

Credit Update – Gems and Jewellery Industry**September 05, 2025**

Effective August 27, 2025, the United States (US) imposed a 50% reciprocal tariff on Gems and Jewellery imports from India (comprising 25% base levy and 25% penalty). While the existing tariff on cut and polished diamond (CPD) and lab-grown diamond (LGD) was 0%, studded gold jewellery has tariff of 5.5%, raising the effective duty burden on Indian exports to 55.5% for studded gold jewellery and 50% for CPD/LGD.

India dominates rough diamond processing, handling over 90% of the world's polished diamonds by volume and its exports constituted over 47% of the total India's Gems and Jewellery export. India's CPD industry earns ~80% revenue from exports and relies heavily on the US market. In FY25, gross gems and jewellery exports declined by 11.7% to US\$ 28.5 billion (FY24: US\$ 32.2 billion), with CPD exports falling by 17.5% to US\$ 13.3 billion. The polished LGD exports have declined by 9.6% to US\$ 1.2 billion, driven by price erosion in LGD, while studded gold jewellery has grown by 14% to US\$ 6.1 billion, supported by increase in gold prices in the same period.

The sector has already been under pressure since 2022 due to global economic headwinds, inflationary trends, and subdued demand from China. LGD's growing market share driven by their affordability and ethical positioning, continues to impact the demand for natural diamonds.

India's exports to the US directly accounted for 35-40% of India's exports in the last four years ended FY25. Following the imposition of tariff by the US, direct exports were adversely affected, leading to a drop in the US' share of India's polished diamond exports to 24% in Q1FY26. CARE Ratings Limited (CareEdge Ratings) notes that the industry saw some front-loading of exports in March 2025 and July 2025. Indian diamantaires ramped up CPD exports in July 2025, resulting in an 18% year-on-year (y-o-y) growth. Despite this temporary boost, overall CPD exports declined by 15% y-o-y and LGD by 8.3% for the first four months of FY26, reflecting continued pressure on global demand and trade dynamics. However, overall exports of studded gold jewellery increased by 6% in 4MFY26 with rising gold prices.

India, world's second-largest diamond jewellery market, witnessed rising domestic demand from 2024 to 2025. However, given its smaller base, this resilient demand is insufficient to offset the sharp decline in exports to key markets such as the US. In China, diamonds' share in the overall jewellery market dropped from 14% in 2021 to 6% in 2024 and continues to remain subdued in 2025, reflecting broader shifts in consumer behaviour and economic dynamics. Considering existing challenges, it is difficult for Indian diamantaires to entirely offset demand contraction through alternative markets.

Considering these challenges, along with tariffs rising to 50%, effective August 27, 2025, CareEdge Ratings continues to maintain negative outlook and expects a further 17-20% decline in CPD exports to ~US\$ 11 billion in FY26.

Despite these challenges, CareEdge Ratings notes that Indian diamantaires have focussed on reducing debt levels and deleveraging through inventory and receivables rationalisation. CareEdge Ratings-rated portfolio reflects low leverage levels, with debt primarily in the form of working capital borrowings, providing near-term financial stability and low default risk. However, the reduction in scale and its impact on profitability while maintaining lean inventory levels continue to remain a key monitorable.

Industry CPD players are responding by curtailing production, exploring new geographies, and increasing domestic market exposure. The sector is also seeking government support through incentive schemes and may consider relocating processing units to lower-tariff jurisdictions in the medium term, if the current trade environment continues.

CARE Edge Ratings rates a portfolio of entities in Gems and Jewellery industry, out of which CPD and LGD entities collectively account for a combined income of ~₹48,000 crore. The total debt rated across these entities stands at ₹11,900 crore. Of the rated portfolio, 85% entities fall in the investment grade category, with the majority positioned in the A band, indicating adequate safety and low credit risk.

Most rated entities have reduced their debt levels, as indicated by an overall gearing ratio of ~0.4x to 0.6x and healthy debt coverage metrics. The interest coverage ratio (ICR) remained comfortable at ~3x to 3.5x, suggesting adequate cushion to meet interest obligations even under stressed scenario.

CARE Edge Ratings will continue to monitor and assess the impact of tariffs on individual credit profiles. The immediate cash flow impact has been partially cushioned supported by front-loaded sales during July and August 2025, reduced inventory levels, and free liquidity available with players. Furthermore, most entities also benefit from the absence of long-term debt and flexibility in working capital limits due to moderate utilization levels. Given the diverse credit profiles and varying approaches to risk management across entities, CARE Edge Ratings will continue to evaluate the effectiveness of these mitigation strategies and their implications for overall creditworthiness.

Please refer to the following links for the previous detailed rationale that captures key rating drivers and rating sensitivities of following companies.

Sr. No.	Entity Name	Link to press release
1	Kiran Jewels (India)	Click here
2	Kiran Gems Private Limited	Click here
3	Kiran Jewelry	Click here
4	Jewelex India Private Limited	Click here
5	Mahendra Brothers Exports Private Limited	Click here
6	MBMG Diamonds Private Limited	Click here
7	Uni Design Elite Jewellery Private Limited	Click here
8	Uni-Design Jewellery Private Limited	Click here
9	Asian Star Company Limited	Click here
10	S. Vinodkumar Diamonds Private Limited	Click here
11	Inter Gold (India) Private Limited	Click here
12	Zenstar Jewellery LLP	Click here
13	K. Girdharlal International Private Limited	Click here
14	Sparkle Diam Private Limited	Click here
15	D. Navinchandra Jewels	Click here
16	DNJ Creation LLP	Click here
17	Greenlab Diamonds LLP	Click here
18	KP Sanghvi & Sons LLP	Click here
19	Jewel One	Click here
20	Supergems Jewellery Manufacturing Private Limited	Click here
21	Nouveau Jewellery LLP	Click here
22	Grown One Tech Private Limited	Click here
23	VD Global Private Limited	Click here
24	Glowstar	Click here

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