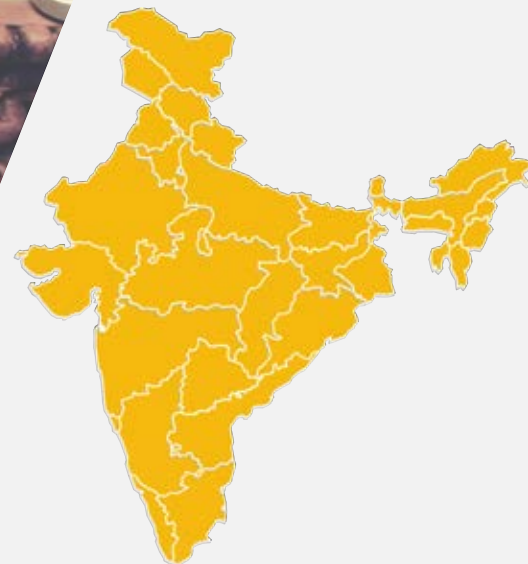




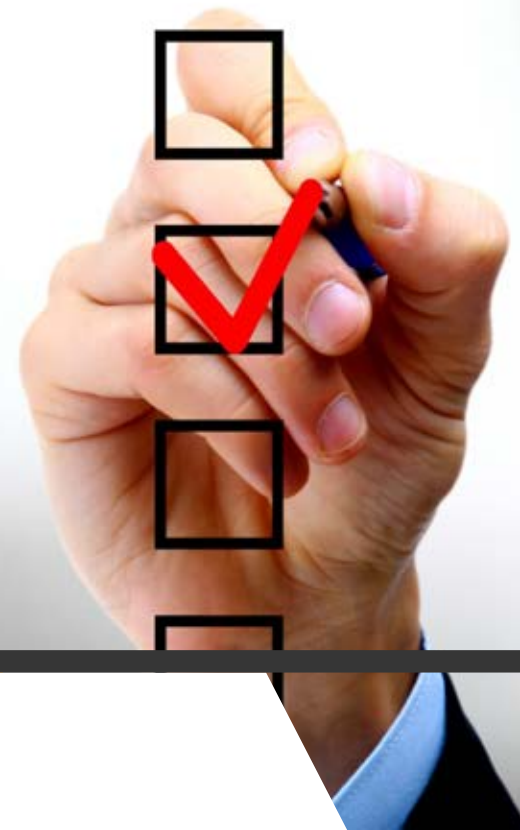
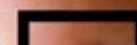
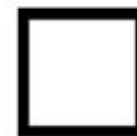
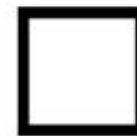
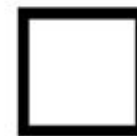
GEMS AND JEWELLERY



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EXECUTIVE SUMMARY

Contribution to GDP and Employment

- India's gems and jewellery sector contributes about 7 per cent to India's Gross Domestic Product (GDP) and 16 per cent to India's total merchandise exports.
- The sector employs over 4.64 million employees and is expected to employ 8.23 million by 2022.

Diamonds processing and exports

- India processes 1 billion pieces of diamonds which is US\$ 23 billion in value.
- India is the world's largest centre for cut and polished diamonds in the world and exports 75 per cent of the world's polished diamonds.
- The export of cut and polished diamonds in FY19 stood at US\$ 23.82 billion.
- Today, 14 out of every 15 diamonds sold in the world are processed 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.
- Market size of gems and jewellery will grow by US\$ 103.06 billion during 2019-2023.
- Its market size is about US\$ 75 billion as of 2017 and is expected to reach US\$ 100 billion by 2025.
- India's domestic jewellery market is expected to grow at a CAGR of 5.6 per cent over FY18-23E.

Robust growth in exports

- The net exports rose from US\$ 15.66 billion in FY2004-05 to US\$ 30.96 billion in FY 2018-19, at a CAGR of 4.99 per cent over FY05-19.

Import trends

- India's gems and jewellery imports increased at a Compound Annual Growth Rate (CAGR) of 5.93 per cent from US\$ 11.63 billion in FY2004-05 to US\$ 26.05 billion in FY2018-19.

Source: GJEPC, Media sources, TechSci Research, Gems and Jewellery Export Promotion Council (GJPEC)

ADVANTAGE INDIA



- India is the second highest consumer of gold in the world as of 2017, supported by increasing disposable income of the middle class.
- In first quarter, 35 per cent India's gold import in current fiscal from the last year to US\$ 11.45 billion.
- India imported gems and jewellery worth US\$ 26.05 billion during FY 2018-19. Imports of gems and jewellery reached US\$ 16.18 billion in FY20P (as of November 2019 Provisional)

Growing demand

- The cumulative foreign direct investment (FDI) in diamond and gold ornaments between April 2000 and September 2019 stood at US\$ 1.16 billion.
- Domestic companies are also increasingly investing in India by expanding their business.

Increasing Investment

- 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.
- India exported US\$ 13.41 billion worth of cut and polished diamonds* during April-November 2019.

Attractive Opportunities

The Government of India has permitted 100 per cent FDI under the automatic route in this sector.

- On January 28, 2019, the Government of India will launch Gem & Jewellery Domestic Council to bring all the segments of the industry under one umbrella.
- Gold Monetisation Scheme enables individuals, trusts and mutual funds to deposit gold with banks and earn interest on the same in return.

Policy support

ADVANTAGE INDIA

Note: *Includes export of CPD (Bonded Warehouse) also

Source: World Gold Council, Media sources, DPIIT, GJEPC, TechSci Research

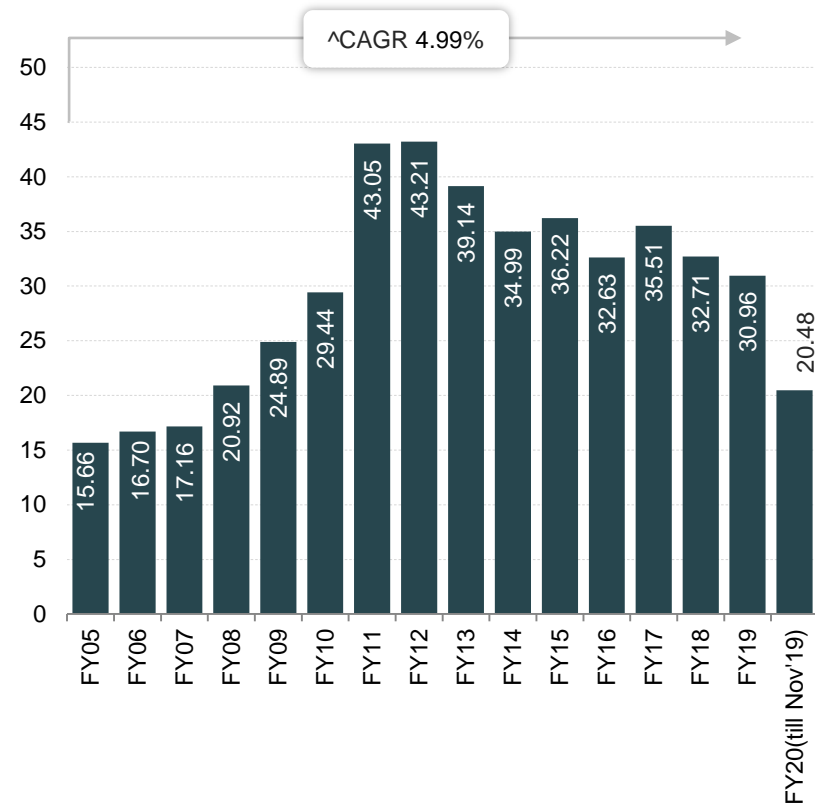
MARKET OVERVIEW AND TRENDS



NET EXPORTS OF GEMS AND JEWELLERY

- Gems and jewellery industry plays a vital role as it is one of the largest exporters and contributes a major chunk to the total foreign reserves of the country. The net exports rose from US\$ 15.66 billion in FY2004-05 to US\$ 30.96 billion in FY 2018-19, at a CAGR of 4.99 per cent over FY05-19.
- In FY18, Hong Kong, UAE and US accounted for 33 per cent, 25 per cent and 23 per cent respectively, accounted as major export destinations of gems and jewellery.
- The net exports of gems and jewellery stood at US\$ 20.48 billion in FY20P (till November'19, Provisional).
- Exports of gold coins and medallions stood at US\$ 707.88 million and silver jewellery exports stood at US\$ 870.24 million in FY20P (till November'19).
- Deals worth Rs 8,000 crore (US\$ 1.19 billion) were made at the Indian International Jewellery Show held in August 2018.

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



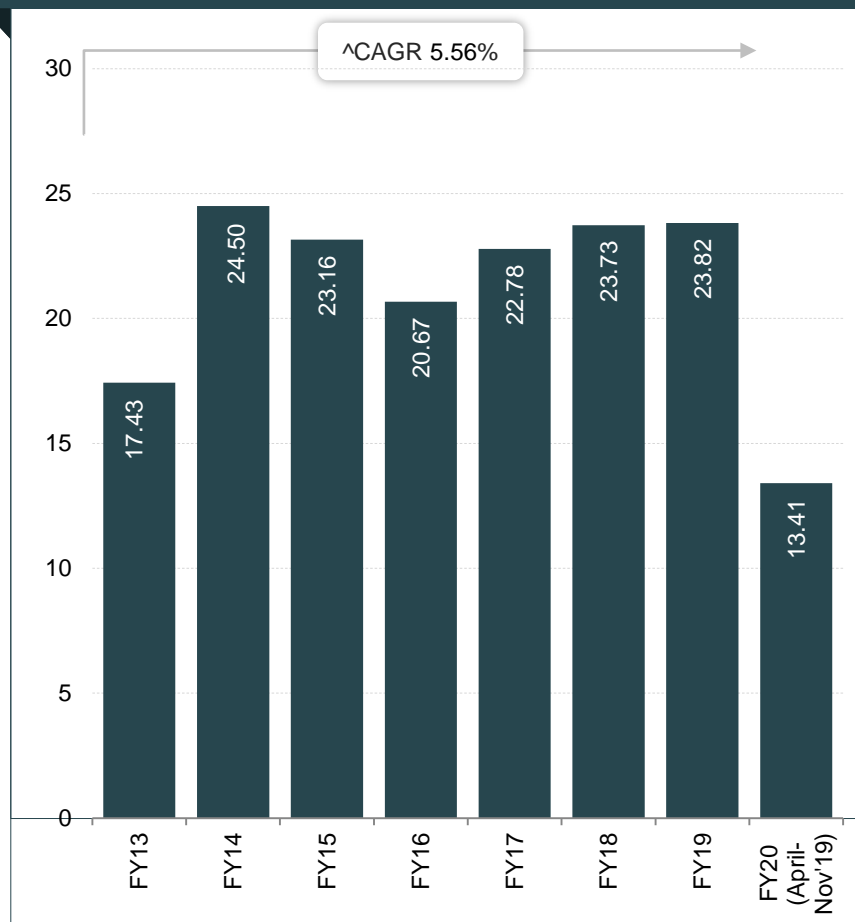
Notes: ^CAGR till FY19, exports are net of return consignment

Source: GJEPC, Media sources

EXPORTS OF CUT AND POLISHED DIAMONDS

- India is the world's largest centre for cut and polished diamonds in the world and exports 75 per cent of the world's polished diamonds.
- In FY19, India exported US\$ 23.81 billion worth of cut and polished diamonds, at a CAGR of 5.56 per cent.
- India exported US\$ 13.41 billion worth of cut and polished diamonds in FY20P (as of November 2019 Provisional). It contributed 73.42 per cent of the total gems and jewellery exports.

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



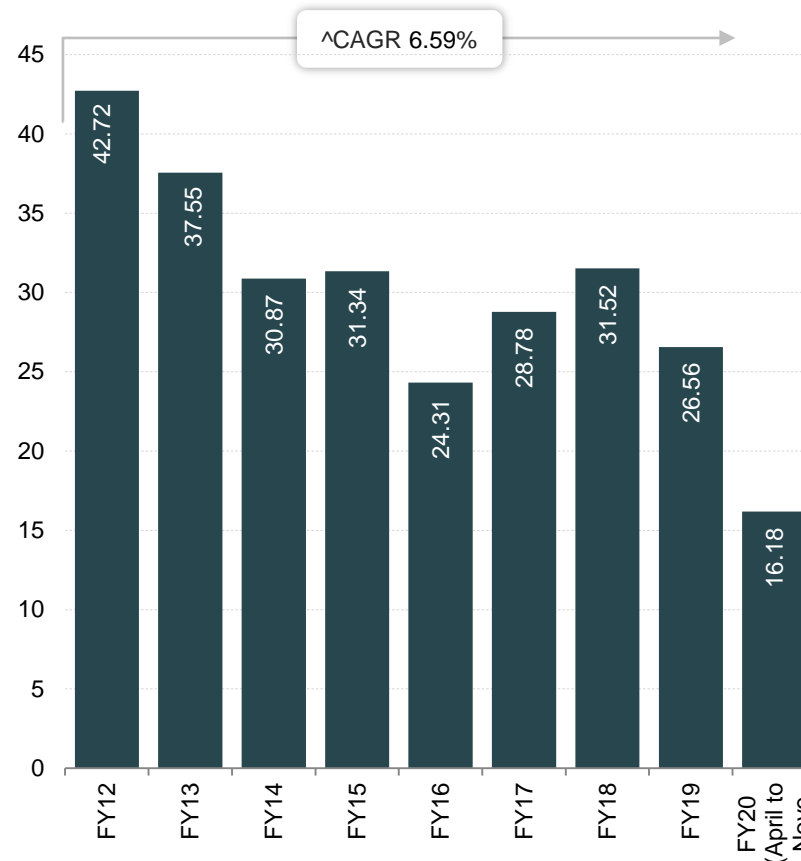
Notes: ^CAGR till FY19, Data of Cut & Pol Diamonds include export of Cut and Polished Diamonds (Bonded Warehouse) also

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 FY05 to US\$ 26.56 billion in FY19, thereby registering a compound annual growth rate (CAGR) of 5.93 per cent.
- India's imports of gems and jewellery stood at US\$ 16.18 billion in FY20 (April to November provisional).

Imports of gems and jewellery (US\$ billion)

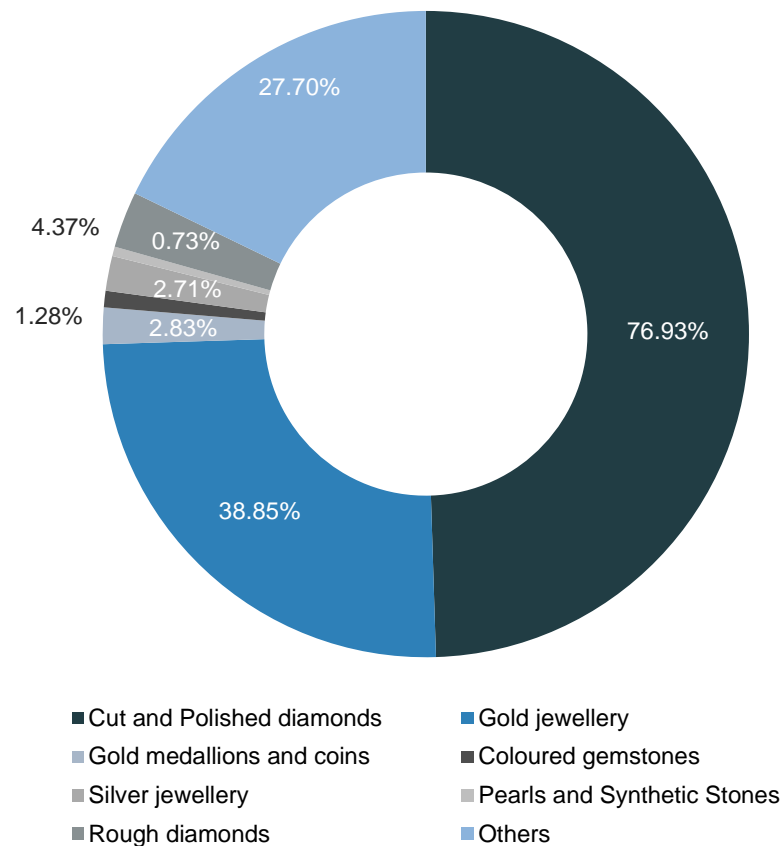


Source: GJEPC

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 76.93 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 38.85 per cent followed by others with a share of 27.70 per cent and silver jewellery with a share of 2.71 per cent.
- Rough diamonds account for 4.37 per cent of the total gems and jewellery exports.
- India's overall gross exports of gems and jewellery declined by 3.12 per cent to US\$ 39.68 billion during FY (2018-2019) as compared to US\$ 40.96 billion of FY(2017-2018).

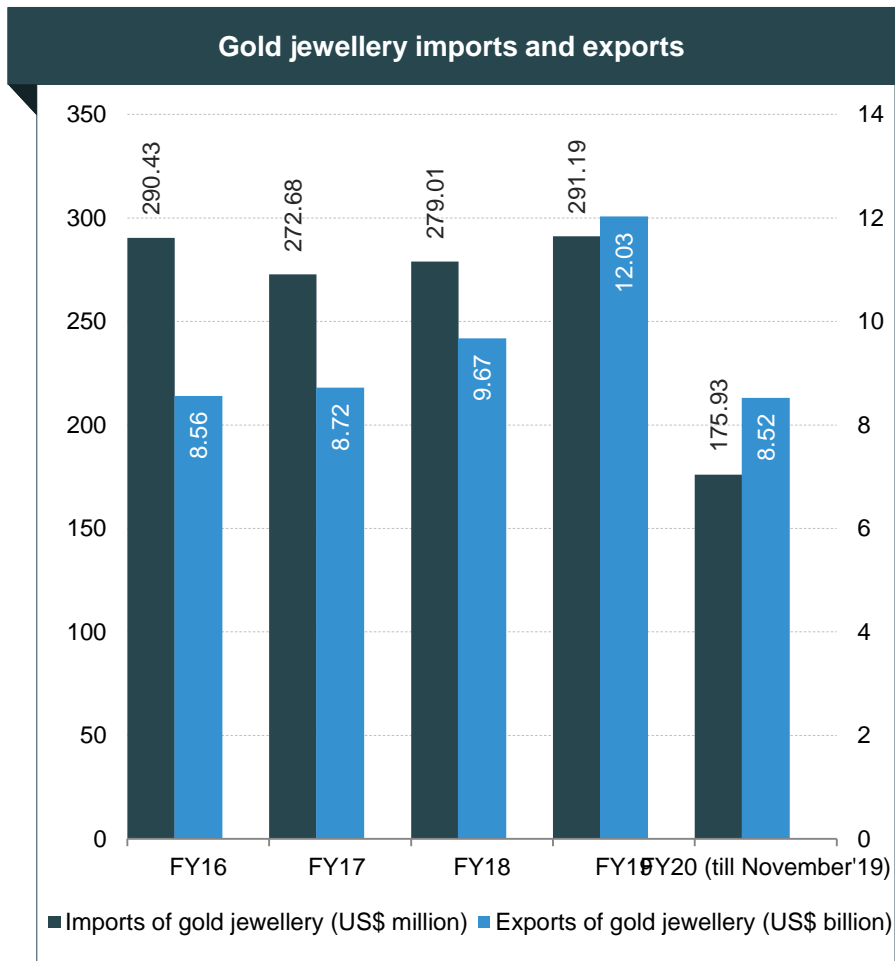
Share of various segments in total gems and jewellery exports during FY2018-19



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.
- In FY19, India's gold jewellery exports stood at US\$ 12,028.66 million and imports stood at US\$ 291.19 million.
- India's gold jewellery exports stood at US\$ 8.52 billion and imports stood at US\$ 175.93 million in FY20P (April-November 19 Provisional).
- Mostly high-end jewellery or machine-made jewellery is imported usually from Middle East or South East Asia.
- In fiscal year (FY) 2019, India's gross exports of gold jewellery rose by 24.36 per cent to US\$ 12.03 billion.
- India's overall import is about 3 per cent, in terms of value US\$ 32.8 billion in 2018-19.

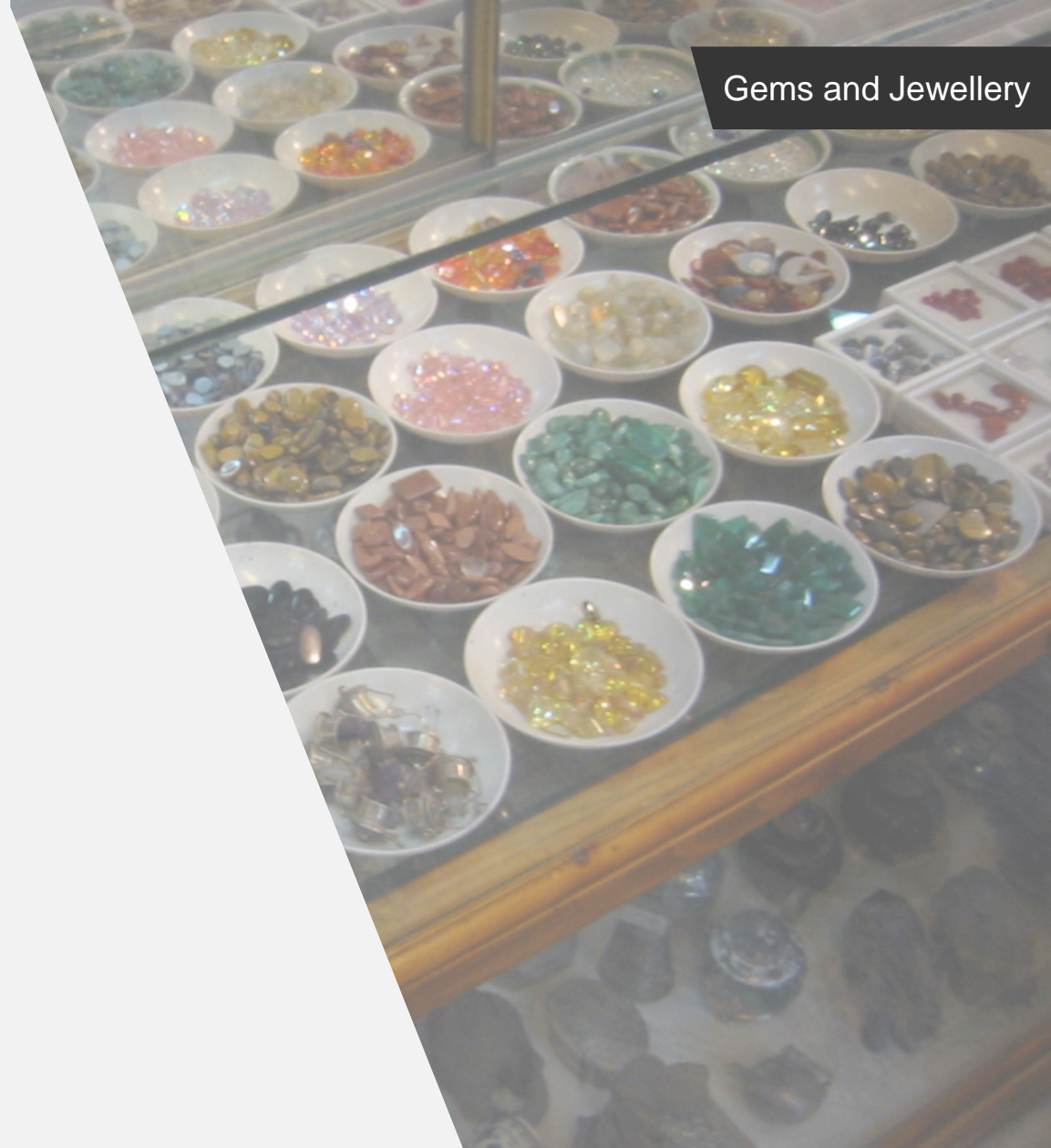


Source: GJEPC

KEY PLAYERS



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 Jewellers , 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, TechSci Research

GROWTH DRIVERS AND OPPORTUNITIES



GROWTH DRIVERS OF GEMS AND JEWELLERY SECTOR IN INDIA

Population Demographics

India's middle class population is expected to increase to 1,250 million in 2048 from 270 million in 2018.

India's rich population is expected to increase to 310 million in 2048 from 30 million in 2018.

Rising gold demand

Rapidly increasing middle class population has led to increase in demand of gold.

India's demand for gold reached 760.4 tonnes in 2018 and 372 tonnes in first half of 2019.

Government Initiatives

Gold Monetisation Scheme to reduce the country's reliance on gold imports to meet the domestic demand.

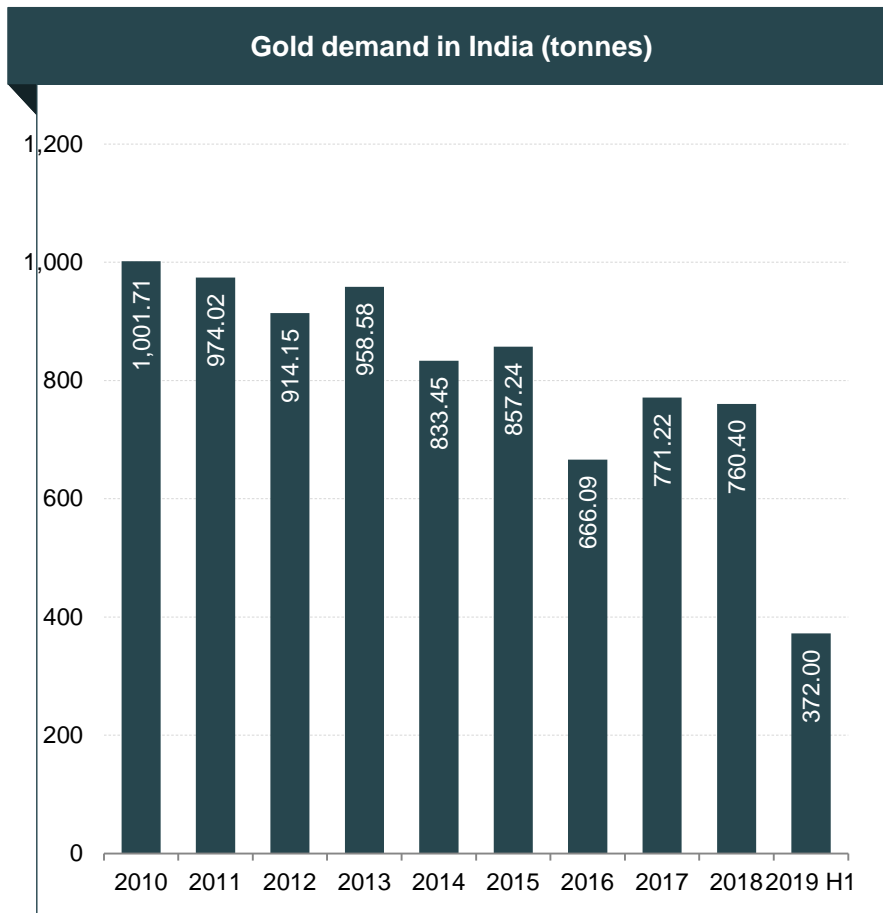
Proposed jewellery park in Navi Mumbai at 25 acre land and allotted 25,000 sq. ft land for jewellery park in West Bengal.

Proposed policy to help increase the gold supply from local refineries to 80 per cent in the next few years from current 40 per cent.

Source: News Articles, WCG report Gold 2048: The next 30 years for gold

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.
- In 2017, India's gold demand reached 771.22 tonnes which averaged up to 840 tonnes over the last 10 years. Gold demand was 760.40 tonnes in 2018.
- Rural purchases are expected to boost India's gold demand in 2018, supported by growth in farmer's income.
- India's demand for gold jewellery hit a four-year high in Q1CY19 at 125.4 tonnes.
- As per world Gold Council (WGC), India's gold demand expected to soften in September 2019.



Notes: H1- first half of 2019

Source: World Gold Council

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

The Goods and Services Tax (GST)	<ul style="list-style-type: none">▪ The Government of India has levied three per cent GST on gold, gold jewellery, silver jewellery and processed diamonds and 0.25 per cent on rough diamonds. Gems and Jewellery exporters are exempted from paying three per cent Integrated Goods and Services Tax (IGST) to banks from January 01, 2019.▪ As per Union Budget 2019-20, the GST rate has been reduced from 18 per cent to 5 per cent (*5 per cent without Input Tax Credit (ITC)) for services by way of job work in relation to gems and jewellery, leather goods, textiles etc..
Union Budget 2019-20	<ul style="list-style-type: none">▪ Under Union Interim Budget 2019-20, the Government of India provided a tax rebate to the middle class and farmers, which is expected to boost demand for jewellery in the country..
Corporate Tax Rate	<ul style="list-style-type: none">▪ 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 many gems and jewellery exporters from MSME category.
FDI Policy	<ul style="list-style-type: none">▪ The Government of India has permitted 100 per cent Foreign Direct Investment (FDI) in the sector under the automatic route.
Demonetisation	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ 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.▪ The Government of India is considering to make hallmarking of gold jewellery sold mandatory.

Source: Union Budget 2019-20, Media sources, TechSci Research

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

Gold Monetisation Scheme

- The Gold Monetisation Scheme was launched in November 2015. This scheme enables 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) has increased the scope of the gold-monetisation scheme by allowing charitable institutions and government entities to deposit gold, which is expected to boost deposits over the coming months.

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 at Ghansoli in Navi-Mumbai on a 25 acres land with about more than 5000 jewellery units of various sizes ranging from 500-10,000 square feet. The overall investment of Rs 13,500 crore (US\$ 2.09 billion).

Common Facility Centres (CFCs)

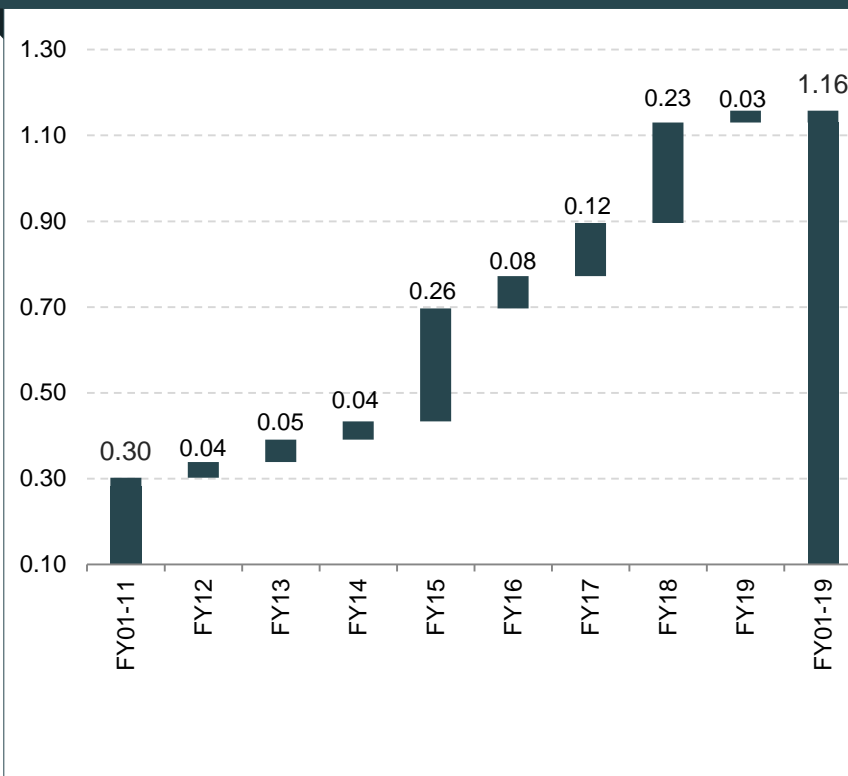
- The Government of India has inaugurated two Common Facility centres , one at Visnagar and second one at Palanpur. Gem Jewellery Export Promotion Council (GJEPC) has plans to open two more CFCs at Amreli and Ahmedabad. GJEPC also plans to set up a CFC at Thrissur, Kerala. Thrissur being a major jewellery 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.
- A total of 200 small and medium manufacturers will receive access to the CFCs.

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

INCREASING FDI INFLOWS INTO THE SECTOR

- Cumulative foreign direct investment (FDI) in diamond and gold ornaments in India between April 2000-June 2019 stood at US\$ 1.16 billion.
- The Government of India permitted 100 per cent FDI in the sector through the automatic route.
- The Rs 250,000 crore (US\$ 35.77 billion) household jewellery industry is probably going to get a major lift through the government's decision for Foreign Direct Investment (FDI) in retail.

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



Notes: ^ - Diamond and gold ornaments,
Source: DPIIT

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
Website: 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

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	44.95
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

Exchange Rates (Calendar Year)

Year	INR 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

Source: Reserve Bank of India, Average for the year

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