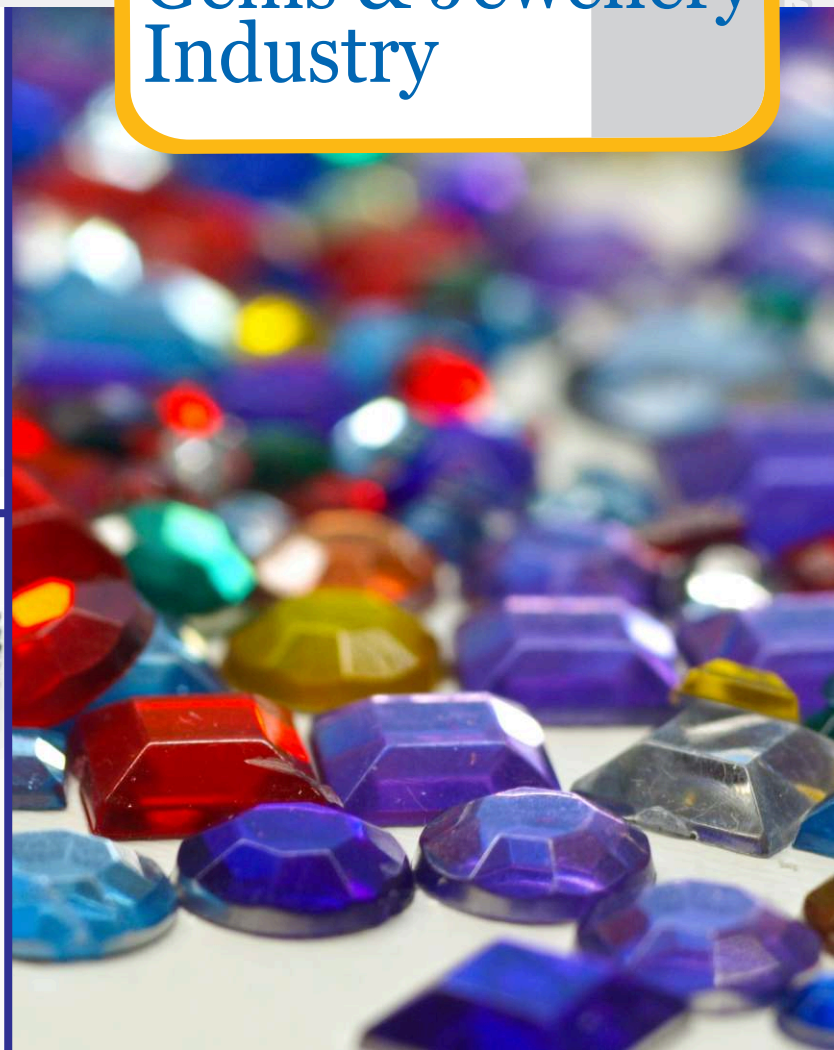


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The Indian Gems & Jewellery Industry

September
2013



CARE Research expects the G&J exports to decline in FY14 on account of declining Gold Jewellery exports. However, CARE Research expects the G&J exports to grow moderately during long term, driven by increasing demand for C&P diamond exports. CARE Research expects the C&P diamond exports to grow to its historically highest levels in the next couple of years, driven by expected recovery in the major export markets of US and Europe.

C&P Diamond Exports to fuel the growth in G&J exports in the long term

RBI measures impeding the gold jewellery exports and imports

In light of the burgeoning current account deficit (CAD), RBI and GoI has been introducing regulations in order to curb the gold imports since July 2013. The regulations include 20/80 scheme, prohibiting gold-on-lease and imports of Coins and medallions. Further, Gold will be made available to only jewellers/bullion dealers/banks involved in gold deposit scheme after upfront payment of cash. The GoI has also increased the import duty on gold and platinum from 8% to 10%. The Indian gold jewellery exports witnessed a declining trend (-63% y-o-y) during April-August 2013. The decline was significant during June-August 2013, mainly due to supply (imports) issues on account of government restrictions on gold imports to curb the rising CAD and lack of operational clarity of the regulations. CARE Research expects gold jewellery exports to decline in the next two years unless restrictions ease.

The current size of domestic G&J industry is estimated to be US\$50.9 billion in FY2013, of which gold jewellery constitutes prominent share. CARE Research believes that domestic G&J industry is expected to grow over next couple years mainly driven by rising income, urbanization, rise in the working woman population, and promising growth in agricultural sector. CARE Research expects organised GJ retail to grow at higher rates in coming years.

Domestic market expected to witness growth driven by rising incomes and increasing organised penetration

Challenges to Indian G&J Industry

Indian gems and jewellery (G&J) sector has been primarily impacted by the imposition of various government regulations, rising gold prices, rupee depreciation and sluggish GDP growth globally and in India. With rising and volatile gold prices, the demand for gold jewellery and gold bars and coins tends to decline. In order to curtail the rising CAD, a slew of measures have been taken by the government to curb gold imports and the rising CAD. These regulations negatively impact the industry by increasing the working capital requirements, constraining the gold supply in the short term, hike in gold prices and reducing investment demand for gold. Also, the slowdown in the global economic growth mainly in US and Europe would to a certain extent impact the growth of emerging nations like China and India.

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