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Diamond exporters look to domestic market as rupee gains strength

Business Standard

12 October 2012, Ahmedabad :With the festive season round the corner, strengthening of the rupee against the dollar has made diamond exporters look within the country for higher sales and better realisation. Diamond players have decided to focus more on the domestic market this festive season, fearing an uncertain currency movements during the peak season.

The rupee quoted marginally above Rs 53 against a dollar today. The Indian currency has recovered by about Rs 4 a dollar since June.

According to the industry, a weak rupee would make exports attractive, but at the same time, raw material imports of dollar-quoted gemstones would become costlier, leaving not much net gain for exporters.

“The weak rupee had caused an escalation of raw material costs for diamantaires. The rupee quoted above 55-56 against a dollar during the second quarter of the fiscal. The net gain between payments and receivables is marginal. So, it’s more attractive to sell in the domestic market,” said Dinesh Navadia, a diamond trader and president of the Surat Diamond Association.

Industry insiders maintained diamond exports had been on a decline since April. The data provided by the Gems and Jewellery Export Promotion Council (GJEPC) showed that exports of cut and polished diamonds stood at 13.44 million carats for April-August against 24.79 million carats during the corresponding period last year.

“Newer markets and consumer segments are emerging in the domestic market itself. We see domestic demand growing about 15-20 per cent during this fiscal over the same period last year. Jewellery demand is also upbeat. Therefore, exporters prefer the domestic market over international,” said Pravin Nanavati, a Surat-based diamond expert.

A declining trend of diamond exports can be gauged from the GJEPC data, which shows a decline of about 22 per cent from 66.64 million carats of cut and polished diamonds exported during 2010-11 to 51.86 million carats exported in 2011-12.

“International markets are dull. Key markets such as Europe and the US have shown some improvement, but that is insufficient to encourage exporters as the currency uncertainty is affecting their confidence,” said a diamond exporter from Surat. Industry players see diamond exports to drop 10-15 per cent this festive season.

It may be noted that in October 2011, the rupee quoted at Rs 49.16 a dollar, but it rose to touch Rs 57 a dollar by June this year. However, recently, the rupee showed improvement and recovered to Rs 52.70.
A strong rupee would make imports cheap, but at the same time, it is believed to limit the gains for the exporters as the dollar receivables would yield less in rupee terms.

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Gems & jewellery exports fall 17% in 2012

Dilip Kumar Jha, Business Standard

Mumbai, 30 January 2013: India's gems and jewellery (G&J) exports declined 17.09 per cent in dollar terms and 4.65 per cent in rupee terms in 2012 amid stagnating demand in West Asian and European markets. The decline in dollar terms was partly set off by the depreciation in the rupee.

Gems and Jewellery Export Promotion Council (GJEPC) data showed that overall G&J exports fell to $38.3 billion (Rs 2.05 lakh crore) in 2012, compared with $46.2 billion in the previous year. The rupee averaged at 53.49 against the dollar in 2012, compared with 46.68 in the previous year.

We believe the decline would be fully set off by the end of March 2013 after which the industry would enter into positive territory, said Vipul Shah, chairman of the GJEPC.

After a dwindling first six months of the current financial year, G&J exports started recovering gradually in October with stockists orders flowing in from the US for Christmas, New Year and Mothers Day celebrations. Since these three occasions constitute around 40 per cent of overall annual jewellery sales in the US, neither Indian exports nor American retailers look to miss the opportunity.

Overall jewellery demand during the Christmas and the New Year seasons remained flat with around five per cent growth witnessed in the US market. But it raised hope for a recovery, with around 15-20 per cent growth expected during the next financial year, said Shah.

While the US alone comprises 11 per cent of Indias overall G&J exports, West Asia constitutes 48 per cent. Hence, Indian exporters are scouting to expand their footprint further in the West Asian market, in addition to exploring new markets like Australia, Romania and former Soviet republics (Commonwealth of Independent States). Japan is another destination which Indian jewellery exporters are scouting for high-end ornaments. Jewellery exporters are also betting big on the growth in the domestic market this year after the government took a number of reform measures to bring the economy back on the growth path.

Gitanjali Gems Ltd, which runs around 130 retail outlets in the US, has reported around 10 per cent growth in sales on the occasions of Christmas and New Year. According to Mehul Choksi, chairman of Gitanjali group: The economic revival will bring consumers back to the stores in larger numbers, and also strengthen demand for what are otherwise considered non-essentials.

On the domestic front, Choksi said: After a challenging 2012, the Indian government, allowing foreign direct investment in multi brand retail, will yield relatively immediate results, and probably be a cornerstone of retail growth in the first half of 2013. Its only later in the year that the impact will take a more concrete shape as companies move from the drawing board to practical action. But full-fledged penetration of the Indian market by foreign retailers will probably begin only in 2014.

Struggling to overcome the sustained fall in export turnover, diamond jewellery manufacturers have urged the government to implement the Benign Assessment Tax Procedure (BATP) with 2.5 per cent ad valorem income tax levy on declared turnover. Currently, the government considers six per cent as net profit on the turnover declared by jewellery exporters on which 30 per cent of corporate tax is levied.

BATP is currently applicable in major global diamond trading centres like Belgium, Israel and Thailand. It is also currently levied in some other forms in China. Hence, why cannot the same be levied in India too, for transparency, he asked.

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Gems and jewellery exports fall 9% in 2012-13

Business Standard

Mumbai, 30 April 2013: India's gems and jewellery exports fell more than nine per cent to $39.03 billion for the year 2012-13 compared to $43.09 billion in the previous year. The fall is due to weak demand from the developed world, Gems and Jewellery Export Promotion Council (GJEPC) said on Tuesday.

However, the sector will see a turnaround in 2013-14.

"The outlook for 2013-14 looks positive with an estimated growth of 12-15 per cent. The US and Japanese jewellery markets will bounce back with an estimated five per cent growth, while China will remain stable at 10 per cent growth," said Vipul Shah, chairman of the council. Gems and jewellery make up for about 14 per cent of India's total exports.

It may be recalled that the Prime Minister's Economic Advisory Council also said last week that gem and jewellery exports will increase 12 per cent in 2013-14 which will help curb the current account deficit.

Falling gold prices will be another booster for jewellery demand.

GJEPC today announced the annual performance for the Indian gems and jewellery sector.

During 2012-13, imports of rough diamonds went up by 12.65 per cent indicating an increase in cutting, polishing and other manufacturing activities in India. However, import of cut and polished diamonds fell 61.45 per cent, indicating a decline in India's foreign exchange spending.

Commenting on the annual results, Shah said, "At a time when the industry is going through a challenging period, government regulations related to the reintroduction of bonded warehouse facility for diamond exporters and revision in duty drawback rate facility for gold jewellery exporters has helped strengthen the industry."

Interestingly, he said there are several initiatives that would materialise during the year. These include proposals for regulatory measures such as introduction of consignment imports of diamonds, start of rough diamond tenders and auctions in India, formation of committee for looking into lending norms for banks to the diamond and jewellery sector.

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RBI to allow gold imports only for meeting exporters' needs

ENS Economic Bureau

Mumbai, 5 June 2013: The Reserve Bank of India on Tuesday extended the restrictions on the import of gold on consignment basis by banks to all nominated agencies and trading houses to check the alarming trend that has put huge pressure on the current account deficit (CAD). Any import of gold will now be allowed only for meeting exporters' need of gold jewellery, the RBI said in a statement. "All letters of credit (LC) to be opened by nominated banks or agencies for import of gold under all categories will be only on 100 per cent cash margin basis," the RBI said in a notification. Further, all imports of gold will necessarily have to be on 'documents against payment' basis. "Gold imports on 'documents against acceptance' basis will not be permitted. These restrictions will not apply to import of gold to meet the needs of exporters of gold jewellery," it said. On May 13, the central bank had imposed the restriction on banks importing gold on consignment basis. Besides, it has also put restrictions on banks and NBFCs for providing loans against gold coins as well as units of gold ETFs. The import of the yellow metal during the first two months of the current fiscal are estimated at $ 15 billion. Gold imports by India stood at 860 tonnes in 2012. The World Gold Council expects the country's gold import to touch a record level at 300-400 tonnes in April-June period. 'Govt working on further measures'

Even as the Reserve Bank of India put fresh restrictions on high gold imports that have hit the trade deficit, the government on Tuesday said it has further measures to curb demand but said it would take "measured actions" at present. "RBI has taken measures. We should be careful to note that high gold imports are not unique to India. We have to be careful about not being overly heavy handed," the finance ministry's chief economic adviser Raghuram Rajan said when asked whether the Centre would further hike import duty on gold.

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Gems, jewellery exports rebound, surge 33% in April

PTI

New Delhi, 25 May 2013: After declining 3% in March, India's gems and jewellery exports witnessed robust growth of about 33% to $3.38 billion in April 2013. In April 2012, exports stood at $2.55 billion, according to the data provided by the Gems and Jewellery Export Promotion Council (GJEPC). "These exports saw very healthy growth as demand is rising not only in American market, but also in emerging markets like China, Russia and Latin America," GJEPC executive director Sabyasachi Ray said. But, he said, the European market is still sluggish. The major markets for the country's gems and jewellery exports include the US, the UAE, Hong Kong and Europe. Among the categories that witnessed growth in April, silver jewellery topped the list with a robust growth of 469%, followed by coloured gemstones 218 %, cut and polished diamonds 37% and gold medallions and coins 13.2%. However, outward shipments of gold jewellery saw a decline of 13.8%. During 2012-13, gems and jewellery exports declined by 9.4% year-on-year to $39 billion due to weak demand in western markets. The council feels that in 2013-14 these exports would grow between 10% and 15% compared to the last fiscal. Gems and jewellery constitute 17% of India's total exports and the sector employs 1.5 million people.

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Import duty on gold raised to 8%

Business Standard

Mumbai, 6 June 2013: To arrest rising gold imports, which could widen the current account deficit (CAD), the government today increased Customs duty on gold by two percentage points, to eight per cent. This was the second time in six months that the duty was raised.

A notification by the Central Board of Excise and Customs said the import duty on standard gold bars, coins and platinum had been increased from six to eight per cent. The import duty on gold ores and concentrates used to manufacture gold was raised to six per cent. Excise duty on imports of gold dore bars (raw gold) has been raised two per centage points to seven per cent. The excise duty is a per cent lower than the Customs duty to incentivise local refineries to import raw gold and refine it here.

In May, gold imports touched 162 tonnes. In terms of value, gold imports in April and May touched a staggering $15 billion.

Today's move followed the Reserve Bank of India asking banks and nominated agencies not to import gold on a consignment basis for domestic use. It has also disallowed import of gold on credit.

The industry, however, voiced opposition against today's move, saying this would increase smuggling of gold. "The duty hike in gold is not necessary, with restrictions already in place. If the price falls another five per cent, consumption would rise, irrespective of the duty hike," said Sudheesh Nambinath, India analyst, GFMS Thomson-Reuters.

"For a few months, we are talking about the deficit created by the import of gold. However, how much revenue the government has got since January 2012 hasn't been discussed. In January, Customs duty was two per cent; now, it is eight per cent... We, the gold industry, are paying so much revenue to the government... The actual figures can be calculated and checked. The truth would come out," said Mohit Kamboj, president of the Bombay Bullion Association.

Industry officials said last year, about 100 tonnes of gold were smuggled into India and after today's rise in import duty, it was expected this would rise at least 40 per cent this year.

Following news of the rise in import duty on gold bars, gold prices rose Rs 600/10 g to about Rs 27,700/10 g in MCX August gold futures.

In 2011-12, gold imports stood at 1,064 tonnes; in 2012-13, these amounted to 1,015 tonnes. Owing to various central bank measures, this financial year, gold imports are expected to fall to about 900 tonnes. In April, imports stood at 133 tonnes. The finance ministry estimates in May, 162 tonnes were imported.

Despite the sharp increase in imports, demand for gold has fallen after Akshaya Tritiya. According to industry estimates, total jewellery and investment demand in April stood at 120 tonnes; in May it fell to about 75 tonnes.

In 2012-13, gold accounted for 11 per cent of India's imports. This led to the trade deficit widening to an unprecedented $190.4 billion. This may widen India's CAD, which stood at a record 6.7 per cent of gross domestic product in the third quarter of 2012-13.

The Prime Minister's Economic Advisory Council expects gold imports to fall to $45 billion this financial year.

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Gems & jewellery exports plunge 41% in June

Business Standard

Mumbai, 16 July 2013**:** India's gems and jewellery exports fell 40.63 per cent in June, owing to weak demand from major destinations such as the US and the European Union. In rupee terms, overall jewellery exports fell 38.12 per cent to Rs 13,895.87 crore, against Rs 22,456.62 crore in June 2012.

Data compiled by the Gems and Jewellery Export Promotion Council showed shipments of ornaments nosedived to $2,379.44 million in June from a staggering $8,512.94 million in the corresponding month last year. However, exports of cut and polished diamonds rose 22 per cent to $1,478.81 million from $1,212.29 million in June 2012.

Restrictions on gold imports, proved a hurdle for jewellery exporters. Owing to low availability of gold (banks allowed gold imports only on a consignment basis and increased import duty), gold jewellery exports fell a staggering 73 per cent to $556.81 million from $2,062.32 million in June 2012. In rupee terms, these exports plunged 72 per cent to Rs 3,251.80 crore from Rs 11,555.17 crore in June 2012.

The gold medallions and coins segment was also hit by the government's curbs on gold imports. Not surprisingly, exports from this segment were completely wiped out in June, against $513.29 million (Rs 2,875.96 crore) worth of exports in June 2012.

In addition to raising import duty on gold by two per cent to eight per cent early this financial year, the Centre also barred sales of gold coins and bars by banks to control the country's burgeoning current account deficit.

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