



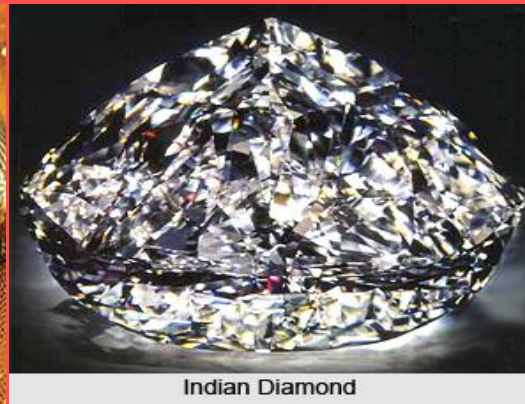
GEMS AND JEWELLERY INDUSTRY

SECTOR OVERVIEW

- ❖ The Gems and Jewellery Sector plays a significant role in the Indian economy, contributing around 6-7% to India's Gross Domestic Product (GDP). It is the one of the fastest growing Sectors and is export oriented and labour intensive.
- ❖ The Gems and Jewellery industry majorly includes sourcing, processing, manufacturing and selling of precious metals and gemstones such as gold, platinum, silver, diamond, ruby, sapphire, among others. The highly fragmented Sector comprises of more than 500,000 Gems and Jewellery players across the country, with the majority being small players. Though organised retail accounts for about 4-6 per cent of the entire market, Indian is increasingly getting acclaimed as an international sourcing destination for high-quality designer jewellery. Global companies such as Walmart and JC Penney source jewellery from India.
- ❖ Based on its potential for growth and value addition, the Government of India has declared the Gems and Jewellery Sector as a focus area for export promotion. The Government has recently undertaken various measures to promote investments and to upgrade technology and skills to promote 'Brand India' in the international market.

- ❖ India is deemed to be the hub of the global jewellery market because of its low costs and availability of high-skilled labour. India is the world's largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by Government policies. Moreover, India exports 95 per cent of the world's diamonds, as per statistics from the Gems and Jewellery Export Promotion Council (GJEPC). India's Gems and Jewellery Sector has been contributing in a big way to the country's Foreign Exchange Earnings (FEEs).
- ❖ The two major segments of the Sector in India are gold jewellery and diamonds. Gold jewellery forms around 80 per cent of the Indian jewellery market, with the balance comprising fabricated studded jewellery that includes diamond studded as well as gemstone studded jewellery.

REASON TO INVEST



Indian Diamond

- India is the largest consumer of gold in the world and consumes nearly 20% of the world consumption. A majority of this consumption goes in making of gold jewellery.
- India has an abundant supply of skilled manpower suited for designing and producing high volumes of exquisite jewellery at low labour costs.
- Due to the very high export orientation of the industry, most of the large players have established their offices / subsidiaries / associates in nearly all the important trading centres of the world like USA, Singapore, Hongkong, China, UAE, Tokyo, Belgium, Tel Aviv, London etc.
- India is the largest diamond cutting and polishing centre in the world and globally enjoys a 60% share in value, 82 % share in caratage terms and 95% share in terms of pieces.

- Effectively, 9 out of 10 diamonds sold worldwide are processed in India
- With India standing as a strategic market for Gems and Jewellery, more and more multinational companies are foraying into the lucrative space and tuning their strategies to woo the country's high net-worth individuals (HNIs).
- Jewellery manufacturing is a true 'Make in India' initiative which has potential to capture a large portion of USD 270 Billion global jewellery market.
- Jewellery manufacturing Sector is the 3rd largest employment generator after agricultural and Textile creating value addition of >Rs. 100,000 Crore - same as Auto and Chemical Sector, hence manufacturing and exports should be encouraged.

STATISTICS



- The cumulative Foreign Direct Investment (FDI) inflows in diamond and gold ornaments in the period April 2000-September 2016 was USD 851.34 Million, according to Department of Industrial Policy and Promotion (DIPP).
- Indian economy contributes a major chunk to the total foreign reserves of the country. UAE, US, Russia, Singapore, Hong Kong, Latin America and China are the biggest importers of Indian jewellery.
- The overall net exports of Gems and Jewellery during April-December 2016 stood at Rs 175,879.24 Crore (USD 26.28 Billion), whereas exports of cut and polished diamonds stood at Rs 113,171.17 Crore (USD 16.91 Billion). Exports of gold coins and medallions stood at Rs 25,819.48 Crore (USD 3.86 Billion) and silver jewellery export stood at Rs 18,010.72 Crore (USD 2.69 Billion) during April-December 2016. According to GJEPC, Gems and Jewellery exports are likely to witness a growth of about 10 per cent in 2017-18 fiscal year due to increasing demand in the US and Europe.

- According to a report by Research and Markets, the jewellery market in India is expected to grow at a Compound Annual Growth Rate (CAGR) of 15.95 per cent over the period 2014-2019.

MAJOR PLAYERS

Some of the major brands in the Indian jewellery segment are Gili, Tanishq, Carbon, Oysterbay and TrendsSmith

While companies like Reliance Retail, Damas Jewellery, Gitanjali Gems Ltd., Swarovski, Dubai-based Joy Alukkas, Viswa and Devji Diamonds and Gold Souk India are major players in the Indian Gems and Jewellery retail Sector.

FOREIGN DIRECT INVESTMENT



The Indian Government presently allows 100 per cent Foreign Direct Investment (FDI) in the Sector through the automatic route.

INVESTMENTS AND DEVELOPMENTS

Shree Ganesh Jewellery House (SGJH) has formed a joint venture (JV) with Rocks Creation Limited of Dhaka, Bangladesh for manufacture of gold jewellery, both plain and studded with diamonds and other precious and semi-precious stones.

World Gold Council (WGC) has formed a separate private company in India to take up activities on a larger scale in the Indian market including entering into commercial set-up with banks and gold industry players in the coming years.

Some of the key investments in this industry are listed below.

- The International Institute of Diamond Grading and Research (IIDGR) has invested USD 5 Million for expanding its synthetic diamond testing facility in Surat.
- Kalyan Jewellers plans to invest Rs 500 Crore (USD 75 Million) to add 15 new showrooms in 2017, to add to their on-going expansion in Northern and Eastern regions of India as well as expansion in West Asia. They also have plans to invest Rs 900 Crore (USD 133.55 Million) over the next three years to expand its presence in the international markets like Sri Lanka, Singapore and Malaysia.
- London's ultra-luxury jeweller for the super-rich, Faberge, owned by the world's top emeralds and rubies-miner Gemfields Plc., has decided to enter India; Delhi and Mumbai, India's economic hotspots will be Faberge's beachhead in the country, where the jeweller will sell its products by select trunk shows for the uber-rich.
- Rajesh Exports Limited (REL), a jewellery exporter and retailer, has won an export order contract worth Rs 1,045 Crore (USD 154.85 Million) of designer range of gold and diamond-studded jewellery and medallions from Singapore.
- KSS Limited, a digital and entertainment major, has forayed into the jewellery retailing business under the franchise model and is looking to open 500 stores under brand 'Bjewelz' which is owned by Birla Jewels Limited, a wholly owned subsidiary of KSS Limited.
- Melorra, a Bengaluru-based online jewellery start-up, has raised USD 5 Million funding from venture capital firm Lightbox Ventures, to build its brand, enhance its technology platform, and talent acquisition.
- Major mining companies such as Rio Tinto, De Beers and Alrosa have decided to participate in the Indian Diamond Trading Centre (IDTC) which has been set up to eliminate the middlemen in diamond trade and allow Indian manufacturers to deal directly with miners.
- India Bullion and Jewellers Association (IBJA) has signed an pact with the Bombay Stock Exchange (BSE) for setting up India's first bullion exchange through a Special

Purpose Vehicle (SPV), wherein IBJA and its constituents will hold 70 per cent and BSE will hold 30 per cent stake.

- Global luxury brand Montblanc International has entered into a joint venture with India's largest watch maker Titan Co Ltd and plans to start the retail operations in India by opening five Montblanc boutiques in Mumbai, Delhi, Hyderabad and Pune.
- Jewellery major Joyalukkas plans to invest Rs 1,500 Crore (USD 220.08 Million) on setting up 20 stores in India and 10 overseas. The new stores, which will come up almost in a year's time, will add to the Thrissur-headquartered company's existing 95 outlets.
- London-headquartered Gemfields, a multi-national firm specialising in colour gemstones mining and marketing, is planning to acquire colour gemstone mines in Odisha and Jharkhand, and participate in the exploration of the Kashmir sapphire mines in Jammu and Kashmir.
- The India arm of US private equity (PE) firm Warburg Pincus picked up a minority stake in Kerala-based KalyanJewellers for Rs 1,200 Crore (USD 176 Million). The jeweller plans to use the proceeds to fund its retail and manufacturing expansion plans.
- Creador, a private equity firm focused on long-term investments in growth-oriented businesses in Indonesia, India, Malaysia and Singapore, invested Rs 135 Crore (USD 20.28 Million) for a minority stake in PC Jeweller Limited.

GOVERNMENT INITIATIVES



- In the Union Budget 2017-18, the Government of India, offered tax cuts for the middle class and other sections of society (5 per cent for the Rs 250,000-500,000 tax slab which was 10 per cent initially). All these measures will drive consumption, which will be favourable to the Gems and Jewellery industry.
- The Government of India's proposal to cut corporate tax rates to 25 per cent for micro, small and medium enterprises (MSMEs) having annual turnover up to Rs 50 Crore (USD 7.5 Million) will benefit a large number of Gems and Jewellery exporters from MSME category.
- The Government of India's announcement on establishing gold spot exchange could help in India's participation in determining gold price in the international markets.
- The demonetisation move is encouraging people to use plastic money, debit/ credit cards for buying jewellery which is good for the industry in the long run and will create more transparency.
- India has signed a Memorandum of Understanding (MoU) with Russia to source data on diamond trade between the two countries. India is the top global processor of diamonds, while Russia is the largest rough diamond producer. The Government of India is planning to establish a special zone with tax benefits for diamond import and trading in Mumbai, in an effort to develop the city as a rival to Antwerp and Dubai, which are currently the top trading hubs for diamond.

AGENCIES INVOLVED

- The Gem and Jewellery Trade Council of India (GJTICI) was established in 2000 with the main aim of boosting the Gem and Jewellery trade of India. It plays an important role in showcasing the Indian Gem and Jewellery to the international market. It is a council formed to enhance and boost the jewellery trade of India by resolving various issues of the trade by escalating various to the relevant high authorities.
- The GJEPC is the apex body of the Gem and Jewellery trade in India, which was set up in 1966 for promoting precious stones and jewelry exportations. With strength of 6,500 members spread all over the country, the Council is primarily involved in introducing the Indian Gem and Jewellery products to the international market and promotes their exports. To achieve this, the Council provides market information to its members regarding foreign trade inquiries, trade and tariff regulations, rates of import duties, and information about jewellery fairs and exhibitions. The following initiatives have been taken by the Gem and Jewellery Export Promotion 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, buyerseller 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.



- The Bureau of Indian Standards (BIS) is responsible for hall marking of gold jewellery and certification of its purity.

GROWTH

- In the coming years, growth in Gems and Jewellery Sector will be largely contributed by the development of large retailers/brands. Established brands are guiding the organised market and are opening opportunities to grow. Increasing penetration of organised players provides variety in terms of products and designs. Also, the relaxation of restrictions of gold import is likely to provide a fillip to the industry.
- The improvement in low cost gold metal loans and likely stabilisation of gold prices at lower levels is expected to drive volume growth for jewellers over short to medium term. The demand for jewellery is expected to be significantly supported by the recent positive developments in the industry.

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