

GEMS AND JEWELLERY



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Executive Summary

1. Contribution to GDP and employment

- As of February 2021, India's gold and diamond trade contributed ~7.5% to India's Gross Domestic Product (GDP) and 14% to India's total merchandise exports.
- The gem and jewellery sector is likely to employ ~8.23 million persons by 2022, from ~5 million in 2020.

2. Diamond's processing and exports

- India's gems & jewellery exports reached pre-COVID-19 levels between November and December 2020, due to rising demand from key markets, such as the US, according to Gem and Jewellery Export Promotion Council (GJEPC). On November 25, 2020 (Thanksgiving Day), spending in the US increased by ~22% YoY to US\$ 5.1 billion.
- In February 2021, cut & polished diamond exports increased by 26.51% YoY to US\$ 1.75 billion.



3. Market size

- In 2019, India's gems & jewellery export sector—which is one of the largest in the world—contributed ~27% to the global jewellery consumption.
- Market size of the global gems & jewellery sector is likely to expand to US\$ 103.06 billion between 2019 and 2023.
- India's gems & jewellery exports are expected to reach US\$ 100 billion by 2025.

5. Import trends

- India's imports of gems & jewellery stood at US\$ 16.49 billion in FY21.
- In April 2021, India imported gems & jewellery worth US\$ 2.19 billion compared with US\$ 2.27 billion in April 2020.
- India imported rough diamonds worth US\$ 10.88 billion in FY21.

4. Robust growth in exports

- The Government of India is aiming at US\$ 70 billion in jewellery export in the next five years (until 2025), up from US\$ 35 billion in 2020. In FY21, gems & jewellery exports in India stood at US\$ 25.30 billion.
- In April 2021, India exported gems & jewellery worth US\$ 3.37 billion compared with US\$ 36.11 million in April 2020.



2. INCREASING INVESTMENT

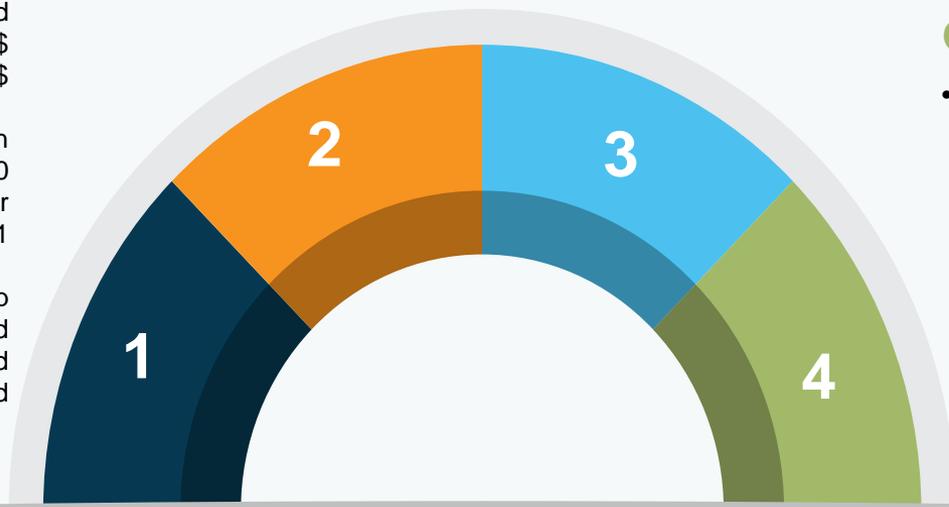
- The cumulative foreign direct investment (FDI) inflows in diamond and gold ornaments stood at US\$ 1,190.47 million between April 2000 and December 2020.

3. POLICY SUPPORT

- The Government has permitted 100% FDI under the automatic route** in this sector.
- The government has reduced import duty for Gold & Silver (from 12.5% to 7.5%) and Platinum & Palladium (from 12.5% to 10%) to bring down the prices of precious metals in the local market.
- India has 10 special economic zones (SEZ) for gems & jewellery. These zones have more than 500 manufacturing units, which contribute 30% to the country's total exports.

1. GROWING DEMAND

- In April 2021, India exported gems & jewellery worth US\$ 3.37 billion compared with US\$ 36.11 million in April 2020.
- In October 2020, the first edition of IJVS Virtual* recorded >10,000 visitors and a business turnover of ~Rs. 1,000 crore (US\$ 137.31 million).
- India ranks first among the top exporters in cut & polished diamonds, and second in gold jewellery, silver jewellery and lab-grown diamonds.



4. ATTRACTIVE OPPORTUNITIES

- Indian investment demand increased by 8% YoY to 48.9 tonnes in the third quarter of FY21, as consumers boosted purchases of gold coins and bars.

Note: *IJVS Virtual 2.0 has 250 exhibitors and more than 8,000 registered buyers, including foreign buyers from the United States, the United Kingdom, the United Arab Emirates, Singapore, Bangladesh, Nepal, Hong Kong, Belgium, Sri Lanka, Thailand, among others, with over 15,000 meetings taking place over the five days of the exhibition.

**Under the Automatic Route, the foreign investor or the Indian company does not require any prior approval from the Reserve Bank or Government of India.



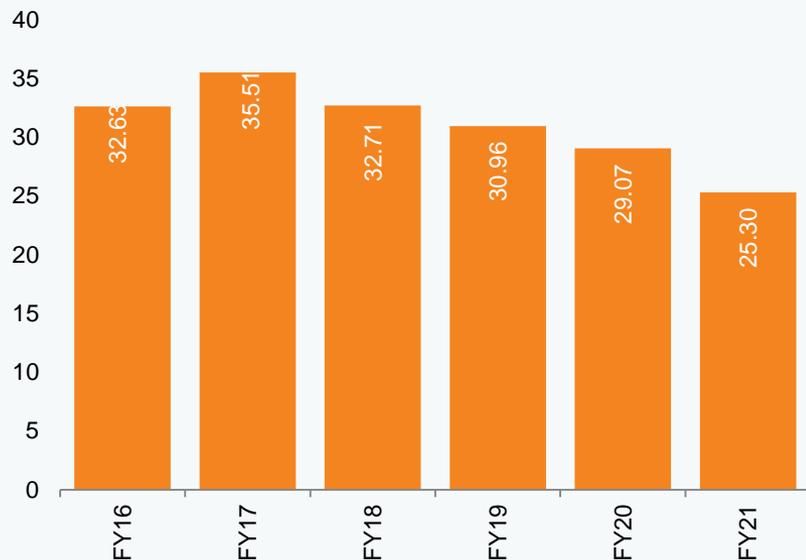
Clusters in the Indian gems & jewellery industry



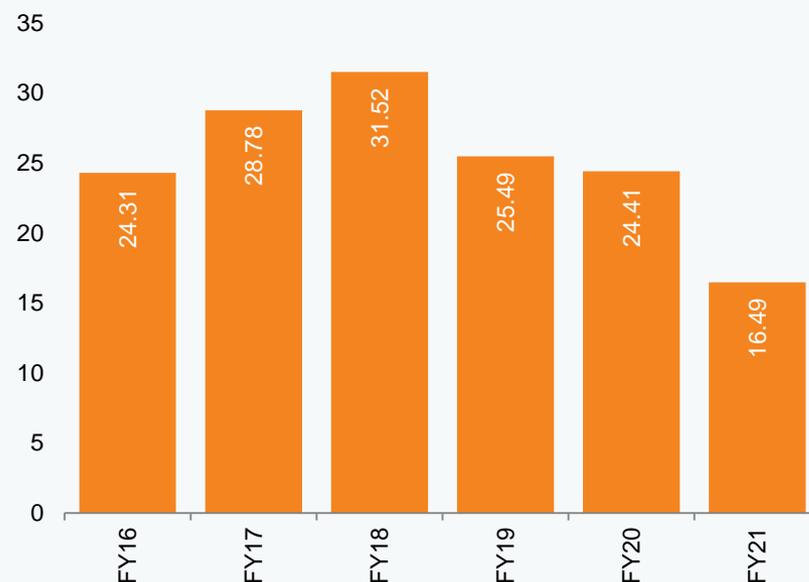
Source: Invest India

Net export and import of gems and jewellery

Net export of gems & jewellery (US\$ billion)



Import of gems & jewellery (US\$ billion)



- In FY21, exports of gems & jewellery stood at US\$ 25.30 billion.
- In April 2021, exports of gems & jewellery stood at US\$ 3.37 billion.
- In September 2020, US was the largest country to import gems & jewellery (at 44%; worth US\$ 938.54 million) from India, followed by Hong Kong (~33%) and the UAE (~13%).

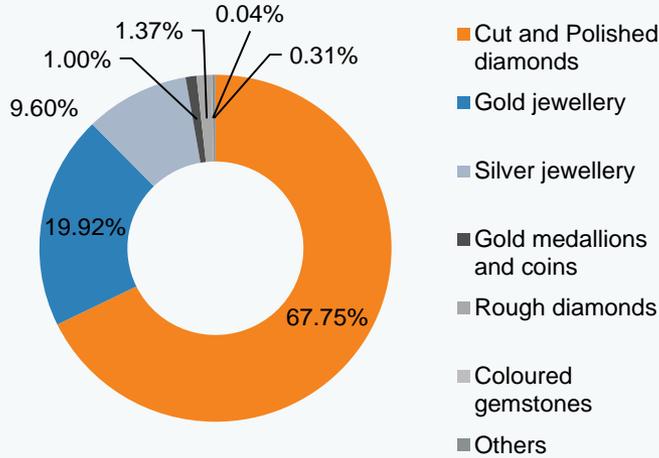
- In FY21, imports of gems & jewellery stood at US\$ 16.49 billion.
- In April 2021, India imported gems & jewellery worth US\$ 2.19 billion compared with US\$ 2.27 billion in April 2020.

Notes: exports are net of return consignment,

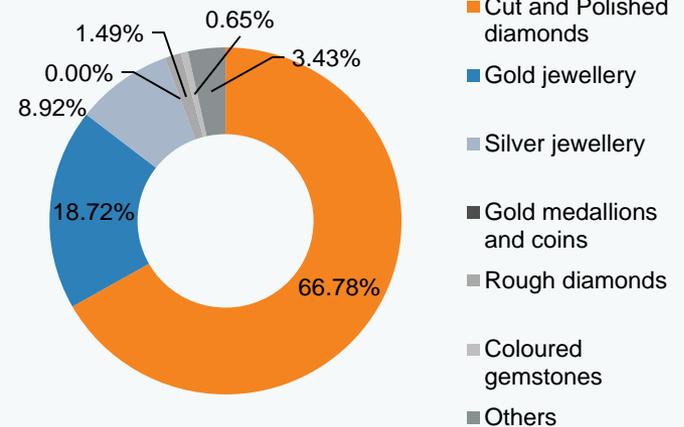
Source: GJEPC, Media sources

Share of various segments of gems & jewellery in total exports

Share of various segments in total gems & jewellery exports between April 2020 and March 2021



Share of various segments in total gems & jewellery exports as of April 2021

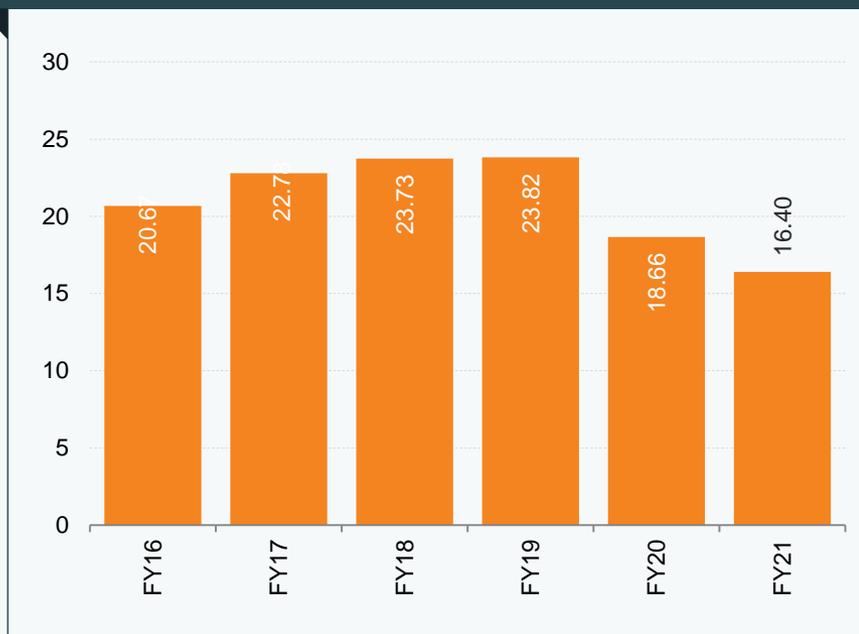


- Indian exports of gems & jewellery comprises various items such as cut and polished diamonds, silver and gold jewellery, gold medallions and coins, rough diamonds, coloured gemstones and others.
- In April 2021, exports of cut & polished diamonds was worth US\$ 2250.45 million versus US\$ 34.5 million in April 2020.
- In FY21, cut and polished diamonds accounted for 67.75% of the total gems & jewellery exports.
- In April 2021, cut and polished diamonds accounted for 66.78% of the total gems & jewellery exports.
- Gold jewellery accounted for the second-highest share (19.92%) and silver jewellery accounted for 9.60% in FY21
- Rough diamonds accounted for 1.37% of the total gems & jewellery exports in FY21

Source: GJEPC; *-Between April 2020 and February 2021

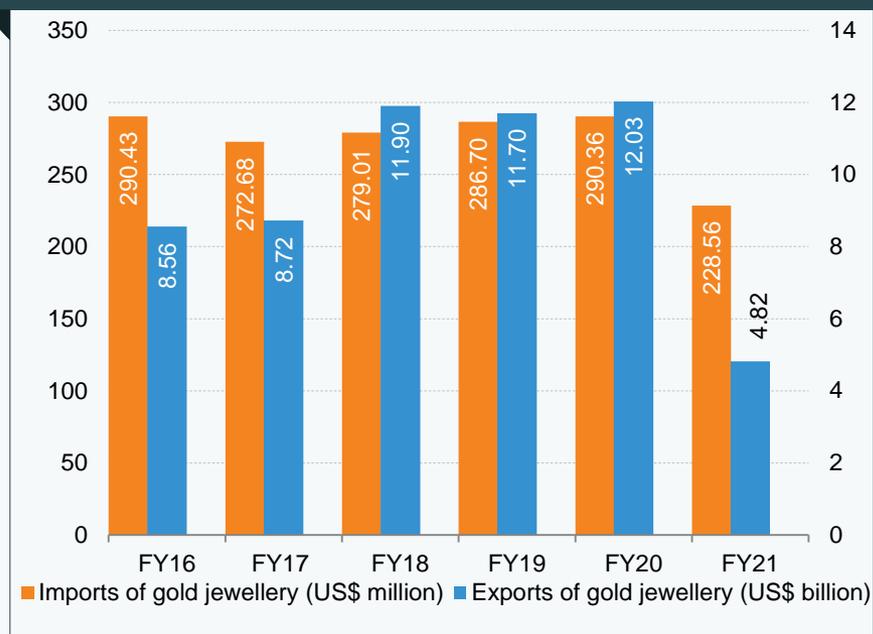
Export and import of top jewellery segments

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



- In FY21, exports of cut and polished diamonds stood at US\$ 16.40 billion.
- In April 2021, exports of cut and polished diamonds stood at US\$ 2.25 billion.
- Reduction of 2.56% on import duty in Budget 2021 will boost the cut and polished diamonds market in India.

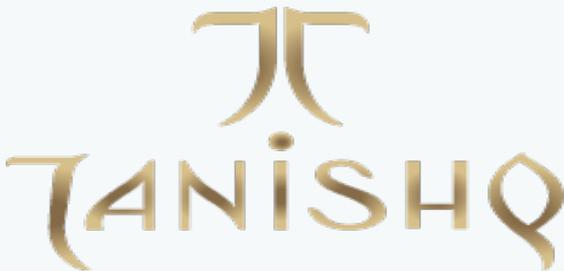
Gold jewellery import and export



- The total gold jewellery exports stood at US\$ 4.82 billion from April 2020 to March 2021.
- In April 2021, the total gold jewellery exports stood at US\$ 3.37 billion.

*Notes: Data of Cut & Pol Diamonds include export of Cut and Polished Diamonds (Bonded Warehouse), *-Between April 2020 and February 2021, P- Provisional*
Source: GJEPC

Key players



Strategies adopted



Strategies adopted... (1/2)

1

Expansion into new jewellery category

- Retailers are focusing to expand into new jewellery category to attract urban consumers.
- In February 2021, Reliance expanded its e-commerce arm, JioMart, to jewellery with silver coins of 5gm and 10 gm, and gold coins of 1gm, 5gm and 10gm.
 - Reliance's in-house jewellery brand, Reliance Jewels, which has ~93 flagship showrooms and 110 shop-in-shops in 105 cities in the country, will fulfil the orders for the new segment.

2

Online selling by gems & jewellery retailers

- Jewellery players in India are re-evaluating the brick-and-mortar business model and planning to implement omni-channel approach with focus on digital strategy to boost sales.
- According to the 'Online Gold Market in India' report by The World Gold Council, the online gold market in India, with relatively nascent at 1-2% (as of 2020), is witnessing a strong push from both digital players who view this market as an opportunity and large jewellers who view this market as a required addition to their brick-and-mortar model.

3

Rising micro and small enterprises (MSEs) players

- Maximum development was driven by MSEs in gems & jewellery and textiles.
- In November 2020, adoption of digital distribution platforms among manufacturers of gems and jewellery, manufacturing mostly non-precious, stone-studded jewellery, imitation jewellery and luxury fashion jewellery, more than quadrupled to 55% from 13% before the pandemic.
- The segment's micro enterprises recorded the highest boost of 41% in November 2020, from the previous 13%.

4

Introduction of 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.

Source: Company websites, Media sources

Strategies adopted... (2/2)

5

Enhanced focus on virtual reality

- Companies such as PC Jewellers, PNG Jewellers, and 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 it from different angles and zoom on it to view intricate designs.

6

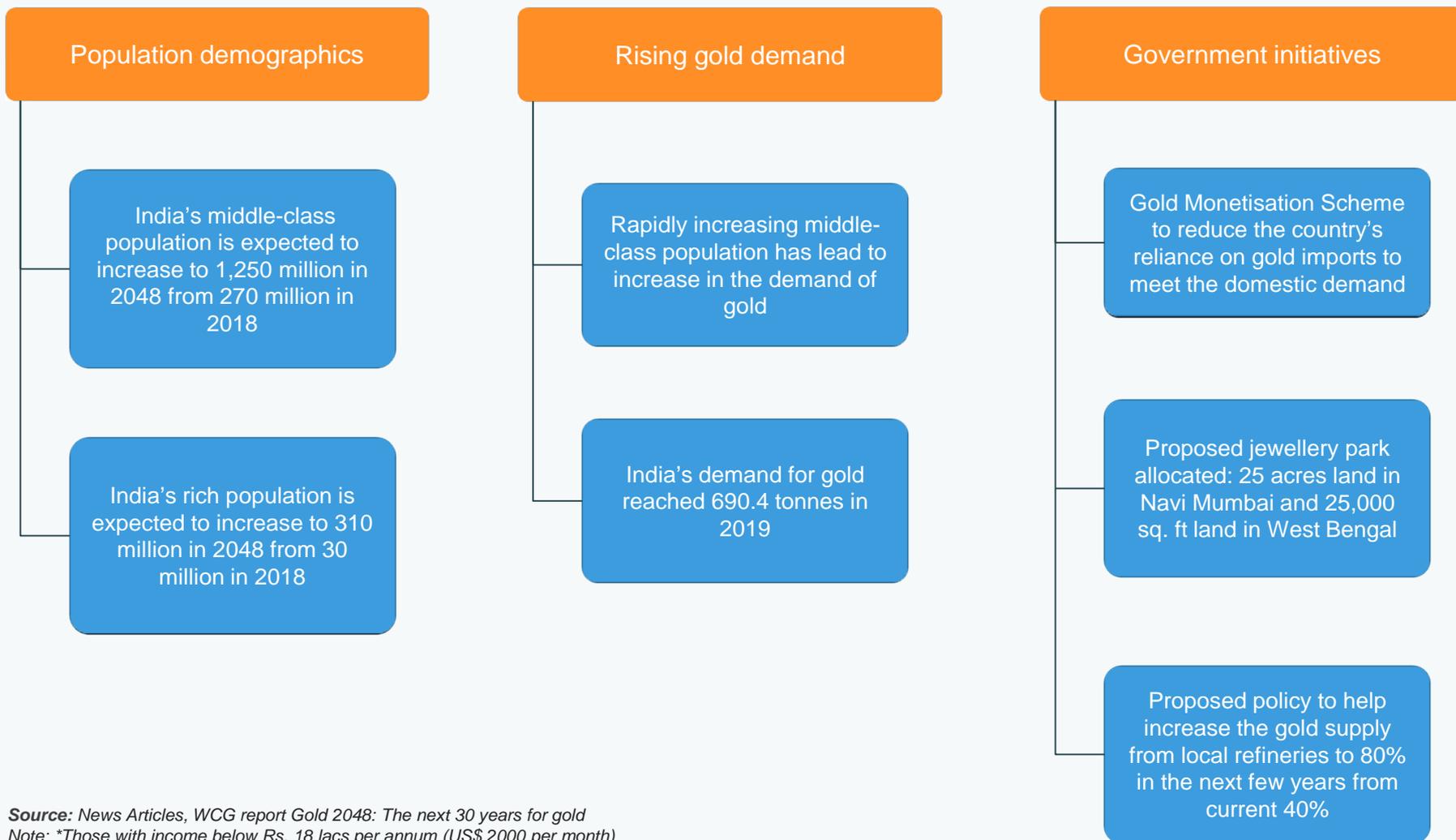
Boost to virtual 'Buyer-Seller' meet

- The Gem and Jewellery Export Promotion Council of India (GJEPC), the apex body for promotion of Gems and Jewellery Exports, organised the first virtual 'Buyer and Seller' meet for loose diamonds in September 2020.
- This meet gave buyers and exhibitors an opportunity to connect and talk business over the virtual platform.

Growth drivers and opportunities



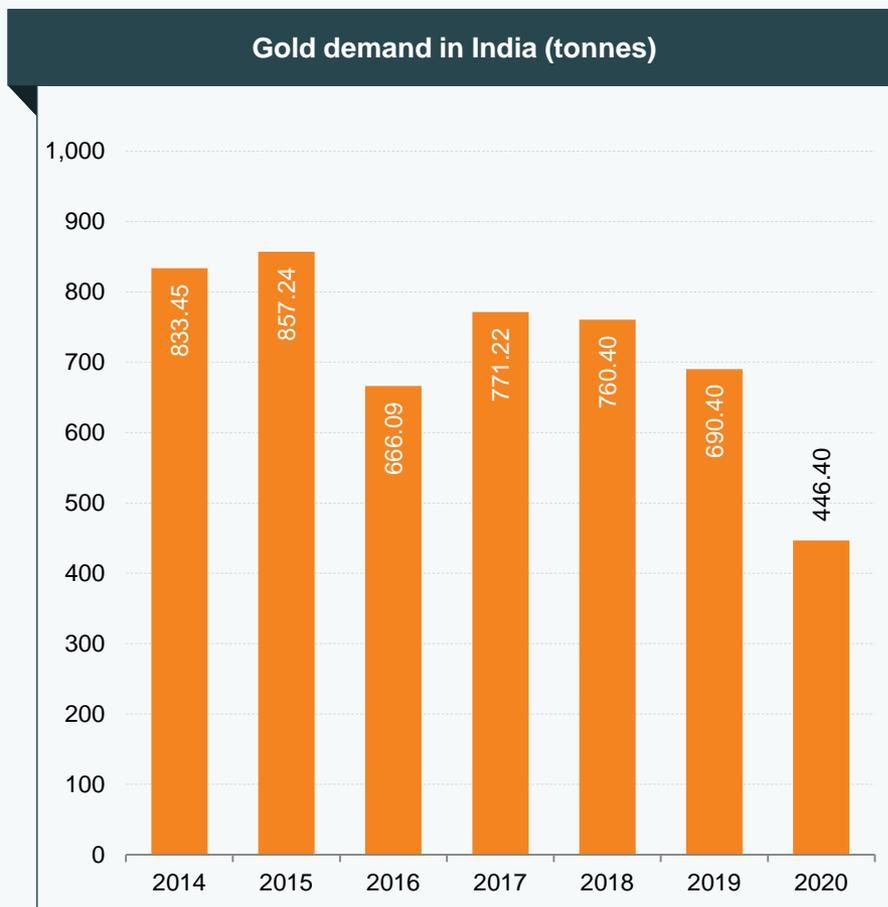
Growth drivers of gems & jewellery sector in India



Source: News Articles, WCG report Gold 2048: The next 30 years for gold
Note: *Those with income below Rs. 18 lacs per annum (US\$ 2000 per month)
 *Those with income above Rs. 18 lacs per annum (US\$ 2000 per month)

High gold demand in India acts as a major driver for growth and opportunity

- According to Gem and Jewellery Export Promotion Council, between April 2020 and December 2020, gold bars accounted for ~6.8% (US\$ 678.77 million) and gold jewellery at ~1.8% (US\$ 181.49 million) of the total gems & jewellery imports in India.
- As per the World Gold Council (WGC), India's gold demand stood at 446.4 tonnes in 2020.
- The festive period and the wedding season revived consumer demand in the fourth quarter of FY20 and attracted demand for jewellery worth 137.3 tonnes. The quarter also witnessed strong growth by investment demand (increased by 8% to 48.9 tonnes). As lockdown eased and normalisation measures were gradually phased in, imports increased by 19% YoY in the fourth quarter of FY20, highlighting the positive impact of the pent-up demand.



Source: World Gold Council

Government initiatives and regulatory framework...(1/3)

1

Gems and jewellery industry related to duties and taxes

- In Union Budget 2021-22, the government announced reduction on import duty for precious metals (including gold and silver) to 7.5%, from 12%, that will help the gems and jewellery exports market in India become globally competitive.

2

FDI Policy

- The Government has permitted 100% FDI in the sector under the automatic route, wherein the foreign investor or the Indian company do not require any prior approval from the Reserve Bank or Government of India.

3

Demonetisation

- The demonetisation move is encouraging people to use plastic money and 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.

4

Gold spot exchange

- The government's announcement on establishing gold spot exchange could help in India's participation in determining gold price in the international market.

Government initiatives and regulatory framework...(2/3)

5

BIS Hallmarking Scheme

- 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.
- The Government made hallmarking mandatory for Gold Jewellery and Artefacts. A period of one year is provided for implementation, i.e. until January 2021.
- In August 2020, the Indian government launched an online registration and renewal system for 'Jewellers & Hallmarking' centres. This online system can be accessed via BIS web portal (www.manakonline.in)

6

Gold Monetisation Scheme

- The Gold Monetisation Scheme was launched in November 2015. This scheme enabled individuals, trusts and mutual funds to deposit gold with banks and earn interest on the same in return.
- As of January 2019, the Reserve Bank of India (RBI) increased the scope of the gold-monetisation scheme by allowing charitable institutions and Government entities to deposit gold to boost deposits over the coming months.

7

Mandatory hallmarking regime

- In December 2020, All India Gem and Jewellery Domestic Council (GJC) welcomed the decision to make hallmarking compulsory from June 2021 in a phased manner; urged the government to examine the key concerns of the industry for smooth implementation of the initiative.

8

Prevention of Money Laundering Act (PMLA)

- In December 2020, the Finance Ministry notified that the amendment under Prevention of Money Laundering Act (PMLA), notifying dealers in precious metals and stones, will maintain records of cash transactions worth Rs. 10 lakh (US\$ 13.61 thousand) or more cumulatively with a single customer.

9

Special Group

- In August 2020, the government called for constituting a special group, which will include both customs and banking officials, to resolve issues faced by the gem and jewellery sector.

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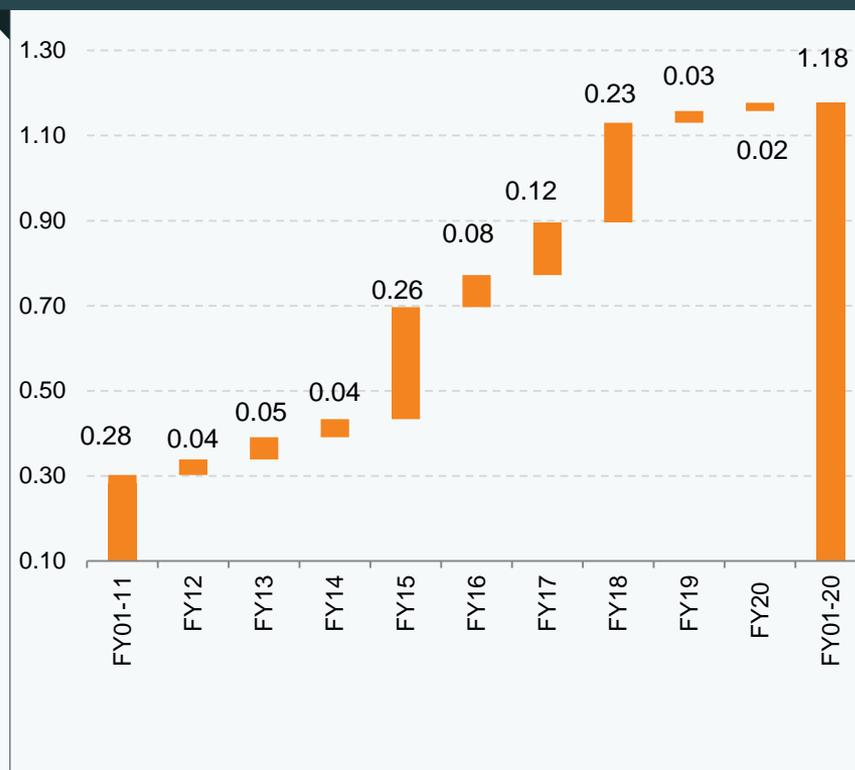
EDI (Electronic Data Interchange) Connectivity of Postal Service with Customs in e-commerce Policy

- In December 2020, the Gem and Jewellery Export Promotion Council (GJEPC) urged the government to include in the comprehensive e-commerce policy the EDI connection of postal services with customs, to enable banks to automatically close e-commerce exports against advance credit card payments by foreign purchasers.
- The step would drive for progressive reforms to help the industry fulfil its long-term goal of being the epicentre of global gems and jewellery.

Increasing FDI inflows into the sector

- Cumulative FDI inflow in diamond and gold ornaments stood at US\$ 1,190.47 million between April 2000 and December 2020.
- The Government of India permitted 100% FDI in the sector through automatic route.
- The Rs. 250,000 crore (US\$ 35.77 billion) big household jewellery industry is probably going to get a major lift through government's decision for FDI in retail.

FDI inflow in gems and jewellery[^] sector (US\$ billion)



Notes: ^ - Diamond and gold ornaments,

Source: DPIIT

Key Industry Contacts



Key Industry Contacts

| | Agency | Contact Information |
|---|---|--|
|  <p>GJEPC SPONSORED BY THE MINISTRY OF COMMERCE & INDUSTRY</p> | <p>Gems and Jewellery Export Promotion Council of India (GJEPC)</p> | <p>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 Website: www.gjepc.org</p> |
|  <p>GJF ALL INDIA GEMS AND JEWELLERY TRADE FEDERATION</p> | <p>All India Gems and Jewellery Trade Federation (GJF)</p> | <p>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 Website: https://www.gjc.org.in</p> |



Glossary

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

Exchange rates

Exchange Rates (Fiscal Year)

| Year | Rs. Equivalent of one US\$ |
|---------|----------------------------|
| 2004-05 | 44.95 |
| 2005-06 | 44.28 |
| 2006-07 | 45.29 |
| 2007-08 | 40.24 |
| 2008-09 | 45.91 |
| 2009-10 | 47.42 |
| 2010-11 | 45.58 |
| 2011-12 | 47.95 |
| 2012-13 | 54.45 |
| 2013-14 | 60.50 |
| 2014-15 | 61.15 |
| 2015-16 | 65.46 |
| 2016-17 | 67.09 |
| 2017-18 | 64.45 |
| 2018-19 | 69.89 |
| 2019-20 | 70.49 |
| 2020-21 | 73.20 |

Exchange Rates (Calendar Year)

| Year | Rs. Equivalent of one US\$ |
|-------|----------------------------|
| 2005 | 44.11 |
| 2006 | 45.33 |
| 2007 | 41.29 |
| 2008 | 43.42 |
| 2009 | 48.35 |
| 2010 | 45.74 |
| 2011 | 46.67 |
| 2012 | 53.49 |
| 2013 | 58.63 |
| 2014 | 61.03 |
| 2015 | 64.15 |
| 2016 | 67.21 |
| 2017 | 65.12 |
| 2018 | 68.36 |
| 2019 | 69.89 |
| 2020 | 74.18 |
| 2021* | 74.94 |

Note: As of April 2021

Source: Reserve Bank of India, Average for the year

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