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India Financials | Asia Pacific

Gold import duty hiked

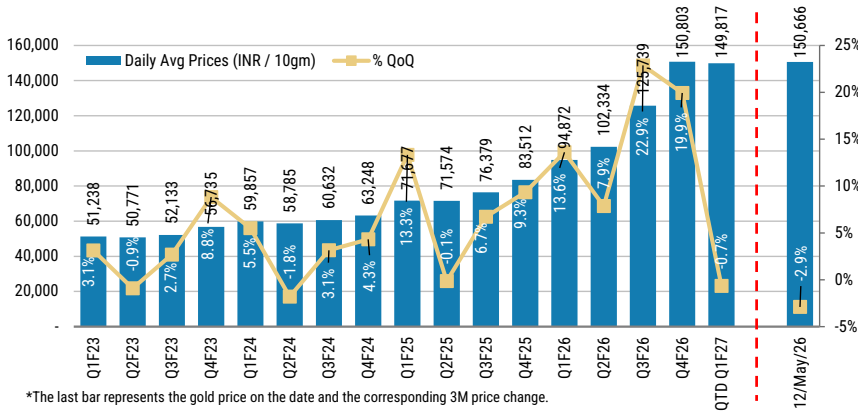
Key Takeaways

- As per media articles (link below), the government has raised import tariffs on gold and silver to 15% from 6% earlier.
- Higher import duties could potentially drive gold prices higher. As observed in the past, gold loan growth has a positive correlation to gold prices.
- We have been getting questions from investors on the impact to gold loan growth from lower gold purchases and/or import volumes (owing to higher import duty).
- We highlight that there is unlikely a logical relationship between gold purchases and borrowing against gold, at least not in the short term.
- Customers who borrow against gold jewellery (especially NBFC customers) are arguably less likely to be the ones who are driving purchases of gold jewellery.

Link to [media article](#).

Views. Among covered gold financiers, we prefer Muthoot (OW) owing to its strong ROE outlook, attractive valuations and defensive positioning amid macro uncertainty. Muthoot is also part of our top 10 OW rated stocks in our broader financials coverage (see [India Financials: Thoughts on the sector and our Order of Preference, 10 Apr 2026](#)).

Exhibit 1: Trends in daily average gold prices



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INDIA FINANCIALS

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Industry View

Attractive

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

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Valuation Methodology and Risks

Muthoot Finance Ltd (MUTT.NS)

SOTP, Probability-weighted 80% base, 10% bear and 10% bull, residual income model. Bear case reflects current geopolitical uncertainty while Bull case reflects a defensive business model.

- Standalone (gold finance) and other lending subsidiaries: Three-phase RI model (five-year high-growth period, 10-year maturity period, terminal period). COE 12.0%, terminal growth rate 6%.
- Insurance: Target Mar-28e P/E of 24x in base case.

Risks to Upside

- Stronger-than-expected gold loan growth
- Reduced macro risks and contained increase in funding costs
- Good execution on asset quality

Risks to Downside

- Sharp fall in gold prices, affecting loan growth
- Wholesale funding dislocations and sharp rise in funding costs
- Sharp rise in bad loans

