

Chasing the 'forever' dream

Indian diamantaires are raring to go further

The diamond industry in India is in a state of frenzy. If the pace of the past three decades has been furious, the future promises to be dizzying. And behind the calm cold glitter in the eyes of the diamond merchants — not dissimilar to the sparkle of the diamonds they cut, polish, promote and sell — there is the fretfulness of dreamers: that they should have the world at their feet.

Not that they have done badly. Consequent to the De Beers group allowing the market for large rough and polished diamonds to crash in the late seventies, the Indian diamantaire suddenly assumed a significance he had not dreamed of. De Beers needed to promote another variety of diamond to counter the stockpile of large diamonds that many Israeli companies had begun to create with generous dollops of loans from banks. So, while Israeli banks went bust — the large stones they had kept as collateral against loans suddenly lost value — and as many Jewish speculators were ruined, the Indian community began cutting and polishing the smallest of stones which helped De Beers promote mass-market diamond studded jewellery for the middle class.

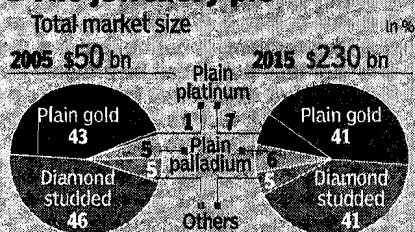
Within a couple of decades, Indians were cutting and polishing almost 90% of all roughs in the world, though in terms of value, their share was just 30%. They were kings of the market in terms of quantity, though not in terms of value.

And this has posed a challenge. If India has to grow, it must control at least one end of the market — either the supply or the end customer.

Controlling supply of roughs won't be easy. Almost 90% of roughs come through De Beers (also referred to as the Diamond Trading Company (DTC) or the Oppenheims). The rest comes through Argyle of Australia and Russia (some of them as synthetic diamonds) and clandestine sales. India stands no chance.

Thus, the only option left for Indian diamantaires is to control the consumer end of the market. And that is where the big bucks lie. You could see the value of \$4.4 billion become \$17.6 billion (see table). And they have begun looking at the retail trade in diamond studded jewellery where

■ The jewellery pie



The value chain

Year	2005	2015
Diamond rough production	12.7	15.5
Diamond mine sales	0.5	0.6
Diamond rough trade	1.7	1.6
CPD output	4.4	7.7
Polished diamond inventory	-2.4	0.4
Polished diamond trade	0.7	0.7
Polished diamond*	17.6	26.5
Precious metals	40.6	69.2
Jewellery fabricated wholesale	20.6	34.3
Jewellery retail	67.2	100.0
World Jewellery sales	146.0	230.0

* wholesale prices

Source: KPMG analysis

this market — with the addition of another \$10 billion of metal and labour — further swells into \$67.2 billion. Not surprisingly, Indians are setting up their own wholesale stores for diamonds overseas, and are also going in for studded diamond jewellery sales under their own branding.

What they are eyeing is a stupendous increase in the market over the next decade. Cut and polished diamond output is expected to increase to \$7.7 billion; polished diamond at wholesale prices to \$26.5 billion and retail jewellery to \$100 billion. In fact, the market for gems and jewellery is expected to grow from \$146 billion to \$230 billion in 2015.

Can India succeed in this gambit? If the past is anything to go by, there is cause for optimism. Do remember that with practically no government incentive — except the export benefit that all exporters have enjoyed — the Indian diamantaire has climbed to the top of the heap. And the moves that Indians have been making to consolidate their position in markets like branded jewellery and diamond studded jewellery are impressive.

Evidently, the sparkle could become a lot more brilliant in the coming years.

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