



AUG 2024

JEWELLERY SECTOR

SECTOR & STOCK ANALYSIS

INFORMATIVE REPORT BY TEAM ENSURE CAPITAL

501-02, BPK Titanium. AB Road. Indore. @: analysis@ensurecapital.in

ABOUT INDIAN JEWELLERY INDUSTRY



The Indian jewellery industry, deeply rooted in the country's cultural and religious traditions, is a cornerstone of the global gems & jewellery market. As one of the largest markets globally, it is set to benefit significantly from the upcoming festive and wedding seasons in India.

The Indian jewellery sector is known for its extensive variety, from gold and diamonds to silver and coloured gemstones. With a total market size of over \$80 billion, it contributes around 7% to India's GDP and employs more than 5 million people across the value chain.

The sector is positioned for substantial growth over the next few months, driven by cultural factors, rising disposable incomes, and favorable government policies.

The Indian jewellery sector is one of the oldest & most vibrant industries in the country, with roots that stretch back over 5,000 years.

The Indian jewellery market is one of the largest in the world, both in terms of consumption and production. India is the largest consumer of gold jewellery, accounting for nearly 30% of global demand. The country is also a global hub for diamond cutting and polishing, processing about 90% of the world's diamonds. The industry is deeply embedded in the Indian economy, with significant contributions to employment, exports, and GDP. Jewellery in India is predominantly centered around gold, but diamond, silver, platinum, and gemstone jewellery are also key segments.

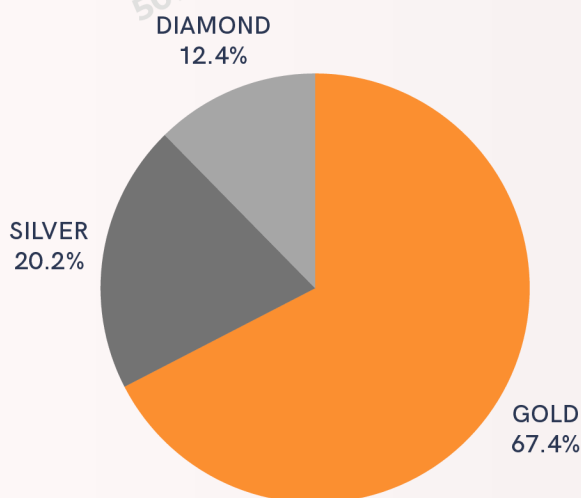
MARKET SEGMENTS

1. **Gold:** Gold dominates the Indian jewellery market, representing around 60-65% of the total jewellery sales. Indian households collectively hold more than 25,000 tones of gold, making it one of the largest private reserves of gold globally. India is the second-largest gold consumer, with an annual consumption of approximately 700-800 tones. *The demand for gold jewellery is particularly strong during the festive season and weddings, making the next 3-4 months a critical period for the sector*

2. **Diamond:** India is the world's largest diamond cutting and polishing center, accounting for over 90% of the world's diamond exports by volume. The domestic market for diamond jewellery has seen consistent growth, The diamond segment is valued at \$25 billion & is growing steadily, fueled by urbanization and increasing disposable incomes among the middle class.

3. **Silver:** Silver is gaining popularity, particularly among the younger population, due to its affordability, versatility and also in regions with religious significance. India is also a major exporter of silver jewellery, especially to markets in the U.S. and Europe. Annual silver jewellery exports are valued at approximately \$1.5 billion.

4. **Gemstone:** India is renowned for its craftsmanship in gemstone jewellery, particularly in coloured stones like emeralds, rubies, and sapphires. Jaipur is a key hub for gemstone jewellery, with significant export demand from the U.S., Middle East, and Europe.



INDIAN JEWELLERY SECTOR IS VALUED AT AROUND \$80 BILLION AS OF 2024, WITH THE POTENTIAL TO GROW TO \$100 BILLION BY 2027.

- **GOLD JEWELLERY MARKET ALONE IS VALUED AT AROUND \$55-60 BILLION, ACCOUNTING FOR OVER 60%**
- **DIAMOND JEWELLERY: VALUED AT AROUND \$25 BILLION, DIAMOND JEWELLERY IS GAINING PROMINENCE, ESPECIALLY AMONG URBAN CONSUMERS.**
- **SILVER JEWELLERY: ANNUAL MARKET SIZE FOR SILVER JEWELLERY IN INDIA IS VALUED AT APPROXIMATELY \$3-4 BILLION, WITH EXPORTS CONTRIBUTING \$1.5 BILLION.**

GOVERNMENT SCHEMES & INITIATIVES

Gold Monetization Scheme:

- Scheme allows gold owners to deposit their gold in banks in return for interest payments.
- This initiative encourages the formalization of gold holdings, increases liquidity in the market, and reduces India's dependence on gold imports. The collected gold is refined and reused for domestic purposes or converted into bullion for trade, helping the country conserve foreign exchange reserves.



Production Linked Incentive (PLI) Scheme

- The scheme offers incentives of up to 6% on incremental sales of jewellery made in India. The aim is to encourage domestic manufacturing & increase the global competitiveness of Indian jewellery.
- With a budgetary outlay of approx. INR 2,000 Cr, Scheme is expected to attract investments, promote innovation & increase employment in the sector. The Govt is targeting an increase in the production of jewellery, with a focus on high-value & export-oriented manufacturing.

Reduction of Import Duties

- Govt has progressively reduced import duties on gold to support the domestic jewellery sector & control manufacturing costs. In the Union Budget 2024-25, the basic customs duty on gold was reduced to 6%,
- This reduction in import duties has helped mitigate the impact of fluctuating gold prices and strengthened the sector's export potential, especially in markets like the U.S. & Middle East.

Bharat Ratnam Mega CFC

- In Jan 2024, PM Mr. Narendra Modi inaugurated Bharat Ratnam Mega CFC at the SEEPZ SEZ in Mumbai. It is a Socio-economic project promoted by the Ministry of Commerce & Industry, GJEPC India and SEEPZ SEZ authority to drive exports.
- Aims at creating a world-class infrastructure for promoting the inherent skills of the gems & jewellery manufacturing industry. The Mega Common Facilitation Centre provides a supportive & collaborative environment for entrepreneurs, MSMEs and small businesses to grow and thrive.

INVESTMENTS & DEVELOPMENTS

- **FDI in the Jewellery Sector**

The Indian jewellery sector has seen a continuous inflow of Foreign Direct Investment (FDI), driven by the sector's growth potential and favorable government policies. Cumulative FDI inflows in diamond and gold ornaments in India stood at US\$ 1,276.52 million between April 20-Mar 2024, according to the Department for Promotion of Industry and Internal Trade (DPIIT).

- **Expansion of Retail Chains :**

Leading domestic jewellery brands like Tanishq, Kalyan & Malabar Gold Diamonds are rapidly expanding their retail presence across Tier II & Tier III cities. This expansion strategy is tapping into the rising disposable incomes and increased consumer demand in semi-urban and rural areas.

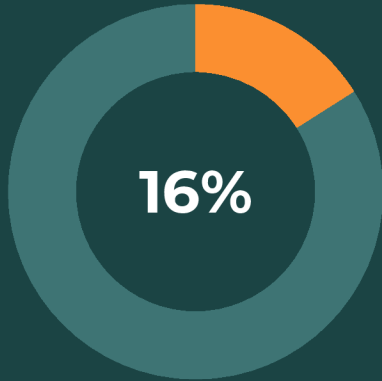
For instance, Tanishq plans to open 40-50 new stores annually, focusing on smaller towns & cities, where demand for branded and certified jewellery is growing. Organized retail sector's market share is expected to increase from around 30% currently to 40% by 2025, driven by this expansion.

- **Technological Advancements :**

Indian jewellery industry is embracing technological advancements to enhance design, manufacturing efficiency & customer experience. Technologies such as 3D printing are being increasingly used for prototyping & manufacturing complex designs with greater precision. AI-driven design software is helping companies cater to evolving consumer tastes with personalized offerings. Moreover, blockchain technology is being adopted for jewellery certification, ensuring transparency and traceability in the supply chain. These innovations are contributing to the modernization of the sector, attracting both domestic & international investments.

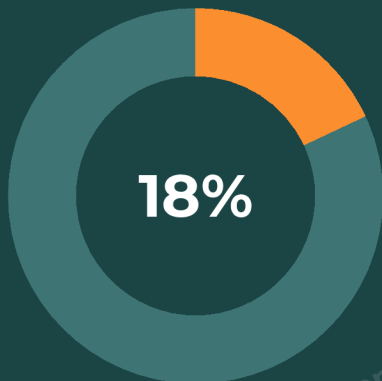
GROWTH PROJECTION

As per Rating agencies



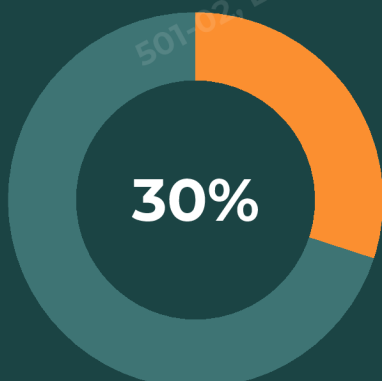
FY 23-24

Avg Revenue Growth



FY 24-25

Average growth projection of Jewellery market



Projection- FY30

As seen, Gold Growth in Domestic & Export

All information for learning purpose & source from rating agencies & business media

INDUSTRY TRENDS AND FUTURE OUTLOOK

TREND & POSITIVE OUTLOOK

VIEW ON TOPIC

Growth of Branded Jewellery

Consumers are increasingly shifting towards branded jewellery. Leading brands are expanding their retail networks to tap into this growing demand.

Digital Transformation

E-commerce and digital marketing are reshaping consumer behavior. Online sales are expected to grow significantly as brands invest in digital channels and omni-channel strategies.

International Expansion

Jewellery brands are exploring international markets, particularly in the Middle East, North America & Europe. Exports are expected to rise, driven by increasing demand from these regions.

Sustainability Initiatives

Sustainability is becoming a key focus area for the jewellery industry, adopting ethical sourcing practices, responsible manufacturing, and eco-friendly packaging to appeal to conscious consumers.

FOCUS STOCK / KALYAN JEWELLER

PROFILE:

Kalyan Jew is one of the largest jewellery retailers in India, with over 150 showrooms, making it a formidable player in the organized jewellery retail sector. The company has leveraged its strong brand value, built over decades, to establish itself across Tier-1, Tier-2, and Tier-3 cities. Company is renowned for its extensive range of gold, diamond & precious stone jewellery, catering to different segments, from traditional to contemporary designs.

Brand Strength:

- Brand has a strong presence, particularly in South India, & is known for its focus on quality, transparency, and ethical business practices.
- Middle East: A strategic market, with over 30 stores catering primarily to the large Indian diaspora in countries like the UAE, Qatar, Oman, and Kuwait.

South Constitutes Largest Pie In The Indian Jewellery Market

North	20%
East	15%
South	40%
West	25%



Recent Developments:

Kalyan Jew has been proactive in expanding its footprint, particularly in Tier-2 & 3 cities, investing in digital transformation, focusing on e-commerce to cater to changing consumer preferences. Additionally, the company is exploring sustainable practices in its operations, aligning with global trends towards responsible sourcing of materials.

Capex Plans

Kalyan Jew has outlined an aggressive capital expenditure plan focused on expanding its physical presence, enhancing digital infrastructure, and improving operational efficiencies.

Valuation & Financial Performance

Share Price	? 588.90
Market Cap (In Cr.)	? 60,729.00
P/E Ratio	79.52%
Industry P/E	84.68%
Beta	0.53
Total Debt (in Cr.)	? 00.00
Debt/Eq Ratio	0.52
Revenues FY 23(In Cr.)	? 15,782.00
Revenues FY 22(In Cr.)	? 11,584.00
Revenues FY 21(In Cr.)	? 9,056.00
Profit FY 23(In Cr.)	? 554.00
Profit FY 22(In Cr.)	? 389.00
Profit FY 21(In Cr.)	? 214.00
Book Value per share	40.45
P/B Ratio	14.57
EPS	5.38
Dividend Yield %	0.2
ROE %	13.29

Financial Performance (FY2024):

- Debt-to-Equity Ratio: Kalyan maintains a conservative debt profile with a Debt-to-Equity ratio of approximately 0.5, allowing flexibility for future growth without over-leveraging.

Recent Financial Highlights:

- Same-Store Sales Growth (SSSG): Positive trends driven by increased footfall in both domestic & international markets.
- Earnings Growth: Strong earnings growth supported by expansion efforts, product diversification, and operational improvements.

3Yr CAGR Sales Mar-24	46.78%
3Yr CAGR Net Profit Mar-24	100.21%

Share Holding Pattern	% held
Promoters	60.59%
FII	21.19%
DII	11.75%
Public	6.46%
Others	0.01%

Income Statement (Yearly)	In Cr.				
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue	7845.00	7325.00	9056.00	11584.00	15782.00
Net Profit	156.00	138.00	214.00	389.00	554.00
EPS	1.86	1.63	2.08	3.78	5.38
Book Value per share	24.29	29.37	31.68	35.60	40.45
ROE	7.67	4.56	6.56	10.63	13.29
Debt to Equity Ratio	1.23	0.79	0.73	0.66	0.52

Shareholder pattern	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Promoters	60.55%	60.55%	60.55%	60.63%	60.59%
Holdings	60.55%	60.55%	60.55%	60.63%	60.59%
Pledged as % of Promoters Holdings	0.00%	0.00%	0.00%	0.00%	0.00%
FII	27.09%	26.56%	26.21%	21.10%	21.19%
DII	5.17%	4.86%	5.40%	11.00%	11.75%
Public	7.20%	8.03%	7.75%	7.26%	6.46%
Others	0.00%	0.00%	0.01%	0.01%	0.01%

Institutional Holding Analysis	Total No.	Change	% held	%Change
MF Schemes	22	0	9.87	0.29
FII/FPI	1	0	9.17	0

- Promoters have decreased holdings from 60.63% to 60.59% in Jun 2024 qtr
- Mutual Funds have increased holdings from 9.58% to 9.87% in Jun 2024 qtr.
- Number of MF schemes remain unchanged at 22 in Jun 2024 qtr
- FII/FPI have increased holdings from 21.10% to 21.19% in Jun 2024 qtr.

Kalyan Jew is well-positioned for future growth, with attractive valuation metrics and solid financial fundamentals. The company's focus on geographic expansion, product diversification, and digital transformation, coupled with a strong balance sheet, makes it an appealing investment for the long term.



COMMENTARY & DEVELOPMENTS

- **Promoters' Stake Acquisition (Aug24) worth ₹1,300 crore**
- **Trade Policy Duty Cuts Recommendations (August 2024)**
- **Expansion into New Markets : opened 2 new stores in Qatar as part of its expansion strategy in the Middle East and 10 new stores across tier-2 & tier-3 cities in India**
- **E-commerce Growth Initiatives : entered partnerships with Amazon India & Flipkart, expanding its online reach**
- **Investment from Warburg Pincus (Mar24): Increased its stake in Kalyan Jewellers by 3%, bringing its total stake to 15%**
- **New Product Launches (January 2024): Wedding Jewellery Collection & Lightweight Jewellery Range**

CHALLENGE & RISK in this sector:

- Gold Price Volatility.
- Competition in the Organized & Unorganized Sectors.
- Regulatory Risks.
- Currency Exchange Rate Fluctuations.
- Operational Risks in International Markets.

Conclusion: As many companies in this sector include Kalyan Jew presents a combining growth potential with a solid financial foundation, coupled with its successful expansion into high-growth domestic and international markets, positions it well for future growth. Its an growing sector with lots of future perspectivity.

IMPORTANT NOTE: All information only for knowledge & learning purpose. There is no buy or sell recommendations. Data source from business media and exchange open sharing.

CONCLUSION

The Indian jewellery sector presents a compelling investment opportunity, especially in light of the upcoming festive and wedding season. The combination of strong cultural demand.

Favorable government policies, rising disposable incomes & technological advancements positions the sector for robust growth in the coming months. Investors looking for opportunities in a resilient and culturally significant industry may consider the Indian jewellery sector as a key area for growth.

Note: All information only for learning purpose.



Feel free to share your feedback & suggestions.
analysis@ensurecapital.in



Wealth | Strategy | Funding | IPO

501-02, Next Work. BPK Titanium, Opp Shalimar Township, AB Road. Indore