



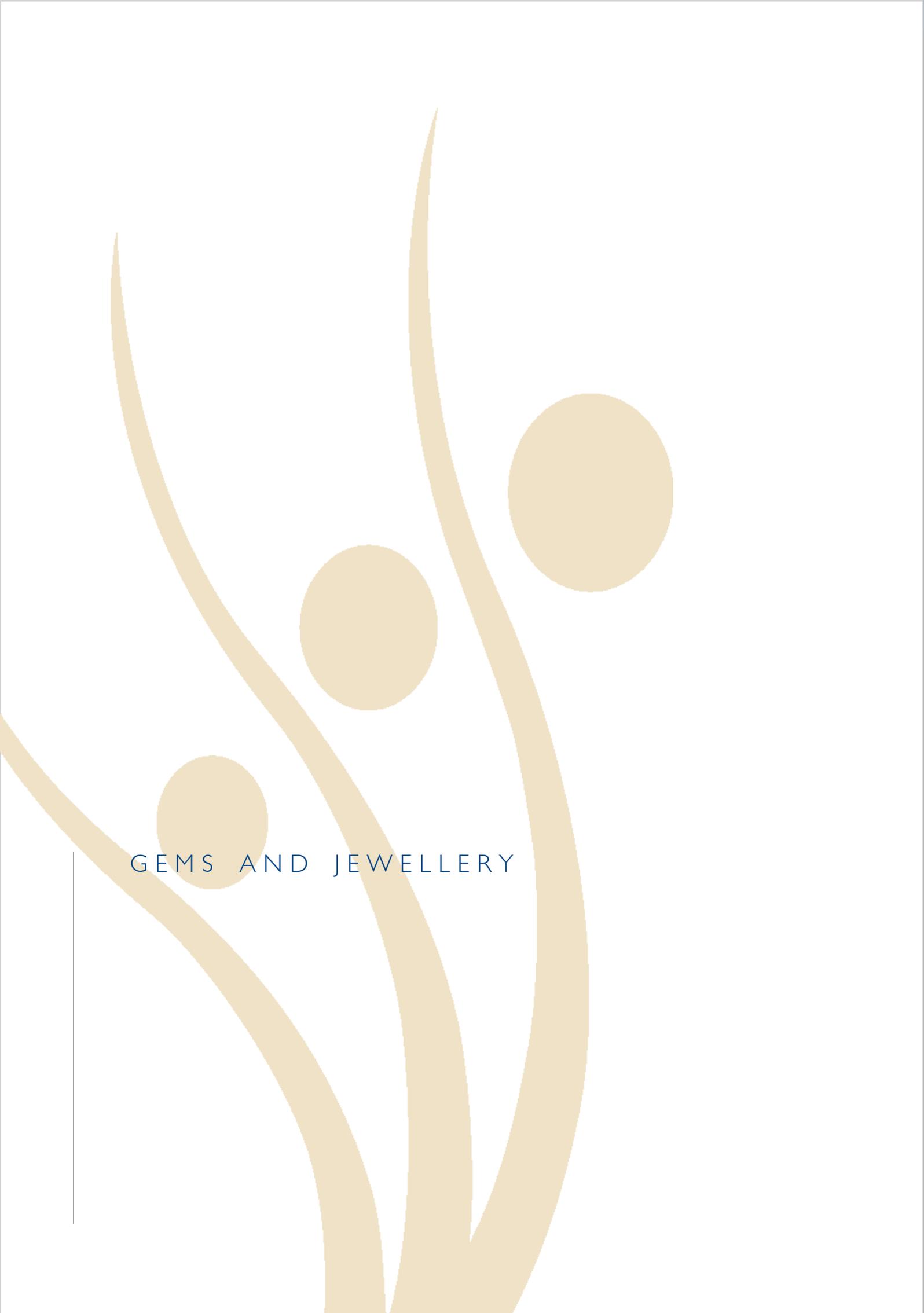
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# GEMS AND JEWELLERY





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## **GEMS AND JEWELLERY**

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*A report by KPMG for IBEF*

## Market Overview

The gems and jewellery sector can be categorised into the following sub-sectors based on characteristics, processing techniques, preciousness in terms of price range and marketability.

- **Gemstones** - Diamonds and coloured stones (precious, semi-precious and synthetic)
- **Jewellery** - Plain Gold, Studded, Silver, Costume
- **Pearls**

The global market for gems and jewellery today is pegged at US\$ 85 billion with key markets having registered an average compounded annual growth rate (CAGR) of 5-10 per cent in the last decade.

The global market for Gold is estimated at 3300 tonnes. South Africa is the world's largest producer of gold, followed by U.S.A and Australia. Together, these countries account for 45 per cent of the world's total gold production. India is the largest consumer of gold, followed by the U.S.A.

In the production of Silver, the Americas have near monopoly - Mexico, Peru and the United States are the top three silver producing countries. Platinum is an extremely rare precious metal. More than 90 per cent of all platinum supplies come from South Africa and Russia. With increased economic development, the demand for the metal has grown at a faster pace than it is being mined. The United States is the world's leading consumer of platinum overall, while China has emerged as the leading consumer of platinum jewellery.

Jewellery manufacturing is traditionally dominated by players from 3-4 countries.

### Italy:

- World's largest producer of fine jewellery, with about 8,200 factories annually producing an estimated US\$ 6.4 billion worth.
- Italy's strength lies in plain gold jewellery.

### Hong Kong/China

- Produces a substantial portion of the world jewellery market.
- China and Hong Kong are strong in both gold and studded jewellery

### **Thailand**

- Major global supplier of quality jewellery over the last two decades
- Thailand's strength is in gemstone jewellery

### **United States**

- While a growing number of American manufacturers export their goods around the world, the sheer size of the domestic market keeps a large portion of the goods at home.

Over the years, global markets have been impacted by several developments like falling trade barriers, increasing competition, changing customer preferences and developments in technology in several areas. The global jewellery industry is being transformed by a few key trends such as:

- Increasing competition among top producing countries.
- Emergence of different materials – different alloys within gold, as well as non-gold jewellery.
- Emergence of new manufacturing techniques.
- Requirement of stricter quality norms and hallmarking.

In this context, India is fast emerging as a leading destination for jewellery manufacturing in the world. The following sections discuss India's gems and jewellery sector in detail with a specific focus on the following areas:

- Significance of India within the global gems and jewellery sector
- The structure and current scenario of the sector in India
- India's competitive advantages in the sector
- Future outlook

### **India is a leading player in the global gems and jewellery market**

The gems and jewellery industry occupies an important position in the Indian economy. It is a leading foreign exchange earner and also one of the fastest growing industries in the country.

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. A predominant portion of gold jewellery manufactured in India is consumed in the domestic market. In diamonds, however, a major portion of rough, uncut diamonds processed in India is exported, either in the form of polished diamonds or finished diamond jewellery.

Besides being the largest consumer of gold, India is also the leading diamond-cutting nation in the world.

**India Gems & Jewellery Industry – Highlights**

Jewellery market size	– US\$ 13 billion
Diamond jewellery	– US\$ 1.2 billion
Gold jewellery market growth year on year	– 15%
Diamond jewellery market growth	– 27%

The Indian gems and jewellery industry is competitive in the world market due to its low cost of production and availability of skilled labour. In addition, the industry has a worldwide distribution network, which has been established over a period of time. India has set up more than 3,000 offices worldwide for promotion and marketing of Indian diamonds.

The Indian diamond industry has acquired leadership position in cutting and polishing of rough diamonds. India has the world's largest cutting and polishing industry, employing around 800,000 people (constituting 94 per cent of global workers) with more than 500 hi-tech laser machines. The industry is well supported by government policies and the banking sector - around 50 banks provide nearly US\$ 3 billion credit to Indian diamond industry. India is expected to have its diamond bourse functioning at Mumbai in 2006.

India is therefore a significant player in the world gems and jewellery market both as a source of processed diamonds as well as a large consuming market.

**The sector is largely unorganised at present with a small but growing organised sector**

The Indian gems and jewellery sector is largely unorganised at present. There are over 15000 players across the country in the gold processing industry, of which only about 80 players have a turnover of over US\$ 4.15 million (Rs 200 million). There



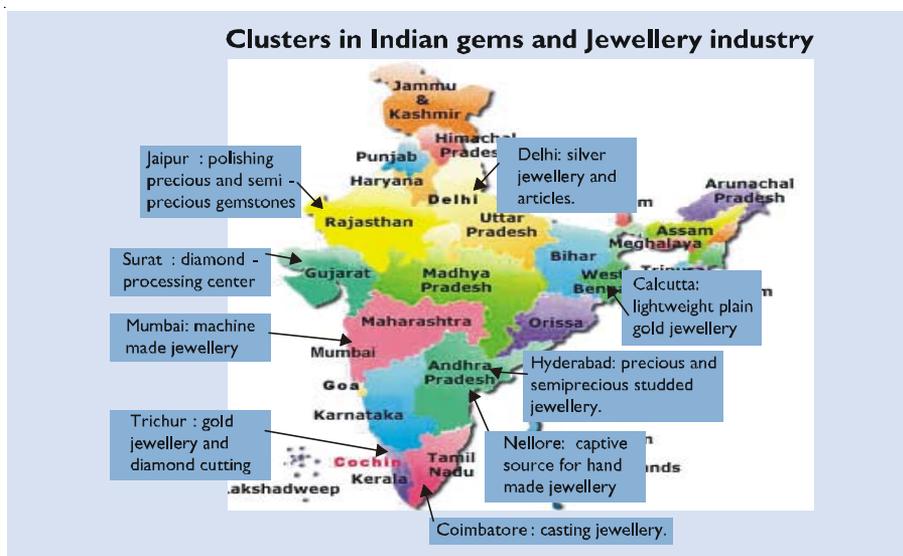
are about 450,000 goldsmiths spread throughout the country. India was one of the first countries to start making fine jewellery from minerals and metals and even today, most of the jewellery made in India is hand made.

The industry is dominated by family jewellers, who constitute nearly 96 per cent of the market. Organised players such as Tata with its Tanishq brand, have, however, been growing steadily carving a 4 per cent market share. As India's jewellery market matures, it is expected to get more organised and the share of family jewellers is expected to decline.

There are more than 6000 players in domestic diamond processing industry. The average gestation period for setting up a diamond cutting and polishing unit is 15 months. The low gestation period, coupled with low capital cost allows easy entry into the sector. This has led to the industry being largely characterised by a large number of small scale players. However, just as in the case of jewellery, the share of the organised sector has increased significantly in recent years due to an increase in demand for better and finer quality finished goods.

#### Presence of traditional pockets of jewellery manufacture

- Jewellery crafting by traditional goldsmiths is confined to a few regions in India. These pockets are widely separated and involve craftsmen whose skills have been handed down over generations. **Surat** is an important diamond-processing centre, which exports around 80 per cent of the production and has more than 3,500 diamond processing units.



Source: KPMG Analysis

- Jaipur** is a key centre for polishing precious and semi-precious gemstones.
- Delhi** and its neighbouring states are famous for manufacturing silver jewellery and articles.

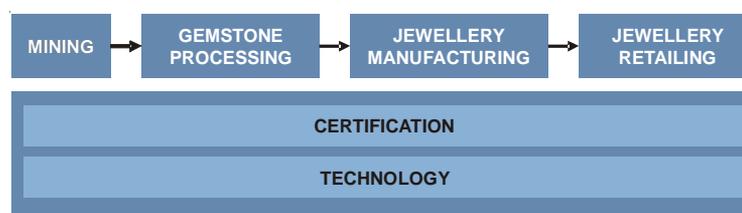
- **Calcutta** is popular for its lightweight plain gold jewelry. This category of jewellery finds a large market in Tamil Nadu.
- **Hyderabad** is the centre for precious and semi-precious studded jewellery.
- **Nellore** is a source for hand made jewellery that has been supplying the Chennai market for quite a few decades. **Belgaum** in Karnataka and Nellore together, specialise in studded jewellery using synthetic or imitation stones.
- **Coimbatore** in Tamil Nadu specialises in casting jewellery.
- **Trichur** in Kerala is another source for lightweight gold jewellery and diamond cutting.
- **Mumbai** is the centre for machine made jewellery. The city is also India's largest wholesale market in terms of volume.

While these clusters have evolved over time based on the availability of raw materials, skilled labour and market potential, these have been developed and made competitive through support from the Government of India through its special economic zones and cluster development programmes. The clusters help in building a globally competitive environment for the Indian gems and jewellery industry.

### The Indian gems and jewellery industry has significant potential

India offers attractive opportunities across the industry value chain

The value chain of gems and jewellery industry can be represented in the following manner.



India has strengths and offers attractive opportunities across each of the above elements of the value chain, which are detailed below.

#### Mining

India has significant reserves of gold, diamond, ruby and other gem stones. Key states with gems stone reserves and mining potential are Maharashtra, Madhya Pradesh, Orissa, Chattisgarh, Bihar and Andhra Pradesh.

Orissa has deposits of Ruby and has about 20 varieties of various gemstones like rhodolite, garnet, aquamarine etc. Andhra Pradesh has gold and diamond bearing areas, as well as occurrences of semi-precious and abrasive stones spread over different districts.

Recognising the potential of the large unexplored gemstone reserves in India, the Government of India as well as different state governments have been taking initiatives to open up the sector for exploration by global players. For example, the Government of Orissa has announced a comprehensive mining policy allowing private and domestic investments in this sector. These initiatives have attracted foreign investors - diamond mining leases and exploration projects have been undertaken by Rio Tinto and Diamond Trading Corporation (DTC).

Untapped reserves of gems and favourable government policies provide opportunities for foreign direct investment in mining and avenues for global companies to explore precious metals and stones in India.

### Gemstone processing

India was the first country to introduce diamonds to the world - the country was the first to mine diamonds, cut and polish them and also trade them. Cutting and polishing of diamonds and other precious stones is one of the oldest traditions in India and the country has earned a considerable reputation both in the domestic and international markets for its skills and creativity.

In the global diamond market today, diamonds processed in India account for 55 per cent share in value terms, 80 per cent share in caratage (weight) terms and 90 per cent share in volume terms. Today there is a ready availability of an entire range of diamonds in nearly every size, quality and cut.

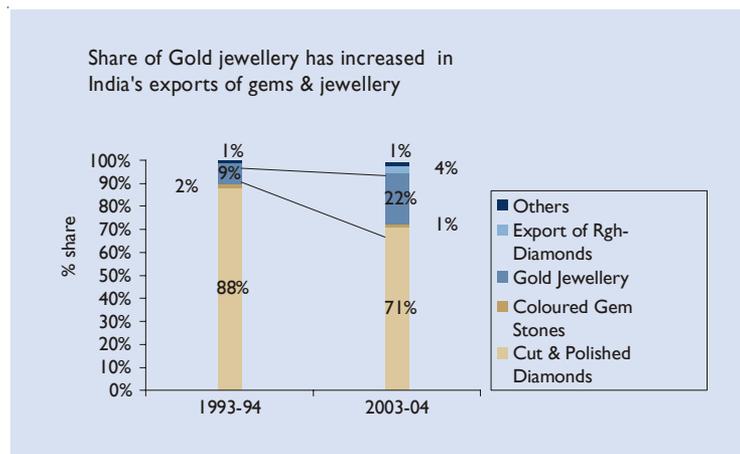
India offers the twin advantages of skilled labour and low cost, in the area of gemstone processing, as compared to other gems processing.

### Jewellery manufacturing

India has well-established capabilities in making hand-made jewellery in traditional as well as modern designs. Indian hand-made jewellery has always had a large ethnic demand in various countries with sizeable Indian immigrant population such as the Middle East, South-East Asian countries, USA and Canada.

In recent times, India has also developed capabilities in machine-made jewellery. With imported or domestic processed studding, Indian machine made jewellery is expected to generate demand from non-ethnic jewellery markets as well.

The share of gold jewellery in India's exports of gems and jewellery increased from 9 per cent in 1994 to 22 per cent in 2004, an indication of growing acceptance in the world market.



Source: Gems & Jewellery Export Promotion Council, KPMG Analysis

In the area of diamonds, Indian jewellers have been focusing on moving up the value chain, from being a polisher of rough diamonds to a manufacture of jewellery. Exports of diamond jewellery are expected to increase in the future.

The central and various state governments in India have come out with policy incentives to promote jewellery manufacturing. For example, Andhra Pradesh's New Industrial Policy declares gems and jewellery as a thrust area and a package of incentives are being offered for setting up manufacturing park facilities for value addition and export of gems and jewellery.

Given India's strengths and potential for growth in this area, jewellery manufacturing can be an attractive area for investment in India.

### Jewellery Retailing

India has a large and growing domestic jewellery market of US\$ 8.9 billion. Jewellery retailing in India is undergoing a slow transformation from a largely unorganised sector to a more organised one. While the family owned jewellery store remains the predominant retail format, new formats such as boutiques, supermarkets and gold souks are emerging for jewellery retail. Indian customers are displaying growing preference for quality, designs and branding. The jewellery retailing sector can offer long term benefits to organised players investing in this area.

### Certification

Following the World Diamond Council's statement on adopting credible and effective measures against the trade in conflict gems, the Indian government has tightened its certification process for international trade. The Gems & Jewellery Promotion Council is

India's certification authority. The government's Central Board of Excise and Customs has banned the import or export of rough diamond shipments, which are not accompanied by a Kimberley Process certificate launched in Switzerland. Certification for quality diamonds and jewellery has given a fillip to exports and resulted in greater acceptance of Indian products in the world market

### Technology

The Indian gems and jewellery industry has made rapid strides in design, powered by a new generation of young, professionally trained, technology driven designers. Many of India's jewellery manufacturing facilities are equipped with the latest CAD / CAM and other advanced design systems. Technology solutions are also available for production control, supply chain and inventory management in the jewellery industry. The Special Economic Zones and Gems and Jewellery Parks developed in different states offer technology-enabled environments that are conducive to growth and quality production.

The gems and jewellery industry in India is a good blend of modern manufacturing and design techniques with traditional skills of the Indian artisan. The Indian industry is also compliant with international norms such as the Kimberly Process and the Patriot Act, etc.

With well-established capabilities across the value chain, India is an attractive potential market in the gems and jewellery sector.

### The domestic industry has been growing at a significant rate

The gems and jewellery sector in India has been growing across all key segments, as detailed below.

#### Precious Metals

##### Gold

The current consumption of gold in India is estimated at over 900 tonnes, used mostly in 20 / 22 carat jewellery. Nearly 95 per cent of gold is used to manufacture gold jewellery in the domestic markets and the remaining 5 per cent is exported. Gold consumption in India is primarily aimed at investment.

##### Silver

India annually consumes around 4,000 tonnes of silver. Silver jewellery and other articles for personal use, especially in the rural areas, account for the bulk of the sales. India is also the third largest industrial user of silver in the world, after the US and Japan.

### Platinum

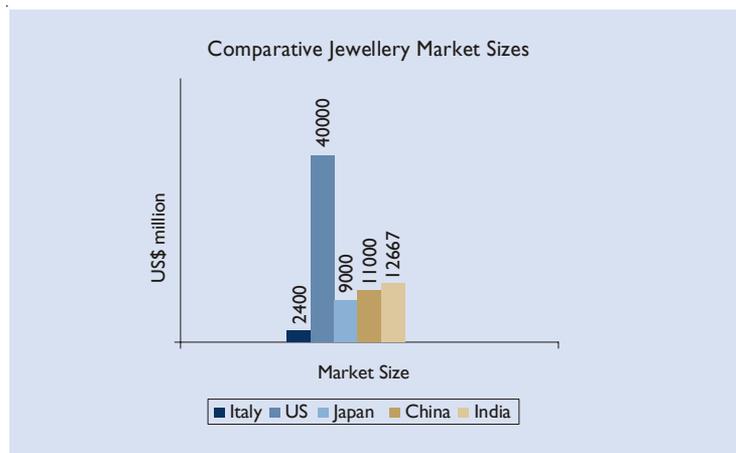
Platinum or white gold, targeted at the premium jewellery segment, is gaining preference of designers and consumers globally. While India's share in the global platinum jewellery market is growing by 19 per cent annually, it continues to be less than one per cent in the global platinum jewellery market. Given the global growth and the maturing of the Indian market to international trends, this represents an area for potential growth in India.

### Gemstones

India's gemstone industry has been growing due to the popularity of gemstone-studded jewellery across the globe, with an estimated turnover at US\$ 0.22 – 0.26 billion.

### Jewellery

The Indian jewellery market is one of the largest in the world. The Indian market size at US\$ 13 billion, is second only to the US market of US\$ 40 billion and is followed by China at US\$ 11 billion.



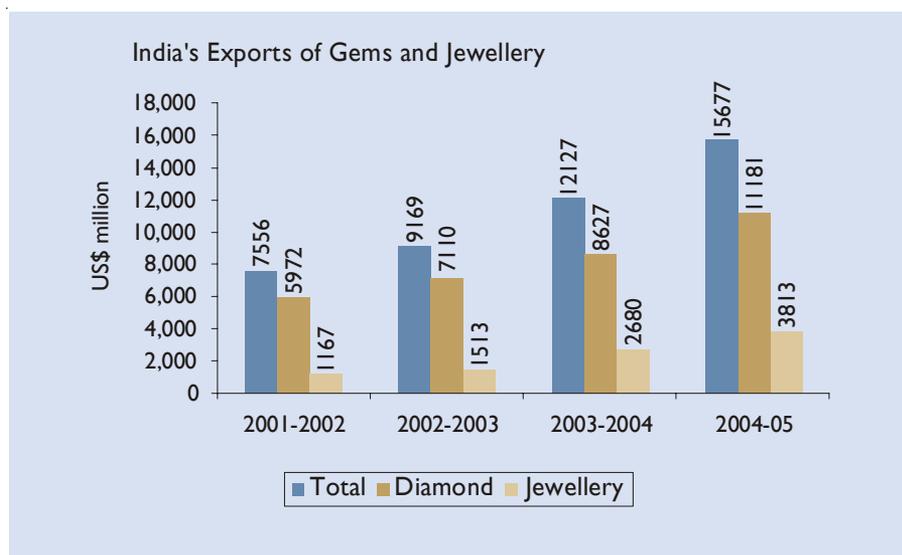
Source: The 2003-2008 World Outlook for jewelry-Prof. Philip M. Parker, Insead

The gold jewellery market is growing at 15 per cent per annum and the diamond jewellery market, at 27 per cent per annum.

The emergence of branded jewellery is a new trend that is shaping the Indian jewellery market. Branded jewellery is a relatively new concept in the sector, and has positioned itself on the quality, reliability and wearability factors. The branded jewellery market in India is estimated at US\$ 111.6 million per annum. Trends also show that traditional handcrafted jewellery is slowly giving way to machine-made jewellery.

### Exports of gems and jewellery have also been growing

India recorded US\$ 15.6 billion worth of exports in the gems and jewellery sector in 2004-05, up by 26.44 per cent from the previous year. The industry is expected to achieve exports of US\$16 billion by 2007.



Source: Gems & Jewellery Export Promotion Council, India

Gold jewellery sector recorded 42.23 per cent growth to US\$ 3.81 billion in 2004-05.

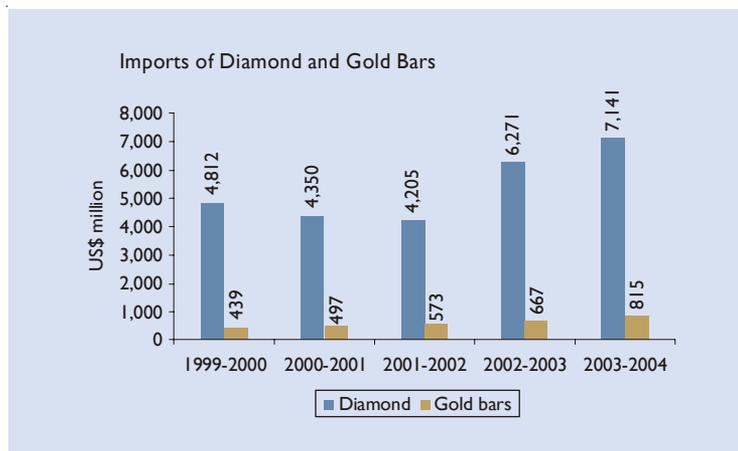
India exported cut and polished diamonds worth US\$ 11.18 billion in 2004-05, up from US\$ 8.62 billion in 2003-04, registering a growth of 29.6 per cent. India has also started exports of rough diamonds, which formed 4 per cent of gems & jewellery exports in 2004.

Exports of coloured gemstones witnessed a growth of 8.10 per cent in 2004-05 to US\$ 192.94 million. The Indian coloured gemstone industry has expanded enormously from its traditional roots. Most exporters in Jaipur, which is amongst the major gemstone centers in India, have incorporated the latest polishing machines and state-of-the-art technology into their setup.

Exports of gems and jewellery from India primarily happen out of units based in the Special Economic Zones (SEZs) and Export Promotion Zones (EPZs). Examples include Santacruz Electronics Export Processing Zone (SEEPZ, Mumbai), Madras Export Processing Zone (MEPZ, Chennai) and Noida Export Processing Zone (NEPZ, Noida). These supply primarily diamond-studded jewellery, while a few units in the domestic tariff area (DTA) cater to the ethnic population overseas, supplying plain gold jewellery. The main markets of USA, Middle East and Europe account for more than 80 per cent of total jewellery exports.

The industry is dependent on imports for raw materials

The main raw materials for the gems and jewellery industry are rough diamonds, recycled gold and gold bars. The industry is highly dependent on imports for its requirement. Rough diamonds and gold bars are imported, while recycled gold is obtained from the domestic market.

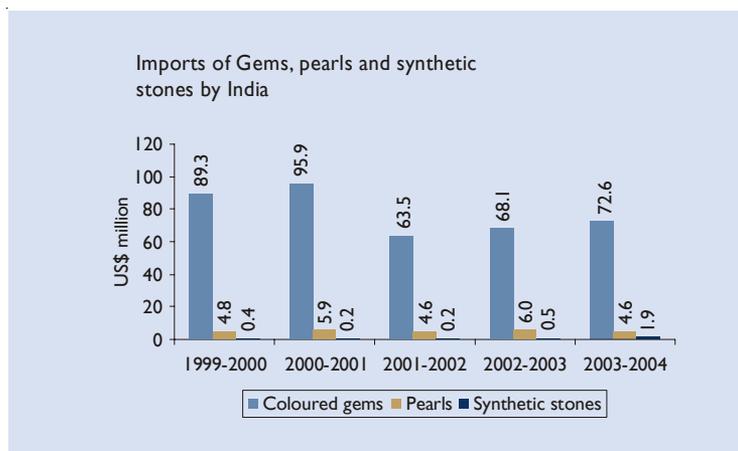


Source: Gems & Jewellery Export Promotion Council, India

India imports all its requirements of rough diamonds. India imported rough diamonds worth US\$ 7.141 billion in 2004 compared to US\$ 6.271 billion in 2003. The imports of diamonds in India have grown at a CAGR of around 10 per cent over the last four years. Imports of rough diamonds grew 6.3 per cent to US\$ 7.59 billion in 2004- 05.

India imported gold bars worth US\$ 815 million in 2004 compared to US\$ 439 million in 2000, a CAGR of around 16.7 per cent for the past four years.

The imports of gems in India have been consistent for the past three years. India imports small quantities of pearls and synthetic stones compared to diamond and gold. India imported



Source: Gems & Jewellery Export Promotion Council, India

pearls worth US\$ 4.6 million in 2004 and synthetic stones worth US\$ 1.9 million.

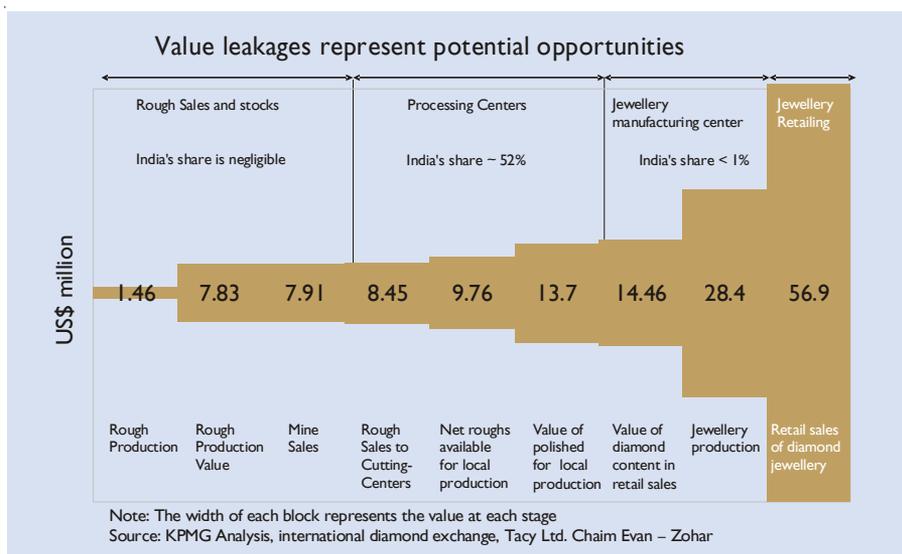
The imports are in accordance with the demand in the domestic and exports markets.

India's capabilities in diamond processing can be leveraged to move up the value chain



India's significance in the global gems and jewellery industry can be largely attributed to its strength in diamond processing. Value enhancement by the Indian diamond processing industry is the highest among other countries. The value addition in diamonds by Indian industry was worth US\$ 1.48 billion in 2004 compared to US\$ 840 million in 2003.

The diamond industry pipeline depicted in the figure below indicates the value addition across different stages from rough diamonds to diamond jewellery, and demonstrates how US\$ 1.46 billion of rough production is transformed



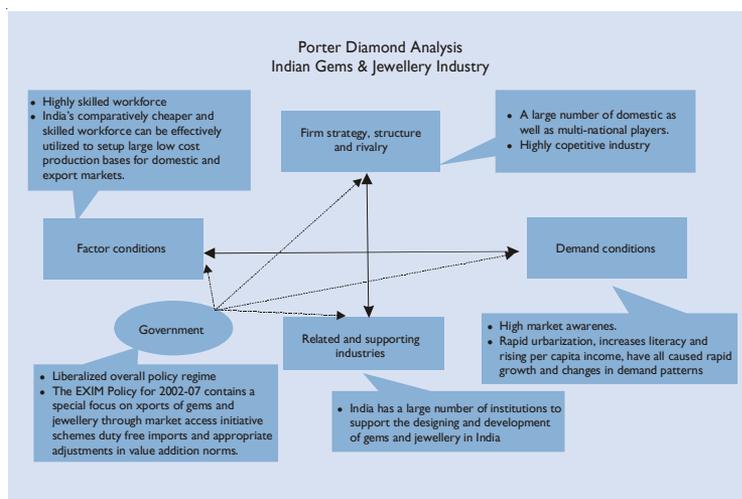
into US\$ 57 billion of global diamond jewellery sales annually. India's share in the global market is highest in diamond processing.

Both value addition and margins increase as the firms move up the value chain, adding to the profits of the companies in the sector. The opportunity for Indian players in the diamond processing segment is to move up the value chain into jewellery manufacturing, where India has a minimal share at present. Equally new players can enter the diamond jewellery manufacturing space, leveraging the diamond processing capabilities that already exist in the country.

## Competitive Advantage

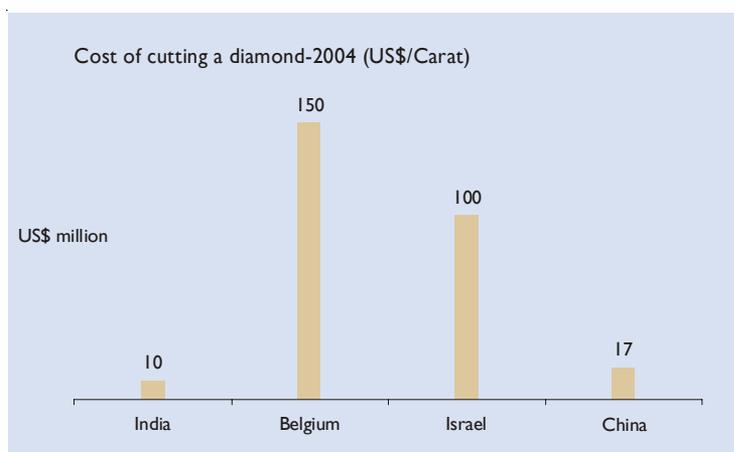
The factors leading to the Indian gems and jewellery industry's growth are many. A near dominance in diamonds and coloured stones, manufacturing excellence, forward looking entrepreneurs, liberalised government policies and an extensive international marketing network has helped India establish itself as one of the leading jewellery centres in the world. Moreover, its high consumption of gold, steady inflow of silver and growing interest in platinum enable India to develop the entire range of jewellery, in plain metal and studded, that caters to the desires of every market.

India's competitiveness in gems and jewellery industry can be assessed as follows



### Availability of factor conditions

Availability of skilled manpower is a key strength that has enabled growth in India's gem and jewellery sector. India has a large pool of skilled artisans with vast traditional knowledge and expertise in jewellery making. It also has the largest resource pool in diamond cutting and processing. India also has a good blend of technically trained designers who are well-versed in latest 2D and 3D design software.



Source: Cygnus Industry Monitor, August 2005

India has a comparative advantage in terms of cost as well. It has one of the lowest costs in diamond cutting - the cost per carat for cutting diamond was US\$ 10 in India in 2004 as compared to US\$ 17 in China and US\$ 150 in USA. This makes diamonds sourced from India much more profitable. For example, diamond jewellery, which costs between US\$ 60 and US\$ 90, can be sold in the overseas market for US\$ 180.

Low cost skilled labour coupled with advanced technical capabilities provides the right platform for the Indian gems and jewellery sector to grow and become globally competitive.

#### Fragmented structure and intense competition fosters innovation

The fragmented nature of the industry, and gradual emergence of the organised sector, including global players, has increased the competitive pressures within the gems and jewellery sector in India. In this scenario, companies are experimenting different strategies to maintain and increase market share. Companies are innovating in design, retail format, network and branding, to remain competitive. Examples include:

- Design:
  - With exclusive designs and guaranteed product quality, Tanishq has positioned itself as a reputed jewellery brand in the country.
  - Different companies are packaging their designs in the form of exclusive collections to differentiate themselves and build brand equity.
- Retail format, network
  - Inter Gold, a diamond studded gold jewelry brand, is planning to open a chain of 60 stores across the country.
  - In order to increase product visibility, Gili struck alliances with several leading lifestyle and department stores to display their trendy range of products.
  - Gili has placed its catalogue on its web site to encourage NRIs to buy gifts online for friends and family in India.
  - Even organised retail chains are promoting gems and jewellery sales through their outlets.
  - Big Bazaar is launching a Gold section.
  - Supermarkets like Lifestyle and Shoppers Stop have jewellery outlets.

Increasing competition in the industry has ensured that firms work towards increasing their productivity and innovation, thereby improving overall capability levels within the industry.

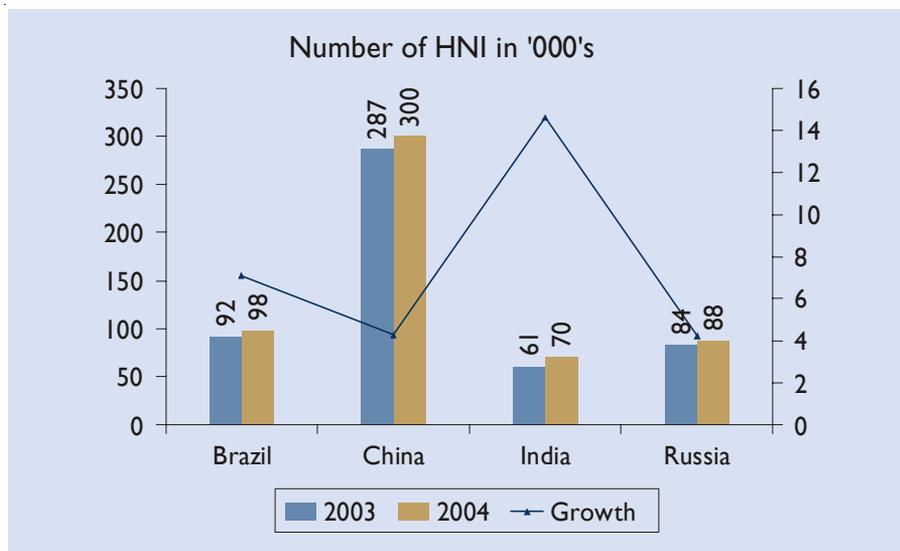
### Favourable demand conditions

Many socio-economic factors influence the high demand for gems and jewellery in India. The main driver of demand in India is still the investment factor - gold and gold jewellery is regarded as investment, as they can be easily converted to cash either through sale or for guarantying loans.

Changing consumer demographics are, however, leading to different demand drivers, which promise future growth potential for the industry.

### Large target consumer base and rising income levels:

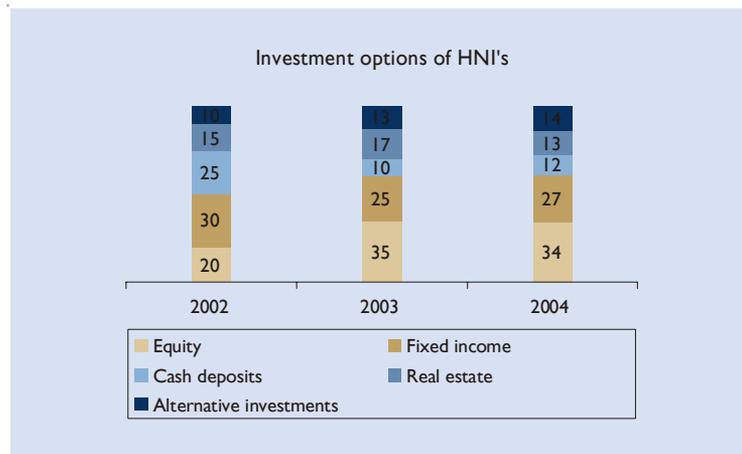
India population is nearly 23 per cent of the global population and is one of the most attractive consumer markets in the world today. Income levels across population segments have been growing in India.



Source : World Wealth Report , KPMG Analysis

While the growth of the consuming class, defined as those with an annual income of US\$ 980) or above, is driving overall demand for consumer products, the significant trend for the gems and jewellery sector is the emergence of a significant population of high net worth individuals (HNIs), who have the capability to invest more than US\$ 1 million. Though the number of HNIs is small in India, they are growing at the rate of around 14.6 per cent compared to around 4-6 per cent in the case of other countries as exhibited in the graph. NCAER MISH survey, 2002 has predicted that there will 140,000 households with income greater than US\$ 0.22 million and 250,000 households with income between US\$ 0.11 million to US\$ 0.22 million in 2010. This segment of rich and super rich people is also one of the fastest growing segment in India.

Another positive aspect for the industry is that HNIs are increasingly looking at alternative investment options (other than Banks, Real Estate or



Source : World Wealth Report , KPMG Analysis

Equity). Jewellery, particularly gold, has been traditionally a value storage mechanism in India. Therefore growth in investment options by HNIs can lead them to look at increased jewellery purchases.

#### Changing lifestyles

Urban consumers in India have become more exposed to western lifestyles, primarily through overseas travel. This has led to increased preference for products and designs that are popular abroad. For example, there is a shift towards preference for machine made jewellery over the traditional handcrafted jewellery. Demand for branded jewellery has also been increasing, as the quality, reliability and wearability of the jewellery is becoming important.

With these emerging trends, the demand for branded jewellery is further expected to increase. There is also an increasing demand for diamonds, coloured gems, synthetic stones and other gems.

Tradition / Practice	Emerging trends
Jewellery considered an investment particularly gold jewellery	“Wearable” Jewelry as a source of fashion accessory and gifting
Marriage and festival seasons are peak seasons	Wearability and gifting dimensions are distributing demand throughout the year
Dependence on the family Jeweler in the locality	Growing interest in brands which personify quality and trust
Traditional, ethnic and chunky designs	Demand for fashionable, lightweight and innovative designs
Predominantly gold based jewellery	Growing interest in white gold and newer precious metals such as platinum. Dimond studded jewelry is also generating significant interest
Jewellery largely sold on prevailing gold price per gram plus margin	Jewellery is being sold on a fixed price basis by branded jewelers

With the growing awareness and influence of the west, the Indian consumers are becoming highly demanding and sophisticated, requiring better quality of products and services. This puts pressure on the players to consistently improve their product and service quality levels, thereby improving the overall competitiveness of the industry.

#### Presence of related and supporting industries

India has a large number of institutions to support the designing and development of gems and jewellery in India. Various institutes across the country offer diploma courses in jewellery designing. Some of the institutes offering these courses are NIFT (Mumbai), Indian Diamond Institute (Surat), Jewellery Design & Training Institute (Noida), The Gemmological Institute of India (Mumbai) etc.

These courses provide inputs and training on the different kinds of stones, colour schemes in jewellery, design themes, presentation and framing, designing individual jewellery pieces, men's jewellery, costume jewellery, jewellery costing among other information.

These institutes provide a regular supply of trained manpower with the required skills and knowledge and thus help the industry to grow and become competitive.

## Government regulations and support

The Government of India (GoI) has been working to develop the gems and jewellery industry in India through several initiatives.

- The Indian gems and jewellery export industry had its modern beginning in the 1960s, when the Government of India introduced the Replenishment (REP) licence, allowing an importer to import rough diamonds worth 80 per cent of the value of his exports. The REP licence thus provides the foreign currency needed to purchase rough to manufacture the relevant type of polished diamonds. At the outset, a 45 per cent customs duty was levied on rough diamond imports, but this duty was reduced to NIL in the Union Budget of 2003-04.
- The EXIM Policy for 2002-07 contains a special focus on exports of gems and jewellery through market access initiative schemes, duty free imports and appropriate adjustments in value addition norms.
- The government has set up various special economic zones (SEZ) for gems and jewellery industry with specific incentives provided to units in SEZs. Gems & jewellery units in SEZs and Export Oriented Units (EOUs) can receive precious metal, viz, gold/silver/platinum prior to exports or post exports equivalent to value of jewellery exported. This means that they can bring export proceeds in kind against the present provision of bringing in cash only.

In order to give a boost to exports of gems and jewellery, Government took major policy initiatives during 2004-05.

- Lowering import duty on platinum from US\$ 12.2 per 10 gms to US\$ 4.64.
- Exempting rough coloured precious gems stones from customs duty at the first stage itself instead of claiming reimbursements later.
- Rough semi precious stones are already exempt, aimed to further increase the exports of studded jewellery and platinum jewellery.

The policies for this sector announced in the Foreign Trade Policy include:

- Duty free re-import entitlement for rejected jewellery up to 2 per cent of Freight on Board (FOB) value of exports.
- Increased duty free import of commercial samples of jewellery to US\$ 2232.1.
- Import of gold of 18 carat and above under the replenishment scheme.

While the focus is clearly on export promotion, the liberalised policy regime will help players perform better in the domestic market as well by improving their overall competitiveness.

## Key Domestic & Foreign Players

Name of company	Parent company	Performance	Key highlights about the company
Asian Star Co Ltd	The company was registered as a partnership firm in 1971 by the Shah and Kothari family. The firm converted into a public limited company that was enlisted on the Bombay Stock Exchange. Since 1973, they have been DTC sight holders.	The total profit after tax has been in the range of US\$ 4.64 million for the last three years (2001-04). 50 per cent of the sales had come from overseas.	World-class manufacturers, importers of rough diamonds from DTC, London, Belgium & Israel and exporters of cut and polished diamonds. It has been the winner of Highest Exports Award in the DTC category for the last consecutive 3 years. The company has Diamond Processing units at Surat, and Mandvi (Surat), which is processing approximately 50 per cent of its requirements. It provides direct employment to 250 people and indirect employment to approximately 5,000 people. It has received ISO 9002 certification from RWTUV, GERMANY for its quality systems at all levels from assortment of rough diamonds to selling of Polished Diamonds since 1998. The company is featured on the 12th position amongst Indian Exporters (All commodities) as per the Report of FIEO (Foreign Import Export Organization).
Tanishq	Tata Group	Turnover of US\$ 94.8 million in 2003-04	Tanishq, jewellery division of Titan Industries, has been able to expand its sales by around 20-25 per cent over the past few years. It has so far opened 71 boutiques in 54 locations across the country as a result of increased demand for certified, high quality jewellery. With exclusive designs and guaranteed product quality, the company has positioned itself as the reputed jewellery brand in the country. Out of all four regions the sales contributions from northern region was about 40 per cent to the total turnover of Tanishq, followed by South and West.
Rajesh Exports Limited	Rajesh Exports Limited is a public limited company established in 1990 as a partnership firm and having its headquarters at Bangalore.	Sales - US\$ 0.95 billion in 2004-05	Initially the firm established a small manufacturing set up at Bangalore which was also the first organised and largest jewellery manufacturing unit in India. The firm went public in the year 1995 with its Initial Public Offer. In the same year, REL expanded its manufacturing facility and set up a global marketing network. 80 per cent of their revenue comes from exports and 20 per cent from domestic sales.

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Suashish Diamonds Ltd. (SDL)	Public limited company. The company has been promoted by Mr. Ramesh Kumar Goenka.	Revenues - US\$ 186.3 million in 2004	<p>The company is a 100 per cent export oriented unit and its main activities are import of rough diamonds, cutting and polishing of these diamonds and subsequently exporting the diamonds.</p> <p>In India, SDL is the largest diamond company.</p> <p>The company is a sight holder of De Beers, and hence, has an assured supply of rough diamonds at global prices.</p> <p>The company exports markets include Hong Kong, Japan, Belgium and the US.</p>
Su-Raj Diamonds & Jewellery Ltd.	Public limited company. It is the flagship company of the Su-raj Group.	Revenues - US\$ 0.22 billion in 2005	<p>The company's main business is the processing, polishing and trading in gold and diamond jewellery.</p> <p>It has diversified into the manufacture and export of gold and platinum jewellery.</p> <p>Exports of processed diamonds account for around 90-95 per cent of the company's sales and exports of gold jewellery account for around 5-10 per cent of the sales.</p> <p>The company has plants at Basni in Rajasthan, Goregoan in Mumbai and Anekal in Karnataka.</p> <p>The company exports its products to the US, Europe and Dubai. The company sells its produce under the Forever brand, which was launched in 1998.</p> <p>Su-Raj Diamonds (India) Ltd. is a sight holder of the Diamond Trading Co. (DTC), and hence, has an assured supply of rough diamonds at global prices.</p> <p>It is the fifth largest company in the diamond industry in India</p>

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Hindustan Diamond Company	50:50 joint venture between Indian government and De Beers		<p>This company is the second largest diamond company in India.</p> <p>It was set up in order to create an effective supply chain of rough diamonds extending down to the smallest trader.</p> <p>De Beers India and Hindustan Diamond Company ("HDC") have entered into a Memorandum of Understanding whereby HDC will subscribe for a 26 per cent interest in De Beers India by investing US\$ 3.75 m in De Beers India.</p>
Vaibhav Gems Ltd (VGL)	Incorporated in Jaipur in 1989, is today a professionally managed, end to end vertically integrated business organisation	Total sales - US\$ 37.4 million in 2005	<p>Vaibhav Gems is a major gem exporter from Jaipur.</p> <p>It is also a leading exporter of Tanzanite, a gem stone sourced from Tanzania.</p> <p>Beginning with the Hong Kong and Japanese markets Tanzanite subsequently entered the US markets in a big way.</p> <p>In 2003-04, it established a new state-of-the-art jewellery manufacturing unit at Sitapura and also installed a micro-weight gold chain manufacturing plant probably the one outside USA</p> <p>In 2004-05, VGL ventured into international retail market by setting up its wholly owned subsidiary Jewel Gem Inc. USA.</p> <p>The company has set up retail chain stores at major tourist destinations like Alaska and the Caribbean under the brand name "GenoA Jewelers".</p> <p>VGL also commissioned diamond-processing unit at Adarsh Nagar, Jaipur for captive consumption in manufacturing jewellery and exports.</p>

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Shrenuj and Company Ltd.	Shrenuj & Company Limited	Revenue - US\$ 125 million (Rs 5599.8 million) in 2005	<p>The company is a leading manufacturer and exporter in the diamond and jewellery industry.</p> <p>The company exports diamonds and precious stones to many international markets, mainly Japan, the US, France, Belgium, Hong Kong, New Zealand and Germany.</p> <p>The company derives more than 80 per cent of its revenues from polished diamonds while the balance is contributed by studded jewellery.</p> <p>The jewellery division of Shrenuj is located at SEEPZ (Mumbai) and adheres to one of the most stringent international standards.</p> <p>It has a production capacity of 18000 units per month and is equipped with state-of-the-art machinery.</p> <p>The company is a major site holder of De Beers' London-based Central Selling Organisation</p> <p>The company employs nearly 850 people and manufactures a number of branded diamonds. They have won many awards for their jewellery, including two Diamonds International Awards from the Diamond Trading Company.</p> <p>It has won the ISO 9002 accreditation for quality. It had pioneered laser technology in India for achieving greater efficiency and productivity.</p> <p>The company specialises in the production of pointers and larger-sized diamonds ranging from one carat to 50 carats.</p>

Name of the Parent company	Performance company	Key highlights about the company
Oyzyterbay	Private limited Bangalore based branded jewellery company.	<p>Oyzyterbay was set up in June 2000 in Bangalore. Its jewellery comprises 1,050 designs in silver and gold.</p> <p>It uses natural gemstones in some designs that consist of neckwear, bangles, bracelets, earrings, chains, finger rings and chains.</p> <p>Oyzyterbay is planning significant investments in India.</p> <p>Currently the company has stores in Delhi, Mumbai, Kolkata, Hyderabad, Chennai, Ahmedabad, Indore and Guwahati. Oyzyterbay has opened exclusive outlets.</p>
Gili	Gitanjali Group	<p>One of India's largest exporters of fine diamonds.</p> <p>Gili has created for itself a niche in the branded 18ct-diamond jewelry segment through innovative marketing strategies.</p> <p>In order to increase product visibility, Gili struck alliances with several leading lifestyle and department stores to display its trendy range of products.</p> <p>Furthermore, prices were fixed across the country. In yet another strategic move, Gili positioned its products as gifts and promoted sales through mail order catalogues.</p> <p>New product launches have been accompanied by promotions centred around specific themes, such as selecting Valentine's Day for the launch of their new line of men's accessories.</p> <p>Gili has also placed its catalogue on its web site to encourage NRIs to buy gifts online for friends and family in India.</p> <p>Gili's network of outlets has extended the reach of its products across the country.</p>

Name of the company	Parent company	Performance Key highlights about the company
Intergold	Part of the Rosyblue Group -- the world's largest diamond manufacturing company with a presence across 15 countries headquartered in New York.	Inter Gold is the largest diamond retailer in India. With 24 exclusive showrooms across the country, the company is focusing on making India the launch pad for its high-end jewellery store. Having five designing centres around the world, Inter Gold has the distinction of working closely with the promoters of the trade -- DTC (De Beers), the world Gold Council and the Platinum Guild International. Intergold is known for the contemporary range of jewellery on offer - a complete men's collection, imported Italian jewelry, a spiritual theme based line and the recently introduced collection for the professional woman, 'Career carats'. Inter Gold, a diamond studded gold jewelry brand, is also planning to open a chain of 60 stores across the country. The parent company is bringing in the funds for Inter Gold.

## **Future Outlook**

The future of the industry is quite promising. More and more buyers across the world are turning to India as their preferred source for quality jewellery.

The Gems and Jewellery Export Promotion Council (GJEPC) is looking at exploring new markets, such as Latin American countries. The industry also plans to make India a trading centre for cut and polished diamonds, and is closely working with the Government of India in this regard. The long term prospects looks good with jewellery exports expected to touch US \$16 billion in 2010 according to industry estimates.

## CONTACT FOR INFORMATION

Information on the market and opportunities for investment in the gems and jewellery sector in India can be obtained from the Gem and Jewellery Export Promotion Council.

The Gem and Jewellery Export Promotion Council  
5th Floor  
Diamond Plaza  
391-A, Dr. Dadasaheb Bhadkamkar Marg  
Mumbai - 400 004  
**Tel:** +91 22 2382 1801 / 1806  
**Fax:** +91 22 2380 8752 / 2380 4958  
**Email:** [gjepc@vsnl.com](mailto:gjepc@vsnl.com)

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India Brand Equity Foundation  
c/o Confederation of Indian Industry  
249-F Sector 18  
Udyog Vihar Phase IV  
Gurgaon 122015 Haryana  
INDIA

Tel +91 124 401 4087

Fax +91 124 401 3873

E-mail [ajay.khanna@ciionline.org](mailto:ajay.khanna@ciionline.org)

Web [www.ibef.org](http://www.ibef.org)