

## Gems, Jewellery And Watches

Industry Code (as per CMIE Prowess): 0101012520000000'

June 2022

Overall Industry Risk Score: **11/20 | Marginally Unfavourable**

Sample Size: 25 Companies

Median Rating Value of sample size: BBB+

### Individual Parameters Contributing to the Score

#### Demand & Supply Balance



12/20

##### DS Equilibrium

Gold and diamond jewellery demand had been severely impacted due to the pandemic and sharp reduction in discretionary expenditure. Gold imports have been significantly impacted in FY21. India generally imports 700-800 tonnes of gold annually. Gold imports in volume terms stood at 842.28 tonnes in April 2021– February 2022. The first half of FY21 was affected by lockdowns, however an import demand pickup was observed in the second half. The gold imports rose by 33% during FY22 to USD 46.14 billion due to higher demand. As per GJEPC, Exports of Gems & Jewellery increased by 54.65% from USD 25.51 billion for FY21 to USD 39.45 billion for FY22. The revival in demand is expected to sustain in FY23. The Ukraine-Russia war has impacted the pricing and supply of rough diamonds.

#### Extent of Competition



8/20

##### Fragmented Industry

The market has been highly fragmented with a significant presence of smaller players and the unorganised sector. In the domestic segment, the increasing presence of organised retail branded players has been observed.

## Regulatory Risk



12/20

### Predictable Regulatory environment

Jewellery purchase in cash above Rs. 2 lac will require additional documents like PAN card of buyer. On the positive side for the consumers, Initiatives like compulsory hallmarking of jewellery are a step in the direction of ensuring reliability in quality. The regulations governing export and import of gems and jewellery are generally amended from time to time keeping in mind the inputs from GJEPC, revenue considerations, export and employment potential of the sector. The imposition of sanctions by USA on Russian diamonds could affect the trade.

## Input Related Risk



12/20

### Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

The domestic prices of gold bullion and gold jewellery are linked to international prices of gold, exchange rates and duties. The prices of diamond roughs which are mostly imported have a bearing on the prices of cut and polished diamonds & studded jewellery. Availability of skilled labour is another factor which has a bearing on the cost structure.