

Rising government focus to provide fillip to Gems and Jewellery industry

MAY 21, 2019

The Gems and Jewellery sector in India plays a very important role in the Indian economy. It contributes around 7 percent of the country's Gross Domestic Product (GDP) and 15.71 percent to India's total merchandise exports. As a result, the industry brings in huge foreign exchange and gives employment to over 4.64 million workers, both in organized as well as unorganized sectors. Due to its potential for growth and value addition, the government has declared the Gems and Jewellery sector as a focus area for export promotion. The market size of the sector is about \$75 billion as of 2018 and is estimated to reach \$ 100 billion by 2025. The government has undertaken various measures to promote investments and to upgrade technology and skills to promote 'Brand India' in the international market. India is considered to be the hub of the global jewellery market because of its low costs and availability of high-skilled labour. The country has been the world's largest cutting and polishing centre for diamonds. Moreover, as per a report from the Gems and Jewellery Export promotion Council (GJEPC), India exports around 95 percent of the world's diamonds. Hence, the government has viewed the sector as a thrust area for export promotion.

Imports

The country's import of raw material for gems and jewellery for the month of February 2019 (provisional), reached \$2153.46 million, showing a fall of 20.20%, as against imports worth \$2698.42 million for the same month previous year. The import of raw material for gem and jewellery marginally declined by 16.71% to \$24075.56 million in April- February FY19 (provisional) as against \$28904.67 million in April- February FY18.

Imports of Rough Diamonds fell 16.83% in the period April to February of FY19 (provisional) to \$14310.74 million as against \$17207.14 million in April- February FY18. Imports of Gold Bar for April- February FY19 reached \$7183.02 million, showing a rise of 41.79%, as compared to \$5065.71 million during the same period in FY18. Imports of Cut & Polished Diamonds fell 40.40% to \$1217.39 million in April- February FY19 as compared to \$2042.80 million in April- February FY18.

Exports

India's main export destinations are UAE, US, Europe, Japan and China. America accounts for about one-fourth of the country's total gems and jewellery exports. India's gross exports of gems and jewellery for February 2019 (provisional), reached \$3507.59 million, showing a drop of 1.59% as compared to exports worth \$3564.33 million for the same month previous year, owing to demand slowdown in US and other major markets. Also, the drop in outbound shipments in February is mainly due to negative growth in the export of Silver Jewellery, Gold Medallions & Coins along with a sharp rise in the return of consignments. Meanwhile, exports of gem and jewelley has fallen by 3.85% to \$36032.94 million in the period April to February of FY19 (provisional) as compared \$37478.48 million during the same period in FY18.

India's exports of cut and polished diamonds in the period April to February of FY19 have gone up marginally by 1.17% to \$21952.52 million from \$21698.33 million registered during April to February FY18. Gold jewellery exports in April-February of FY19 went up by 24.76% to \$10789.07 million from \$8647.68 million in the period April to February of FY18. Shipments of Costume & Fashion Jewellery too grew 8.14%. However, export of Silver Jewellery slumped 76.97% to \$765.98 million in April- February FY19, as compared to \$3327.10 million for the same period of previous year. Similarly, export of gold medallions and coins contracted by 62.19 % during April to February of FY19.

FDI in the sector

The government presently allows 100 percent Foreign Direct Investment (FDI) in the sector through the automatic route. The diamond, gold and ornaments sector has attracted \$0.47 million foreign direct investment (FDI) during Q3FY19, down by around 89 percent as compared to \$4.18 million in Q2FY19. The sector had attracted huge FDI worth \$17.84 million in Q1FY19.

Recent Developments

GJEPC signs MoU with MIDC for India's Largest Jewellery Park in Mumbai: In yet another landmark step, the Gem & Jewellery Export Promotion Council (GJEPC), the apex body of Indian Gem & Jewellery Industry has signed a Memorandum of Association (MoU) with Maharashtra Industrial Development Corporation (MIDC) to establish India's Largest Jewellery Park, to be christened as 'India Jewellery Park Mumbai'. The proposed Jewellery Park will be established in Navi Mumbai. The proposed India Jewellery Park, will come up on a 25 acres of land with 4 million sq. feet of built in area housing more than 5000 Gem & Jewellery units in varied sizes ranging from 500 to 10,000 sq. feet. The project will attract an investment of over Rs 13000 crore spread across 3-5 years.

Inaugurates Indian Institute of Gems & Jewellery in Varanasi: The Indian Institute of Gems and Jewellery (IIGJ), Varanasi, an educational venture of the Gems and Jewellery Export Promotion Council (GJEPC) starts its maiden operation in the historical city of art and culture, Varanasi. The institution seeks to define the underlying spirit of the Diamond and Jewellery industry entrepreneurs that would lead to the founding and reviving of the innovative jewellery design, in eastern India. This institution would be of immense help to the students in this region as the curriculum are based on a problem-solving design consciousness, linked to learning with actual experience and suggests that the jewellery designer could be a bridge between tradition and modernity.

GII, NGTC and other G&J Institutes in Asia Pacific sign MoU for Technology Standardisation Alliance: The Gemmological Institute of India (GII), a project of the Gem & Jewellery Export Promotion Council (GJEPC) along with the National Gemstone Testing Center (NGTC, China), the Gem & Jewelry Institute of Thailand (GIT), and China Gems & Jade

Exchange (CGE) signed a Memorandum of Understanding (MoU) for a strategic cooperation agreement for Asia-Pacific Gemstone and Technology Standardisation Alliance (AGA). The MoU represents a significant step forward in the cooperation between GII and NGTC that began in 2017 and grew into an alliance that was aimed at promoting developments of standards, evolving harmonised procedures, standardisation of laboratories with internationally acceptable protocols etc., and with the final goal of formation of the AGA.

Unveils 'Common Facility Centre' for G&J exporters in Coimbatore: The government laid the foundation of the Common Facility Centre (CFC) at Coimbatore. The CFC or 'RatnaAbhushanSuvridha Kendra', a project of the Gem & Jewellery Export Promotion Council (GJEPC), will boost technological and social transformation of workers and small manufacturers in this important jewellery manufacturing hub in South India. The objective in setting up the CFC is to provide the artisans and kaarigars in the gem & jewellery industry with easy access to a state-of-the-art capital intensive and technologically advanced facility. The Coimbatore CFC would help train nearly 60,000 people over a period of time thus benefiting 1,500 to 2,000 jewellery units.

GJEPC to set up 'G&J Export Facilitation Centre' in Delhi: The Gem & Jewellery Export Promotion Council (GJEPC) will open a 'G&J Export Facilitation Centre' in Jhandewalan, New Delhi to provide assistance to its members with regard to various government policies, as well as facilitate promotion and marketing of the industry.

GJEPC launches 'Pratibha' Initiative in Gujarat, aims to attract new talent to G&J industry: The Gujarat region of The Gem & Jewellery Export Promotion Council (GJEPC) has launched its 'Pratibha ' Bridging the Gap' programme at a special function held in Surat. The new initiative aims at changing the perception of the sector among the youth, and highlighting the vast opportunities that exist for them ' ranging from jobs for those with minimal qualifications to openings for highly skilled talent and even young entrepreneurs. It will aim to create awareness among those entering the job market that besides the jobs in diamond cutting and polishing as well as in jewellery manufacturing, there are also openings in areas such as diamond technology, e-commerce, software and solutions, laboratory and testing services, marketing, HR, admin and back office and many more.

GJEPC signs MOU with SEZs for Metal Testing; Manikanchan SEZ installs new XRF machine: A new XRF machine for advance metal testing recently installed at the Manikanchan SEZ in Kolkata. The metal analyzer was installed as part of a new scheme put forward by the Department of Commerce, Government of India. Under this, the Gem & Jewellery Export Promotion Council (GJEPC) was required to sign Memorandum of Understanding (MoU) with the Development Commissioners of Special Economic Zones where gems and jewellery units were functional to ensure operationalizing the advance metal assaying machine. Under the scheme, the operator of the machines in each of the SEZs will be the link between the trade and the Customs appraiser attached to it, testing sample consignments and handing over the report along with the sample to the official. GJEPC was responsible for recruiting of trained operators, who will be directly under the concerned SEZ. Under this initiative, MoUs have been signed with the Commissioners of the NOIDA SEZ, Sitapura SEZ in Jaipur and Manikanchan SEZ in Kolkata.

Unveils GJEPC's Parichay card for G&J sector workers: The government has unveiled the Parichay Card for gem & jewellery sector workers, artisans and craftsmen in India. The specially

designed smart card is an initiative taken by The Gem & Jewellery Export Promotion Council (GJEPC) to provide identification and proper authentication to holders for social security purposes. It will also help create a verified and well-crafted database for gem & jewellery workers to provide them better job opportunities, help to find financial support from banks & financial institutions and provide better healthcare services. While it gives the workers a valid proof of their employment or identity, it also makes them eligible for various initiatives. Along with the card, GJEPC will also provide an optional health insurance cover 'Swasthya Kosh' for all the Parichay card holders. This specially created fund will be under the GJNRF (The Gem and Jewellery National Relief Foundation) which will receive donations that are eligible for 80G tax benefits.

DMCC joins GJEPC's MyKYCBank Platform: The Dubai Diamond Exchange (DDE) - a subsidiary of DMCC (Dubai Multi Commodities Centre) - signed a service agreement to join the MyKYCBank platform of The Gem & Jewellery Export Promotion Council. DMCC will be the fourth trade body to join MyKYCBank, following GJEPC, Bharat Diamond Bourse and the Antwerp World Diamond Council. Under the agreement, members of the DMCC engaged in trading diamonds, gold or precious stones will be eligible to join the MyKYCBank platform.

Outlook

Gems and Jewellery sector in India is likely to perform well in coming time, supported by the recent positive developments in the industry. The growth in sector would be largely contributed by the development of large retailers/brands. The industry is full of opportunities in the coming years as demand in India for gold will never end and as middle class population income increases. The government is currently working on an integrated gold policy that will promote jewellery exports and the industry at large. Moreover, the jewellery park being planned in Navi Mumbai will create one lakh jobs in the jewellery sector. 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. However, the import duty increase in cut and polished diamonds and processed colour Gemstone from 5% to 7.5% will increase the cost of business for the sector and impact exports and trade.

Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
Asian Star Company Ltd.	750.00	1200.51	660.79	0.20	70.69	10.61
Rajesh Exports Ltd.	674.55	19916.76	299.25	0.15	47.39	14.23
Vaibhav Global Ltd.	680.50	2225.32	210.56	0.00	46.98	14.49
Renaissance Global Ltd.	299.90	566.19	316.66	0.00	42.02	7.14
Goldiam International Ltd.	102.00	234.25	167.14	1.47	21.73	4.69
Titan Company Ltd.	1229.80	109179.94	68.37	0.30	15.82	77.76
PC Jeweller Ltd.	107.80	4254.31	97.96	0.46	13.57	7.94
Tribhovandas Bhimji Zaveri Ltd.	53.40	356.34	72.50	1.40	2.33	22.90
Swarnasarita Gems Ltd.	10.25	21.40	45.28	0.00	2.14	4.79
Onesource Ideas Venture Ltd.	18.35	5.64	15.02	0.00	0.12	151.20
Kanani Industries Ltd.	4.85	47.98	5.03	0.00	0.08	59.46

Sorted with TTM EPS (High to Low)

Source – Ace Equity

Disclaimer

This report is for private circulation within the Indira Group. This report is strictly confidential and for information of the selected recipient only and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form. This report should not be construed as an offer or solicitation to buy or sell any securities or any interest in securities. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or any such factor. The information, opinions estimates and forecasts contained here have been obtained from, or are based upon, sources we believe to be reliable, but no representation of warranty, express or implied, is made by us to their accuracy or completeness. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice.