

A STUDY ON EXPORT IMPORT OF PRECIOUS METALS, GEMS & JEWELLERY IN INDIA

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OBJECTIVE

- Analyze the market of Gems & Jewellery and India's current performance in the market.
- Indian Gems & Jewellery Industry with respect to world market share.
- Growth of international trade of Gems & Jewellery.

EXECUTIVE SUMMARY OF GEMS AND JEWELLERY INDUSTRY

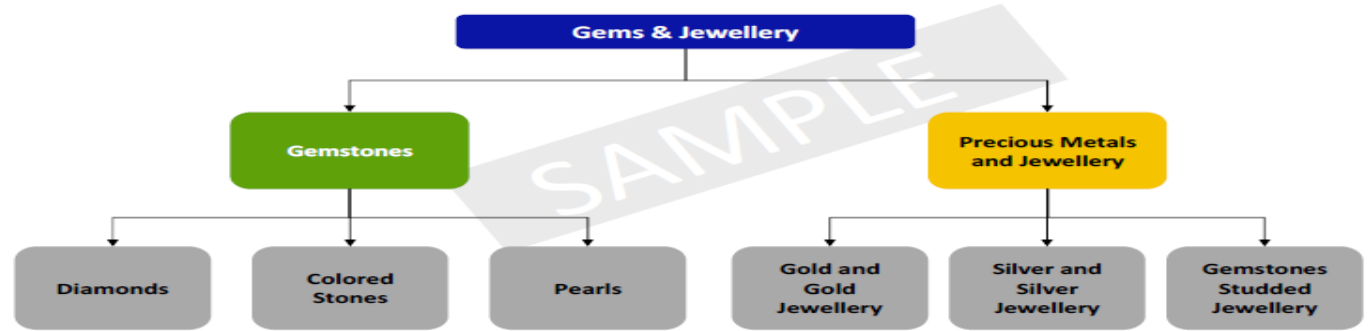
Gems and Jewellery is an important emerging sector in the Indian Economy. Ranked among the fastest growing sectors, it is also a leading sector for foreign exchange generation.

The gems and jewellery industry is very much fascinating being traditionally glamorous and artistically modern. This business employees and engages millions; cover wide activities such as raw material procurement from far flung Africa, Australia, Canada and Russia, and transforming these into products in demand with the skills available in China, India, Italy and Turkey for the sophisticated markets in the USA, Europe, Far East, Middle East and Asia.

The Indian gems and Jewellery sector is one of the fastest growing markets. The sector has witnessed a considerable growth in the last fiscal year, as its exports jumped from over **US\$ 25.4 billion in FY 2009-10 to US\$ 46.36 bn in FY 2010-11**, thus indicating a net increase of around 82.5% in overall gems and jewellery exports. The performance of this industry is critical as it is one of the India's leading foreign exchange earning sectors with a contribution of 16.67% to India's total merchandise exports.

After the recession in 2008, investors have shown increased confidence for asset classes like Gold. India is the largest consumer and Importer of gold in the world. According to the World Gold Council (WGC), India accounted for 15% of the global demand in 2009. Even in the global market for diamonds, it emerged as the sixth-largest consumer. Today, Indian consumes about

4000 tones of silver every year. The RNCOS report, *Indian Gems and Jewellery Market- Future Prospects to 2011*, says the total size of Indian Gems and Jewellery **market is projected to reach US\$ 26 bn by 2012**. This growth would be facilitated by two factors- improving lifestyle and availability of skilled labour.



India's Position in Gems and Jewellery Sector

- One of India's leading foreign exchange earning sectors
- Gem & Jewellery sector accounted for 16.67% of India's total Merchandise Exports.
- Volume of exports counted at US \$ 43139.24 million as of March 2011.
- The percentage increase over FY 2010-2011 is 46.89%.

A Global Perspective

- USA's import of Gem & Jewellery from India increased by 50.5% in 2010 as compared to 2009.
- India Gems & Jewellery exports are **expected to grow at a whopping 15 % – 20%** in FY 2011-2012.
- At present India exports **95%** of the world's diamonds.

Global Objective

- Ascertain India's Leadership Position in the Global arena.
- Establish 'India' as a 'BRAND' to reckon with in Gem & Jewellery
- Truly make India the World's trading hub for the Gem & Jewellery
- Lead the industry in Driving Gem & Jewellery Sales worldwide

Size

- Large market for Gems & Jewellery with domestic sales of over \$10 billion.
- 4% of the global Gems and Jewellery market.
- Exports of over \$15.5 billion; over 18% of India's exports.

- India is the largest consumer of gold jewellery in the world.
- Accounts for about 20% of world consumption.
- India is the largest diamond cutting and polishing centre in the world.
- 60% value share, 85% volume share and 92% share of the world market by number of pieces.
- Third largest consumer of polished diamonds after USA and Japan.

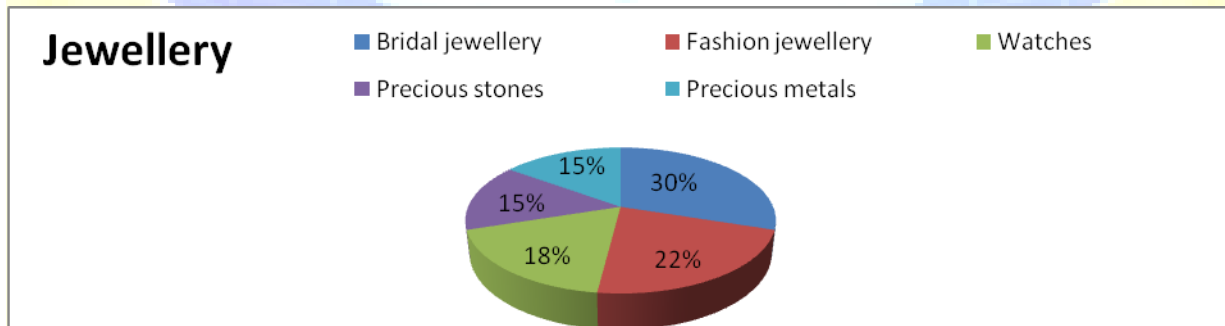
Policy

- 100% FD is permitted in the Gems & Jewellery sector through the automatic route.
- SEZs and Gems and Jewellery Parks have been set up to promote investments in the sector.

Outlook

- India is the fastest-growing jewellery market in the world.
- Branded jewellery likely to be the fastest-growing segment in domestic sales.
- During the Fiscal Year 2010-11, the total exports for gems and jewellery stood at US\$ 43139.24 million as compared to US\$ 29368.72 million during the fiscal year 2009-10.

The retail jewellery industry is comprised of five main segments:



Key Trends



- Growing organized retail sector
- Aggressive marketing & advertising
- Large scale shows and exhibitions
- Domestic players acquiring foreign companies
- Investment from PE firms
- Corporate houses enter the market

Key Industry Components: Diamonds and Gold**Demand for Gold in India**

According to the WGC, the consumption of Gold jewellery rose by 69% in 2010 to reach 745.7 tones and was worth Rs. 1,342.1 bn, while gold products like bars and coins grew by 60% to reach 217.4 tones and were worth Rs 391.3 bn.

Preference for gold dominates the domestic jewellery demand. The domestic demand for gold jewellery was estimated by ICRA Management Consulting Services (IMaCs) Limited to be at Rs 670 bn in 2009, accounting for an estimated 78% of the Indian jewellery market of Rs. 860 bn. The balance comprised diamond jewellery (Rs 150 bn), and other fabricated jewellery (Rs 40bn). The year 2010 saw India emerge as the biggest market for gold. The total demand jumped by 66% to 963.1 tones, accounting for Rs 1,733.3 bn (about US\$ 38.4 bn), according to WGC. This happened despite the high gold prices. India contributes about 25% of the global demand, which was estimated at 3,812 tones.

Item	Demand(Tones)	Value (Rs. In bn)	Growth (%)
Gold Jewellery	745.7	1342.1	69
Gold Product(Bars, Coins etc)	217.4	391.3	60
Total	963.1	1733.3	66

**Demand and Supply Scenario**

Gold demand in 2010 reached a 10-year high of 3,812.2 tonnes, worth US\$150billion, as a

result of;

strong growth in jewellery demand;

the revival of the Indian market;

strong momentum in Chinese gold demand and

a paradigm shift in the official sector, where central banks became net purchasers of gold for the first time in 21 years.

China was the world's largest gold producer with 340.88 tonnes in 2010, followed by the United States and South Africa.

In 2010, India was the world's largest gold consumer with an annual demand of 963 tonnes.

The total supply of gold coming onto the market in 2010 reached 4,108 tonnes, a rise of 2% from 2009 levels.

Global Scenario

London is the world's biggest clearing house.

Mumbai is under India's liberalized gold regime.

New York is the home of gold futures trading.

Zurich is a physical turntable.

Istanbul, Dubai, Singapore, and Hong Kong are doorways to important consuming regions.

Tokyo, where TOCOM sets the mood of Japan.

Indian Scenario

India is the largest market for gold jewellery in the world. 2011 was a record year for Indian jewellery demand; at 986 tonnes, annual demand was 13% above the previous peak in 1998. In local currency terms, Indian jewellery demand more than doubled in 2011. A 20% rise in the rupee price of gold combined with a 69% rise in the volume of demand, pushed up the value of gold demand by 101% to 1,342 billion. This compares with 2009 demand of 669 billion. The rising price of gold, particularly in the latter half of 2010, created a 'virtuous circle' of higher price expectations among Indian consumers, which fuelled purchases, thereby further driving up local prices.

Factors Influencing the Market

Above ground supply of gold from central bank's sale, reclaimed scrap, and official gold loans.

Hedging interest of producers/miners.

World macroeconomic factors such as the US Dollar and interest rate, and economic events.

Commodity-specific events such as the construction of new production facilities or processes, unexpected mine or plant closures, or industry restructuring, all affect metal prices.

In India, gold demand is also determined to a large extent by its price level and volatility.

Gold purity is measured in terms of karat and fineness:

Karat: pure gold is defined as 24 karat

Fineness: parts per thousand

Box 1.1: List of Gemstone-Producing States

- Andhra Pradesh: Mining majors, including De Beers, are exploring areas for minerals and diamonds. Chrysoberyl, alexandrite, cat's eye and rubies are also found here.
- Chhattisgarh: De Beers has invested several million dollars in exploration that suggests a huge diamond reserve (The Indian Bureau of Mines estimates a reserve of 1,304,000 carats).
- Jammu & Kashmir: J&K is known for blue sapphires. The State Mining Corporation is currently exploring various stones in the Padar area.
- Karnataka: Has been known for a continuous supply of star rubies over the years. Diamond prospecting is also carried out here.
- Kerala: Mainly chrysoberyl as well as some fine qualities of cat's eye and alexandrite.
- Madhya Pradesh: Known for the Panna diamond mines – the only active diamond producing centre in India. Almost 50% of the mined product is of gem quality, generally ranging from 0.20 to 1.80 carats.
- Orissa: Is known as the 'Brazil of India' and consists of major gemstones and a diamond belt. Everything from corundum, rubies, sapphires, chrysoberyl, alexandrite, garnet, emeralds, stars and cat's eye are found here.
- Rajasthan: Best known for emeralds, but there are other gemstones concentrated along the Aravalli hills in a 250-km-long belt from Ajmer to Udaipur. Aquamarines are also found in several areas.
- Tamil Nadu: Sapphires, corundum, rubies, alexandrite, beryl, chrysoberyl cat's eye, feldspar, and brown sunstone with a cat's eye effect, labradorite and spectrolite are found here.

Source: International Coloured Gemstone Association (ICA) - World Coloured Gemstone Mining Report 2006, GJEPC-Solitaire

Thus, 18 karat = 18/24 of 1,000 parts = 750 fineness

EXPORT AND IMPORT

During the Fiscal Year 2010-11, the total exports for gems and jewellery stood at **US\$ 43139.24 million** as compared to US\$ 29368.72 million during the fiscal year 2009-10. During the same period, the sector registered a growth of 46.89 per cent over the previous year.

India is the largest market for gold jewellery in the world, representing an amazing 986 tones of gold in 2011. The net exports of gem and jewellery grew from US\$ 22,616.35 in April-October 2010 to US\$ 26,160.04 in April-October 2011.

India's Gold and Jewellery Exports and Imports

FY	Export(bn)		% of total Exports	Import(bn)		% of total Imports	Trade Balance (bn)	
	Rs	US\$		Rs	US\$		Rs	US\$
1973	0.79	0.1	4	0.42	0.05	2.2	0.37	0.05
1983	9.5	0.98	10.8	7.29	0.75	5.1	2.21	0.23
1993	88.97	3.07	16.66	70.73	2.44	11.2	18.24	0.63
1998	198.67	5.35	15.3	124.21	3.34	8.1	74.46	2.01
1999	249.45	5.93	17.8	158.2	3.76	8.9	91.25	2.17
2000	325.09	7.5	20.4	235.56	5.44	10.9	89.53	2.06
2001	337.33	7.38	16.6	219.63	4.81	9.5	117.7	2.57
2002	348.45	7.31	16.7	220.45	4.62	9	128	2.69
2003	437.01	9.03	17.1	293.41	6.06	9.9	143.6	2.97
2004	485.86	10.57	16.6	327.57	7.13	9.1	158.29	3.44
2005	618.33	13.76	16.5	423.38	9.42	8.4	194.95	4.34
2006	687.53	15.53	15.1	404.41	9.13	6.1	283.12	6.4
2007	722.95	15.98	12.6	338.81	7.49	4	384.14	8.49
2008	792.28	19.69	12.1	321.14	7.95	3.2	471.14	11.74
2009	1285.75	28.41	15.3	761.3	16.8	5.5	524.45	11.61
2010	1372	29	16.2	768.23	16.33	5.7	603.77	12.67

Source: IMAc's report, The Indian Gems & Jewellery Industry.

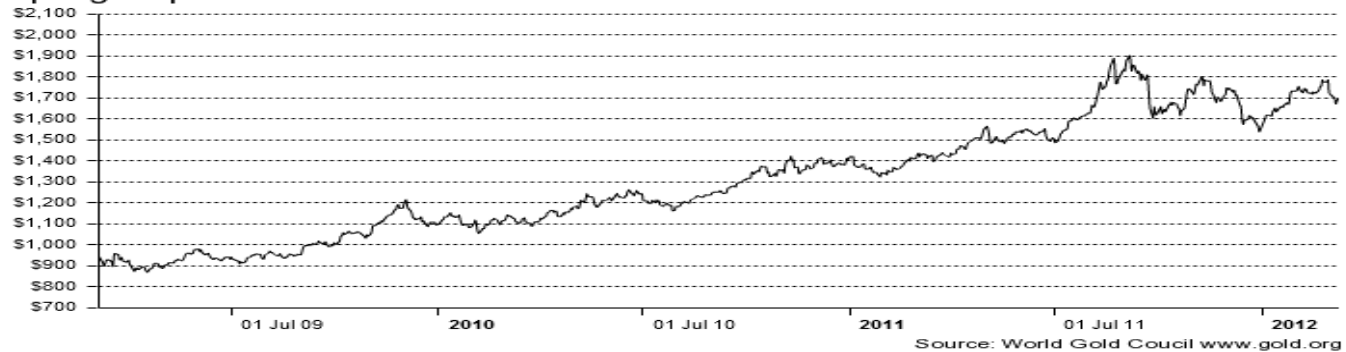
Note: Import exclude gold & silver.

Composition of Exports

- **Cut and polished diamonds:** The export of cut and polished diamonds grew manifold in 2010-11 as compared to 2009-10. In 2010-11, the export of cut and polished diamonds was US\$ 28251.92 million as compared US\$ 18237.56 million, recording a growth of 54.91 per cent.

- **Colored Gemstones:** Export of colored gemstones was registered at US\$ 314.54 million in 2010-11 as compared to US\$ 286.78 million in 2009-10, showing a growth of 9.68 per cent.
- **Gold Jewellery:** Export of Gold jewellery also grew in 2010-11, registering US\$ 12885.59 million as compared to US\$ 9669.10 million in 2009-10. A growth of 33.27 per cent was recorded.

Spot gold price in USD



Currencies: USD
Weight: oz

Net Exports of Gems and Jewellery items during April-October 2011

The summary of export of gems and jewellery items during April 2010-March 2011 as compared to same period last year

Items	April-October 2011	April-October2010 (Same ports as current year)	% Growth/decline over previous Year
	US\$ in Million	US\$ in Million	US\$
Cut & Pol Diamonds	15195.08	14807.71	2.62
Gold Jewellery-D.T.A	1357.28	1209.24	12.24
SEZ/EPZ (included Gold Jewellery & Gold Medallions and coins)	7968.97	5535.29	43.97
Total	9326.25	6744.53	38.28

Coloured Gemstones	187.17	158.45	18.13
Silver Jewellery	386.92	284.18	36.15
Others *	17.52	9.08	92.95
Net Exports	25112.94	22003.95	14.13
Exports of Rough Diamonds	995.65	580.44	71.53
Others	51.45	31.96	---
Total Exports	26160.04	22616.35	15.67

Source: The Gem & Jewellery Export Promotion Council (GJEPC)

(As per RBI average exchange rate)

Above figures does not include data for Costume/ Fashion Jewellery, and Sales to foreign tourists

(` crore)				
Item	As on		Variation	
	30-Jun-10	30-Jun-11	Absolute	Per cent
1	2	3	4	5
Foreign Currency Assets (FCA)	11,64,431.33	12,68,743.82	1,04,312.49	8.96
Gold	92,704.13	1,10,317.23	17,613.10	19
Special Drawing Rights (SDR)	22,718.63	20,631.97	(-) 2,086.66	(-) 9.18
Reserve Position in the IMF*	6,117.62	13,302.68	7,185.06	117.45
Total Foreign Exchange Reserves (FER)	12,85,971.71	14,12,995.70	1,27,023.99	9.88

*: Reserve Position in the International Monetary Fund (IMF), which was shown as a memo item from May 23, 2003 to March 26, 2004 has been included in the reserve from the week ended April 2, 2004

Destination-wise Imports

India imports **rough diamonds** mainly from Belgium, UK, Israel, UAE, etc while **gold jewellery** is imported from Switzerland, South Africa, Australia, UAE etc. **Raw pearls, precious & semiprecious stones** are imported from Belgium, the UK, Hong Kong etc. Europe has been the largest importing destination for India followed by the Middle East, Oceania and Asia.

Import duty on gold and silver up

	Import Duty		Excise Duty	
Status	Gold	Silver	Gold	Silver
Current	2% of the value	6% of the value	1.5% of the value	4% of the value
Earlier	Rs 300/10 gm.	Rs. 1500/kg.	Rs 200/10 gm.	Rs 1,000/kg.

India increases import duty on gold by 2%, silver 6 % in 2012

Indian government has raised the import duty on gold and silver on Tuesday. Import duty on **Gold** has been increased to **2% of value** from the earlier flat **Rs. 300/ 10 gm** and that of **silver** to **6 % of value** from **Rs. 1,500/ kg.**

The government has raised the import duty because of soaring demand for gold and silver in **India**, the world's biggest consumer of bullion.

The duty changes could nearly double duties on both gold and silver. Prices of gold on the MCX advanced after the duty hike with the February gold contract gaining as much as 1% to **Rs. 27,760** while silver for March delivery increased more than 2% at **Rs. 53,361/kg.**

Earlier in 2009-10, the **Indian government** had increased import duty on **gold bars** from **Rs. 100/10gm** to **Rs.200/10gm**, while duty on other forms of gold (excluding jewellery) was increased from **Rs. 250/10gm** to **Rs. 500/10gm** and silver was increased from **Rs.500/kg** to **Rs. 1,000/kg.**

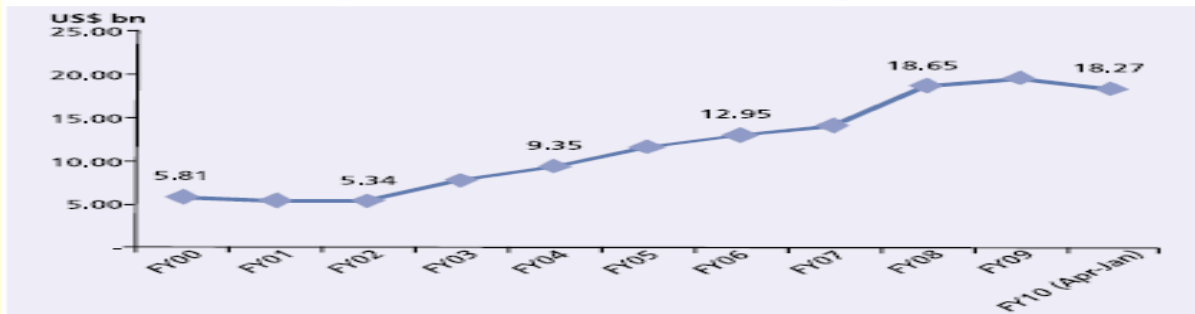
The industry reaction to import duty hike was mixed with manufacturers arguing that the hike could have been avoided while traders and importers felt the move could have little impact on consumption in India.

When presenting the Budget 2009-10, Finance Minister Pranab Mukherjee had increased import duty on gold bars from Rs 100 per 10 gram to Rs 200 per 10 gram, while duty on other forms of gold (excluding jewellery) was increased from Rs 250 per 10 gram to Rs 500 per 10 gram.

The customs duty on silver was increased from Rs 500 per kg to Rs 1,000 per kg. The duty on gold and silver was not been reviewed since 2004 even though prices have increased manifold, the finance minister then said.

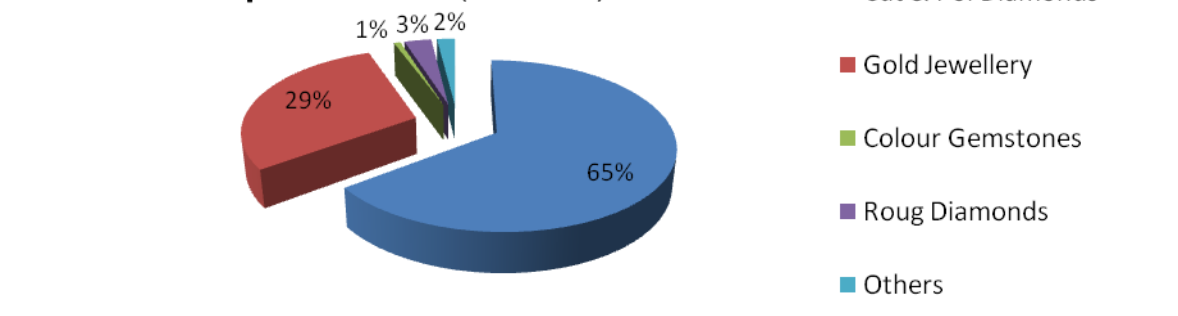
Further in 2010 annual budget, the government increased the import duty on gold for the second time to Rs 300 per 10 grams from Rs 200 earlier, and import duty on gold raised to Rs 1,500 per kg from Rs 1,000 earlier.

Chart 2.8: Total Imports of Gems and Jewellery

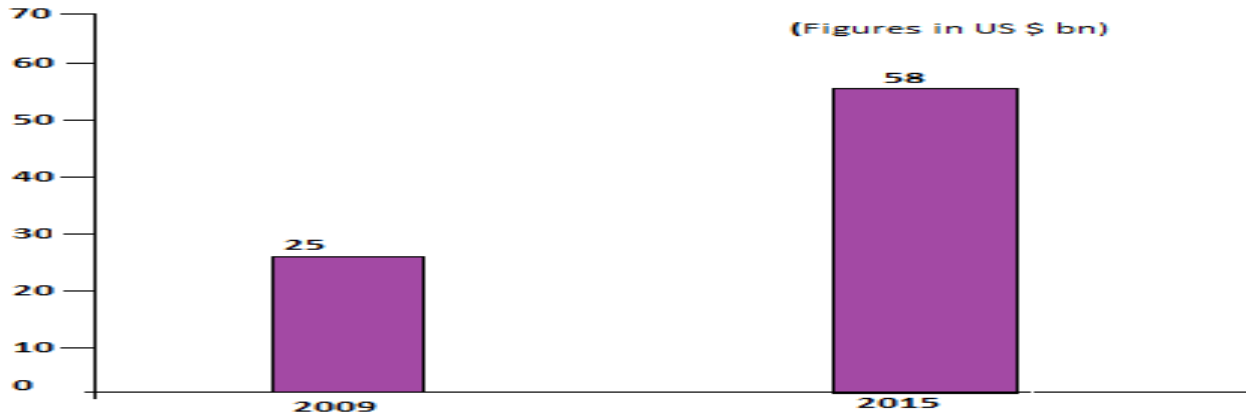


Source: Gems and Jewellery Export promotion Council and Indiatats

% Share of Export Basket (2010-11)



Gems and Jewellery Export (2009 vs. 2015)



Source: GJEPC, FICCI- Technopak Analysis.

INTERNATIONAL TRADE IN PRECIOUS METALS, GEMS AND JEWELLERY

Exports and Imports of Precious Metals and Stones

Gold: The largest exporter of gold in the world in the year 2010 was USA with a share of 19.9% in total world exports, followed by Australia (15.9%), Canada (9.3%), Hong Kong (7.3%) and Peru (7.1%). The world's largest importers of gold include China, Switzerland, UK, USA, India, and South Africa. India is the top importer of gold in the world and imported \$58 billion worth of gold in the fiscal year ending March 31 2012, up from \$38 billion in the previous fiscal, according to government estimates.

Diamond: Israel (with a share of 19.7%), Belgium (19.6%), India (14.3%), USA (12.8%), and UK (9.1%) were the largest exporters of diamond in the world, in the year 2010. The largest importers of diamonds include: USA (17.7%), Belgium (16.2%), India (13.1%), Israel (13%), and Hong Kong (12.9%). India was an exporter as well as an importer of diamonds, with a respective share of 14.3% and 13.1% in the world. This may be because; India imports rough diamonds, for value addition, and exports as cut and polished diamonds.

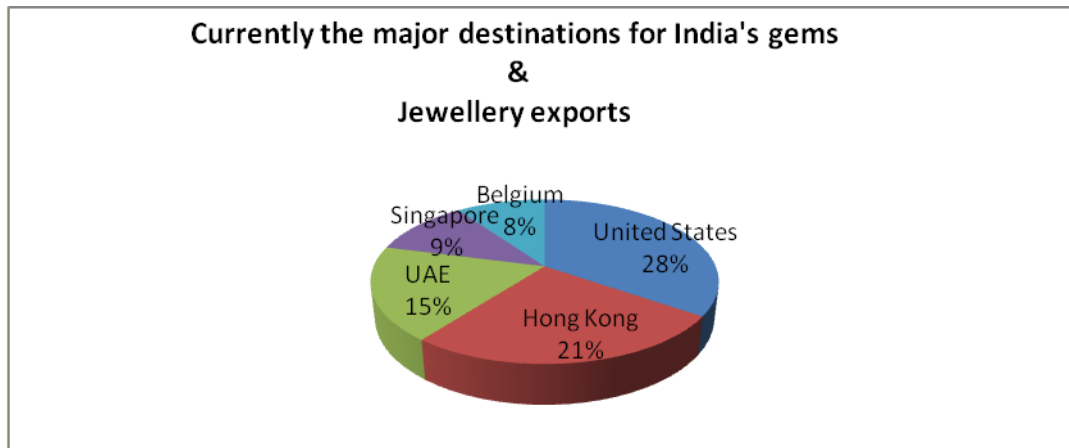
Precious Stones: Hong Kong, USA, Switzerland, Thailand and India were among the leading exporters, as well as importers of precious stones (other than diamond) in the world in the year 2010. Hong Kong was the largest exporter of precious stones (other than diamonds) with a share of around 17.1% of the total world exports, and was followed by USA (13.2%), Switzerland (12.7%), Thailand (12.2%), and India (9%). In the case of imports, the leading importers include: USA (26.5%), Hong Kong (14.4%), Switzerland (9.2%), Thailand (7.2%) and India (6.3%).

Pearls: In the case of Pearls, Hong Kong was the largest exporter, with the exports valued US \$ 482.92 million constituting a share of 30.2%, in the world exports of pearls in the year 2010. Japan, China, Australia, and French Polynesia were the other major exporters of pearls. Hong Kong was the largest importer with a share of around 33.2%, followed by Japan (18.3%), USA (15.8%), Germany (4.4%), and Australia (4%).

Platinum: South Africa, constituting a share of 32.5% was the largest exporter of platinum in the world in the year 2010. UK, USA and Germany were the other major exporters. USA was also a major importer of platinum constituting a share of 24.4% in the world, followed by Japan (19.2%), Germany (12.7%) and UK (8.6%).

Silver: Major exporters of silver in the year 2010 include: China, with a share of 15.9% in the world, followed by Mexico (11.2%), Hong Kong (8.7%) and Germany (8.1%). USA, Hong Kong, UK, Germany and India were the major importers of silver in the world.

Exchange rate used: INR 1= US\$ 0.0203728 as on February 28, 2012



Key Market

India	China	US
India is the largest market for gold jewellery in the world, representing a staggering 986 tonnes of gold in 2011.	China is the fastest-growing market for gold jewellery in the world, accounting for 761 tonnes of demand in 2011.	The US accounted for 280 tonnes of gold in jewellery during 2011.

Foreign Direct Investment Policy

- At present, the Indian government allows **100 per cent foreign direct investment (FDI)** in gems and jewellery through the automatic route.
- For exploration and mining of diamonds and precious stones FDI is allowed up to 74 per cent under the automatic route.
- For exploration and mining of gold and silver and minerals other than diamonds and precious stones, metallurgy and processing, FDI is allowed up to 100 per cent under the automatic route.

Table 3.1: Other Initiatives under the Foreign Trade Policy 2009-2014:

Scheme for Gems & Jewellery	Exporters of gems and jewellery can import / procure duty-free inputs for manufacturing
Export against supply by foreign buyer	Where export orders are placed on nominated agencies/status holder / exporters of 3 years standing having an annual average turnover of Rs 50 mn during preceding 3 licensing years, foreign buyer may supply in advance and free of charge, gold / silver / platinum, alloys, findings and mountings of gold / silver / platinum for manufacture and export.
	Such supplies can also be in advance and may involve semi-finished jewellery including findings / mountings / components for repairs / re-make and export subject to minimum value addition of 10%. However, if so imported semi-finished gold / silver / platinum jewellery is exported as studded jewellery, value addition of 15% shall be achieved. In such cases of export, wastage of 2% may be permitted.
	Exports may be made by nominated agencies directly or through their associates or by status holder / exporter. Import and export of findings shall be on net to net basis.
Export against advance authorisation	An advance authorisation may be granted for duty free import of:
	Gold of fineness not less than 0.995 and mountings, sockets, frames and findings of 8 carats and above;
	Silver of fineness not less than 0.995 and mountings, sockets, frames and findings containing more than 50% silver by weight;
	Platinum of fineness not less than 0.900 and mountings, sockets, frames and findings containing more than 50% platinum by weight.
Export by post	In case of exports through Foreign Post Office (including via speed post), value of jewellery parcels will not exceed US\$ 75,000 and 20 kg by weight.

Source: Foreign Trade Policy 2009-2014

Foreign Trade Policy (2009-2014) Initiatives

Clusters in Indian gems and Jewellery industry



Major Players in Indian Gems and Jewellery

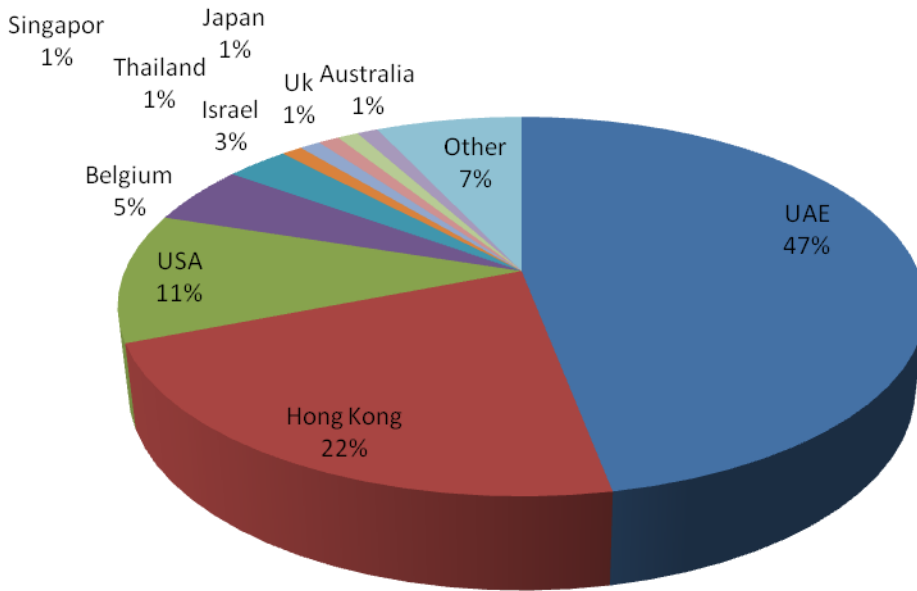
- Gitanjali Group
- Shrenuj & Company

- Suraj Diamonds and Jewellery Limited
- Rajesh Exports
- Asian Star
- Titan Industries (Tanishq into Retail), Bangalore
- Suashish Diamond
- Rosy Blue
- B. Vijaykumar
- Laxmi Diamond
- K Girdharilal
- C. Mehendra Exports
- J.B Brothers
- Tara - Ultimo
- Vaibhav Gems, Jaipur
- Sheetal Manufacturing

Top 10 Buyers of Indian Gems and Jewellery

- United Arab Emirates (U.A.E.)
- Hong Kong
- United States of America
- Belgium
- Israel
- Singapore
- Thailand
- United Kingdom
- Japan
- Australia

MAJOR BUYERS 2010-11



Market Structure of the Gems and Jewellery sector

Table 1.2: Gems and Jewellery Cluster - Gujarat

Region	Activity
Surat	Diamond Processing, Jewellery
Palanpur	Diamond Processing
Ahmedabad	Diamond Processing, Gold and Silver Jewellery
Bhavnagar	Diamond Processing
Navsari	Diamond Processing
Rajkot	Gold and Silver Jewellery
Khambhat	Gemstone (Agate)
Valsad	Jewellery

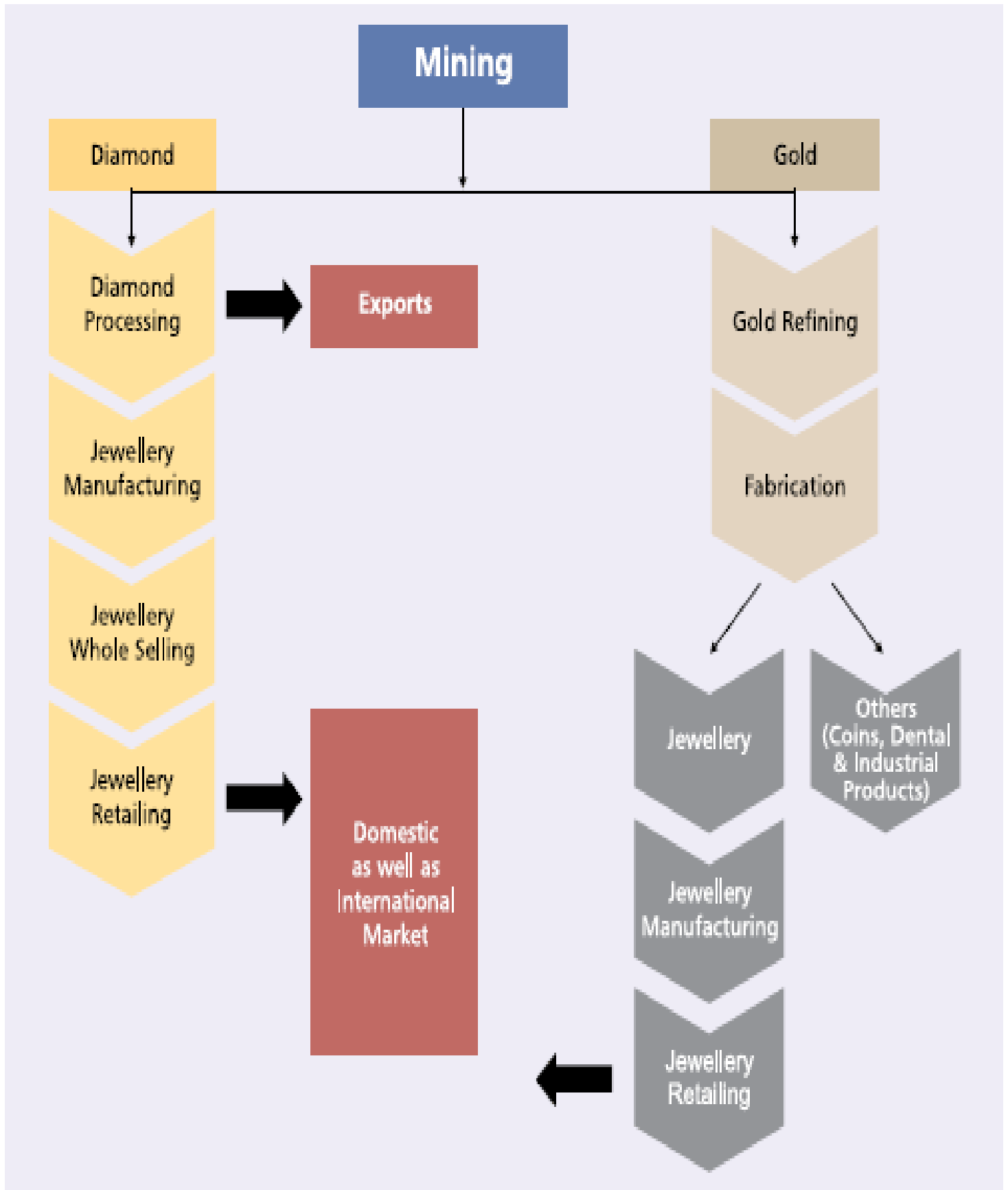
Source: Industries Commissionerate, Industrial Extension Bureau – Govt. of Gujarat

Value



chain of the Gems and Jewellery sector

Exhibit 1.2: Value Chain – Diamonds and Gold



- Industry standards, certification, and hallmarking
- Processing of larger size diamonds
- Availability of labour at competitive wages
- Government Support

Current employment pattern in Gems and Jewellery industry



Key Success Factors and Risk Factors of the Gems and Jewellery sector

Key Success Factors

- Movement from unbranded to branded jewellery and increase in fashion dictated buying
- Hallmarking and Certification
- Increased use of technology
- Transformation from family owned businesses to professionally managed businesses

Key Risk Factors

- Limited Standardization
- Possible Long-Term Threat from China
- Threat from polishing in Producing Nations

Opportunities for the Sector

Future Forecast

The future growth of Indian jewelry industry lies in finding new markets and in adding value. Worldwide, jewelry is a big business, which is extremely lucrative as margins are high compared to diamonds, as branding can demand high premiums.

India was a late entrant to the global jewelry market and its industry took off after establishment of the export processing zones in 1990, especially the special economic zone in Mumbai that accounts for 40 % of India's exports. It has taken the country a few years to incorporate international designs, styles and finishes.

The outlook for the industry is bright, but how much of this amazing performance will actually translate into improved bottom lines will lie in the capability of individual businesses to harness the potential of new markets and products. With intense competition in market, the stock performance will depend on how efficiently, in terms of both cost and marketing, companies can cut and polish diamonds and also venture into the lucrative but difficult jewellery industry

Investment Opportunities

- Gemstone Processing (Cutting and Polishing)
- Jewellery Manufacturing and Retailing
- Jewellery Certification
- Branded Jewellery

Gem and Jewellery Export Promotion Council (GJEPC)

The Gem and Jewellery Export Promotion Council is a representative body of trade. The following initiatives have been taken by the council in order to enhance competitiveness such as:

- Preparation of a medium term exports strategy for various sectors including gems and jewellery by the Ministry of Commerce.
- Exploring the possibility of direct procurement of rough diamonds from mining countries.
- Promotion of Indian diamonds and jewellery abroad through advertisements, publicity and participation in international fairs, buyer-seller meets and direct approach to market retailers.
- Market study through experts in the field to identify new markets.

Promotion of export of 'hallmark' jewellery from India to assure foreign customers of quality and purity of jewellery made in India.

ROLE OF EXIM BANK IN SUPPORTING INDIAN GEMS AND JEWELLERY INDUSTRY

Exim Bank of India seeks to create an enabling environment to promote two-way transfer of technology, trade and investments and operates a wide range of lending, service and support programmes. The Bank has a variety of loan products to cater to the financing requirements of various enterprises. The credit facilities are available for financing at all stages of export cycle of Indian firms. The Bank's Lines of Credit (LOC), extended to commercial banks, financial institutions, regional development banks, and entities overseas, serve as a market entry mechanism to Indian exporters, and provide a safe mode of non recourse financing option to Indian exporters. Apart from LOC, the Bank offers buyer's credit and supplier's credit for exports on deferred payment terms. These facilities help companies, especially the SMEs, to offer competitive credit terms to the buyers and to explore new geographical markets. Exim Bank has extended supplier's credit, pre shipment credit, post shipment credit, and foreign currency packing credit (FCPC), to the firms engaged in the gems and jewellery sector, among others. Exim Bank has signed an MOU with the Indian Diamond Institute, which envisages development of human resources through professional training, and thereby supports the export efforts of the industry. Exim Bank has provided grant to IDI for upgrading LRS (Laser Raman Spectroscopic Machine) equipment in order for the Institute to provide training to carry out in-depth study of all types of gems. The MOU will also enable the institutions to exchange literature, data, information and research output on the gems and jewellery industry, and also help in exchange of foreign experts between the two institutions, in organizing their respective training programmes.

MARKET ANALYSIS

The product-country analysis shows that USA, EU, Japan and Hong Kong are the leading importers of major gems and jewellery products. These countries have been sourcing their jewellery import requirements mainly from countries such as Hong Kong, China, Italy, USA, Germany and UK, of which USA, UK and Germany are importers as well as exporters. Hong Kong appears to be more of a trading hub in the Asian continent. India served as one of the major source countries for diamonds, as also for articles of jewellery for select countries. In the case of diamonds, India is one of the major importers of rough diamonds, and one of the major

exporters of cut/polished diamonds. India's exports of cut and polished diamonds have been to all major markets in the world. India is also a major exporter of articles of jewellery and parts, and the exports have been to all the major importers in the world. However, some of the markets are not well-explored by Indian gems and jewellery exporters. For example, India may Endeavour to concentrate on markets like: UK and Switzerland for articles of jewellery of gold and platinum group of minerals (HS code 711319); USA, Germany, UK and Switzerland for articles of jewellery made of silver (HS code 711311); USA, Japan, Switzerland and UAE for articles of natural and cultured pearls (HS code 711610); Switzerland, UK and Japan for articles of semi-precious stones (HS code 711620); and USA, Germany, France, UK and Italy for articles of imitation jewellery (HS code 7117).

India may leverage its traditional craft-skills, low-cost labour, and fabrication techniques in some of the jewellery products (such as processing of small-sized diamonds), and replicate such advantages in the production of other products, and thereby become a global player across the gems and jewellery segments.

About MMTC

MMTC Limited, a public sector undertaking is India's largest trading company with a turnover of over RS. 35,000 crores during 2008-09. It is also India's largest importer of gold. During the year 2008-09, its gold imports and distribution into India is over 145 tonnes. It is also very active in silver, importing and distributing into India over 1,250 tonnes.

Product

Medallions	Religious Products	Collections	Decorative Products	Utility Products	Table Accessories
- Silver Medallion	- Idols	- World Heritage Sites Medals - Silver	- Lamps	- Gifts	- Bowls And Glasses
- Gold Medallion	- Pooja Accessories	- World Heritage Sites Medals -Gold	- Idols/Statues	- Candle Stand	- Jugs
	- Miscellaneous	- World	- Jewel Boxes		- Plates, Thalís &

		Heritage Sites Medals - Brass			Trays
			- Photo Frames		- Tea Sets
			- Watches		- Dinner Sets
			- Flower Vases		- Fruit Baskets
			- Miscellaneous		- Miscellaneous

Location

- ✓ AHMEDABAD
- ✓ BANGALURU
- ✓ BELLARY
- ✓ BHUBANESWAR
- ✓ CHANDIGARH
- ✓ Tamil Nadu
- ✓ KOCHI
- ✓ Maharashtra
- ✓ DELHI
- ✓ GOA
- ✓ HYDERABAD
- ✓ JAIPUR
- ✓ MADHY PRADESH
- ✓ VIZAG
- ✓ KOLKATA
- ✓ UTTARAKHAND
- ✓ HARYANA
- ✓ UTTAR PRADESH
- ✓ PUNJAB

RESERVE BANK OF INDIA BALANCE SHEET AS AT 30th JUNE 2011 ISSUE						
DEPARTMENT						
(Thousands)						
2009-10	LIABILITIES		2010-11	2009-10	ASSETS	
	Notes held in the				Gold Coin and Bullion:	
32,61,51	Banking Department	15,14,26		48577,21,52	(a) Held in India	57806,52,57
842008,36,40	Notes in Circulation	969261,23,85		–	(b) Held outside India	–
				792300,92,96	Foreign Securities	910165,61,91
842040,97,91	Total Notes Issued		969276,38,11	840878,14,48	Total	
				116,40,430	Rupee Coin	
				1046,43,00	Government of India Rupee Securities	
					Internal Bills of Exchange and other	
				–	Commercial Paper	
842040,97,91	Total Liabilities		969276,38,11	842040,97,91	Total Assets	

BANKING DEPARTMENT					
2009-10	LIABILITIES	2010-11	2009-10	ASSETS	2010-11
5,00,00	Capital paid-up	5,00,00	32,61,51	Notes	15,14,26
6500,00,0 0	Reserve Fund	6500,00,0 0	6,34	Rupee Coin	5,34
19,00,00	National Industrial Credit (Long Term Operations) Fund	20,00,00	3,08	Small Coin	2,25
193,00,00	National Housing Credit (Long Term Operations) Fund	194,00,00			
				Bills Purchased and Discounted :	
			–	(a) Internal	–
			–	(b) External	–
			–	(c) Government Treasury Bills	–
	Deposits				
	(a) Government		339226,3 4,23	Balances Held Abroad	303530,9 2,97
36457,41, 08	(i) Central Government	100,51,30			
41,33,15	(ii) State Governments	42,44,43			
	(b) Banks		310068,8 1,35	Investments	458606,2 1,75
307759,4 1,00	(i) Scheduled Commercial Banks	381206,4 1,38			
4065,43,7 6	(ii) Scheduled State Co-operative Banks	3679,82,1 8			

4986,76,8 2	(iii) Other Scheduled Co-operative Banks	5755,36,4 2			
68,63,80	(iv) Non-Scheduled State Co-operative Banks	67,31,80			
9224,79,6 2	(v) Other Banks	10357,81, 03			
12807,72, 53	(c) Others	12430,75, 91		Loans and Advances to :	
			–	(i) Central Government	770,00,00
			73,38,00	(ii) State Governments	76,51,00
79,45,62	Bills Payable	833,14,36		Loans and Advances to:	
			2623,17,0 0	(i) Scheduled Commercial Banks	1746,69,0 0
			–	(ii) Scheduled State Co-operative Banks	–
			41,00,00	(iii) Other Scheduled Co- operative Banks	–
			–	(iv) Non-Scheduled State Co-operative Banks	–
			–	(v) NABARD	–
			275,22,98	(vi) Others	795,28,48
328809,3 5,60	Other Liabilities	414197,15 ,13		Loans, Advances and Investments from	

				National Industrial Credit (Long Term Operations) Fund:	
				(a) Loans and Advances to:	
			–	(i) Industrial Development Bank of India	–
			–	(ii) Export Import Bank of India	–
			–	(iii) Industrial Investment Bank of India Ltd.	–
			–	(iv) Others	–
				(b) Investments in bonds/ debentures issued by:	
			–	(i) Industrial Development Bank of India	–
			–	(ii) Export Import Bank of India	–
			–	(iii) Industrial Investment Bank of India Ltd.	–
			–	(iv) Others	–
				Loans, Advances and Investments from National	

				Housing Credit (Long Term Operations) Fund:	
			–	(a) Loans and Advances to National Housing Bank	–
			–	(b) Investments in bonds/debentures issued by National Housing Bank	–
			58676,68,49	Other Assets	69848,88,89
711017,3 2,98	Total Liabilities	835389,73,94	711017,3 2,98	Total Assets	835389,73,94

Tradition / Practice	Emerging trends
Jewellery considered an investment particularly gold jewellery.	“Wearable” Jewelry as a source of fashion accessory and gifting.
Marriage and festival seasons are peak seasons	Wearability and gifting dimensions are distributing demand throughout the year.
Dependence on the family Jeweler in the locality	Growing interest in brands which personify quality and trust.
Traditional, ethnic and chunky designs	Demand for fashionable, lightweight and innovative designs
Predominantly gold based jewellery	Growing interest in white gold and newer precious metals such as

	Platinum. Diamond studded jewelry is also generating significant interest
Jewellery largely sold on prevailing gold price per gram plus margin.	Jewellery is being sold on a fixed price basis by branded jewelers.

Demand for gold and silver comes from three primary sources:

- Investment demand
- Industrial demand
- Jewelry demand

CONCLUSION:

Jewellery has become a vital element in everyone’s life. Men, women and even kids love to wear jewellery articles all the time. Wearing jewellery is the demand of modern fashion. A few years back jewellery was used only on special occasions like weddings, engagements and other formal parties and it was associated with the brides and married girls only. But nowadays it is worn casually as well as formally and everyone likes to wear beautiful and elegant jewellery items. Trendy and stylish jewellery is in fashion these days. The gems and jewellery industry has been growing rapidly and has become one of the most profitable industries of the world.

World gems and jewellery industry is on the verge of transformation due to both supply-side and demand-side factors. Some of the recent trends in the global gems and jewellery industry include: fragmentation of rough diamond supply positions; emergence of new mining areas; beneficiation movement in mining countries, and ever-growing raw material prices. At fabrication level, fashion and styles have been changing significantly; the ratio of cost of raw materials to sales has been increasing, squeezing the profit margin of the fabricators. There has been volatility in raw material prices; the global slowdown led to low capacity utilization in this industry bringing down the margins in the jewellery manufacturing. In some countries, including India, some of the processing units have been partially shut down due to slackening demand. As a result, the value chain in the gems and jewellery industry may witness consolidation; only select major players are likely to cope with the trends and sustain the competitive pressures. It is expected that the spike in gold and silver prices might change the consumer preferences, as also impact their demand pattern. The growing consumer sophistication, decline in investment-driven (jewellery) demand, and competition from other luxury goods are also likely to impact the

demand pattern of gems and jewellery. Further, the consumer awareness and consciousness, generated through the vigilant measures adopted by various national Governments, are expected to drive the demand for branded and hallmarked jewellery. At national level, India has been adopting various strategies to cope with the global trends in gems and jewellery business. World Gold Council and the Indian gems and jewellery industry have jointly introduced international jewellery designing competitions among the Indian artisans to generate awareness about the skills of Indian artisans in the global market, as also to expose Indian artisans to new design developments emerging around the world. There have been initiatives taken by many designing centres to train Indian jewellers in international manufacturing and designing skills. This is expected to enhance demand as well as sales for the Indian gems and jewellery industry. The Gemmological Institute of India (GII) and the Gems and Jewellery Export Promotion Council, along with other major industry associations, have established a National Research Centre, which will be engaged in certification, training of students and new entrepreneurs, and initiate market based research.

A R&D centre has also been opened at the premises of Indian Institute of Gems and Jewellery, Jaipur, to provide the requisite research and development support to the industry. Indian gems and jewellery industry is increasingly building its ability to produce full range of sizes and qualities of stones, utilizing not only the low-cost and abundant workforce, but also advanced technologies. The industry has been seeking further growth through processing of larger size stones and manufacture of diamond jewellery. Both the Government and the gems and jewellery industry have recognized the use of IT in diamond clusters in order to enable seamless flow of information between the functional areas, right from job contractors to small / mid-sized firms, to large, integrated units. The IT interface would also provide the necessary platform for firms to scale up their operations. While several such measures have been taken, at firm-level, industry-level, and Government level, there exists still need to strengthen the position of India in the global market place through a concerted strategy, addressing the challenges of raw-material sourcing, technological infusion at processing stage, adoption of dynamism in design and product development, and sustainable market entry approach.

RECOMMENDATIONS:

- A new service can be introduced which will only cater the Gems, Jewellery and precious metal's movement.
- Strong rooms in warehouses can be made for the security of such cargo.
- Can involve a high risk, however, could be highly profitable also.
- India has all the potential to cater this service effectively.

