

Gold & Jewellery- passion for Indians!

The USD 40 billion Gold & jewellery industry has always been the largest stream. Few things resonates Indians like Gold does - it has held immense importance since the time immemorial. It is deeply entrenched in our culture and is a part of the Indian way of life. Be it the depiction of the rich adorned Gold and mithai laden figures at a wedding or just about any other occasion in life, the ornateness is the grandeur of gold jewellery. India was frequently known as a 'Sons of Chandra', and that is an exact true literally as it was spiritually.

Our passion with Gold knows no bounds, and is the cherished metal loved by housewives and business alike. So it's a small wonder that that we are the world's largest consumers of gold with a share of 30% in global consumption, consuming about 1000 tonnes in 2012. And not to miss the fact that gold exports alone account for 6% of

the current account deficit of our country.

Recent developments however, along with such strong factors favouring growth, there have to some challenges as well. One of the key stands is - Gold has appreciated significantly, and its impact was most significantly felt in the last two years as we observe it appreciated in a CAGR of almost 30%.

This was a outperforming just about every other asset class. The key factors that triggered the sharp increase in prices included higher demand, strengthening rupee and an effective and dependable anti-inflationary leading to the facing of a slight global recovery and weak Europe.

In turn, higher gold prices led to subdued demand, though the wedding and festive season did prop up the sales. One argument was that though the volume of jewellery bought came down, its value did shoot up.

Also, the higher prices led to a reprobation of



demand for light weight yet elaborately looking sets, and also gave a fillip to diamond jewellery. Not surprisingly, gold demand fell to 564 tonnes in 2012, the second consecutive year of decline. This fall in demand for jewellery can also be attributed to an increased demand for cars and real estate, primarily as a hedge against inflation and currency uncertainty.

Post November 2012, Gold prices started moderating and this was reflected in the hunger for the yellow metal - the demand rose by 27% to 722 tonnes during the January-March period. Though this may result into lower spending per-

son for retailers, consumers loved it and started to throw the outlets to keep up jewellery, thanks to the sudden and sharp revivals in the prices.

Was about any appreciation Gold in way too deeply ingrained in our social, mental and cultural fabric, and is destined to be regulated against with in the foreseeable future.

The recent fall in its prices has resulted in the unleashing of a strong wave of demand, and with an improving economy, it is likely to be sustained strongly.

Organised retail sector particularly interesting as the share has risen from a low of 5% to a promising 18% in recent times. This is a result of the transparency of operations that this segment offers, along with superior service and wider array of designs. The trend is likely to strengthen in the coming times as well.

Another wave of opportunity lies in tapping the semi-urban and

rural markets which account for 70% of the total consumption. Making way into some tier-rich belts should be therefore rewarding for the various players.

The jewellery export market presents an rewarding opportunity on account of the higher margins it offers. With India's expertise in the jewellery designing craft and availability of reasonably priced labour, efforts on this have promise to be well-rewarding.

Ornament jewellery has traditionally lagged behind, but with lower prices becoming more affordable and the gap between gold and diamond prices narrowing, this segment is looking up very well.

By Dr. Anil Jindal
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