

From Ornament to Asset: Investment share in India's gold consumption rises to record 40% in CY25

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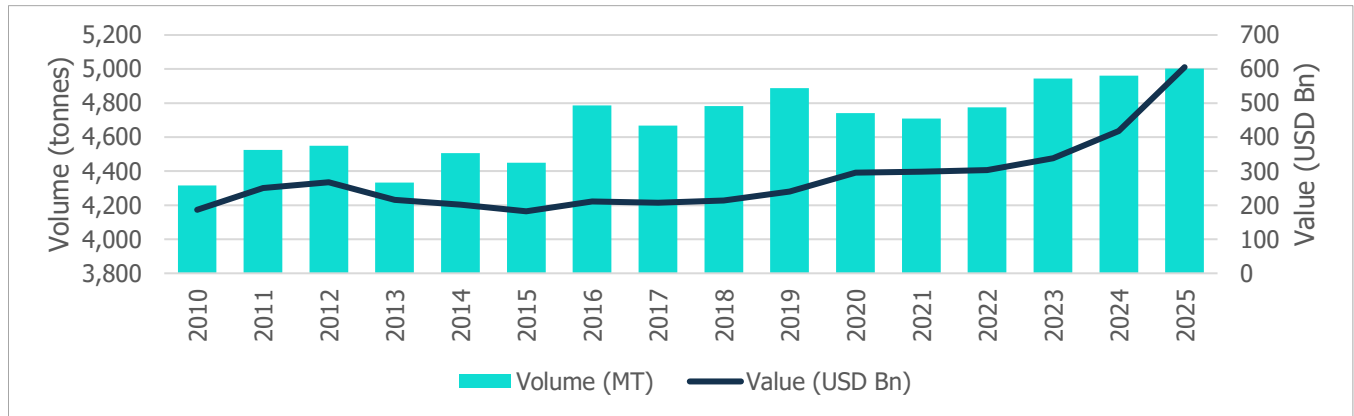
Synopsis

- **Global gold demand reached an all-time high in CY25**, rising ~8% y-o-y to ~5,000 metric tonnes (MT), driven primarily by robust investment demand despite sharply higher gold prices and macroeconomic headwinds. **Central banks continued large-scale gold accumulation for the fourth consecutive year**, underscoring gold's role in reserve diversification amid geopolitical challenges.
- **Composition of gold consumption globally has undergone a structural shift** with jewellery's share falling significantly to ~33% in CY25 – well below its long-term average of ~50% – as consumers responded to elevated prices by reducing discretionary jewellery purchases. The trend is visible in Indian market as well where the share of jewellery consumption fell below 60% of total gold purchases in CY25 compared to long-term average of ~70%.
- **Investment demand surged to record levels globally and in India** led by gold ETFs and bar-and-coin buying, reflecting safe-haven demand, diversification motives and geopolitical uncertainty. Investment share in India's gold consumption rises to 42% in CY25 from 29% in CY24.
- **Gold prices have entered a more durable high-price regime** supported not by short-term speculative flows but by structural demand shifts, sustained official sector buying and persistent global macroeconomic and geopolitical uncertainty.
- **Indian jewellery demand remains resilient despite record gold prices** with jewellery purchases rising ~10% y-o-y to Rs 4.8 lakh crore in CY25, reflecting consumers' willingness to allocate higher wallet share to jewellery. Though on value basis demand remained resilient, volume has declined by 15% in CY25, which is reflective of the price-sensitive nature of jewellery demand, where preferences shifted towards lower-carat/lighter-weight jewellery.
- **Branded jewellers are set for strong earnings momentum** with CareEdge Ratings projecting ~35% revenue growth in FY26 and 20-25% in FY27 driven by aggressive store expansion and accelerated formalisation of the sector. CareEdge Ratings projects **250-300 bps y-o-y expansion in average gross margins in FY26**, largely attributable to inventory gains, which is likely to normalise in FY27.

Record global gold consumption in CY25 led by investment demand despite falling share of jewellery

Global gold demand grew by ~8% y-o-y and touched an all-time high of ~5,000 metric tonnes (MT) in CY25 fuelled by strong investment demand supported by rising global uncertainties, despite steep rise in gold prices. Global gold ETF holdings grew 801 MT, second highest on record, while bar and coin buying accelerated to reach a 12-year high driven by safe-haven and diversification motives.

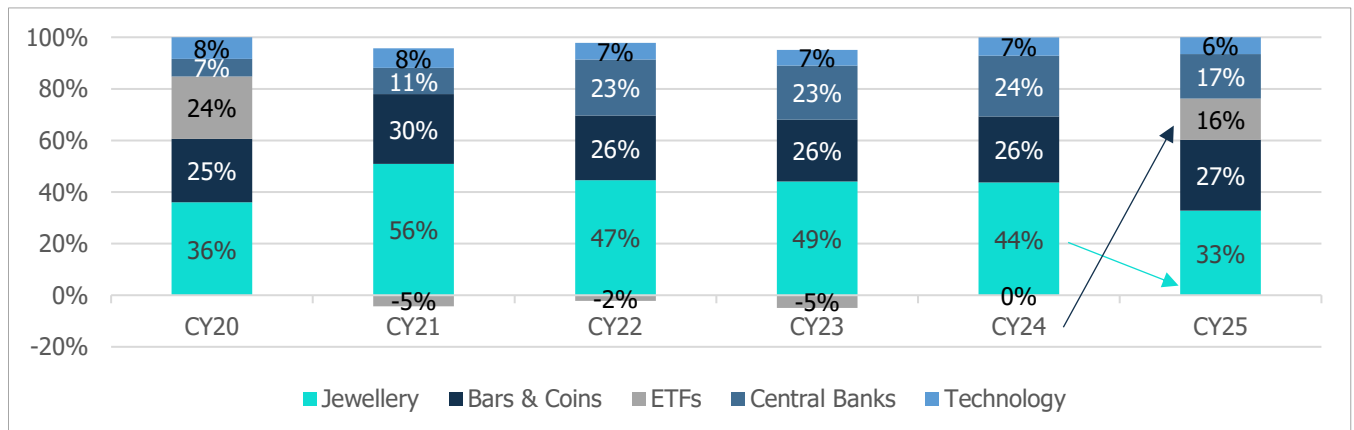
Exhibit 1: Trend in annual global gold demand



Source: World Gold Council and CareEdge Ratings

However, consumption mix for gold changed in the last five years with the share of jewellery falling by ~19% y-o-y to 33% in CY25, much below the 15-year average of ~50%. This is reflective of the price-sensitive nature of jewellery demand, where preferences have changed towards lower-carat/lighter-weight jewellery and postponement of discretionary purchases. The share of ETFs in overall gold demand has increased significantly to 16% in CY25 indicating preference for investment-led consumption for gold.

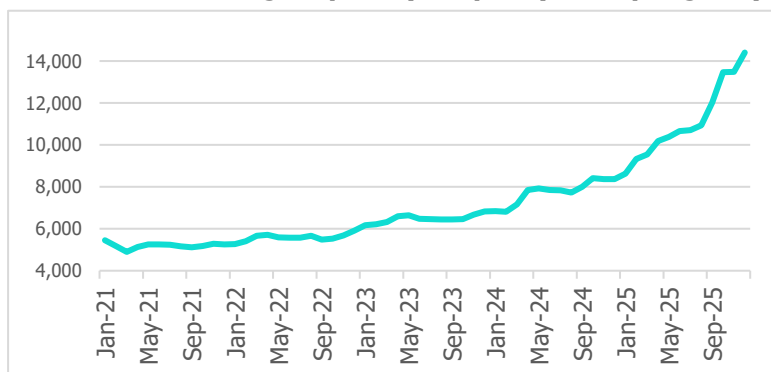
Exhibit 2: Trend in global gold consumption mix (volume)



Source: World Gold Council and CareEdge Ratings

Sustained rally in gold prices driven by structural demand shifts and macroeconomic conditions

Exhibit 3: Trend in gold price (995 purity; INR per gram)



Global gold prices have continued their upward trajectory in the last year, reaching successive record highs and remaining elevated, despite periodic corrections. Unlike past gold rallies driven largely by short-lived inflation shocks or speculative flows, the current cycle reflects a confluence of structural demand shifts and supportive macro

Source: World Gold Council and CareEdge Ratings

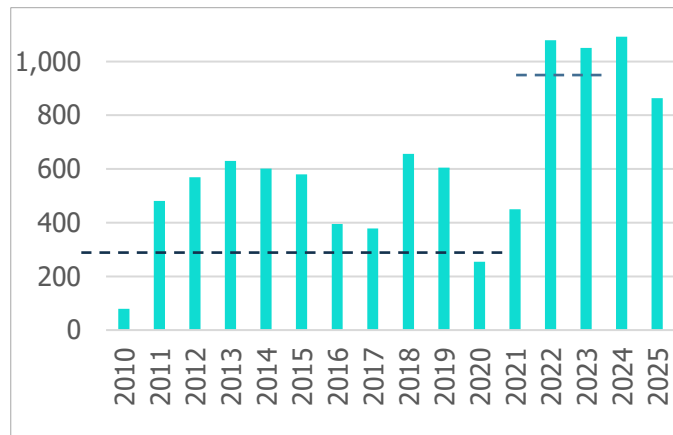
conditions, suggesting a more durable price regime.

The key drivers supporting the gold price rally are as under:

Gold accumulation by central banks

Globally, central banks accumulated gold at record levels for the fourth consecutive year, motivated by reserve diversification, reduced confidence in dollar-denominated assets, and heightened geopolitical risk. This official-sector demand is price-insensitive and long-term in nature, creating a structural underpinning for gold prices. Central banks purchased 863 MT of gold in CY25, below the 1,000+ MT levels seen in preceding three years, but higher than the 12Y average of 470 MT between CY10-21. Moderation in CY25 was led by central banks' more cautious approach amid elevated valuations of gold reserves.

Exhibit 4: Gold purchases by central banks (MT)

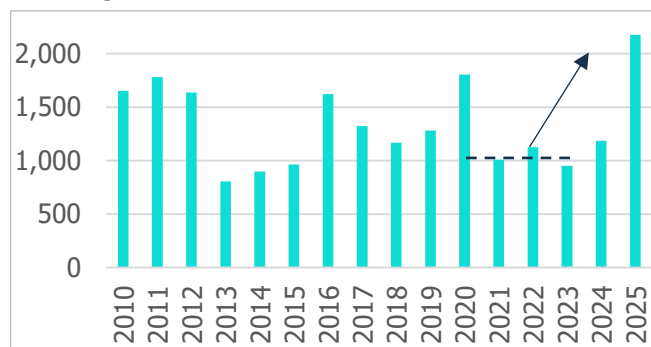


Source: World Gold Council and CareEdge Ratings

Structural increase in investment demand for gold

Annual investment demand at 2,175 MT in CY25 smashed the previous record of 1,805 MT in CY20 led by ETF investment which contributed over 800 MT with factors including diversification considerations, elevated geopolitical risks and safe-haven demand supporting demand. The trend is also evident in India with strong ETF investments by Indians in the last two years, adding 37.5 tonnes in CY25, more than the combined investment in last 10 years.

Exhibit 5: Annual investment demand (ETF + Bullion)



Source: World Gold Council and CareEdge Ratings

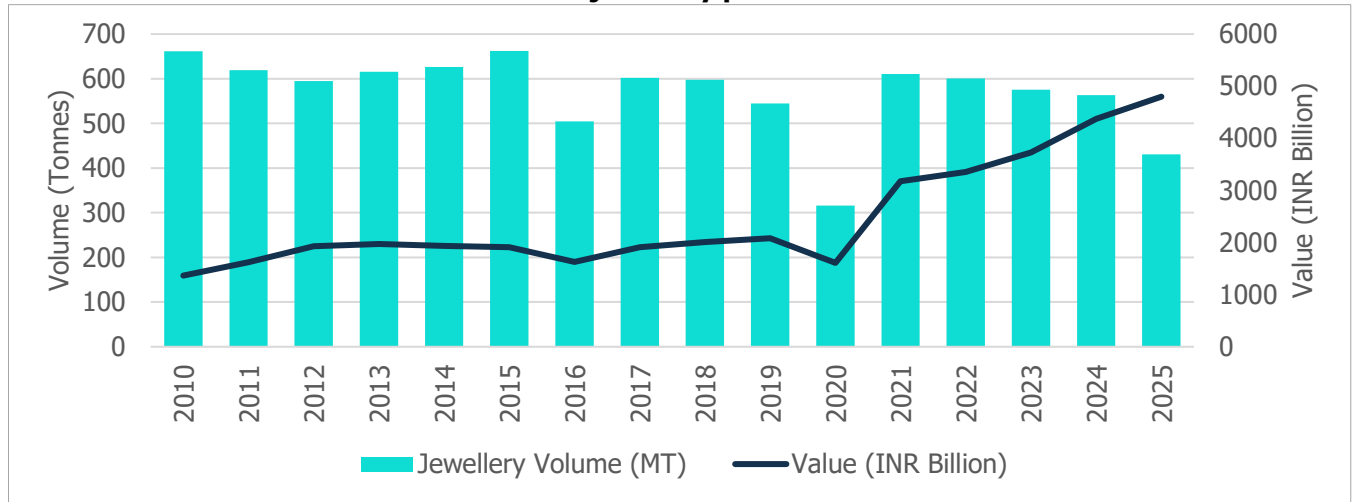
Heightened geopolitical and macroeconomic uncertainty

Ongoing conflicts, trade fragmentation, and rising strategic rivalries have increased demand for assets with no counterparty risk and further reinforced gold's role as a safe-haven asset. Expectations of interest-rate cuts and declining real yields across major economies lowered opportunity cost of holding non-yielding assets such as gold. Yet, concerns over large fiscal deficits and rising public debt, especially in developed markets raise longer-term questions about currency stability, further strengthening gold's appeal.

Strong spending on jewellery by Indians despite record prices to aid branded jewellers' fortunes

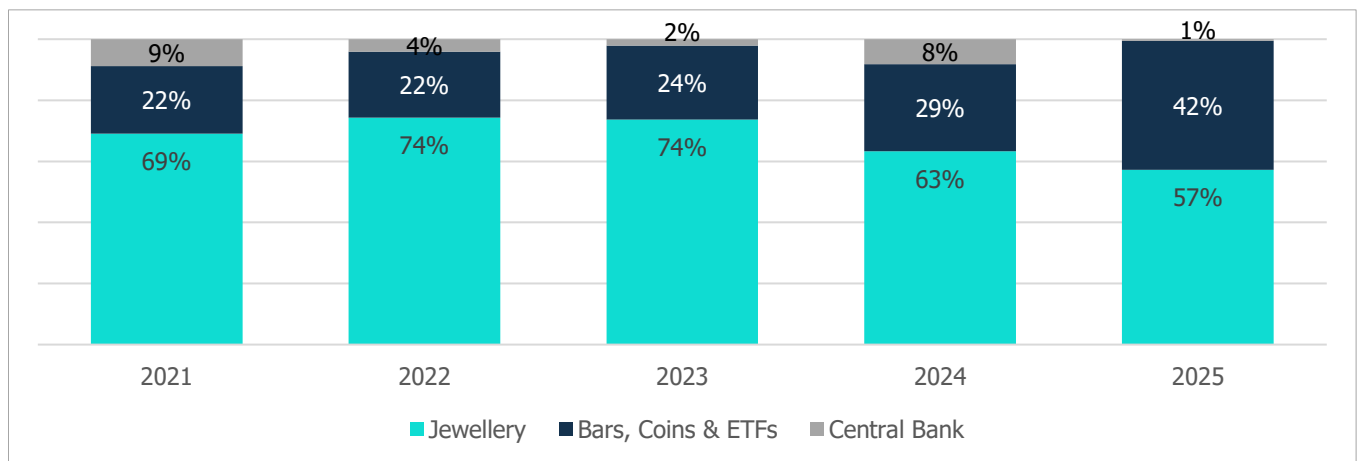
Record-high gold prices failed to stifle Indians' appetite for gold jewellery as evidenced by the sustained rise in domestic jewellery purchases (in value terms) by ~10% y-o-y to ₹4.8 lakh crore in CY25, with consumers spending a larger share of wallet on gold. Indians' total spending on jewellery purchases has grown at a healthy compounded annual growth rate (CAGR) of 11% over CY21-CY25 indicating continued appetite for the yellow metal. However, divergence between jewellery consumption value and volume increased sharply, as consumers typically have a fixed budget for festival and wedding-driven purchases.

Exhibit 6: Trend in India's annual domestic jewellery purchase



Source: World Gold Council and CareEdge Ratings

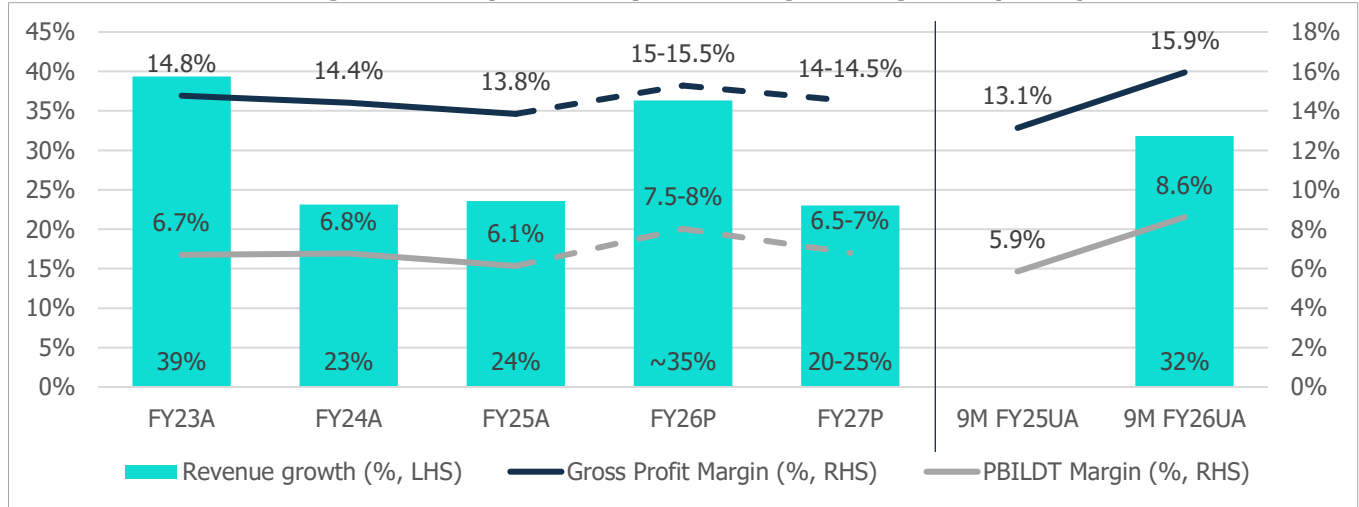
Exhibit 7: Trend in India's annual domestic jewellery purchase volume



Source: World Gold Council and CareEdge Ratings

CareEdge Ratings' sample of six large, listed jewellers is expected to report stellar revenue growth of ~35% y-o-y in FY26 and 20-25% y-o-y in FY27 led by continued store additions, market share gains from accelerated formalisation of the sector and steady consumer appetite for gold despite the sustained price rise. Average gross profit margin of CareEdge Ratings' sample of jewellers is projected to increase by 170-200 bps in FY26 led by inventory gains on unhedged gold. Profitability is likely to normalise in FY27 with projected gross profit margin in the range of 14-14.5% on the expectations of range-bound gold prices and profit before interest, lease rentals, depreciation and taxation (PBILDT) in the range of 6.5-7% on front-loaded operating expenses on new stores.

Exhibit 8: Revenue and growth and profitability of CareEdge Ratings' sample of jewellers



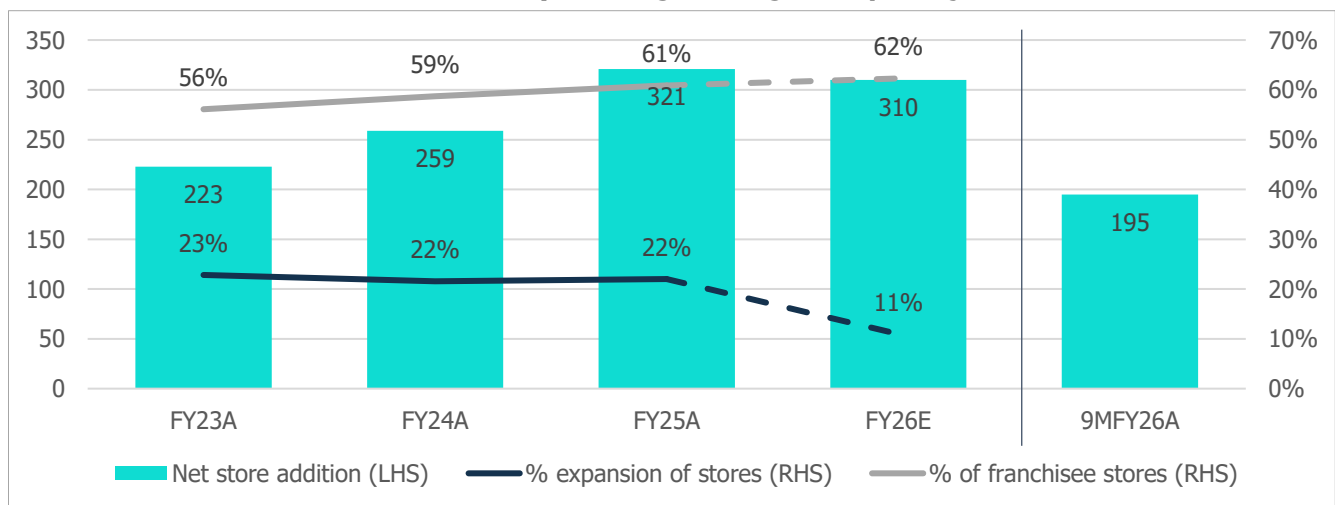
Source: Compiled by CareEdge Ratings

CareEdge Ratings' sample of jewellers include Titan Company Limited, Kalyan Jewellers India Limited, Senco Gold Limited, Thangamayil Jewellery Limited, Tribhovandas Bhimji Zaveri Limited and P N Gadgil Jewellers Limited.

Sustained store addition and elevated gold prices to increase jewellers' inventory levels; credit metrics to remain adequate supported by franchisee-led expansion model

CareEdge Ratings' sample of six listed jewellery retailers have continued their trend of healthy new store addition in FY26 to expand their retail presence in existing and new geographies with the cohort estimated to have added 310 stores in the year, the second consecutive year of 300+ new store additions. This represents the sector's continued formalization amid shifting consumer preferences towards branded jewellers, supported by regulatory interventions in recent years. However, new store addition as a percentage of existing stores halved to 11% in FY26 from 20%+ over the previous three years, partly attributable to a growing base, indicating cautious optimism towards expansion. Expansion of retail footprint through the franchisee route remains the preferred mode, considering its benefits in terms of lower incremental inventory funding requirements. The share of franchisee stores in overall retail presence of CareEdge Ratings' sample of jewellers is estimated to increase to 62% in FY26 from less than 60% in FY23.

Exhibit 9: Trend in new store addition by CareEdge Ratings' sample of jewellers

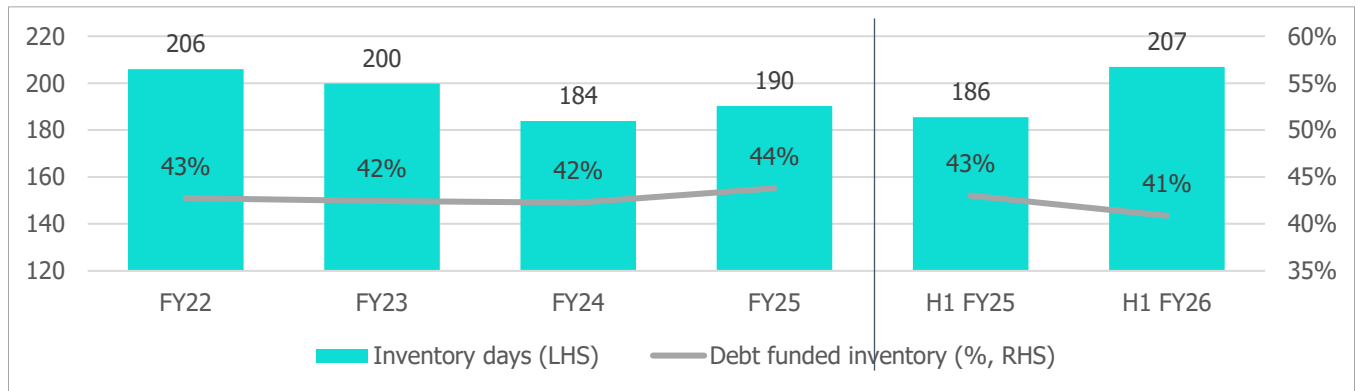


Source: Compiled by CareEdge Ratings

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Elevated gold prices and continued trend of sizeable store addition by jewellers led to a marked increase in inventory holding requirements as evident from median inventory holding by CareEdge Ratings' sample of jewellers increasing to 207 days in H1FY26 compared to 186 days in H1FY25 with median inventory growth of 48% y-o-y in the period. However, bucking the trend, reliance on debt to fund inventory reduced marginally to 41% in H1FY26 due to franchisee model-led retail expansion, where the onus of inventory funding rests with the franchisee partner. Higher profitability from inventory gains in the period is also likely to have aided in higher inventory funding from internal accruals. Additionally, the Reserve Bank of India has amended its guidelines for gold metal loans, opening the borrowing avenue for non-manufacturing jewellers as well to harmonise gold funding avenues.

Exhibit 9: Trend in inventory holding by CareEdge Ratings' sample of jewellers

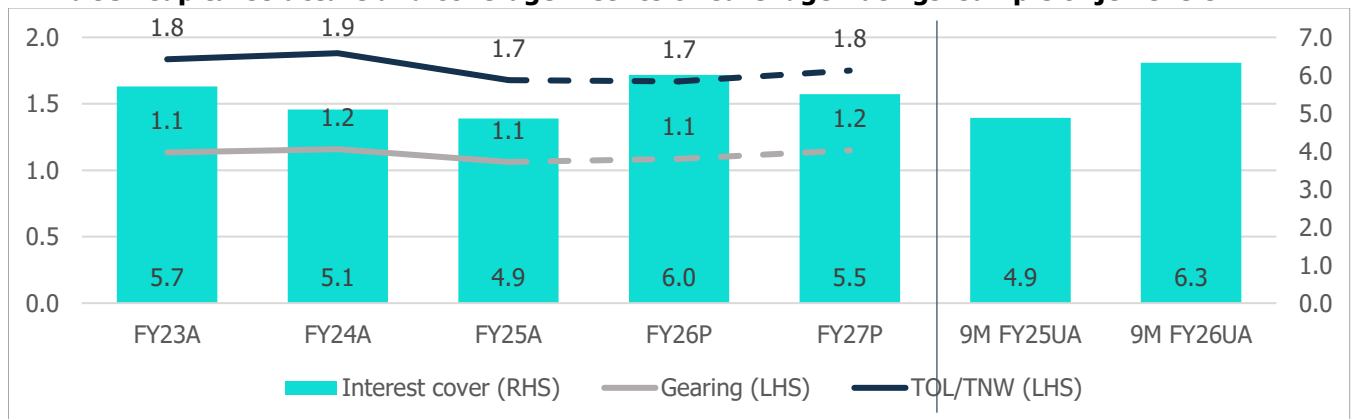


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While domestic jewellers are likely to report healthy operating performance in FY26 aided by windfall inventory gains and sustained store footfalls, their overall working capital funding requirements are expected to increase materially led by continued rise in gold prices, increasing the total inventory funding requirement for existing and new stores. Jewellers are expected to resort to incremental borrowings to fund increased working capital. However, higher profitability and healthy accretion to reserves are likely to keep capital structure at comfortable levels.

Exhibit 9: Capital structure and coverage metrics of CareEdge Ratings' sample of jewellers



Source: Compiled by CareEdge Ratings

CareEdge Ratings' sample of jewellers include Titan Company Limited, Kalyan Jewellers India Limited, Senco Gold Limited, Thangamayil Jewellery Limited, Tribhovandas Bhimji Zaveri Limited and P N Gadgil Jewellers Limited.

CareEdge Ratings' View:

"Domestic organised jewellery retailers are expected to report revenue growth of over 35% year-on-year in FY26, driven by steady consumer appetite for jewellery despite rising gold prices, market-share gains from accelerated sector formalisation and planned store additions. This momentum is likely to continue in FY27, with revenue growth projected at 20–25% year-on-year. Operating profit margin is also likely to expand by 180-200 bps in FY26 supported by inventory gains, which is likely to normalise to 6.5-7% in FY27 led by expectations of range-bound gold prices and front-loaded operating expenses on new stores." says Raunak Modi, Assistant Director, CareEdge Ratings.

Akhil Goyal, Director, CareEdge Ratings says, "Gold consumption patterns are witnessing a structural shift, with jewellery accounting for less than 60% of India's total gold purchases in CY25, compared to a long-term average of ~70%. Geopolitical uncertainty, momentum in gold prices and portfolio diversification preferences are expected to continue fuelling investment demand for gold, with its share in overall gold consumption is projected at 35-40% in FY27."

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