(GROWTH AND SCOPE OF GEMS AND JEWELLERY INDUSTRY IN INDIA)
INTRODUCTION OF GEMS AND JEWELLERY SECTOR

- India’s gems and jewellery sector has been contributing around 13-15 per cent over past five years to India’s total exports and employs over 4.64 million employees.
- India is the largest manufacturer of cut and polished diamonds in the world and exports 93 per cent of its production.
- 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 and also major contributor to the total foreign reserves of the country.
- India exports 75 per cent of the world’s polished diamonds.
- Today, 12 out of 14 diamonds sold in the world are either polished or cut in India.
- India’s gems and jewellery sector is one of the largest in the world contributing 29 per cent to the global jewellery consumption.
- 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.
- India’s gems and jewellery imports increased at a compound annual growth rate (CAGR) of 7.84%.
- The Government of India has permitted 100 per cent FDI under the automatic route in this sector.
- US, Hong Kong and UAE imported 75 per cent of the total gems and jewellery exports from India during FY 2016-17.
- India’s exports 93 per cent of its cut and polished diamonds produced.
INDUSTRY GROWTH & EXPECTATION

- Companies are indulging in expansion to more and more cities as well as expanding across the value chain.
- Retailers in India have started selling their jewellery online. 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.
- Majority of the players in the Indian market have started selling jewellery online; for example Malabar Gold, Tanishq, Tribhovandas Bhimji Zaveri, PC Jeweller, etc
- Companies are also giving buy back option to customers on jewellery within certain days after the purchase and based on certain terms and conditions.
- Companies have also started providing financial facility to their customers who cannot afford to pay the whole amount at once.
- 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.
- As income rises, so does savings and Indians prefer buying gold with their savings as they consider gold as an important form of investment.
- In 2016, India’s gold demand stood at 666.1 tonnes; and 298.4 tonnes between January-June 2017.
MARKET KEY PLAYERS

Tanishq

PCJ Jeweller Limited

TBZ

Gitanjali Jewels

Rajesh Exports Ltd

Tara Jewellers
MAJOR INVESTMENTS AND DEVELOPMENTS

❖ Cumulative Foreign Direct Investment (FDI) in diamond and gold ornaments in India FY08-17 rose at a compound annual growth rate (CAGR) of 21.43 per cent.

❖ Cumulative FDI between April 2000-June 2017 in the sector rose from US$ 167.54 million as of March 2008 to 961.62 million as of June 2017.

❖ The International Institute of Diamond Grading and Research (IIDGR) have 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.

❖ Jewelers companies have been consciously altering their product offerings in favor of high-margin studded and wedding jewellery variants.

❖ The removal of gem and jewellery from the ambit of the Prevention of Money Laundering Act has come as a big relief for the sector which is reeling under the twin impact of demonetisation and GST. Following the move, jewellers need not verify the identity of their clients by a KYC process for every transaction of 50,000 or more made through a single or multiple transactions.
GOVERNMENT INITIATIVES

❖ 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 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.
❖ The Government of India has approved the setting up of four common facility centres (CFCs) in Ahmedabad, Amreli, Visanagar and Palanpur at a total cost of INR 16.15 crore (US$ 2.52 million); of which the CFCs at Palanpur and Visanagar have already been inaugurated.
❖ 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 re-skilling and training of existing artisans.
❖ A total of 200 small and medium manufacturers will receive access to the CFCs.
❖ 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.
ROAD MAP AHEAD

Gems and Jewellery sector (in particular, top big companies; as there is entry level barrier for new companies in the sector and the trust of people they enjoy) is full of opportunities in the coming years as demand in India for gold will never end and as middle class population income increases. As income rises, so does saving and Indians prefer to buy gold with their saving as they consider gold as an auspicious and important part 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 considerable amount of money in gems and jewellery especially in gold, all of which are expected to drive demand of gold in the future.

OUR RECOMMENDATION ON STOCKS

BUY PC JEWELLER ABOVE 386 TARGET 420-460 WITH STOP LOSS OF 350

BUY TBZ ABOVE 145 TARGET 165-190 WITH STOP LOSS OF 128

BUY GITANJALI GEMS ABOVE 99 TARGET 115-140 WITH STOP LOSS OF 80

BUY RAJESH EXPORTS ABOVE 770 TARGET 810-860 WITH SL 730
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