COMMODITIES · INDIA EQUITIES

# The Dollar Debasement Trade, *Priced in Rupees*

**Gold's structural bull case and the Indian equities that capture it**

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Gold has overtaken US Treasuries as the world's largest reserve asset for the first time since 1996, led by fears of US fiscal deterioration. With US federal debt past $40 trillion and no credible plan to arrest it, the case for gold appears structural — *a multi-year thesis that US fiscal debasement keeps compounding faster than the policy fix can reverse it*. For Indian investors, there are choices to play the multi-year view which extends beyond plain vanilla gold ETFs: listed businesses whose earnings compound in an environment of rising gold prices.

## THE FISCAL DEBASEMENT TRADE GOES STRUCTURAL

Gold prices have staged a strong rebound after falling roughly 25–27% from their all-time high of $5,597/oz, seen earlier this year. The catalyst has been the acceleration of the US fiscal debasement trade, where investors increasingly seek protection against expanding global liquidity injections and government debt that has now crossed the $40 trillion mark, with 10-year Treasury yields near 4.7%. Governments worldwide are running massive, unsustainable deficits and printing money to manage their soaring debt. US Treasury Secretary Bessent's bond-buyback announcements in late August reignited the "debasement trade," fueling gold further. With no visible solution or articulated strategy on addressing runaway debt and deficits, gold is here to stay as the preferred proxy for currency and fiscal debasement. Lighthouse Canton stays positive on gold. Our global CIO recently wrote a note titled “Gold and Silver: From Inflation Fear to Growth Fear” lighthouse-canton.com/insights/gold-and-silver-from-inflation-fear-to-growth-fear-cio-insights.

## INDIAN HOUSEHOLDS' OWNERSHIP OF GOLD EQUIVALENT TO ITS GDP, BUT LATENT…UNTIL NOW

Today we will explore how as investors in India we can benefit from the long-term structural story in gold, and not only through plain vanilla gold ETFs but listed equity plays which offer the potential for strong compounding. But before we talk about that, let us understand the scale and significance of gold in the Indian economy. According to the World Gold Council, Indian temples and households (government reserves are not included here) hold an estimated 31,000 tons of gold — worth roughly $4.6 trillion marked to today's spot price valuation, higher than India's FY26 GDP. That is an asset base higher than the size of the entire economy, held largely as jewelry and maybe some coins, which until now was generating no yield and doing no economic work.

## GENERATIONAL DE-STIGMATIZATION: MILLENNIAL MINDSET SHIFT AND THE FINTECH EVOLUTION OF CAPITAL VELOCITY

A profound cultural shift is now underway — and gaining momentum — across India's credit landscape, led by a generation that is beginning to view legacy gold holdings through a lens of utility rather than emotional preservation. Historically, pledging family jewelry was seen as a last resort measure heavily burdened by social stigma, by Indian households.

However, India's young millennial cohorts are dismantling this mindset. They seem to not view underutilized household gold as a sentimental heirloom to be locked away, but as a high-velocity, non-dilutive capital tool to fund education loans, entrepreneurial ventures and, primarily, fast-moving consumption needs.

This behavioral pivot is actively accelerated by the digitalization of the gold loan ecosystem. The rise of seamless doorstep banking app services, instant digital wallet disbursements, and flexible overdraft facilities by gold lenders has completely transformed the user experience. By removing the friction of visiting physical branches, these innovations have effectively re-branded the asset class. For younger borrowers, leveraging an appreciating commodity to secure instant, low-cost credit is no longer viewed as a financial failure. Instead, it is embraced as a highly strategic, financially literate optimization of personal balance sheets, creating a multi-decade runway of new demand for specialized gold financiers.

## UTILIZATION OF HOUSEHOLD GOLD AS A PLEDGE

What is now underway in India, led by the generational shift we just spoke about, is not a monetization of gold. Households are not selling gold but utilizing its latent value by pledging it as collateral rather than parting with it, unlocking liquidity while keeping the asset, and its upside, intact. A structurally bullish, multi-year gold price makes the case for unlocking that idle wealth through credit, rather than sale, steadily more compelling.

## BEYOND THE VAULT: THREE WAYS TO OWN THE EQUITY SIDE OF GOLD

Investors looking beyond plain vanilla financial gold instruments like gold ETFs and mutual funds, which deliver pure price beta and nothing else, have a genuine equity alternative in India through listed companies that are direct, structural beneficiaries of a long-term bull market in gold. That universe spans three distinct business models which convert the same macro gold tailwind into operating leverage, creating a compelling long-term investment thesis.

- Specialist gold-backed NBFCs (Muthoot Finance, Manappuram Finance), whose loan books expand and de-risk as collateral values rise with rising gold prices.
- Organized jewelry retailers (Titan), who convert rising prices into share gains from the unorganized trade (the generational family jeweler).
- A commodity exchange (MCX) whose trading revenues are disproportionately bullion-driven, with gold and silver accounting for 77% of futures turnover.

## INDIA'S SPECIALIST GOLD NON-BANK FINANCE COMPANIES — A COMPELLING INVESTMENT PLAY ON GOLD'S STRUCTURAL BULLISHNESS

No other country with a comparable cultural gold hoard has anything like India's listed, specialist gold-lending NBFC sector. The combination of a multi-decade branch network built on trust, a maturing regulatory framework under the RBI, and one of the largest household gold stockpiles in the world has produced something structurally unique in India. It is a listed, liquid equity proxy for physical gold. Muthoot Finance and Manappuram Finance, India's specialist gold non-bank lending finance companies, are not just Indian lenders, but the closest proxy global and Indian investors have to owning household gold on a stock exchange. Gold's long-term structural thesis makes the risk reward for these unique businesses highly compelling.

| COMPANY | CURRENT GOLD-LOAN AUM | GOLD-LOAN AUM CAGR (~5-YR) | INDIAN GOLD PRICE, SAME PERIOD |
|---|---|---|---|
| **Muthoot Finance Limited**<br>NSE/BSE: MUTHOOTFIN | ₹1,63,000 cr (₹1.63 lakh cr, standalone), +44% YoY<br>As of Q1 FY27 (quarter ended 30 Jun 2026) | ~24%<br>FY21: ₹52,622 cr → Q1 FY27: ₹1,63,000 cr | ₹48,720 → ₹1,60,480 / 10g<br>~27% CAGR |
| **Manappuram Finance Limited**<br>NSE/BSE: MANAPPURAM | ₹57,006 cr (consolidated), +98% YoY<br>As of Q1 FY27 (quarter ended 30 Jun 2026) | ~23%<br>FY21: ₹19,077 cr → Q1 FY27: ₹57,006 cr | ₹48,720 → ₹1,60,480 / 10g<br>~27% CAGR |

Source: Lighthouse Canton, Company releases. Data as of 27–28 August 2026.

NBFCs like Muthoot Finance and Manappuram Finance have been in the business of gold-backed lending for decades, built on a brand trust that runs deepest in southern India. Both are Kerala-headquartered franchises that grew up serving a region with some of the country's highest per-capita gold holdings and a long-standing cultural comfort with pledging gold rather than selling it. That regional trust has scaled into a national branch network, but it remains the foundation of the underwriting relationship: customers return to these lenders, cycle after cycle, because collateral is valued fairly and redemption is straightforward.

With gold shifting from a cyclical trade to a structural, multi-year theme, these specialist lenders stop being a niche financial-inclusion story and become compelling long-term proxies. Secular price appreciation in gold directly expands the Loan-to-Value (LTV) limits for these lenders. When the price of gold surges, the intrinsic value of existing collateral expands exponentially. This shifts the operational paradigm by allowing these entities to disburse larger ticket sizes per gram of asset held, driving structural Asset Under Management (AUM) expansion without requiring immediate customer acquisition growth. A rising gold price also provides these specialized NBFCs with highly defensive structural safety and strong risk mitigation. Higher gold values act as a natural cushion against margin calls and default risks, drastically lowering credit losses. The investment thesis, in other words, depends far less on any operational change at these franchises than on the gold price cycle continuing along its current trajectory.

## MONOPOLY COMMODITY EXCHANGE, WHERE BULLION DOMINATES TRADING

India offers another unique way to play the structural bull case for gold, distinct from the lenders: a listed commodity exchange. MCX is a near-monopoly. It commands upwards of 99% of India's commodity derivatives market, meaning almost every future and options trade in gold, silver, and other commodities in the country passes through its books. The investment thesis is simple: MCX takes a small cut of the value of everything traded on it, not a flat fee per trade, so when gold gets more expensive, MCX earns more automatically. Gold and silver now make up roughly 77% of the commodities traded on the exchange.

## THE PLAY ON RAPID FORMALIZATION OF JEWELRY RETAIL

Titan Company Limited offers a strategic, compounding equity opportunity for investors long-term bullish on gold, with the link to gold's structural bull case through formalization, distinct from the two business models we highlighted above. A rising, high-stakes gold price makes the cost of under-caratage or impure metal harder to bear, pushing buyers toward hallmarked, branded counters, a shift reinforced by BIS's continued rollout of mandatory hallmarking. Consequently, we are witnessing a multi-year shift with organized retail's share of India's gold jewelry market climbing to a 38–40% range today. The move towards increased formalization of the jewelry market is also being prompted by a profound demographic evolution: modern Indian consumers are preferring transparency and certified purity over traditional family goldsmiths. Organized gold retailers like Titan have a long runway of growth and offer strong compounding potential on the back of gold's structural bull case.

IMPORTANT INFORMATION

# Disclaimer




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