



Gems and Jewellery

The India Brand Equity Foundation collates, publishes and disseminates well-researched and comprehensive information on the Indian economy and industry. We present excerpts from a report on the Indian Gems and Jewellery sector prepared by **KPMG** for IBEF

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, as well as 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 the gold jewellery manufactured in India is consumed in the domestic market. However, a major portion of the rough, uncut diamonds processed in India are exported, either in the form of polished diamonds or finished diamond jewellery. The largest consumer of gold worldwide, India is also the leading diamond cutting nation.

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

The Indian diamond industry 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 with around 50 banks providing nearly \$3 billion of credit to the 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 15,000 players across the country in the gold processing industry, of which only about 80 players have a turnover of over \$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 to carve a 4 per cent market share.



The Indian gems and jewellery industry has significant potential

India offers attractive opportunities across the industry value chain.

India's strengths offer attractive opportunities across each of the elements of the value chain.

Mining

India has significant reserves of gold, diamond, ruby and other gem stones. Key states with gem 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 such as 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, the Government of India as well as different state governments have been taking initiatives to open up the sector for exploration by global players.

Gemstone processing

India was the first country to introduce diamonds to the world - the first to mine, cut and polish them as well as trade them. The 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, Indian diamonds 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.

India's significance in the global gems

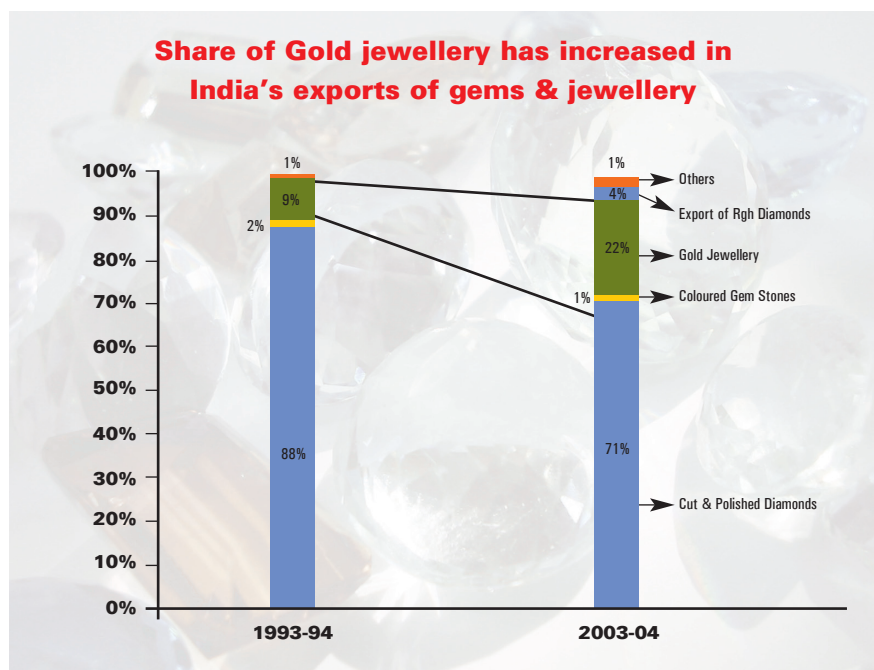
and jewellery industry can be largely attributed to its strength in diamond processing. Value enhancement by the Indian diamond processing industry is the highest among other countries, with a value addition worth \$1.48 billion in 2004 compared to \$840 million in 2003.

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 populations such as the Middle East, South-East Asian countries, the 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.

In the area of diamonds, Indian jewellers have been focusing on moving up the value chain, from being polishers of rough diamonds to the manufacturing 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.

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 has resulted in greater acceptance of Indian products in the world market.

Technology

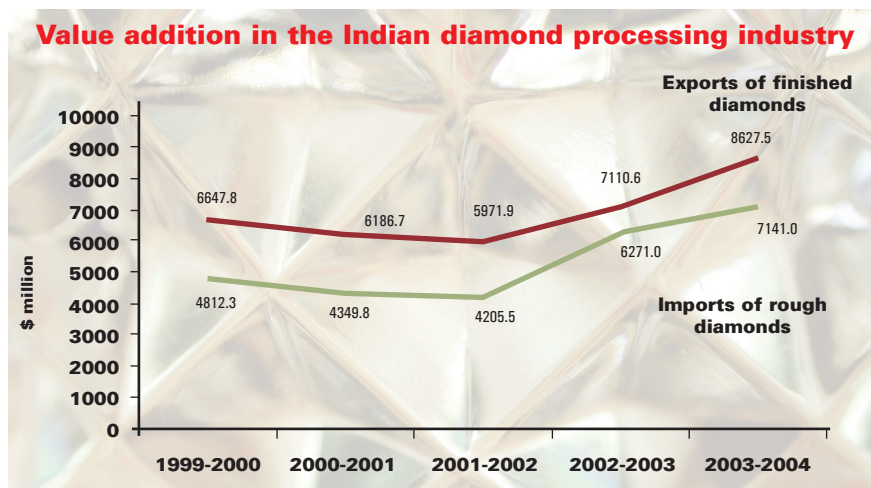
The Indian gems and jewellery industry has made rapid strides in design, powered by a new generation of young, professionally trained, technology driven designers. Many of India's jewellery manufacturing facilities are equipped with the latest CAD / CAM and other advanced design systems. Technology solutions 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 various 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 the traditional skills of the Indian artisan. The Indian industry is also compliant with international norms such as the Kimberly Process and the Patriot Act.

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 for 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, account for the bulk of the sales especially in the rural areas. 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 among 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 of potential growth in India.

Gemstones

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

Jewellery

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

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 \$111.6 million per annum. Trends also show that traditional handcrafted jewellery is slowly giving way to machine-made jewellery.

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 \$16 billion in 2010 according to industry estimates.

Full report can be accessed at www.ibef.org.