellery chains utilize this channel primarily for educating consumers about their brand and products. Some jewellery stores try to bring an experiential factor by persuading customers to try out their jewellery.
- **Research & Marketing Activities –** Regional players like Vaibhav Jewellers to protect their brand and brand image. They don't open or launch any new showroom unless they confident of gaining a strong revenue traction for the next 5 years. With a strong in-house market mapping team that does research & catchment area study for almost 6 – 8 months before a showroom is planned. Subsequent, to the planning of the showroom, the GTM marketing activities are being conducted before a showroom is launched. The GTM activities are carried for a period of 60 to 75 days which will help to pull in a larger audience to the showroom on the launch date as well as subsequent sales.

III. Digital Marketing Activities

Jewellery chains are increasingly using social media websites like Facebook, Instagram and Twitter along with other mediums like advertisement on You tube and other websites to target millennial customers. Brands actively use browser data for retargeting customers through search engines and social media sites.
Established brands like PC Jewellers, Joyalukkas, Tanishq, Malabar and online focused brands like Caratlane and BlueStone have high social media presence on Facebook, the primary digital marketing channel. Tanishq, Kalyan, Joyalukkas and Caratlane are the most popular brands across all social-media channels. Social media platforms, display networks advertisements, YouTube and Google advertisements are being extensively used for promotions. It helps brands to micro-segment the consumers and use data analytics to target them optimally.

Even during the period of lockdown, when consumers were actively consuming digital content, the brands sustained their engagement though these channels. Creatively crafted marketing campaigns had been designed about the topical issue to express empathy, positivity, and sense of responsibility as a business.

Exhibit 5.5: Digital presence

Source: Secondary Research

Regional Marketing approach

- **Television** –Regional players given their regional focus primarily opt for vernacular regional channels to optimize their marketing expenditure. For instance, Senco Gold & Diamonds rolls out television advertisements only in the East region, where it is most dominant. TV advertisements are themed around family bonds like Father-daughter, Husband-wife, mother-daughter and more and shot in the backdrop of weddings, festivals and special occasions.

- **Exhibitions** – The objective of exhibitions is to reach out to the areas and customers in district or rural level and offer them product and services to promote brand image, increase the awareness of the brand, and introduce new products and design specific to the regional market. Regional player Vaibhav jewellers who positioned themselves as 'Relationship by Design' connect with target groups through exhibitions to understand the taste and preference of the customers.

- **Regional Campaigns** – To reach out to the untapped areas like villages and other identified locations and run campaign to create awareness, showcasing the product and services through regional influences like Panchayat head and other influential people who can help direct the sales towards regional organized players.

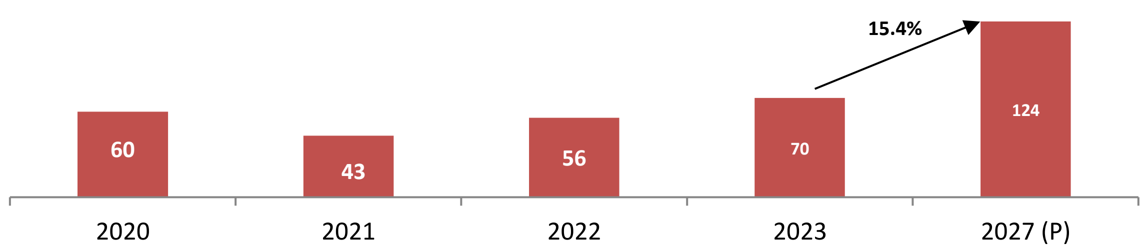
- **Door to Door activities by BTL teams** – This helps the regional players to reach directly to the customers and build long term relationships and influence the customer to buy products from the player. Regional players like Vaibhav jewellers do street campaigns through a unique idea of knowing the customers in and around the street and personally offer product and services which give assurance in conversion of sales. Also, during any new product or showroom launches the team targets the location where they meet the customers with various promotional materials like catalogues, flyers, calendars to convey the message of the campaign.

6. Competitive Landscape

Total Jewellery Market Size

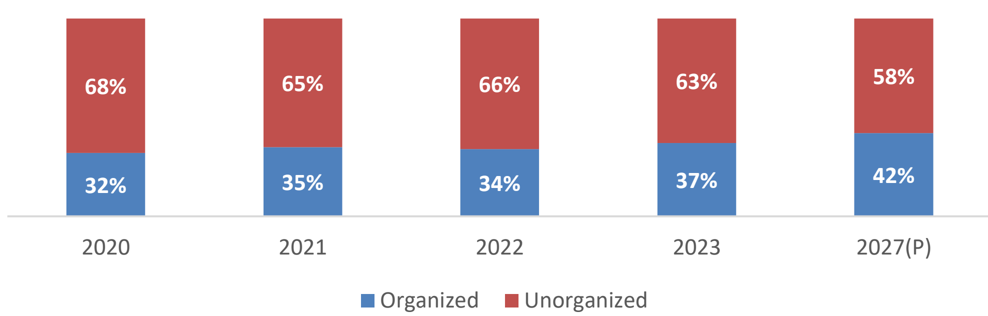
The jewellery sector has seen a continuous growth of the organised sector with contribution projected to breach 42% of the total market by 2027. Indian jewellery market is led by Tanishq from TATA group and traditional jewellers who have been able to scale up their business from a single city or single store structure to multiple cities, regional or national play. The top 11 companies contributed to 25% of the overall market size with top 5 companies contributing 21% of the overall market size.

Exhibit 6.1: Total Jewellery market in India (USD Bn) (FY)



Source: Secondary Research, Technopak Analysis, Year indicates FY

Exhibit 6.2: Organized & Unorganized Split of Jewellery market (FY)



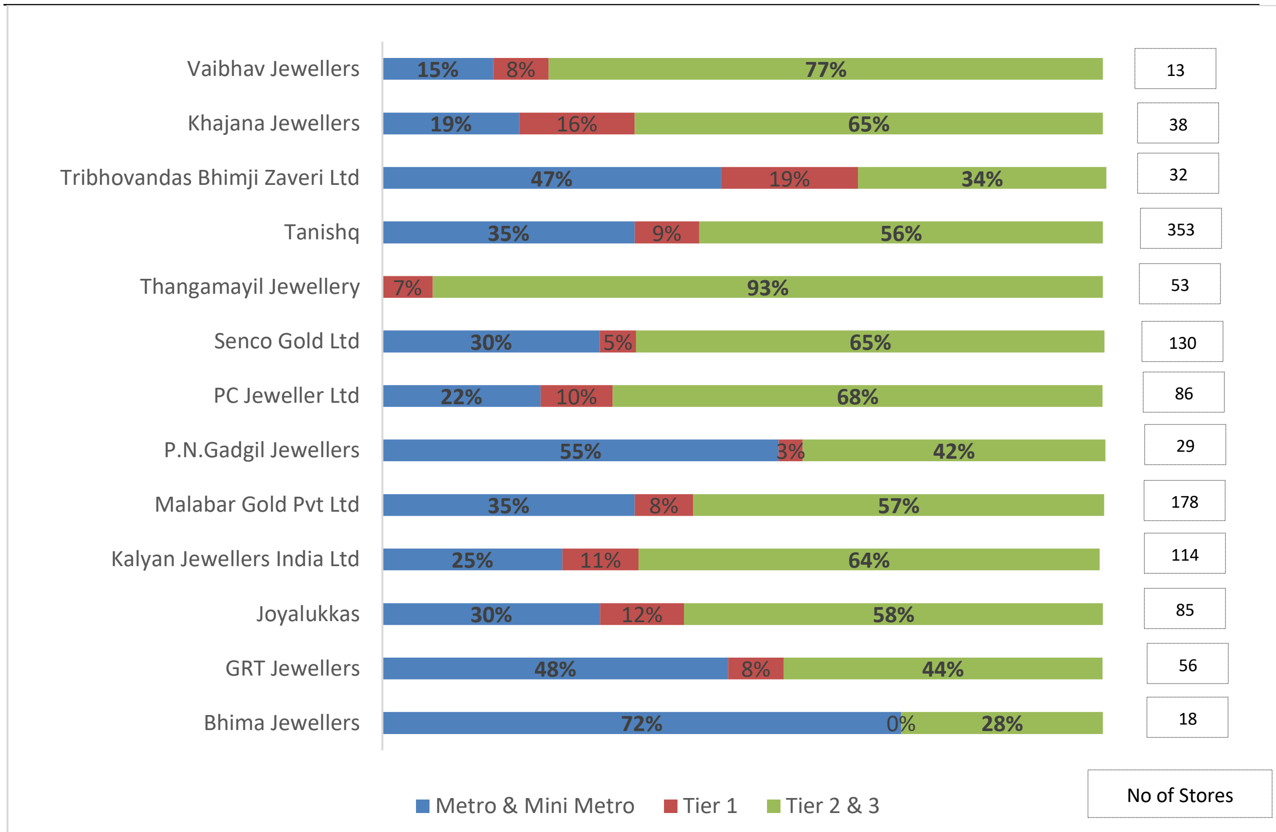
Source: Secondary Research, Technopak Analysis, Year indicates FY

Jewellery retail market in India, is expected to grow to USD 124 Bn by FY 2027 from USD 70 Bn in FY 2023 at a CAGR of 15.4%. However, the organized jewellery retail will grow at a faster rate (~19%) during the same period and is expected to reach a size of USD 52.06 Bn in FY 2027 from USD 70 Bn in FY 2023. The share of organized jewellery retail is expected to increase from 37% in FY 2023 to 42% of total jewellery market in FY 2027. The growth in organised retail will be driven by select national and regional players with strong fundamentals who will get a disproportionate share of this growth unlike organised retail in other discretionary categories which is more broad-based, and e-commerce driven.

Region & City Type wise Presence of Exclusive Brand Outlets (EBOs)

Top brands are well entrenched in the top 8 cities (Metro and Mini-Metros) in the country. However, a look at the store footprint shows that the count of stores is higher in Tier 2 and Tier 3 cities as compared to Metros and Mini-Metros. This is in line with the consumption pattern of jewellery in India. Brands like Thangamayil Jewellery have over 93% outlets in Tier 2 and Tier 3 cities. Market leader Tanishq has more than 50% of its stores in Tier 2 and Tier 3 cities against only a third of the stores in the top 8 cities. The store location along with city profile is also reflection of the origin of the jewellery chain which are predominantly family-owned businesses started with limited number of stores expanding to drive growth.

Exhibit 6.3: EBO Presence across City Types



Source: Secondary sources, Store locator of brands, Technopak Analysis
Note - Metros & Mini-Metro: Delhi NCR & Greater Mumbai, Bangalore, Kolkata, Chennai, Hyderabad, Ahmedabad, and Pune
Tier 1 Cities: Cities with a population in the range of 1 to 5 million
Tier 2 & 3 Cities: Cities with a population less than 1 million
EBO : Exclusive Brand Outlets.

List of Manoj Vaibhav Showrooms –
Metro & Mini-Metro – Hyderabad (Dilshuknagar, ASRaonagar)
Tier 1 Cities – Vishakhapatnam
Tier 2 & 3 Cities – Rajamundry, Kakinada, Gajuwaka, Parvathipuram, Bobbili, Anakapalle, Gopalapatnam, Srikakulam, Vizianagram, Tuni

Exhibit 6.4: EBO Presence across Regions

Source: Secondary sources, Store locator of brands, Technopak Analysis
EBO: exclusive brand outlets.

Typical Store Size

The Jewellery market has average store size ranging from 1800 to 8500 square feet. GRT has the highest average store size, but number of stores compared to key jewellery players are marginally low.

Exhibit 6.5: Average store size in Sq. Ft.

Company	Avg Store Size (Sq Ft)
GRT	8500
Joyalukkas	5000
Kalyan Jewellers India Ltd	6500
Malabar Gold Pvt Ltd	5500
P.N.Gadgil Jewellers	4000
PC Jeweller Ltd	4500
Senco Gold Ltd	2500
Thangamayil Jewellery	1500
Titan Company Ltd (Tanishq)	4200
Tribhovandas Bhimji Zaveri Ltd	3000
Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)	7400

Source: Secondary sources, Technopak Analysis.

Financial Metrics

1) Revenue

P.N. Gadgil Jewellers and Malabar Gold Pvt Ltd witnessed one of the highest growths in revenue from FY 2020-23.

Exhibit 6.6: Revenue (in INR Cr) for Private and Public Listed Players

Company	FY 2020	FY 2021	FY 2022	FY 2023	CAGR FY 2020-2023
GRT Jewellers*	13,574	15,159	19,038	NA	18%
Joyalukkas*	8,024	8,066	10,294	NA	13%
Kalyan Jewellers India Ltd	7,846	7,326	9056	11,580	14%
Malabar Gold Pvt Ltd*	14,881	23,445	31,096	NA	45%
P.N. Gadgil Jewellers	2,073	2,160	5,650	10,114	70%
PC Jeweller Ltd*	4,938	2,669	1,574	NA	NA
Senco Gold Ltd	2,420	2,660	3,535	4,075	19%
Thangamayil Jewellery	1,692	1,819	2,193	3,153	23%
Titan Company Ltd (Tanishq)	20,010	20,602	27,210	38,270	24%
Tribhovandas Bhimji Zaveri Ltd	1,810	1,342	1,844	2,393	9.8%
Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)	1,279	1,434	1,694	2,027	17%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports
FY 2023 data not available for some of the players
NA: Not Available, '-': Can't be calculated
*Note: CAGR marked * are calculated for time period FY 2020-FY2022 due to unavailability of FY 2023 financials.*

Revenue per store or per square ft quantifies efficiency of the store or retail outlet. High revenue from operations with limited number stores results into highest revenue per store and revenue per square ft for Vaibhav Jewellers

Exhibit 6.7: Revenue Per Store and Per Sr. ft. for FY 2023

Company	Revenue Per Store (Cr)	Revenue per Sq. Ft. (INR)/per day
Joyalukkas*	120-130	660-670
Kalyan Jewellers India Ltd	90-100	410-420
P.N.Gadgil Jewellers	310-320	2160-2170
PC Jeweller Ltd*	10-20	110-120
Thangamayil Jewellery	58-60	1050-1100
Titan Company Ltd (Tanishq)	100-110	700-710
Tribhovandas Bhimji Zaveri Ltd	60-70	590-600
Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)	150-160	550-560

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports
Note: 1 year = 365 days
FY 2023 data not available for some of the players
*Note: Brands marked * are calculated for time period FY 2022 due to unavailability of FY 2023 financials.*

2) Margins

a. EBIDTA Margins

Titan Company Ltd. (Tanishq) achieved 12.6% EBITDA margin in FY 2023, which is among the highest in key jewellery players. Tanishq also has the highest EBITDA per square feet in FY 2023 amongst the top players in the industry.

Exhibit 6.8: EBITDA Margins

Company	FY 2020	FY 2021	FY 2022	FY 2023
GRT Jewellers	4.9%	4.7%	5%	NA
Joyalukkas	9.7%	11.4%	11.5%	NA
Kalyan Jewellers India Ltd	8.1%	8.5%	7.6%	7.8%
Malabar Gold Pvt Ltd	3.4%	2.4%	2.2%	NA
P.N.Gadgil Jewellers	6.0%	10.1%	3.1%	1.8%
PC Jeweller Ltd	9.1%	15.0%	-6.6%	NA
Senco Gold Ltd	8.9%	6.6%	7.9%	7.8%
Thangamayil Jewellery	5.8%	8.1%	3.9%	4.9%
Titan Company Ltd (Tanishq)	12.1%	7.6%	11.9%	12.5%
Tribhovandas Bhimji Zaveri Ltd	6.5%	10.0%	4.4%	5%
Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)	6.8%	6.3%	6.4%	7.3%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
FY 2023 data not available for some of the players
EBITDA Margin = EBITDA/Revenue, NA: Not Available
EBIDTA includes other income as well for Manoj Vaibav Gems 'N' Jewellers Limited (Vaibhav Jewellers)

Exhibit 6.9: EBITDA Per Store and Per Sr. ft. for FY 2023

Company	EBITDA Per Store (Cr)	EBITDA per Sq Ft (INR)
Joyalukkas*	14	28,123
Kalyan Jewellers India Ltd	7.7	11,832
P.N.Gadgil Jewellers	5.7	14,323
PC Jeweller Ltd*	(1.2)	(2,819)
Thangamayil Jewellery	2.9	19,250
Titan Company Ltd (Tanishq)	13.5	32,173
Tribhovandas Bhimji Zaveri Ltd	3.25	10,840
Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)	11.3	14,667

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue Annual Reports
EBIDTA includes other income as well for Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)
FY 2023 data not available for some of the players
*Note: Brands marked * are calculated for time period FY 2022 due to unavailability of FY 2023 financials.*

b. PAT Margin

Titan Company Ltd. (Tanishq) has achieved 8.71% PAT margin in FY 2023, which is amongst the highest in key jewellery players.

Exhibit 6.10: PAT Margins

Company	FY 2020	FY 2021	FY 2022	FY 2023
GRT Jewellers	2.6%	2.3%	2.8%	NA
Joyalukkas	0.5%	5.8%	6.8%	NA
Kalyan Jewellers India Ltd	2.0%	1.9%	2.4%	3.4%
Malabar Gold Pvt Ltd	2.7%	2.0%	2.1%	NA
P.N.Gadgil Jewellers	3.1%	6.3%	1.8%	1.1%
PC Jeweller Ltd	1.6%	2.3%	-24.8%	NA
Senco Gold Ltd	3.8%	2.3%	3.7%	3.9%
Thangamayil Jewellery	2.7%	4.8%	1.8%	2.53%

Titan Company Ltd (Tanishq)	7.6%	4.3%	8.0%	8.71%
Tribhovandas Bhimji Zaveri Ltd	1.2%	3.2%	0.9%	1.7%
Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)	1.9%	2.2%	2.6%	3.5%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
FY 2023 data not available for some of the players; NA=Not Available; PAT Margin = PAT/Revenue
PAT includes Exceptional Items

3) Key Financial ratios

a. Return on Equity

Several key players in the Indian Jewellery market witnessed large increase in their **ROE** (Return on Equity). Players like P.N.Gadgil Jewellers, Titan Company Ltd (Tanishq) have shown high decreases in ROE because of increased expenses which have led to its lower net income and hence the stakeholders' equity's profitability being reduced and, Vaibhav Jewellers, Kalyan Jewellers and Tribhovandas Bhimji Jewellers have shown a sharp increase in its ROE from FY 2020 to FY 2023. However, ROE varies across industries, competitors with different product mixes can have significantly different ROE.

Exhibit 6.11: Return on Equity

Company	FY 2020	FY 2021	FY 2022	FY 2023
GRT Jewellers	8.86%	22.0%	26.4%	NA
Joyalukkas	3.32%	31.78%	33.83%	NA
Kalyan Jewellers India Ltd	7.25%	5.33%	6.81%	11.25%
Malabar Gold Pvt Ltd	37.99%	31.12%	31.04%	NA
P.N.Gadgil Jewellers	30.90%	45.19%	24.52%	21.15%
PC Jeweller Ltd	1.99%	1.47%	-9.55%	NA
Senco Gold Ltd	17.86%	10.66%	19.6%	19.2%
Thangamayil Jewellery	22.09%	33.43%	12.39%	22.37%
Titan Company Ltd (Tanishq)	44.06%	12.20%	25.76%	31.20%
Tribhovandas Bhimji Zaveri Ltd	4.50%	8.40%	3.20%	7.20%
Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)	9.64%	11.21%	13.74%	18.38%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
FY 2023 data not available for some of the players; NA =Not Available; ROE = PAT/Shareholder's Equity

b. Return on Capital Employed

ROCE (Return on capital employed) indicates the company's efficiency because it measures the company's profitability after factoring in the capital that has been used to achieve that profitability. ROCE is a better gauge for the performance or profitability of the company over long periods. Vaibhav Jewellers has improving return on capital employed from 2020 to 2023.

Exhibit 6.12: Return on capital employed

Company	FY 2020	FY 2021	FY 2022	FY 2023
GRT Jewellers	25.50%	24.3%	24.7%	NA
Joyalukkas	35.72%	34.13%	35.4%	NA
Kalyan Jewellers India Ltd	15.70%	12.30%	13.3%	16.6%
Malabar Gold Pvt Ltd	30.90%	19.7%	18.2%	NA
P.N.Gadgil Jewellers	40.00%	49.90%	28.22%	25.5%
PC Jeweller Ltd	10.00%	8.41%	(3.29%)	NA
Senco Gold Ltd	26.34%	18.36%	27.00%	23.4%
Thangamayil Jewellery	30.84%	37.37%	17.40%	25.7%
Titan Company Ltd (Tanishq)	26.54%	14.23%	27.24%	32.5%
Tribhovandas Bhimji Zaveri Ltd	15.17%	18.19%	9.68%	14.9%
Manoj Vaibhav Gems ‘N’ Jewellers Limited (Vaibhav Jewellers)	26.14%	22.18%	24.96%	29.19%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
FY 2023 data not available for some of the players; NA =Not Available; ROCE = EBIT/ (Total Assets – Current Liabilities)

c. Inventory days

Inventory Days indicates the average time (days) that a company takes to turn the inventory, which also includes the goods which are a work in process for sales. Inventory as a metric is very critical in jewellery industry and higher inventory in normal conditions can be a positive. This is unlike FMCG industry where companies are operating at lower inventory levels. Top jewellers hold inventory in the range of four to six months of sales.

Exhibit 6.13: Inventory Days

Company	Inventory Days			
	FY 2020	FY 2021	FY 2022	FY 2023
PAN India Players				
Titan Company Ltd (Tanishq)	182	182	183	174
Tribhovandas Bhimji Zaveri Ltd	291	363	252	213
PC Jeweller Ltd	436	943	1498	NA
Senco Gold Ltd	179	170	149	174
P.N.Gadgil Jewellers	97	123	55	34
Key Players in South India				
GRT Jewellers	95	97	94	NA
Joyalukkas	170	196	180	NA
Kalyan Jewellers India Ltd	203	241	219	195
Malabar Gold Pvt Ltd	31	26	23	NA
Thangamayil Jewellery	127	139	129	112
Manoj Vaibhav Gems ‘N’ Jewellers Limited (Vaibhav Jewellers)	193	183	173	176

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
*FY 2023 data not available for most of the players; NA =Not Available; Inventory Days= (Average Inventory/COGS) *365*

4) Promotional Expenses as a % of Revenue

5) Promotional and Advertising spend as a percentage of Revenue, or advertising to sales ratio indicates the efficacy of advertising strategies of the company. The expense is dependent on scale and the player’s national/ regional coverage. Most Jewellery brands have advertising spend in the range of 0.5-2.5% of their revenue. As of FY 2023, Senco Gold Ltd, Kalyan Jewellers India Ltd and Titan Company Ltd (Tanishq) have

the highest promotional expenses as a percentage of their revenue. Marketing expense of the national players is relatively higher than regional players as national players rely heavily on Above the Line (ATL) medium like TVCs and Print Media while regional players focus on local marketing and other promotions.

6)

Exhibit 6.14: Promotional Expenses as a % of Revenue

Company	FY 2020	FY 2021	FY 2022	FY 2023
GRT Jewellers	0.80%	0.51%	0.74%	NA
Joyalukkas	1.36%	0.63%	0.81%	NA
Kalyan Jewellers India Ltd	2.53%	1.35%	1.46%	1.55%
Malabar Gold Pvt Ltd	0.32%	0.12%	0.15%	NA
P.N.Gadgil Jewellers	0.88%	0.35%	0.26%	0.22%
PC Jeweller Ltd	0.28%	0.16%	NA	NA
Senco Gold Ltd	2.13%	0.98%	1.43%	1.99%
Thangamayil Jewellery	0.51%	0.75%	1.11%	0.84%
Titan Company Ltd (Tanishq)	2.38%	1.13%	1.74%	1.93%
Tribhovandas Bhimji Zaveri Ltd	NA	NA	NA	NA
Manoj Vaibhav Gems 'N' Jewellers Limited (Vaibhav Jewellers)	0.63%	0.23%	0.35%	0.44%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
FY2023 data not available for some of the players; NA =Not Available; Promotional Expenses (%) = Ads Spent/ Revenue

7. Regulatory Environment

Goods and Services Tax (GST)

- Since its launch on July 1, 2017, GST has replaced several indirect taxes and duties levied by the Central and State governments with three types of GST, that is, central GST ("CGST"), state GST ("SGST") and inter-state GST ("IGST"). It has created a uniform national market. Prior to GST, taxes on gold included customs duty of 10%, Excise duty of 1% and value-added tax of 1.2% in most states in India. Currently, taxes on gold include customs duty of 7.5%, agriculture infrastructure development cess of 2.5% and GST of 3%.
- Inter-state stock transfer is taxable under IGST, and the tax can be reclaimed after goods are sold. It puts strain on the working capital of the retailers.
- IGST also applicable to small business and artisans with turnover less than INR 2M subcontracting for larger manufacturers from another state. It has increased their cost of doing businesses.
- However, GST supports firms operating in SEZs. It allows them to get goods from the domestic tariff area (DTA) or from abroad without paying IGST with a fast tax refund process (Govt. claiming to refund 90% of claims from firms in the DTA within 6-10 days).
- It has increased the cost of compliance for unorganised jewellery retailers.

Demonetization

On 8th November 2016, Govt. of India announced Demonetization of INR 500 and INR 1,000 currency notes of Mahatma Gandhi series that accounted for ~86% of total currency value. This step was taken to curtail shadow economy and use of counterfeit cash to fund illegal activities such as terrorism. This measure had temporarily led to a cash shortage in economy and has boosted digital mode of payment and cashless economy.

- Demonetization helped organized players to penetrate the wedding market and the high-value jewellery segment by capturing market share of unorganized players, who operated mainly in cash thereby creating a level playing field.
- It led to adoption of plastic/digital money in jewellery sector. The adoption of the cashless transaction has brought in transparency and efficiency in the sector. It pushed unorganized players to adopt cashless mode of payment.
- The cashless mode of payment has resulted in adherence of regulatory compliance by unorganised retailers. This levels the playing field and to some extent favours organised retailers as they were already bearing the cost of regulatory compliance, while it increased the cost of doing business for unorganised retailers.

KYC Compliance

The Indian government introduced a requirement for a PAN card to purchase jewellery worth INR 200,000 and above (earlier, the threshold was INR 500,000 and above) from January 1, 2016, onwards. This requirement removes the advantage of unorganized retailers who have a predominantly cash-based business model for which transactions are largely untraceable from a compliance perspective. In addition, organized retailers are better equipped to handle the processes associated with the PAN card requirement.

- Cash purchase of jewellery exceeding INR 2 Lakhs will attract 1% Tax Collected at Source against the earlier threshold of INR 5 lakhs. Jewellery was to be clubbed in general goods on which 1% TCS is to be triggered if a single transaction exceeds the limit.

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- In August 2017, the Union government brought jewellery dealers (Annual turnover> INR 0.02 Bn) under the Prevention of Money Laundering Act (PMLA) and further removed them in October 2017.
- Under the GST notification on gems and jewellery in August 2016, the customers were required to present their KYC details on the purchase of worth INR 50,000 and above. However, this was also rolled back.

Hallmarking

Since ancient time Gold is considered as a store house of value in India. In villages, people invest in gold to keep them secured against inflation and to be able to raise loans by mortgaging it in a time of need. Many artisans buy gold to handcraft magnificent jewellery for domestic as well as export market. Gold is too soft to with stand wear, therefore, for jewellery making, gold is always alloyed with some other metal. The need for alloying of gold also makes public extremely vulnerable to excessive adulteration. Detection of adulteration in gold is difficult without performing technical tests. The complex nature of Indian jewellery mostly made of high caratage gold and containing numerous soldered joints of much lower caratage makes the job of determination of purity even more difficult. In addition, 24 carat plating of articles of low caratage is also common. The common consumer though aware of such malpractices still has no option but to submit himself to repeated cheating by unscrupulous traders

It was in this background that Government of India took cognizance of the need for protecting consumers. A mandate was, therefore, given to Reserve Bank of India (RBI) Standing Committee on Gold and Precious Metals to look into the issues relating to Standardization of Gold products and introduction of Gold Hallmarking in the country. The Committee identified Bureau of Indian Standards (BIS) in the year 2000 as the sole agency to operate the Hallmarking Scheme in India, and entrusted BIS with the task of implementing hallmarking scheme to protect the consumer against cheating, develop export competitiveness and make India a leading market for gold jewellery in the world. The Scheme for Hallmarking of Silver articles was launched later in 2005.

Hallmarking is the accurate determination and official recording of the proportionate content of precious metal in the jewellery/artefacts or bullion/coins. The Central Government, in consultation with the Bureau of Indian standards(BIS), in the public interest, passed the Hallmarking of Gold Jewellery and Gold Artefacts Order, 2020 which came into force with effect from the 16th day of June, 2021 for compulsory selling of precious metals articles of gold marked with Hallmark through certified sales outlets after fulfilling the terms and conditions of certificate of registration as specified in regulation 5 of the Bureau of Indian Standards (Hallmarking) Regulations, 2018. By this order, the Govt. of India makes hallmarking mandatory in over 256 districts of the country and gold jewellery and gold artefacts shall be sold only by jewellers registered with BIS. Three compulsory hallmarking for gold jewellery namely BIS logo, purity of gold in carats and fineness, Six-digit alphanumeric HUID, has been mandated from April 1, 2023.

The registered jeweller submits the jewellery for hallmarking to BIS recognized Assaying & Hallmarking Centre (AHC). AHC's are the testing centres where the jewellery is tested. After testing, the AHC applies hallmark on the jewellery which is found meeting the requirement of the standard. The AHC can apply for recognition to BIS online. The recognition is granted to AHC for hallmarking of jewellery/artefacts after verifying the infrastructure requirements, capability and competency of personnel to carry out assaying & hallmarking. Entire process of recognition, which involves audit of the centres, submission of audit report, and grant of recognition or renewal, has been automated. BIS has developed digital solution wherein the entire workflow in assaying and hallmarking centre is automated and made online. The jeweller will submit the request for hallmarking online and the data for all the processes undertaken in the centre from inward receipt and weighment, X-ray Fluorescence (XRF), Sampling, Fireassay and laser marking is maintained online and can be monitored on real time basis. At the end of the testing, a unique six-digit alpha numerical code (i.e. Hallmarking Unique ID or HUID) is generated from the BIS server for each jewellery article and is laser marked by the assaying and hallmarking centre on the jewellery along with BIS logo and purity mark.

However, type of gold jewellery demand in India depends on the region and occasion of purchase. The regulatory framework is evolving to ensure customers get fair value for their money.

- Robust hallmarking system reduces leakage, enhances jewellery export and monetization of gold.
- India has over 800 assaying and hallmarking centres and ~6.5% *(26,000 out of 4 lakh)* of all jewellers in India have BIS hallmarking licenses.
- There are more than 30 regulated NABL/BIS approved gold refineries, operating in domestic markets.
- Currently, BIS hallmarking is available in three grades: 14 carat, 18 carat and 22 carat. However, the Bureau of Indian Standards (BIS) is working to establish hallmarking standards for jewellery made from 24 carat gold.
- Hallmarking of gold jewellery is done by BIS recognized assaying & hallmarking centres. Its costs INR 35 plus taxes per article.
- Organised players like Joyalukkas, Tanishq, TBZ etc., were voluntarily offering hallmarked jewellery to improve consumer appeal and transparency.
- The hallmarking system grapples with challenges of depth and breadth of penetration, economic viability of hallmarking centres, lack of standardization of process across centres and more.
- BIS released Indian standards on the quality parameters and grading of the polished diamonds at par with gem testing laboratories like Gemmological Institute of America (GIA) in 2008. Many foreign gemmological institutes have set up their offices in Mumbai, Surat and Delhi for certifying diamond jewellery as per international norms. Diamonds are graded on clarity, colour, cut and carat weight (4Cs).
- A hallmark is made up of 4 details:

Exhibit 7.1: Illustrative symbols for gold jewellery hallmarking

BIS Mark		BIS Standard Mark
Purity of Gold	**22K916**	Purity in carat and fineness for gold
Hallmarking Unique ID or HUID	**AAA111**	Six-digit Alphanumeric code which will be unique for every jewellery article

Sources: Secondary research

FDI Norms

The Government of India allows 100% foreign direct investment in the jewellery sector under the automatic route.

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