



# GEMS AND JEWELLERY



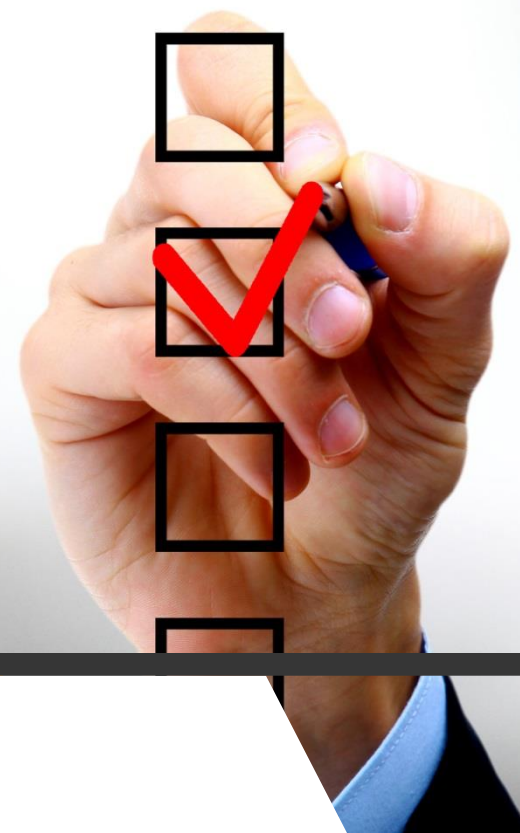
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February 2018

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## Contribution to GDP and Employment

- India's gems and jewellery sector contributes about 15.71 per cent to India's total merchandise exports and employs over 4.64 million employees.
- The sector contributes about 7 per cent to India's Gross Domestic Product (GDP).

## Diamonds processing and exports

- India is the largest manufacturer of cut and polished diamonds in the world and exports 93 per cent of its production.
- India exports 75 per cent of the world's polished diamonds as of 2016.
- India's share in the global diamond market is 60 per cent in value terms and 90 per cent in volume terms.
- Today, 12 out of 14 diamonds sold in the world are either polished or cut in India.

## Market Size

- India's gems and jewellery sector is one of the largest in the world contributing 29 per cent to the global jewellery consumption. The sector is home to more than 300,000 gems and jewellery players.
- Its market size is about US\$ 60 billion as of 2017 and is expected to reach US\$ 100-110 billion by 2021-2022.

## Robust growth in exports

- The overall net exports of gems and jewellery stood at US\$ 35.59 billion during FY2016-17 registering a growth of 9.07 per cent over FY 2015-16.
- Exports of cut and polished diamonds registered a growth of 10.24 per cent; gold jewellery registered a growth of 1.92 per cent, while silver jewellery registered a growth of 35.87 per cent during FY2016-17.

## Import trends

- India's gems and jewellery imports increased at a compound annual growth rate (CAGR) of 7.84 per cent from US\$ 11.63 billion in FY2004-05 to US\$ 28.78 billion in FY2016-17.

Source: GJEPC, Media sources, Aranca Research

**ADVANTAGE INDIA**



- India is the second highest consumer of gold in the world as of 2017.
- Gold demand in India rose 9.13 per cent year-on-year to 726.9 tonnes in 2017.
- India's overall gems and jewellery demand is also quite high. India imported gems and jewellery worth US\$ 28.78 billion during FY 2016-17.

Growing demand

- The cumulative Foreign Direct Investment (FDI) in diamond and gold ornaments between April 2000 and December 2017 stood at US\$ 1.11 billion.
- Domestic companies are also increasingly investing in India by expanding their business.

Increasing Investment

## ADVANTAGE INDIA

Attractive Opportunities

- The Indian middle class is expected to rise to 547 million by 2025 and this rise of young Indian middle class worker is expected to lead to an increase in demand for gold.
- Also, India's population is increasingly becoming urbanised, which is expected to boost household income, thereby leading to higher demand for gold and other jewellery.

Policy support

- The Government of India has permitted 100 per cent FDI under the automatic route in this sector.
- The Government of India has levied 3 per cent Goods and Services Tax (GST) on gold, gold jewellery, silver jewellery and processed diamonds and 0.25 per cent on rough diamonds.

*Notes: FDI – Foreign Direct Investment*

*Source: World Gold Council, Media sources, DIPP, GJEPC, Aranca Research*

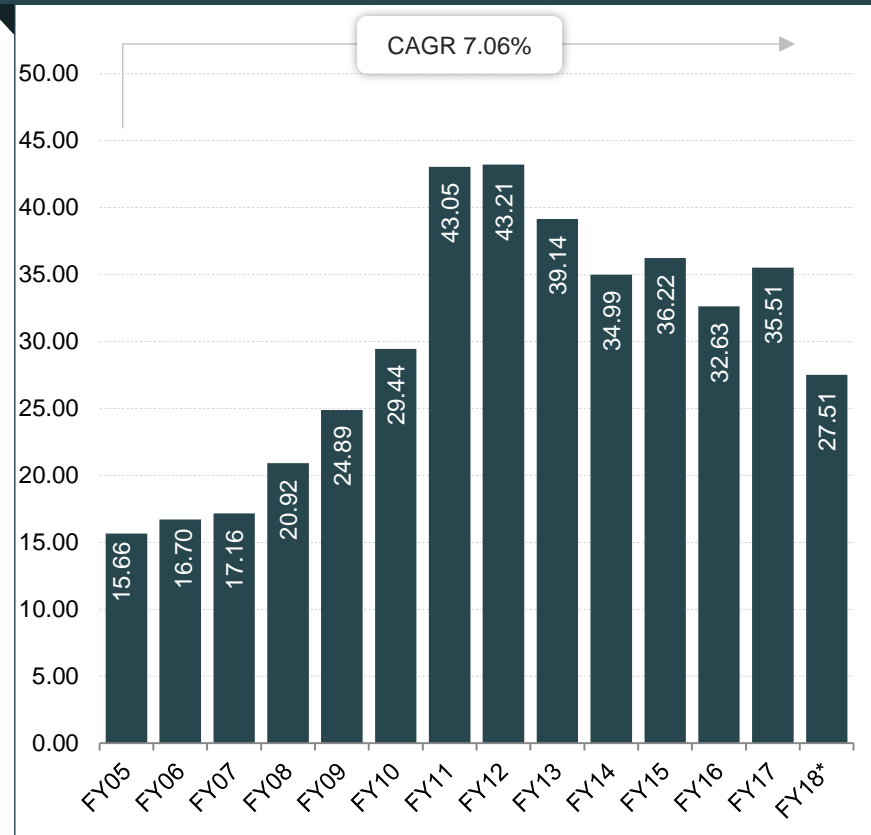
# MARKET OVERVIEW AND TRENDS



# NET EXPORTS OF GEMS AND JEWELLERY

- India is one of the largest exporters of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it 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.
- Net exports of gems and jewellery from India rose at a compound annual growth rate (CAGR) of 7.06 per cent between FY05 and FY17.
- The net exports rose from US\$ 15.66 billion in FY2004-05 to US\$ 35.51 billion in FY 2016-17.
- The overall net exports stood at US\$ 35.51 billion during FY 2016-17 registering a growth of 8.83 per cent over FY2015-16.
- US, Hong Kong and UAE accounted for 75 per cent of the total gems and jewellery exports from India during FY 2016-17.
- The exports stood at US\$ 27.51 billion between April-January 2018.

Net exports of gems and jewellery (US\$ billion)



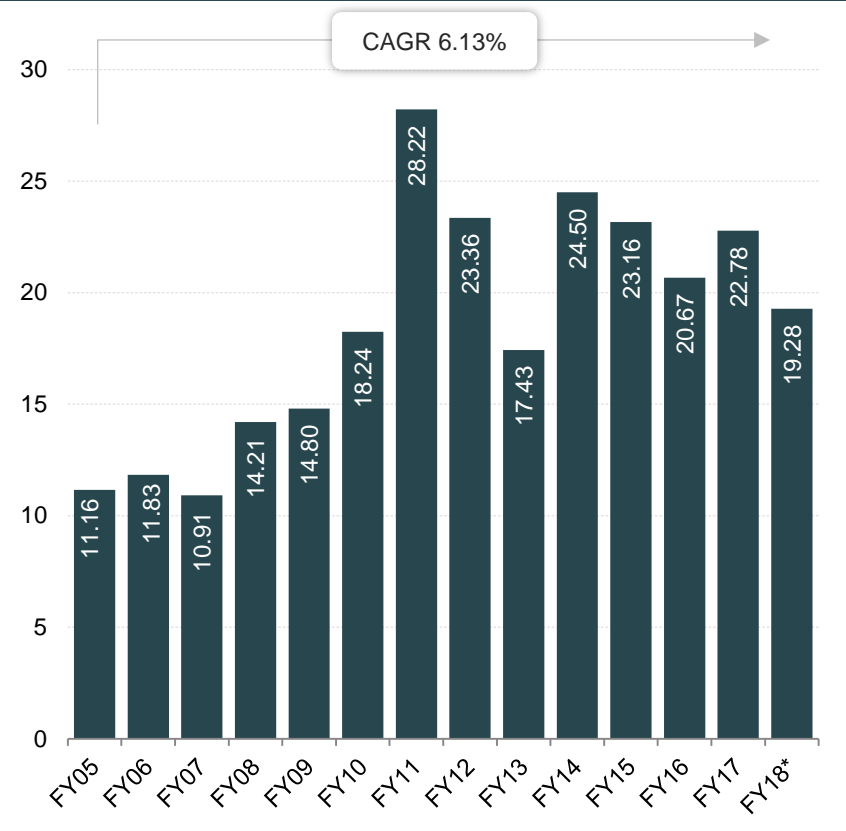
Notes: \* - Data from April-January 2018, CAGR – Compound Annual Growth Rate.

Source: GJEPC, Media sources

# EXPORTS OF CUT AND POLISHED DIAMONDS

- India's exports 93 per cent of its cut and polished diamonds produced.
- India exports 75 per cent of the world's polished diamonds.
- Today, 12 out of 14 diamonds sold in the world are either cut or polished in India.
- India's exports of cut and polished diamonds rose from US\$ 11.16 billion in FY2004-05 to US\$ 22.78 billion in FY 2016-17, thereby registering a compound annual growth rate (CAGR) of 6.13 per cent.
- India exported US\$ 19.28 billion worth of cut and polished diamonds between April-January 2018.
- An international diamond exchange will be set up in Surat in the next 36 months at a cost of Rs 2,400 crore (US\$ 369.1 million). This will enable the fragmented and unorganised diamond polishing and trading industry to organise itself at one place.
- The Indian Commodity Exchange (ICEX), backed by the Anil Ambani Group has launched the first ever futures contract for diamonds in the world, to create many new opportunities for diamond players.

Exports of cut and polished diamonds (US\$ billion)

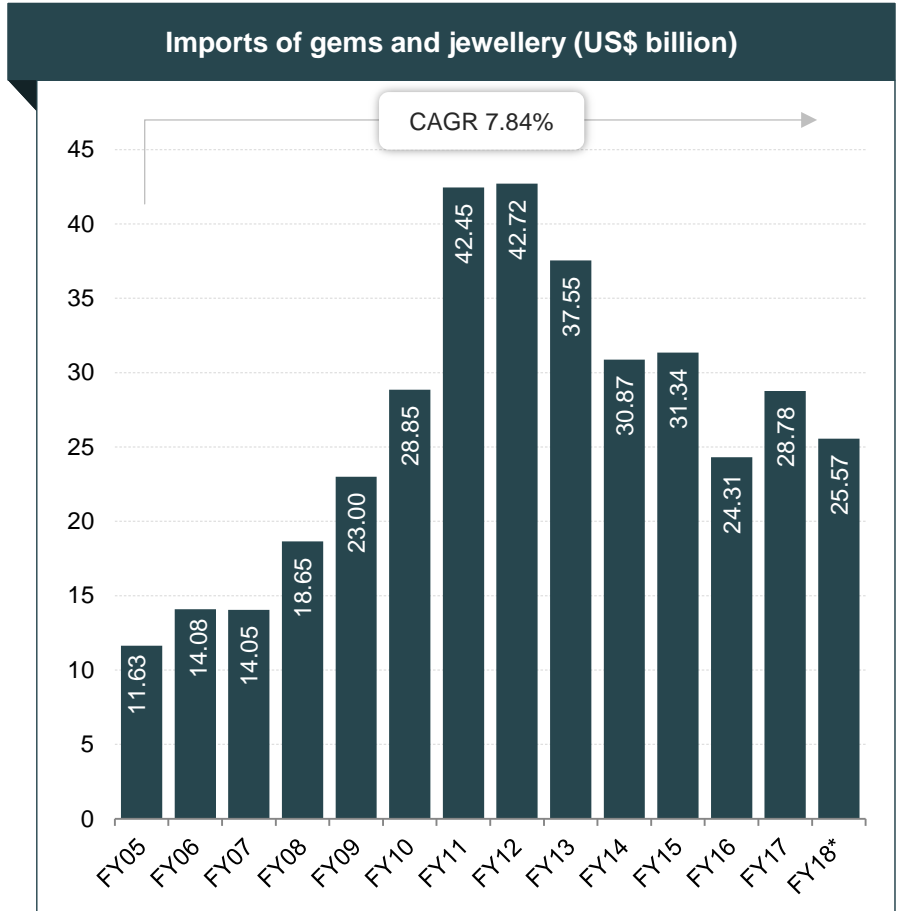


Notes: \* - Data from April-January 2018, CAGR – Compound Annual Growth Rate.

Source: GJEPC

# IMPORTS OF GEMS AND JEWELLERY

- India is a major importer of gems and jewellery as well.
- India's total gems and jewellery imports rose from US\$ 11.63 billion in FY2004-05 to US\$ 28.85 billion in FY 2016-17, thereby registering a compound annual growth rate (CAGR) of 7.84 per cent.
- India's imports of gems and jewellery stood at US\$ 25.57 billion between April 2017-January 2018.



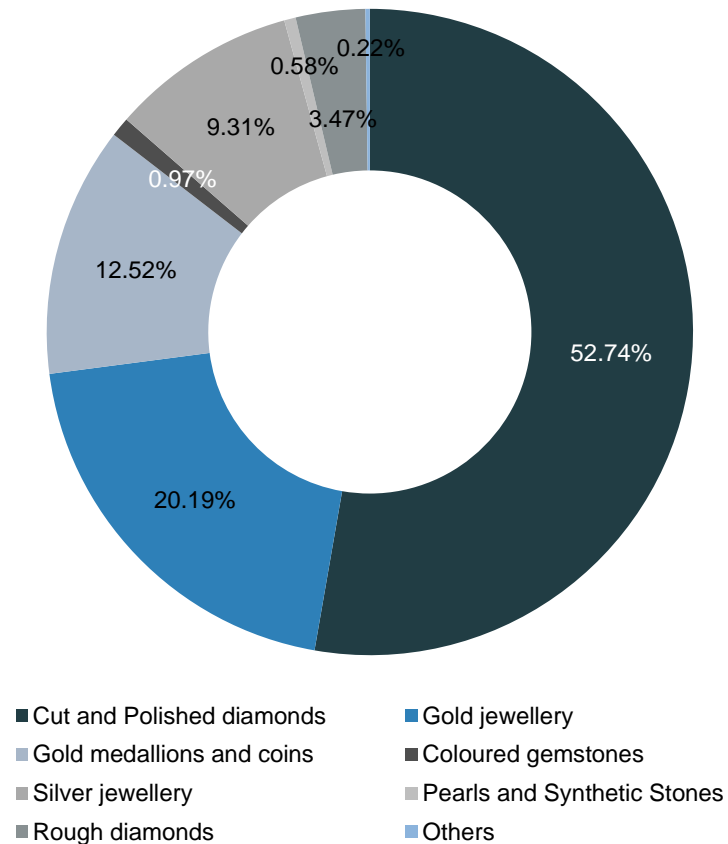
*Notes:* \* - Data from April-January 2018, CAGR – Compound Annual Growth Rate.

*Source:* GJEPC

# SHARE OF VARIOUS SEGMENTS OF GEMS AND JEWELLERY IN TOTAL EXPORTS

- India exports of gems and jewellery are composed of a variety of items like cut and polished diamonds, gold and silver jewellery, gold medallions and coins, coloured gemstones, pearls and synthetic stones, rough diamonds etc.
- Cut and polished diamonds account for the highest share of 52.74 per cent in total gems and jewellery exports as India exports 75 per cent of the world's polished diamonds.
- Gold jewellery accounts for the second highest share of 20.19 per cent followed by gold medallions and coins with a share of 12.52 per cent and silver jewellery with a share of 9.31 per cent.
- Rough diamonds account for 3.47 per cent of the total gems and jewellery exports.

Share of various segments in total gems and jewellery exports during FY 2016-17

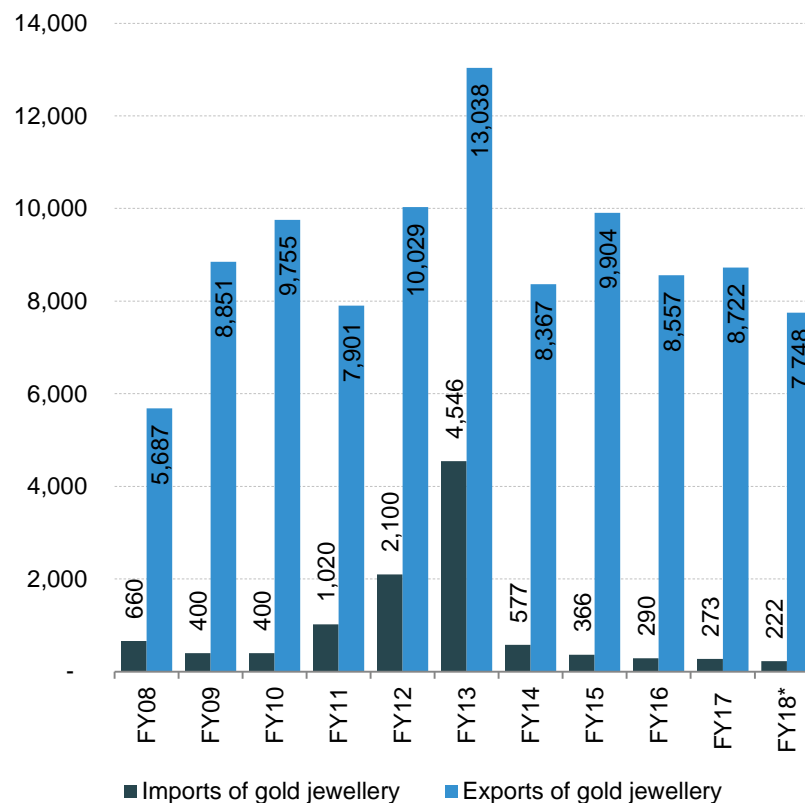


Source: GJEPC

# EXPORT AND IMPORT OF GOLD JEWELLERY

- India is one of the largest gold jewellery exporters of the world and it exports to around 160 countries.
- India's gold jewellery exports grew from US\$ 5,687 million in FY08 to US\$ 8,722 million in FY17.
- India's gold jewellery exports stood at US\$ 7747.70 million between April-January 2018 and imports stood at US\$ 222.44 million during the same period.
- India's gold jewellery exports highly exceed its imports as can be seen from the graph.
- Mostly high-end jewellery or machine-made jewellery is imported usually from Middle East or South East Asia.
- Virtually imports do not consist of hand made jewellery as that is India's area of expertise.
- About 50 per cent of jewellery exports are plain gold jewellery sets or chains made in Mumbai, Kolkata and other cities from Southern India and exported mainly to UAE, Hong Kong and Singapore; 30 per cent are in the form of diamond jewellery mainly manufactured in Mumbai and exported to US, UAE and Hong Kong; and remaining 20 per cent precious and semi-precious gem jewellery manufactured in western Indian states like Rajasthan and Gujarat and exported to UAE and UK.

Gold jewellery imports and exports (US\$ million)



Notes: \* - Data from April-January 2018, CAGR – Compound Annual Growth Rate.

Source: GJEPC

# KEY PLAYERS



# PORTER'S FIVE FORCES FRAMEWORK ANALYSIS

## Threat of Substitutes ●

- **Low** – Gems and jewellery do not have any substitute products that can be used for the same purpose or having the same value.

## Bargaining Power of Suppliers ●

- **Low** – Bargaining power of suppliers is low as the value of orders is quite high and the rates are usually fixed.

## Competitive Rivalry ●

- **High** – Competitive rivalry in this sector is very high as there are a large number of players with similar products and the customers do not have a switching cost.

## Bargaining Power of Buyers ●

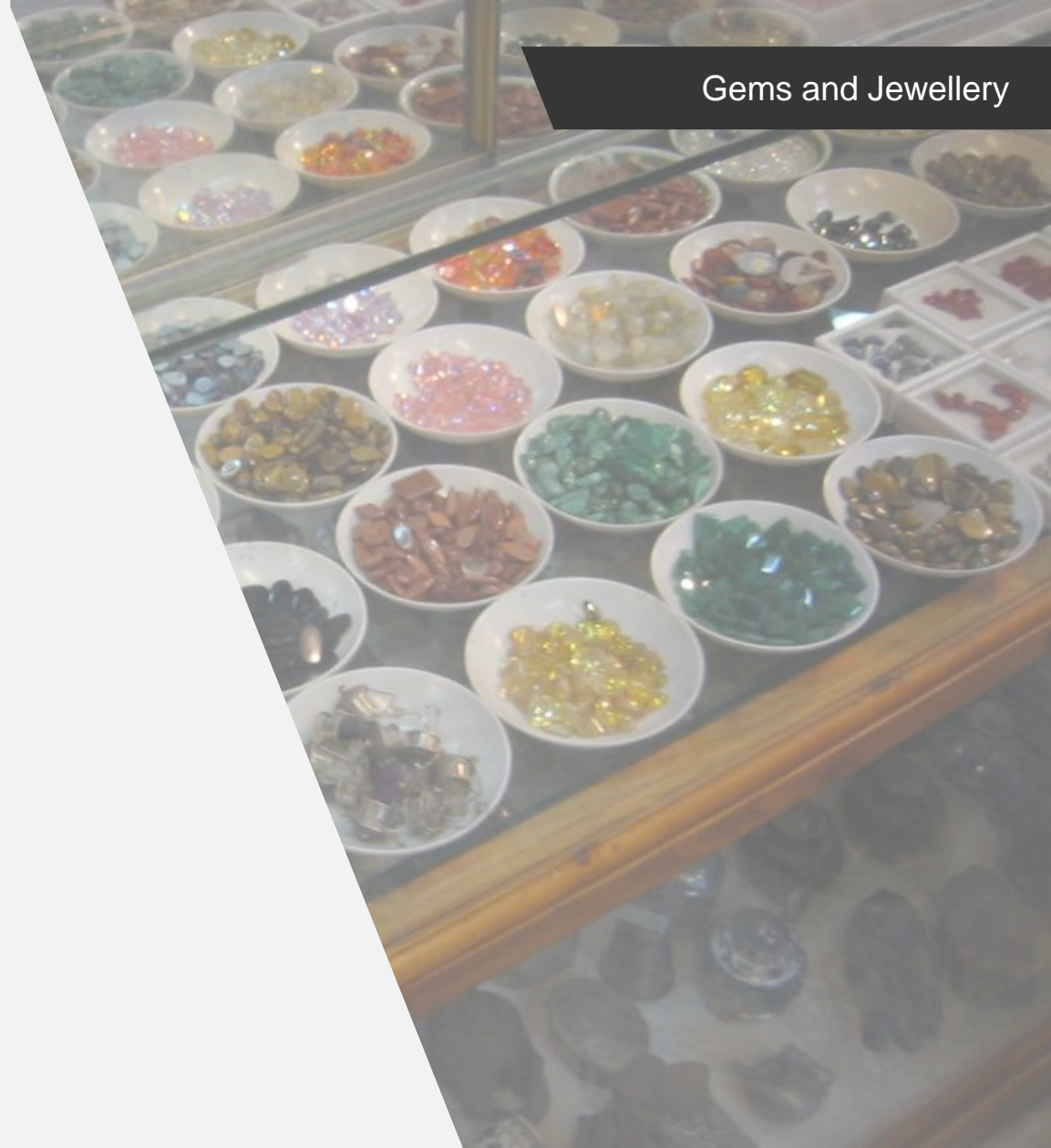
- **Low** – Buyers do not have a bargaining power as the price of gold is market regulated and therefore it is fixed. Also, prices of other gems and stones is also fixed by the sellers and is usually similar across sellers,

## Threat of New Entrants ●

- **High** – Threat of new entrants is low as it is not very difficult to set up a jewellery business; there aren't any restrictions over entrants as such.

- Positive Impact
- Neutral Impact
- Negative Impact

# STRATEGIES ADOPTED



# STRATEGIES ADOPTED

## Expansion and opening of exclusive showrooms

- Companies are indulging in expansion to more and more cities as well as expanding across the value chain. Retailers are focusing on opening exclusive showrooms especially in Tier I cities to attract the urban customers.
- Kalyan Jewellers is planning to open three showrooms as a part of its expansion plans in Oman.
- Malabar Gold & Diamonds to create history by inaugurating 11 showrooms in a single day in 6 countries.

## Online selling by gems and jewellery retailers

- Majority of the players in the Indian market have started selling jewellery online; for example Malabar Gold, Tanishq, Tribhovandas Bhimji Zaveri, PC Jeweller, etc.
- The growth of online jewellery is driven by increasing internet penetration rates, growth in high net worth individuals' population and availability of low online jewellery prices.
- Some companies have also tied up with e-commerce companies like Amazon India for selling their jewellery; for example Joyalukkas.
- Online sales are expected to account for 1-2 per cent of the fine jewellery segment.

## Buyback guarantee on gold jewellery

- Companies are also giving buy back option to customers on jewellery within certain days after the purchase and based on certain terms and conditions.

## Finance facility

- Companies have also started providing financial facility to their customers who cannot afford to pay the whole amount at once.
- EMI payments for jewellery; certain companies like Caratlane are providing EMI at zero interest.

## Customised jewellery

- Companies have also started selling customised jewellery for customers who prefer to have their jewellery altered as per their own preference; for example Malabar Gold.

## Virtual Reality

- Companies such as PC Jewellers, PNG Jewellers, Popley and Sons, are planning to introduce a virtual-reality (VR) experience for their customers. The customer will have to wear a VR headset, through which they can select any jewellery, see the jewellery from different angles and zoom on it to view intricate designs.

*Source: Company websites, Media sources, Aranca Research*

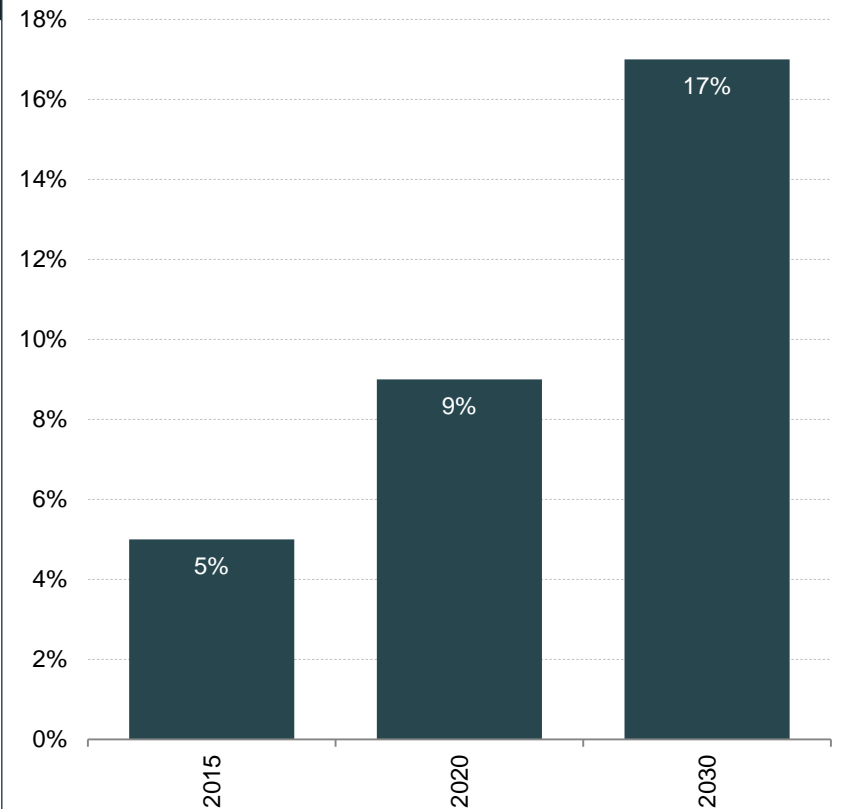
# GROWTH DRIVERS AND OPPORTUNITIES



# INCREASING MIDDLE CLASS POPULATION IS EXPECTED DRIVE GROWTH IN THE FUTURE

- India's current middle class population stands at about 200-250 million and is expected to exceed 500 million by 2025.
- The increasing middle class population symbolises an increase in income of the population; and income is a major driver of demand for gold and jewellery in India.
- Income levels are the most significant long-term determinant of consumer gold demand: holding all else equal, a 1 per cent rise in income leads to a 1 per cent rise in gold demand.
- As income rises, so does savings and Indians prefer buying gold with their savings as they consider gold as an important form of investment.
- Also, during festivals like Diwali and Dhanteras as well as during weddings and other significant celebrations, people in India tend to spend a major amount of money on gold and other jewellery, all of which are expected to drive demand of gold in the future.

India's share of middle class consumption in the world

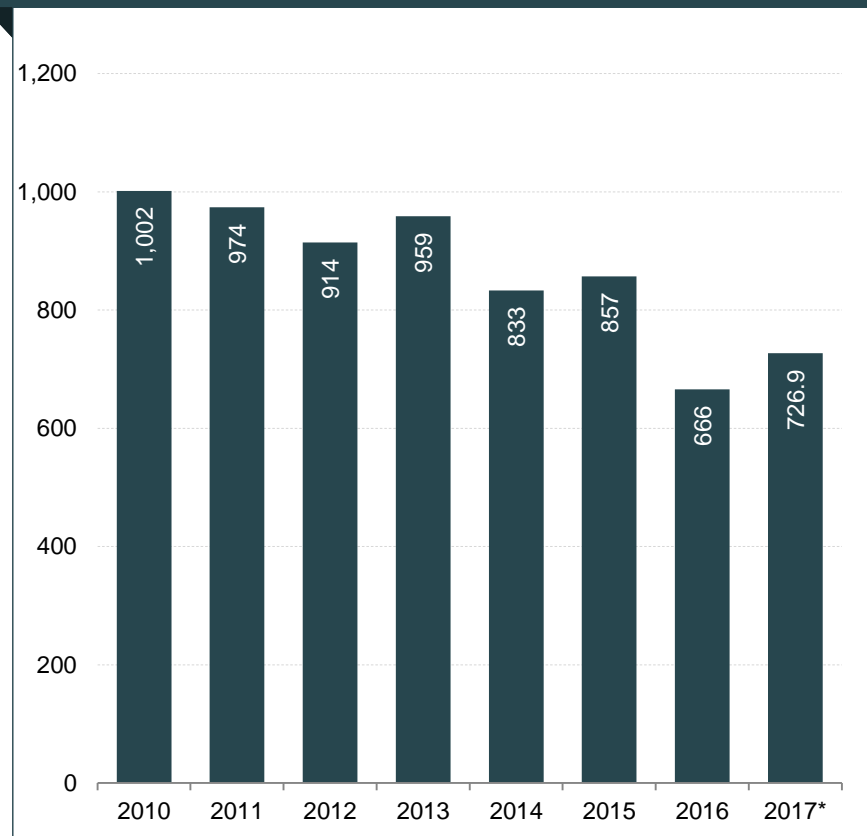


Source: World Gold Council

# HIGH GOLD DEMAND IN INDIA ACTS AS A MAJOR DRIVER FOR GROWTH AND OPPORTUNITY

- India has always been a major country with respect to gold demand.
- Gold accounts for a major part of India's total gems and jewellery imports.
- India's gold demand was the second highest in the world from 2012-2016.
- In 2016, India's gold demand stood at 666.1 tonnes; and 726.9 tonnes in 2017.

Gold demand in India (Tonnes)



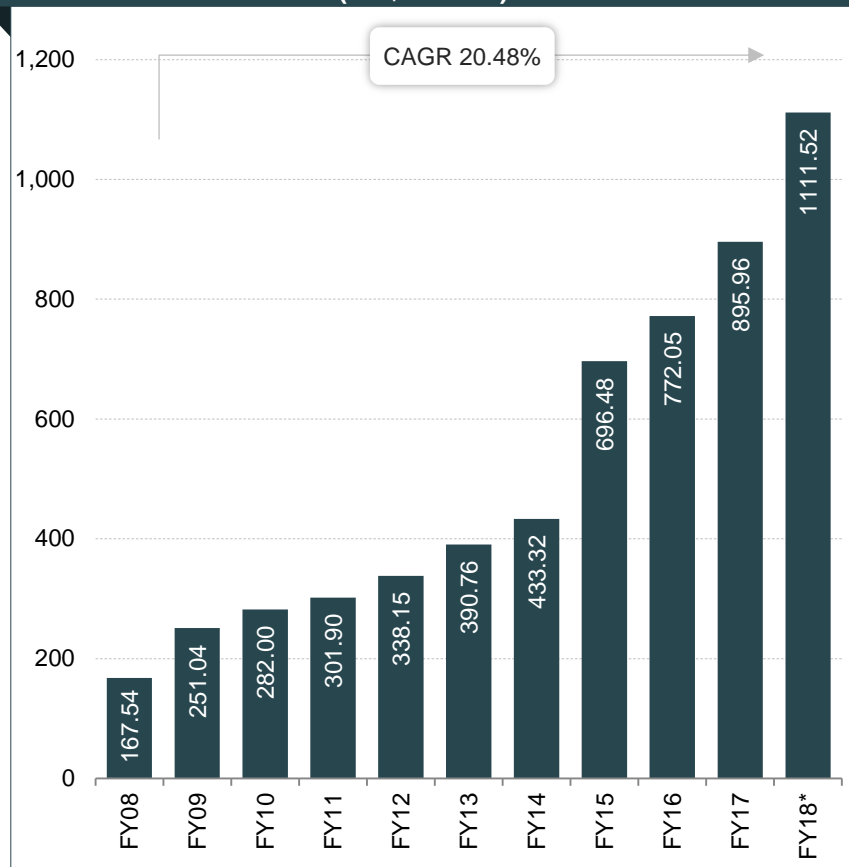
Notes: \* - Data from January-December 2017

Source: World Gold Council

# INCREASING FDI INFLOWS INTO THE SECTOR

- Cumulative Foreign Direct Investment (FDI) in diamond and gold ornaments in India FY08-17 rose at a compound annual growth rate (CAGR) of 20.48 per cent.
- Cumulative FDI between April 2000-December 2017 the sector rose from US\$ 167.54 million as of March 2008 to US\$ 1,111.52 million as of December 2017.
- The Government of India has permitted 100 per cent FDI in the sector through the automatic route.
- The International Institute of Diamond Grading and Research (IIDGR) has invested US\$ 5 million for expanding its synthetic diamond testing facility in Surat.
- The Indian Commodity Exchange (ICEX), backed by the Anil Ambani Group has launched the first ever futures contract for diamonds in the world, to create many new opportunities for diamond players.

**Cumulative FDI inflow from April 2000 – December 2017  
(US\$ million)**



Notes: \* As of December 2017

Source: DIPP

# GOVERNMENT INITIATIVES AND REGULATORY FRAMEWORK...(1/2)

## The Goods and Services Tax (GST)

- The Goods and Services Tax (GST) which was rolled out in July 2017 was in favour of the gems and jewellery sector.
- The Government of India has levied 3 per cent Goods and Services Tax (GST) on gold, gold jewellery, silver jewellery and processed diamonds and 0.25 per cent on rough diamonds.

## Union Budget 2018-19

- In the Union Budget 2018-19, a proposal to cut down corporate tax of companies with annual revenues of up to Rs 250 crore (US\$ 38.62 million) to 25 per cent is expected to lead to increased investment and employment generation in the gems and jewellery sector.

## Corporate Tax Rate

- 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 (US\$ 7.5 million) will benefit a large number of gems and jewellery exporters from MSME category.

## FDI Policy

- The Government of India has permitted 100 per cent Foreign Direct Investment (FDI) in the sector under the automatic route.

## Demonetisation

- The demonetisation move is encouraging people to use plastic money, debit/ credit cards for buying jewellery. This is good for the industry in the long run and will create more transparency.
- The government would notify a new limit for reporting about transactions in gold and other precious metals and stones to authorities, to avoid the parking of black money in bullion.

## Gold spot exchange

- 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.

## BIS Hallmarking Scheme

- The Bureau of Indian Standards (BIS) has revised the standard on gold hallmarking in India from January 2018. The gold jewellery hallmark will now carry a BIS mark, purity in carat and fitness as well as the unit's identification and the jeweller's identification mark. The move is aimed at ensuring a quality check on gold jewellery.

Source: Union Budget 2017-18, Media sources, Aranca Research

# GOVERNMENT INITIATIVES AND REGULATORY FRAMEWORK...(2/2)

## Gold Monetisation Scheme

- Mr Arun Jaitley, Minister of Finance, Government of India, launched the Gold Monetisation Scheme in November 2015. This scheme enables individuals, trusts and mutual funds to deposit gold with banks and earn interest on the same in return.
- The designated banks accept gold deposits under the Short Term (1-3 Years) Bank Deposit as well as Medium (5-7 years) and long (12-15 years) Term Government Deposit Schemes.

## Sovereign Gold Bond Scheme

- The Government of India launched the Sovereign Gold Bond Scheme. This scheme enables the Reserve Bank of India (RBI) to issue gold bonds denominated in grams of gold individuals in consultation with Ministry of Finance.
- This scheme provides an alternative to owning physical gold. It is aimed at keeping a check on imports of gold.

## Jewellery Park

- A jewellery park worth Rs 50 crore (US\$ 7.8 million) is to be set up in Mumbai by the Government of India where local handmade workers and factories will be relocated to develop their trade, improve their work environment and standard of living.
- The Gems and Jewellery Export Promotion Council (GJEPC) signed a Memorandum of Understanding (MoU) with Maharashtra Industrial Development Corporation (MIDC) to build India's largest jewellery park in Mumbai on a 25 acres land with about more than 5000 jewellery units of various sizes ranging from 500-10,000 square feet.

## Common Facility Centres (CFCs)

- The Government of India has inaugurated two Common Facility centres , one at Visnagar and second one at Palanpur. Gem Jewellery Export Promotion Council (GJEPC) has plans to open two more CFCs at Amreli and Ahmedabad. GJEPC also plans to set up a CFC at Thrissur, Kerala. Thrissur being a major jewellery cluster it would be suitable to set up a CFC to encourage in production and quality of manufacturing jewellery by creating awareness to modern machines to small units in and around Thrissur.
- These CFCs are expected to provide access to a common pool of state-of-the-art machinery and equipment at a cheaper rate to small and medium diamond manufacturers; and it will also be used for transfer of technology and r e-skilling and training of existing artisans.
- A total of 200 small and medium manufacturers will receive access to the CFCs.

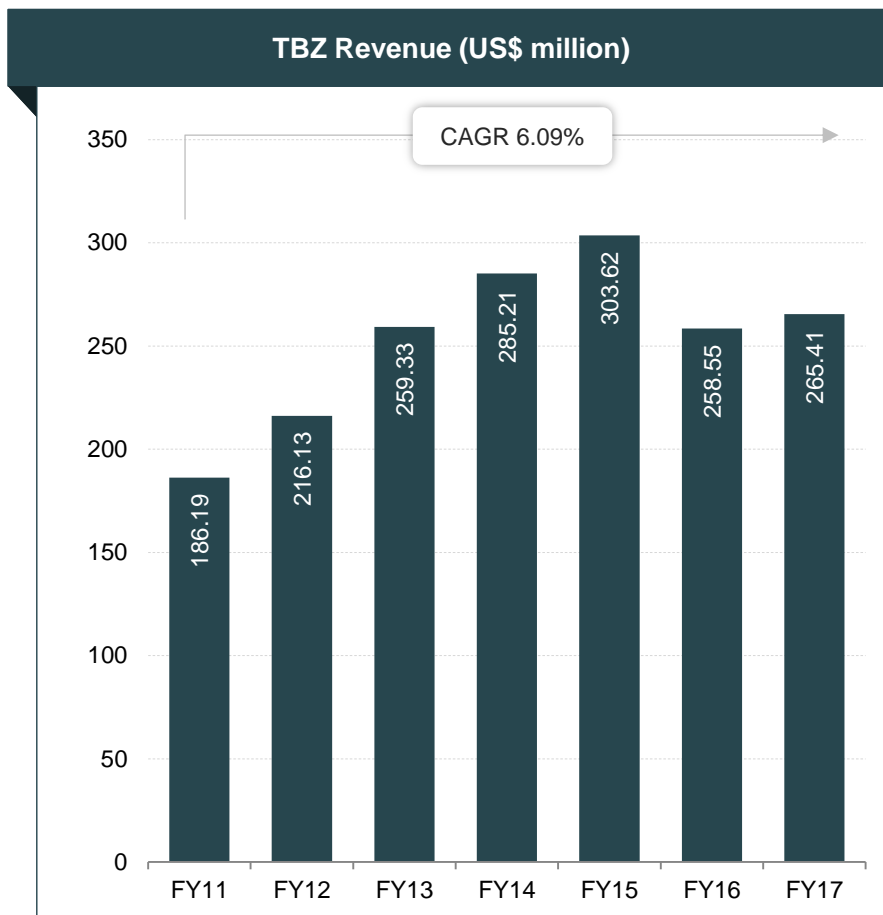
Source: Press Information Bureau, World Gold Council, Media sources, Aranca Research

# CASE STUDIES



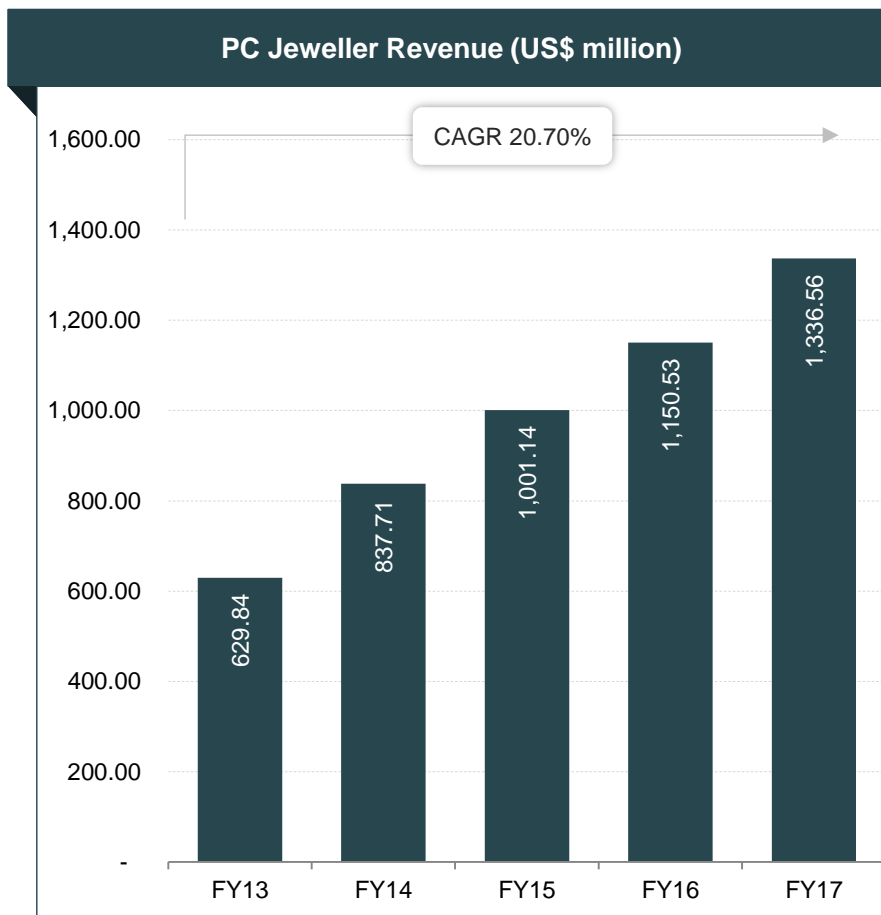
# TRIBHOVANDAS BHIMJI ZAVERI (TBZ)

- Tribhovandas Bhimji Zaveri is one of India's oldest and most trusted jewellery brand.
- It is one of India's largest jewellery retailers.
- The company started operation in 1864 and currently has 33 stores across India.
- The company was the first one to offer buyback guarantee on gold jewellery, the first one to promote light weight jewellery, and the first to offer certified solitaire diamonds.
- The company's revenue has grown at a Compound Annual Growth rate (CAGR) of 6.09 per cent over FY11-17.
- Its revenue has grown from US\$ 186.19 million in FY 2010-11 to US\$ 265.41 million in FY 2016-17.



Source: Company website, Moneycontrol

- PC Jeweller is one of India's major retail jewellers.
- The company opened its first showroom in 2005 in New Delhi and as of 2017 it has 79 showrooms across 62 cities and 18 states.
- The company has grown at strong compound annual growth rate of 20.70 per cent over FY13-17.
- Its revenue grew from US\$ 629.84 million in FY2012-13 to US\$ 1,336.56 in FY 2016-17.



Source: Company website, Moneycontrol

# INDUSTRY ASSOCIATIONS



# KEY INDUSTRY ASSOCIATIONS

## Gems and Jewellery Export Promotion Council of India (GJEPC)

Address: Office No. AW 1010, Tower A,  
G Block, Bharat Diamond Bourse,  
Next to ICICI Bank, Bandra-Kurla Complex, Bandra - East  
Mumbai - 400 051  
Phone: +91 22 26544600  
Fax : 91 - 22 - 26524764  
Email: [ho@gjepcindia.com](mailto:ho@gjepcindia.com)  
Website: [www.gjepc.org](http://www.gjepc.org)

## All India Gems and Jewellery Trade Federation (GJF)

Address: P & S Corporate House, Plot No. A-56,  
Road No. 1, 6th Floor,  
Near Tunga International, Midc, Andheri (East)  
Mumbai – 400093  
Phone: +91 22 67382727/ 8879001898  
E-mail: [info@gjf.in](mailto:info@gjf.in)

# USEFUL INFORMATION



- CAGR: Compound Annual Growth Rate
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April to March)
- GOI: Government of India
- INR: Indian Rupee
- US\$: US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number

# EXCHANGE RATES

## Exchange Rates (Fiscal Year)

Year INR	INR Equivalent of one US\$
2004–05	44.81
2005–06	44.14
2006–07	45.14
2007–08	40.27
2008–09	46.14
2009–10	47.42
2010–11	45.62
2011–12	46.88
2012–13	54.31
2013–14	60.28
2014-15	61.06
2015-16	65.46
2016-17	67.09
Q1 2017-18	64.46
Q2 2017-18	64.29
Q3 2017-18	64.74

## Exchange Rates (Calendar Year)

Year	INR Equivalent of one US\$
2005	43.98
2006	45.18
2007	41.34
2008	43.62
2009	48.42
2010	45.72
2011	46.85
2012	53.46
2013	58.44
2014	61.03
2015	64.15
2016	67.21
2017	65.12

Source: Reserve bank of India, Average for the year

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