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Weekly Highlights

Polished diamond trading improving as steady U.S. demand raises expectations for Las Vegas Shows. Far East demand soft despite improved China jewelry sales during May Day holiday. Polished prices stabilizing with shortages of good quality X3 diamonds. April 1ct. RAPI +0.4%. Fancy shapes weak. Rough markets cautious. De Beers reduces prices about 3% at small May sight, but rough still highly unprofitable. Titan's FY revenue +9% to \$1.8B, profit +11% to \$127M. U.S. March polished imports +9% to \$2.2B, polished exports -8% to \$1.7B. **R**

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(Courtesy of Israel Diamond Exchange)

Who's Buying the Rough?

AVI KRAWITZ

Much has been said about unsustainable rough diamond prices in the past year. The lack of profitability in the diamond manufacturing sector has caused manufacturers to significantly scale down their operations and rough purchases in the past six months.

Indeed, in an article **published** this week, **Martin Rapaport**, chairman of the **Rapaport Group**, urged the trade to prioritize the purchase of polished diamonds over rough. Rapaport called on the banks to stop financing unprofitable diamond manufacturing until polished prices rebound and profitability returns.

Still, manufacturing remains at the core of the diamond industry, employing tens of thousands of workers and providing sustenance to possibly millions of their dependents. In the long run, manufacturers require profitable rough supply to ensure continuity in their operations.

Many of the larger manufacturers argue that securing consistent long-term supply is the key to gaining that continuity. The guarantee of consistent rough supply enables manufacturers to plan their production and assure polished supply to their jewelry wholesale and retail clients who often run programs with specific needs.

Consequently, a significant proportion of rough diamond production is sold to the market via long-term contracts.

Not all diamond mining companies are able to sell their production in such a manner. Most junior and mid-size miners sell via spot auctions or tenders, whereby buyers compete for rough in a bidding process. Some also have off-take agreements with buyers who are offered first selection of the mining company's supply at a pre-negotiated price.

Only a handful of the larger mining companies have the scale of production that enables them to guarantee a scheduled, consistent supply of rough to a set group of clients. Therefore, it's worth noting who the major buyers of rough are in the market, who is selling to them and how.

De Beers, **ALROSA**, **Rio Tinto** and **Dominion Diamond Corp.**, which together account for about two-thirds of global production by volume, each

recently penned new long-term supply contracts with their respective clients.

De Beers selected 85 clients known as 'sightholders' to receive rough during the new three-year contract period that began on April 1. The company sells approximately 90 percent of its supply to sightholders on a schedule of 10 sights per year, and the remainder are mainly sold via auction sales.

Of the total number of sightholders, 81 were selected as part of **De Beers Global Sightholder Sales (GSS)** – four of which are for industrial diamond supply. Twenty companies receive beneficiation supply in Botswana, eight in South Africa and 11 in **Namibia**. A spokesperson for De Beers explained that the 11 sightholders in Namibia remained unchanged this year while the company is still negotiating a new sales agreement with the government.

Four companies were awarded accredited buyer status for GSS and there is one accredited buyer for **De Beers South Africa** supply. An accredited buyer is a new category of De Beers client, giving those selected companies the opportunity to purchase rough from De Beers on an ad-hoc basis, depending on the availability of ex-plan, which is supply that is in excess of sightholders' annual applications. Three of the accredited buyers have a sight in other beneficiation areas, while two solely have accredited buyer status.

De Beers was scheduled to update its **website** with the full list of sightholders and accredited buyers this week, coinciding with the first sight of the new contract period. The list revealed that 33 sightholders are based in India; 18 in **Belgium**; 12 in **Israel**; nine in the **U.S.**; four in **Hong Kong**; two each in the **United Arab Emirates (UAE)** and **Switzerland**; and one in **Canada, Japan, Mauritius, Russia** and the **U.K.** respectively; according to *Rapaport News* records.

There's a similar spread between the major manufacturing and rough trading centers among the so-called 'ALROSA Alliance' customers. ALROSA sells about 70 percent of its production through its long-term contracts and the remainder via spot and special auction sales. Among the 47 ALROSA alliance clients listed on the company's **website**, 15 are based in Belgium, 14 in India, eight are in Russia, four in Israel and three in Hong Kong. There is also one each from **Belarus**, Japan and the U.S.

Some 23 companies have supply contracts with both ALROSA and De Beers, according to *Rapaport News* records. Three of those also have contracts as part of Rio Tinto's '**Select Diamantaire**,' program, while five others are also '**Dominion Preferred Purchases**.' Three companies have long-term supply contracts with De Beers, ALROSA, Rio Tinto as well as Dominion.

Rio Tinto has listed 17 select diamantaires on its **website** that have access to approximately 70 percent of Rio Tinto's rough supply. The remainder is sold through tenders and special invitation sales for rough larger than 10.8 carats. Dominion sells all of its rough to the 33 preferred purchasers listed on its **website**.

In total, 127 individual companies have secured long-term supply contracts from at least one of the four suppliers – including the two which are solely De Beers accredited buyers. The comprehensive list includes companies which are purely polished manufacturers or rough dealers, and some that have downstream activities that extend into jewelry manufacturing, wholesale and retail.

In fact, an increasing number of the major jewelry retailers are appearing on such lists, having raised their rough procurement and diamond manufacturing operations in recent years. **Signet Jewelers, Tiffany & Co. (Laurelton), Chow Tai Fook, Chow Sang Sang, Luk Fook** and **Gitanjali** each gained at least one De Beers sight this year.

This column has argued before that these jewelry companies can better afford higher rough prices than their pure-play manufacturing counterparts. They garner higher margins from the jewelry they sell than manufacturers do for their polished.

However, the market is as strong as its weakest link. And manufacturers have signaled in the past few months that they're not prepared to take continuous losses from their rough supply.

In particular, they're referring to the high prices of contracted supply. Whereas the bids at auction and tender sales reflect the price that buyers are willing to pay for the goods, contracted supply tends to sell at a premium for the promise of consistency.

Consequently, the ability of these 127 companies to buy rough and sell their polished sets a benchmark for determining the sustainability of the diamond industry.

Having penned long-term rough supply agreements with the major mining companies in 2015, these companies must surely believe that the guarantee of rough supply should bring with it reasonable profits for the core of the diamond industry. Perhaps in the long term it will.

Here's a list of companies that have supply contracts with De Beers – including Global Sightholder Sales (GSS) and beneficiation supply in Botswana, Namibia (NDTC) and South Africa – ALROSA, Rio Tinto, and Dominion Diamond Corp., as collected by Rapaport News:

	Company Name	Head Office	De Beers	ALROSA	Rio Tinto	Dominion
1	A.C. Diam	Belgium		ALROSA		
2	A. Dalumi Diamonds	Israel	GSS, Botswana			
3	Almod Diamonds	USA	GSS, NDTC			
4	AMC	Belgium	GSS, S. Africa			
5	Ankit Gems	India	GSS, NDTC			
6	Arjav Diamonds	Belgium	GSS, Botswana			
7	Arslanian Frères	Belgium		ALROSA		
8	Asian Star	India	GSS	ALROSA		Dominion
9	Aspeco (K Girdharta)	Belgium		ALROSA		
10	Bhavani Gems	India	GSS			
11	Blue Star Diamonds	India	GSS, Botswana			Dominion
12	Brilliant Gems	Belgium		ALROSA		
13	Brilliant Trading Company (1974)	Hong Kong		ALROSA		
14	Bronner Trading Company	Belgium		ALROSA		
15	Choron Diamonds	Belgium	Accredited Buyer (GSS)			
16	Chow Sang Sang Jewellery Company	Hong Kong	GSS			Dominion
17	Chow Tai Fook Jewellery Co.	Hong Kong	GSS, Botswana, S. Africa	ALROSA	Rio Tinto	
18	Classic Diam	Belgium				Dominion
19	Comdragmetall of RS(Y)	Russia		ALROSA		
20	Corona Jewellery Company	Canada				Dominion
21	Crossworks Manufacturing	Canada	GSS, NDTC		Rio Tinto	
22	D Navinchandra Gems	Belgium	GSS			Dominion

	Company Name	Head Office	De Beers	ALROSA	Rio Tinto	Dominion
23	Dali Diamond Co.	Belgium	GSS	ALROSA		
24	DDK	Russia		ALROSA		
25	De Toledo Diamonds	Israel	GSS			
26	Dharmanandan Diamonds	India	GSS			
27	Diacore International	Switzerland	GSS, Botswana, NDTC, S. Africa			
28	Diajewel	Belgium		ALROSA		Dominion
29	Diambel	Belgium	GSS		Rio Tinto	
30	Diamond India	India		ALROSA		
31	Diamtrade	Belgium				Dominion
32	Dianco	Belgium	GSS		Rio Tinto	
33	Diarough	Belgium	GSS		Rio Tinto	
34	Diarush DMCC	UAE	GSS			
35	Dilipkumar V. Lakhi	India	GSS	ALROSA		Dominion
36	Dimexon International Holding	India	GSS	ALROSA	Rio Tinto	
37	E. Schreiber	USA			Rio Tinto	
38	Eloquence Corporation	USA	Industrial			
39	EPL Diamond	Russia		ALROSA		
40	ESPEKA	Belgium		ALROSA		
41	Eurostar Diamonds International	Belgium	GSS, Botswana			
42	Exelco	Belgium	GSS, Botswana			
43	EZ Diamonds	Israel	GSS			
44	Fruchter Gad Diamonds	Israel	GSS			
45	G.G. Export	India				Dominion
46	Gemmata	Belgium			Rio Tinto	
47	Gitanjali	India	GSS			
48	Gold Star Diamond	India	GSS			
49	Gomelskoe PO Kristall	Belarus		ALROSA		
50	H. Dipak & Co.	India	GSS			
51	Hardstone Processing	Namibia	NDTC			
52	Hari Krishna Exports	India	GSS	ALROSA	Rio Tinto	Dominion
53	Hasenfeld-Stein	USA	GSS			
54	Henri Polak Diamond Corp.	USA	Industrial			
55	HVK International	India	GSS			Dominion
56	I.D.R.P.	Belgium		ALROSA		Dominion
57	IDH Diamonds	Belgium			Rio Tinto	
58	IGC Group	Belgium	GSS, Botswana			
59	Interjewel	India			Rio Tinto	Dominion
60	Jasani	India	GSS	ALROSA		
61	Jewelex India	India	GSS			
62	Julius Klein Diamonds	USA	GSS, Botswana, NDTC, S. Africa			
63	K Girdharlal International	India	GSS			
64	K P Sanghvi & Sons	India	GSS	ALROSA	Rio Tinto	
65	Kapu Gems	India				Dominion
66	Karp Impex	India	GSS	ALROSA		Dominion
67	KGK Diamonds (I)	India	GSS, Botswana, S. Africa	ALROSA		
68	Kiran Gems	India	GSS	ALROSA		Dominion
69	Komal Gems (Laxmi)	Belgium				Dominion
70	Kristall Production Corporation	Russia	GSS	ALROSA		
71	Kristall-99	Russia		ALROSA		
72	L&N Diamonds	Israel		ALROSA	Rio Tinto	
73	L.L.D. Diamonds	Israel		ALROSA		
74	Laurelton Diamonds	Belgium	GSS, Botswana, NDTC	ALROSA	Rio Tinto	Dominion
75	Laxmi Diamond	India	GSS			
76	Lazare Kaplan International	USA	Accredited Buyer (GSS), NDTC			
77	Lazyrit-D	Russia		ALROSA		
78	Leo Schachter & Company	Israel	GSS, Botswana			
79	Lieber & Solow	USA	Industrial			
80	Luk Fook	Hong Kong	GSS			
81	M Suresh Company	India	GSS			Dominion
82	Mahendra Brothers Exports	India	GSS			Dominion
83	Mohit Diamonds	India	GSS			
84	MOTIGANZ Diamond Group	Israel	Accredited Buyer (GSS), Botswana			
85	Niru Diamonds Israel (1987)	Israel	GSS			
86	Penford (Diamcore)	Israel		ALROSA		
87	Pluczenik Diamond Company	Belgium	GSS, Botswana, NDTC	ALROSA		
88	Pratham International DMCC	India				Dominion
89	Premier Diamond Alliance	USA	GSS			
90	Richold	Switzerland	GSS			
91	Rosy Blue (India)	India	GSS	ALROSA		
92	Rosy Blue	Belgium	GSS			Dominion
93	Ruis Diamonds	Russia		ALROSA		
94	S. Vinodkumar Diamonds	India	GSS			
95	S.D. Diamond	USA		ALROSA		
96	S.V. Gems	Belgium		ALROSA		
97	Saf dico International	Mauritius	GSS, Botswana, S. Africa			
98	Sahar Atid Diamonds	Israel	GSS	ALROSA		Dominion
99	Sakha Diamond	Japan		ALROSA		
100	Sauraj Diamonds	Belgium				Dominion
101	SBMH	Israel	Accredited Buyer (GSS)			
102	Schachter and Namdar	Hong Kong	NDTC, Accredited Buyer (S. Africa)			
103	Shairu Gems Diamonds	India	GSS			
104	Sheetal Manufacturing Company	India	GSS	ALROSA	Rio Tinto	Dominion
105	Shree Ramkrishna Export	India	GSS	ALROSA		Dominion
106	Shrenuj & Company	India	GSS, Botswana, S. Africa			
107	Signet Jewelers	USA	GSS, Botswana		Rio Tinto	
108	Simoni Gems	Belgium				Dominion
109	Singh Diamonds	India				Dominion
110	Soradiam	Belgium				Dominion
111	Star Diamond Group (SDG)	Belgium	GSS	ALROSA		
112	Star Rays	India	GSS			Dominion
113	Suashish Diamonds	India	GSS			
114	Taché Company	Belgium	GSS, Botswana, S. Africa	ALROSA		
115	Tasaki & Co.	Japan	GSS			
116	Trau Bros	Belgium	GSS, Botswana, NDTC	ALROSA		
117	Tunalgy	Russia		ALROSA		
118	V D Global	India	GSS			
119	Van Moppes (Tache)	UK	Industrial			
120	Venus Jewel	India	GSS	ALROSA	Rio Tinto	Dominion
121	Vijay Diamond (FZE)	UAE	GSS			
122	Vishindas Holaram (Lakhi)	USA				Dominion
123	Wing Hang Diamond Co.	Hong Kong	GSS	ALROSA		
124	Yaelstar	Belgium	GSS			Dominion
125	YDI - Yoshfe Diamonds International	Israel	GSS			
126	Yerushalmi Brothers Diamonds	Israel	GSS, Botswana			
127	Yosi Glick Diamonds (2003)	Israel	GSS			



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Sunday, May 31st, 2015
JCK Show - Las Vegas

8:00/10:00 am

Rapaport Breakfast
Martin Rapaport “State of the Diamond Industry”
South Seas Ballroom, Level 3

10:00/11:30 am

Rapaport Diamond Grading Conference
Banyan B Meeting Room, Level 3

3:00/4:30 pm

Rapaport Responsible Sourcing Conference
Banyan B Meeting Room, Level 3

THE CONFERENCE IS FREE AND OPEN TO ALL

Register: www.Diamonds.net/JCK2015

Email: conference@diamonds.net

Visit: JCK Booth B 5447

RAPAPORT®

Polished Diamond Prices Stabilizing in April

RAPAPORT PRESS RELEASE: Diamond markets were quiet in April. Many polished diamond suppliers did not lower their prices even though liquidity and profitability remain tight. Sentiment improved slightly as shortages helped stabilize prices toward the end of the month.

The RapNet Diamond Index (RAPI™)

for 1-carat laboratory-graded diamonds rose 0.4 percent in April. RAPI for 0.30-carat diamonds fell 1.9 percent and RAPI for 0.50-carat diamonds declined 1 percent. RAPI for 3-carat diamonds dropped by 1.5 percent during the month.

During the first four months of the year, RAPI for 1-carat diamonds increased 0.4 percent, but remained 13.9 percent down from one year ago on May 1.

According to the *Rapaport Monthly Report – May 2015*, “Muted Markets,” very few new polished diamonds have been entering the market. Diamond manufacturers are still losing money on overpriced rough and refused about 30 percent of rough supply in the first quarter.

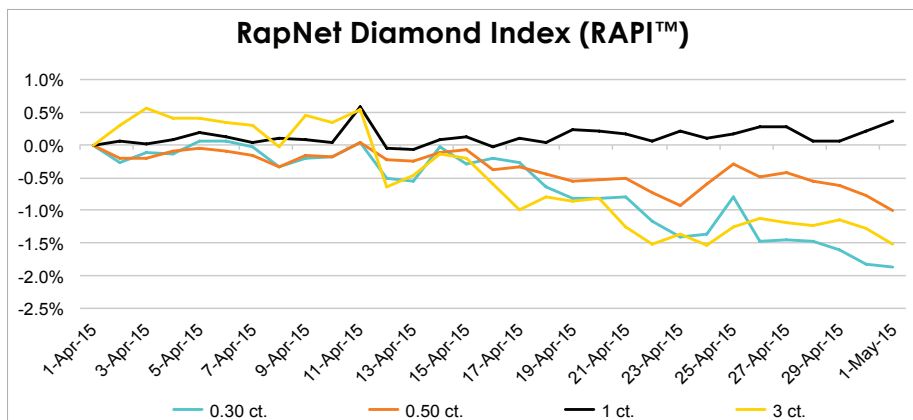


Figure 1
The RapNet Diamond Index (RAPI™) is based on the average of the 10 best asking prices for Round, D-H, IF-VS2, GIA Graded, Rapaport Specification 2 or better diamonds, which are offered for sale on RapNet – Rapaport Diamond Trading Network.

Diamond mining companies are realigning their production with weaker rough demand. **De Beers** lowered its planned production for 2015 as sightholder refusals suggest that the company is holding a relatively large rough diamond inventory. Polished production has been significantly reduced since the October **Diwali** break and factories are maintaining lower output and extending the ongoing summer vacation period in **India**.

Diamantaires are focused on buying polished rather than rough for manufacturing. However, polished trading has been soft as demand was weak from jewelry retailers. Diamond buyers have limited their

buildup of inventory in a downward-trending market and demand has been order specific.

Retail sales have been weak in the **Far East** and steady in the **U.S.** However, sentiment is positive among U.S. retailers and many are expected to start looking for goods ahead of the summer wedding season. Expectations are therefore rising for the upcoming **Las Vegas** shows. As polished inventories are slowly being depleted, the hope is that the shows will signal stronger trading in the second half of the year than during the first.

Read the full *Rapaport Monthly Report – May 2015* [here](#). **R**

	April	YTD January 1 - May 1	Y2Y Changes at May 1
RAPI 0.3 ct.	-1.9%	-5.8%	-21.2%
RAPI 0.5 ct.	-1.9%	-4.2%	-9.5%
RAPI 1.0 ct.	0.4%	0.4%	-13.9%
RAPI 3.0 ct.	-1.5%	-3.8%	-14.5%

Figure 2

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Israel: Diamond Trade Contracts in 1Q

Israel's diamond trade contracted during the first quarter of 2015, continuing the weak trend that began toward the end of the first half of 2014.

Polished exports dropped 29 percent year on year to \$1.61 billion during the first three months of the year, after excluding goods that were returned. The decline reflected the lack of significant inventory restocking by major jewelry retailers in the **U.S.** and the **Far East** following the relatively lackluster **Christmas** and **Chinese New Year** sales periods.

By volume, polished exports dropped 23 percent to 623,000 carats. As a result, the average price of polished exports from Israel fell 7 percent to \$2,586 per carat during the quarter.

Polished imports to Israel declined 12 percent to \$904 million during the period. Net polished exports, which is calculated as exports minus imports, slumped 43 percent to \$706 million from last year's strong first quarter (see Figure 1).

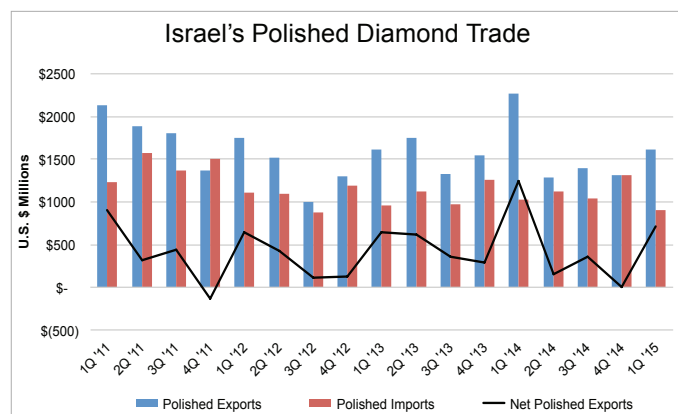


Figure 1
Based on data provided by Israel's Economy Ministry.

Major Export Markets

The **Israeli Economy Ministry** does not consistently report polished export data by country, but among the major exports markets for which figures were provided, the trend was uniformly negative.

Polished exports to the **U.S.** fell 1 percent to \$632.1 million, as the **U.S.** remained Israel's largest and best performing major export market, accounting for about 35 percent of total exports during the period (see Figure 2). Exports to **Belgium** declined 22 percent to \$148.7 million, while polished exports to **India** dropped 41 percent to \$24.2 million.

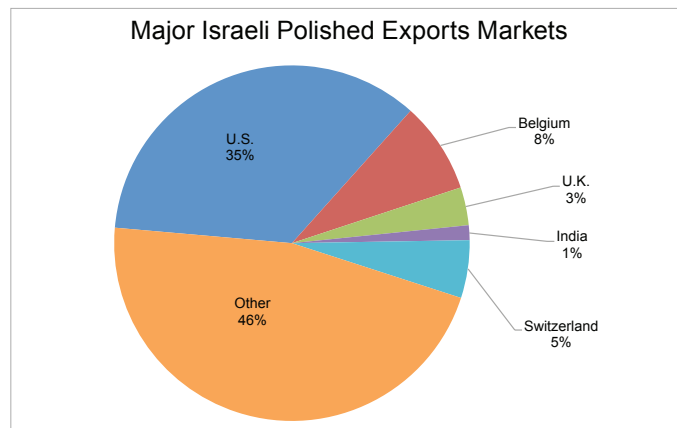


Figure 2
Based on data provided by Israel's Economy Ministry.

Israel's polished exports to **Switzerland** plummeted 83 percent to \$94.2 million during the period. However, Israel's gross polished exports to Switzerland – before returns – actually grew 13 percent to \$643.2 million in the first quarter, indicating that there was a dramatic increase in returns from Switzerland following weak sales at the **Basel** shows that took place in March.

Rough Diamonds

Israel's rough imports dropped 18 percent during the quarter to \$827 million, while rough exports declined 23 percent to \$694 million. As a result, net rough imports – imports minus exports – rose 22 percent to \$133 million.

The decline in rough imports and exports coincides with anecdotal reports from Israeli diamantaires that more local manufacturers are focused on trading polished instead of processing rough at current price levels.

Israel's first quarter net diamond account, representing the total exports of polished and rough diamonds minus total imports, dropped 49 percent to \$573 million.

1H Forecast

The data suggests that Israel's diamond trade has not yet recovered from the downturn that began in the middle of 2014. Many in the local market do not expect the market to improve significantly in the second quarter, which is traditionally a slow period in the global diamond industry due to a lack of major gift-giving holidays between April and July.

Israeli diamantaires expect a significant pickup in trading only at the start of the second half of the year. The sharp reduction in manufacturing activity in **Surat** in recent months bodes well for Israeli dealers, as do reports of Indian companies giving polishers extended vacation time. A reduced supply of polished diamonds will allow diamantaires to sell their inventory at better prices, particularly as retailers are expected to restock their inventory in the third quarter ahead of the major gift-giving holidays. **R**

Rough diamond market sentiment remained relatively weak during the De Beers May sight. The sight was small and De Beers reduced prices by an estimated average of about 3%. There was a relatively low level of refusals while a larger supply is expected next month.

Zimbabwe has temporarily suspended a 15% tax on diamond sales, citing a drop in production and low international gem prices, the Cape Argus reported. In October 2014, the government ordered diamond mining companies to deduct the tax from gross sales, backdated to April.

Lucara Diamond Corp. agreed to sell its 75% stake in the Mothae diamond project in Lesotho to Paragon Diamonds. While the deal is pending government approval, Paragon agreed to pay \$9M in cash and 5% of profits from any diamonds sold from the mine.

Shore Gold, which is developing the Star Orion project in Canada, recorded a \$1M loss in the first quarter of 2015, which was the same as the loss recorded last year. Losses were primarily due to operating costs and exploration and evaluation expenses.

North Arrow Minerals recovered 384.28 carats of rough diamonds from a bulk sample at the Qilalugaq diamond project in Nunavut, Canada. The overall sample grade was 28.40 carats per hundred tonnes.

U.S. polished diamond imports rose 9% year on year to \$2.2B in March, a new record for that month. The average price of goods was basically flat at \$2,001/ct. Polished exports slipped 8% to \$1.7B. The U.S. March net diamond account almost quadrupled to \$435M.

Charles & Colvard, a supplier of moissanite, reported that sales jumped 38% to \$8M in the first quarter of 2015. Total costs surged 39% to \$10M and the company widened its quarterly loss of 58% to \$2M. The company ended the quarter with no outstanding debt.

The National Retail Federation (NRF) estimated that approximately 84% of U.S. shoppers celebrate Mother's Day with a gift. The survey conducted with Prosper Insights & Analytics suggested that 34% of those who usually buy gifts anticipate making a jewelry purchase and expect to spend on average \$103.

Berkshire Hathaway reported that its services and retail division sales, which includes Ben Bridge Jeweler, Borsheims Fine Jewelry, Helzberg Diamonds and the Richline Group, among other companies, grew 35% to \$4.5B during the first quarter. The division's operating earnings rose 34% to \$384M.

HSN, a retail shopping platform, reported that its revenue rose 8% to \$842M in the first quarter of the year, with its profit jumping 39% to \$34M. The company noted that every division experienced sales growth except for jewelry. The average price per item sold improved 3% to \$62, while the number of units shipped rose 4% to \$15.2M.

Cash America, which buys and sells jewelry at its pawn shops, reported that its consolidated revenue fell 5% to \$272M during the first quarter. Net income from continuing operations rose 142% to \$8M.

Luxury group Kering reported that revenue improved 11% to \$3B in the first quarter. However, sales on a comparable exchange rate basis fell 1%. Sales from luxury items, including jewelry, fell 3% on a comparable exchange rate basis.

Titan Company, an India-based jewelry retailer, reported that revenue grew 9% to \$1.8B for the fiscal year that ended March 31, 2015. Net profit rose 11% to \$127M. The company noted that growth occurred despite a weak consumer environment in India after the October Diwali season.

Lao Feng Xiang, a major China-based jewelry retailer, opened its first Hong Kong location giving a lift to its international expansion effort, the China Daily reported. The jeweler has 2,800 stores in Mainland China and locations in Australia, Canada and the U.S.

Kingold Jewelry, a China-based jeweler, launched an online store on Tmall.com, a business-to-consumer (B2C) retail platform, according to iResearch Consulting Group. Tmall.com is owned by Alibaba Group and is considered to be the largest B2C platform in China.

CIBJO, The World Jewellery Confederation, published its annual report at the CIBJO congress held this week in Salvador, Brazil. Topics included discussions regarding the state of small and medium-sized jewelry companies and ethical issues regarding grading.

The Week Ahead...

❖ May 10	Mother's Day	USA
❖ May 12	Lucara Diamond Q1 Results	Vancouver
❖ May 12	Sotheby's Magnificent Jewels and Noble Jewels Auction	Geneva
❖ May 12-15	ALROSA Contract Sale	Moscow
❖ May 13	Christie's Magnificent Jewels Auction	Geneva
❖ May 13-14	Rapaport Single Stone Auction	New York

Adding Value Through Personal Relationships

Q&A with Amit Dhamani, CEO of Dhamani

Dhamani is a vertically-integrated company that specializes in the manufacture, wholesale and retail of colored gemstones and diamond jewelry. The company is headquartered in Dubai but has procurement and manufacturing operations in Thailand and Europe. Amit Dhamani, CEO and managing director of Dhamani, spoke with *Rapaport News* about the family-owned company's rapid growth and its plans to become a globally-recognized brand in the jewelry industry.



How did you and your family become involved in the diamond industry?

My father, L.N. Dhamani, started the company in 1969 in Jaipur, India where I was born and raised. Jaipur is known for being a center of the colored gemstone trade and we started out in colored gemstones, specifically emeralds.

My father was a young entrepreneur who made trips around the world as early as the mid-1970s selling colored gemstones. His business evolved toward developing good, solid relationships with some big brands in Europe, the U.S. and the Far East, procuring polished gemstones for them.

My father was a one-man show until I joined the business in 1990. He took me to visit his clients around the world and when I was 18 years old, he asked me where I thought we should set up shop.

I chose Thailand as the location for our home office, rather than somewhere in the U.S. or Europe, because it was a major procurement center for us.

Within two or three years, we diversified from supplying predominantly emeralds to also dealing in rubies and sapphires. Our customers were happy that we were providing them with a greater selection of stones and they knew we were trustworthy.

One of the ways we built trust with our clients, even in the early 1990s, was that we always made sure to certify every gemstone we bought and sold.

By the mid-1990s, my younger brothers Rohit and Manish joined to help the family business expand. We would ship gemstone parcels to customers and our clients sitting in a small town in Europe or the U.S. were content knowing that they would receive exactly what they wanted.

The mutual trust we enjoyed also led us into polished diamonds. Our clients also wanted us to provide them with diamonds because even after we took our profit they were still making more money from our gemstones.

Every corner of the industry in which we operate we entered because our customers wanted it. With diamonds, we started with white and colorless diamonds, traveling to Surat and buying thousands of carats at a time.

How did Dhamani end up in Dubai?

During our trip around the world in 1991, I came to Dubai and the United Arab Emirates (UAE) with my father, who had already been active here since the late 1980s. We had two or three regular private customers here.

In 1997, when the Asian financial crisis hit, and the Thai baht and most other regional currencies plummeted, we re-evaluated our operations. As a family, we realized that our business was truly global, but we were sitting in Thailand where our wealth was exposed to local currency risk. We decided that we should be based in a neutral market, and in 1997 I moved permanently from Bangkok to Dubai.

Our Middle East business grew rapidly after we moved to Dubai and diamonds helped dramatically increase our level of trade. We were able to become a one-stop supplier of gems and diamonds to a large customer base in the region. Today, we still polish emeralds in India, but we also trade in rubies, sapphires and diamonds, mainly supplying to other jewelers.

How did Dhamani get into retail?

When we moved to Dubai, we were selling gemstones and diamonds at a wholesale level, but we also explored what this region had to offer us. In the late 1990s, we heard the vision of Sheikh Mohammed, ruler of Dubai and vice president of the UAE, to make this city into a world tourism destination.

As a family, we thought that if we went into retail in an established market it would upset our wholesale customers, but Dubai at that time was still developing as a market. Everything was open. In 2000, we opened our first retail store in the Deira Gold Souk in Dubai.

I think that was the transformational point for Dhamani as a brand. Since we opened our first store, we have grown our retail operations organically. It has been a real learning experience. We developed a company DNA of providing greater value to customers without directly competing with other jewelers.

Our jewelry has always been unique. When we opened our first store, it wasn't like the other stores around us because it had a wide mix of gems, diamonds and jewelry. Even the store itself looked different.

When jewelers couldn't supply their customers with what they wanted, they would ask us to sell them a piece of jewelry wholesale so they could sell it to their client. Wholesale still constitutes 50 percent of our business today.

In 2005, we opened our first store inside the Mall of the Emirates in Dubai and we also received sole rights to sell the Dubai cut diamond. This year we opened our first store in Oman and today we have 17 stores throughout the UAE.

What is the Dubai cut?

We received the rights from the Dubai Multi Commodities Centre (DMCC), which came up with the idea of a 99-facet diamond. They were looking for a company that could retail it and we pitched them a unique jewelry design with the Dubai cut. The concept was that every piece of jewelry with a Dubai-cut diamond would have a unique D insignia. For example, the band has a D, the links have a D, the bags have a D, etc. They liked the idea and awarded us the rights.

The 99 facets in the cut actually symbolizes the holy name of Allah in the Quran. It's an amazingly long, radiant cut, so the 99 facets actually give a good luster. It is a unique looking stone that can serve as a special souvenir or gift from Dubai.

We are very proud that we are the only jeweler that sells the Dubai cut. It has differentiated Dhamani from other jewelers. We even invested in getting a brand strategist from London to help us develop our brand and avoid becoming a generic jeweler.

What distinguishes the UAE from other jewelry markets?

I think the biggest difference is that it's a tourist destination as customers from all over the world come to the UAE. I think that one of the biggest contributors to growth in the UAE jewelry market has been Emirates Airlines, which flies to every continent and most major cities around the world. This means that a lot of people are coming here to visit or for just a short stopover before heading to another destination.

As a result, we have a very diverse mix of customers in the UAE and that is why there are a lot of different types of jewelry available in Dubai. You can find 18-karat, 21-karat, 22-karat and 24-karat gold, as well as diamonds, colored gemstones and pearls. It also means that most retailers focus on a specific customer group or audience.

Do you think that Dubai can serve as a diamond trading hub for the Middle East or will it take a backseat to Turkey?

Dubai has certainly become a global diamond trading hub, which supplies diamonds to the rest of the Middle East.

I think that Turkey has a complimentary role to play. The people over there are very clear about wanting to increase Turkey's competence in the manufacturing segment to become a jewelry manufacturing hub. At the same time, we are not necessarily serving the same consumers on the retail side. Turkish jewelers typically cater to Eastern European or Russian customers. At Dhamani, we cater to all nationalities. Given the region we are in, I would say that about 50 percent of our clients are Arab, but the remaining 50 percent are from all over the world.

Does Dhamani see itself mainly competing with Indian or Western brands?

As a family we are proud Indians, but our business is based in the UAE and stylistically we are most similar to the European brands. We actually manufacture in an atelier in Paris and a majority of our jewelry today is made in Europe. The rest is made at our factory in Thailand.

In terms of design, we compete with high-end Western brands.

Where do you see Dhamani in the next five years?

A majority of our jewelry had diamonds certified by the Gemological Institute of America (GIA) already six or seven years ago. Today, we're at a level of quality where the majority of our jewelry contains triple EX diamonds.

Looking ahead, we are moving in the direction of fixed-price stores, as opposed to traditional store sales where the price is negotiated.

Right now, we are focused on ways to grow the brand and refine it. Our retail operation is very young as it is less than 10 years old. We are trying to take the best principles and practices from all of the different companies out there and create a great personalized experience that provides added value to our customers. Dhamani is trying to be a personalized jeweler for high-end customers.

I think that within the next five years we will have two or three high-end retail locations elsewhere in the globe. We are open to any top retail destination if the right opportunity comes along.

What advice would you give to someone seeking to enter the retail jewelry market in the UAE today?

The UAE is a market that is very open to embracing new trends and styles. This country embraces all kinds of nationalities, jewelry styles and products in general.

I think a company's success in this market depends on what strengths they can draw on to bring something interesting to the table for the customer. If they have something to offer that others don't, they can adapt their strengths to customers here and succeed. I think that is different from most other markets. You can find your own niche here if you have something to offer.

This Week in Stocks

USA	May 7th	Apr. 30th	Change	Mining	May 7th	Apr. 30th	Change
Birks Group	1.25	1.23	1.63%	ALROSA	69.02	67.94	1.59%
Blue Nile	27.17	27.69	-1.88%	Dominon Diamond	23.57	24.14	-2.36%
Charles & Colvard	1.42	1.28	10.94%	Kennady Diamond	4.58	4.70	-2.55%
Costco	144.77	144.46	0.21%	Lucara Diamond	2.18	1.98	10.10%
DGSE Companies	1.13	1.40	-19.29%	Mountain Province	4.54	4.72	-3.81%
Movado Group	27.49	29.68	-7.38%	Peregrine Diamonds	0.31	0.34	-8.82%
Scio Diamond Tech.	1.05	1.12	-6.25%	Rockwell Diamonds	0.20	0.21	-4.76%
Signet	134.86	135.84	-0.72%	Shore Gold	0.25	0.25	0.00%
Sotheby's	43.15	42.99	0.37%	Stornoway Diamond	0.72	0.63	14.29%
Tiffany	86.98	86.94	0.05%	Anglo American	1137.00	1117.00	1.79%
Wal-Mart	77.65	77.88	-0.30%	Firestone Diamonds	25.50	26.02	-2.00%
India				Gem Diamonds	137.55	136.94	0.45%
Asian Star	1000.00	1000.00	0.00%	Gemfields	60.00	61.00	-1.64%
Classic Diamond	1.84	1.84	0.00%	Petra Diamonds	161.30	155.30	3.86%
C. Mahendra	8.90	9.51	-6.41%	Rio Tinto	2975.00	2884.50	3.14%
Gitanjali Gems	41.50	42.20	-1.66%	Stellar Diamonds	0.85	0.69	23.19%
Goenka Diamond	1.44	1.64	-12.20%	Other			
Goldiam Intl.	20.25	22.40	-9.60%	Chow Sang Sang	17.60	17.88	-1.57%
Lypsa Gems	64.35	67.95	-5.30%	Chow Tai Fook	9.12	9.41	-3.08%
Rajesh Exports	233.10	235.50	-1.02%	Damiani	1.38	1.38	0.00%
Ren. Jewellery	87.00	90.60	-3.97%	Richemont	79.85	84.50	-5.50%
Titan	379.15	383.50	-1.13%	Swatch Group	399.60	424.40	-5.84%
Vaibhav Global	790.05	791.95	-0.24%	Michael Hill	1.17	1.18	-0.85%
Winsome Diamonds	0.50	0.45	11.11%	Sarine Technologies	1.96	2.06	-4.85%
Commodities				Currencies			
Gold	1191.20	1204.60	-1.11%	Euro	0.88	0.89	-1.12%
Silver	16.49	16.54	-0.30%	Pound	0.66	0.65	1.54%
Platinum	1144.00	1153.00	-0.78%	Yuan	6.21	6.20	0.16%
Palladium	790.00	780.00	1.28%	Rupee	63.93	63.58	0.55%

This Week on RapNet

PRICES FOR ROUNDS

0.30-0.39ct. – Slight Downtrend

Best discounts: -35% / -45%
Average discounts: -20% / -25%

0.40-0.49ct. – Slight Downtrend

Best discounts: -35% / -45%
Average discounts: -15% / -20%

0.50-0.69ct. – Slight Downtrend

Best discounts: -35% / -40%
Average discounts: -15% / -20%

0.70-0.89ct. – Mixed Trend

Best discounts: -30% / -40%
Average discounts: -10% / -20%

0.90-0.99ct. – Slight Downtrend

Best discounts: -35% / -40%
Average discounts: -10% / -20%

1.00-1.49ct. – Uptrend

Best discounts: -35% / -45%
Average discounts: -15% / -20%

1.50-1.99ct. – Slight Uptrend

Best discounts: -35% / -40%
Average discounts: -15% / -20%

2.00-2.99ct. – Uptrend

Best discounts: -35% / -40%
Average discounts: -15% / -20%

3.00-3.99ct. – Stable

Best discounts: -30% / -35%
Average discounts: -15% / -20%

4.00-4.99ct. – Mixed Trend

Best discounts: -15% / -25%
Average discounts: -10% / -15%

5.00-5.99ct. – Mixed Trend

Best discounts: -15% / -25%
Average discounts: -10% / -20%

PRICES FOR PEARS

0.50-0.69ct. – Downtrend

Best discounts: -30% / -40%
Average discounts: -20% / -25%

0.70-0.89ct. – Downtrend in VS1-

Best discounts: -35% / -45%
Average discounts: -15% / -20%

0.90-0.99ct. – Downtrend in VS2-

Best discounts: -35% / -45%
Average discounts: -20% / -30%

1.00-1.49ct. – Downtrend in VS2-

Best discounts: -45% / -50%
Average discount: -20% / -30%

1.50-1.99ct. – Downtrend

Best discount: -25% / -35%
Average discounts: -15% / -20%

2.00-2.99ct. – Downtrend

Best discounts: -25% / -35%
Average discounts: -15% / -20%

3.00-3.99ct. – Uptrend

Best discounts: -30% / -40%
Average discounts: -15% / -20%

4.00-4.99ct. – Mixed Trend

Best discounts: -10% / -20%
Average discounts: -10% / -20%

5.00ct.+ – Mixed Trend

Best discounts: -10% / -15%
Average discounts: -10% / -15%

Note: There is limited availability on RapNet for rounds and pears ranging from 3.00- to 5.00-ct. RapNet prices for these larger sizes frequently represent memo prices with significantly higher asking prices (30% or higher) than those given for cash purchases.

The RapNet Diamond Index (RAPI) has been revised to reflect the average price of the 10 best priced diamonds in each category.

RAPI: RapNet Diamond Index

	Weekly: Apr. 30 - May 7, 2015	YTD: Jan. 1 - May 7, 2015	Y2Y: May 7, 2014 - May 7, 2015
RAPI 0.3 ct.	-0.6%	-6.3%	-21.8%
RAPI 0.5 ct.	-0.6%	-4.5%	-9.8%
RAPI 1.0 ct.	0.3%	0.5%	-13.7%
RAPI 3.0 ct.	0.1%	-3.5%	-14.2%

RapNet Diamond Index (RAPI™) for 1 ct.



Global Diamond Markets



United States: Sentiment has improved in New York as dealers are starting to prepare for the Las Vegas shows taking place at the end of the month. While there are few new polished diamonds coming to the market, wholesale suppliers see the shows as an opportunity to reduce their inventory and spur strong diamond trading in the second half of the year. There is steady demand for 1-carat to 3-carat, G-H, SI diamonds. In fancy shapes, there is good demand for ovals. Jewelry retailers have been engaged in promotional activity ahead of Mother's Day on May 10, particularly for lower-priced jewelry.



Belgium: Trading has picked up slightly in Antwerp with buyers mainly looking for bargains. Activity was disrupted by the public holiday that took place with another scheduled during the coming week. Dealers note that sales to retailers in European markets have improved as the EU monetary stimulus program has helped to lift consumer confidence and spending. There is steady demand for lab-graded, 1-carat, D-F, VVS, triple EX goods as well as for parcels with 0.30-carat to 0.90-carat non-graded diamonds. Sentiment in the rough market remains weak during the De Beers May sight week as boxes continue to trade with generous terms on the secondary market.



Hong Kong: The market in Hong Kong is relatively quiet as polished dealers continue to be cautious. Trading is demand-specific from jewelers in both Hong Kong and Mainland China. Local Hong Kong retailers are still hurting from weak consumer demand and slower visitor traffic from the mainland. Demand from luxury retailers is particularly weak, with many high-end stores breaking leases instead of waiting out the period of soft demand. Dealers note there is good demand for 1-carat to 2-carat, D-I, VS, triple EX diamonds, while demand is weak for diamonds larger than 3 carats.



India: The market in Mumbai is slow but stable. There is good demand from U.S. and Israeli buyers but on the whole there are few overseas buyers present in Mumbai. Far East demand is weak. Local demand is cautious and diamantaires continue to face liquidity challenges caused in part by delayed payments from overseas customers. There are reported shortages in some categories of goods. There is steady demand for parcels of 0.30-carat to 0.40-carat, SI goods, while demand is improving for 1-carat to 2-carat, F-K, VS-SI diamonds. In fancy shapes, there is steady demand for ovals, marquise, and princess cuts in SI and lower clarities. Manufacturers have maintained low polished production during the ongoing summer vacation period by either closing their factories for an extended break or reducing their operating hours. Rough trading is slow with weak demand for goods following this week's De Beers May sight.



Israel: Trading is slow but steady while dealers continue to express uncertainty about the market. U.S. demand is stable and continues to be the strongest market for Israeli suppliers. Orders are coming in from large, high-end U.S. retailers, while demand from China is weak. Consequently, there is rising anticipation for the Las Vegas shows. There is a shortage of goods with nice makes, but dealers are afraid to buy and hold stock. There is stable demand for diamonds below 3 carats, IF-VS. In fancy shapes, there is good demand for pears and ovals, with nice fancy shapes in short supply.



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news@diamonds.net

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Rapaport USA Inc., Suite 100, 133 E. Warm Springs Rd., Las Vegas, Nevada, USA. +1.702.893.9400

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