



India Rising

“Joining the Dots”

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The Diamond Jewelry is a truly global industry, that is closely interconnected...

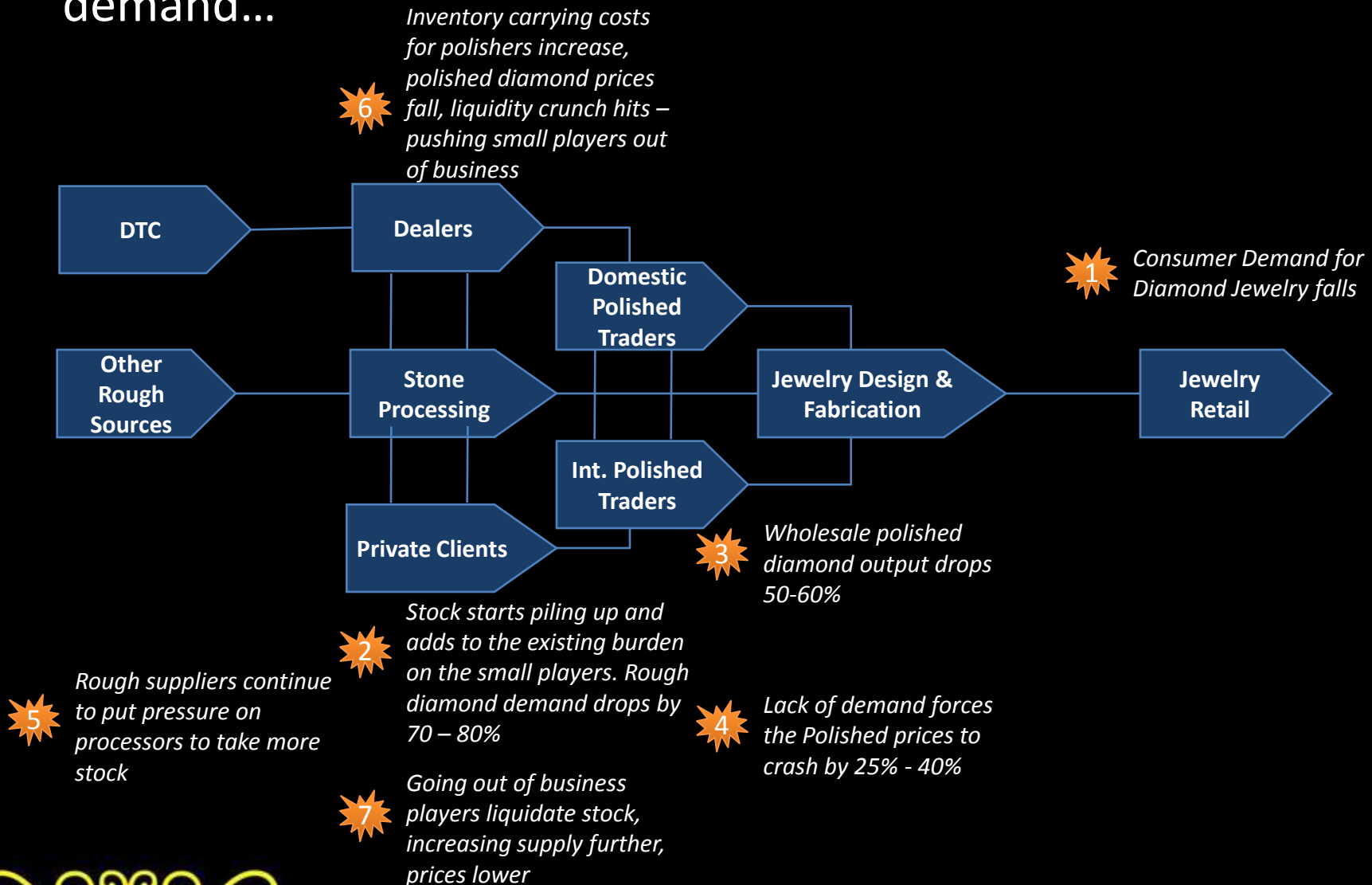


Inventory build-up, Very low margins,
Highly fragmented section of the
Industry

... and was already building stress even before the recession



The economic recession impacted the consumer demand...



...and its effect quickly spread out across the value chain





- 1 Global jewelry sales have fallen by **over 10%** in 2008
- 2 World-wide retail demand expected to **drop by 8%-9%** in 2009
- 3 The world's leading markets, like the US and Japan, have seen retail sales **drop by over 15%- 20%**
- 4 Demand from the US has **declined to about 40 to 50%** of the world total from around 60 to 70%
- 5 30% of jewelry stores in the US have **closed down**
- 6 Processing destinations like India **cut-back 400,000 jobs**, nearly half the entire industry in the country
- 7 Wholesale polished diamond output has **dropped by 50-60%**
- 8 The **global industry's debt peaked at \$14-\$15 billion** in mid-2008 according to banks and industry groups





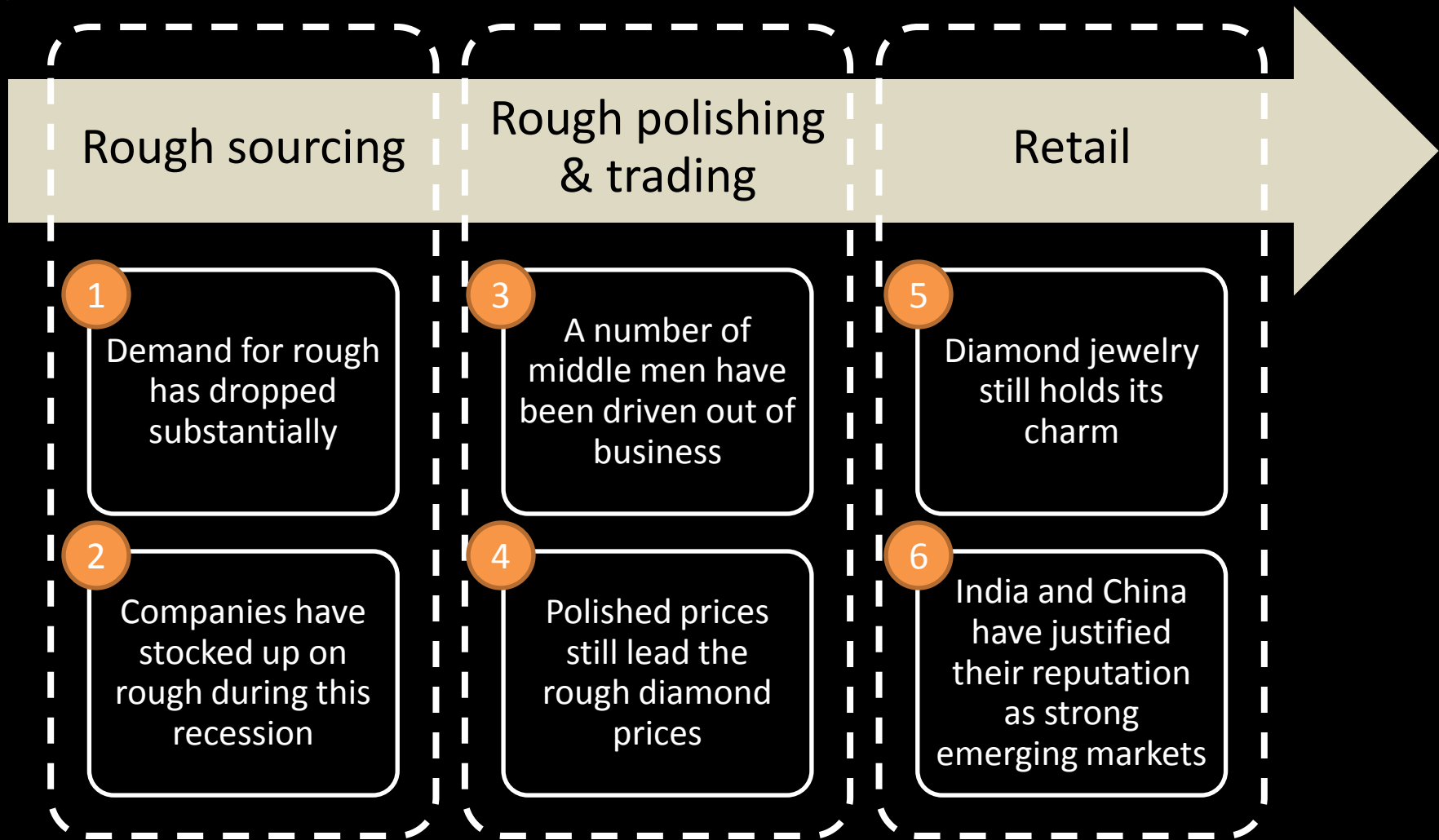
The industry today is going
through a very critical phase, and
it may appear that doomsday
has arrived...
Has all been lost?

Or ...

Can we still make money
keeping in mind these new realities of the
market?



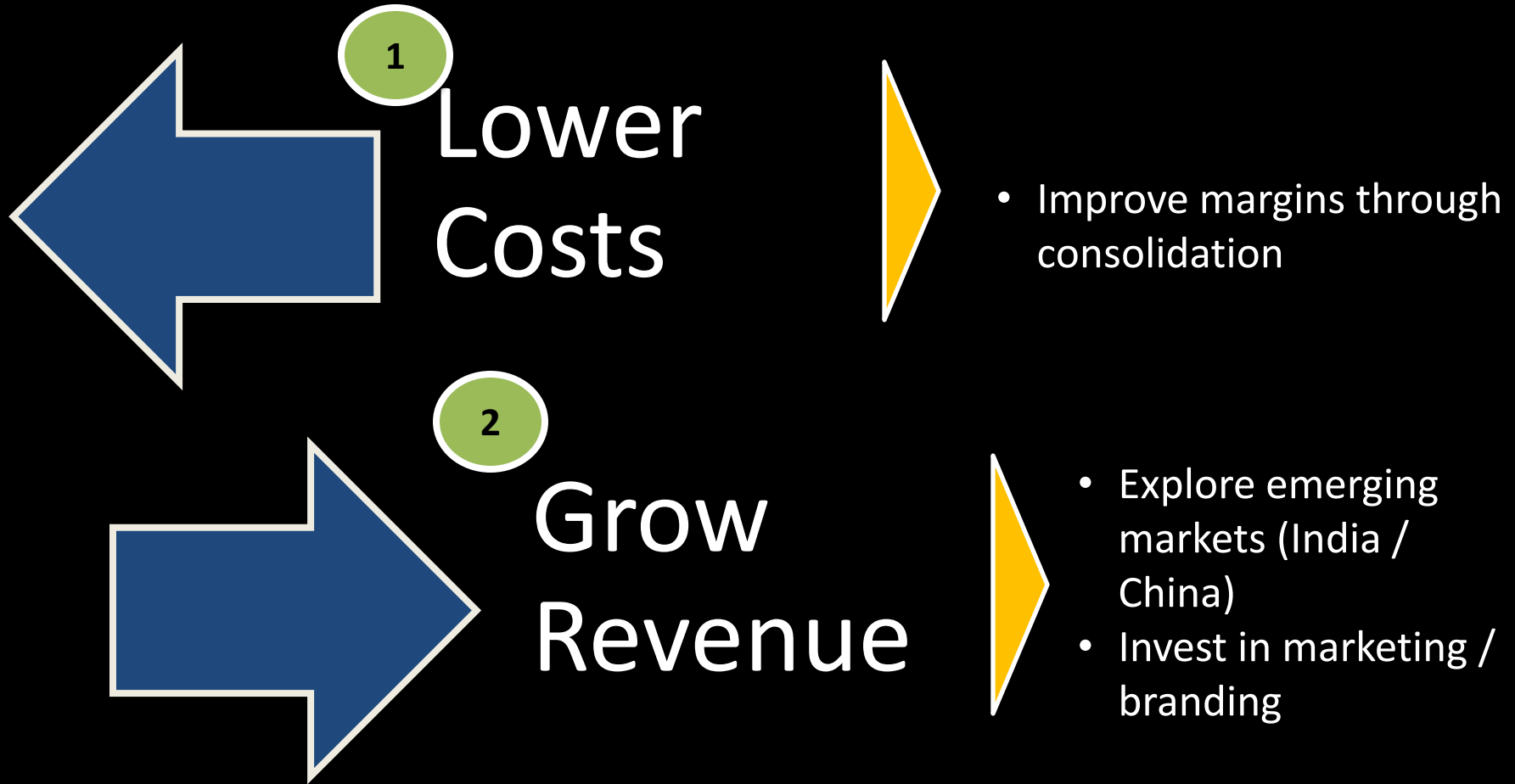
Six key insights from what has happened over the past 18 months...



...offering a once-in-a-lifetime opportunity for players ready to grab it



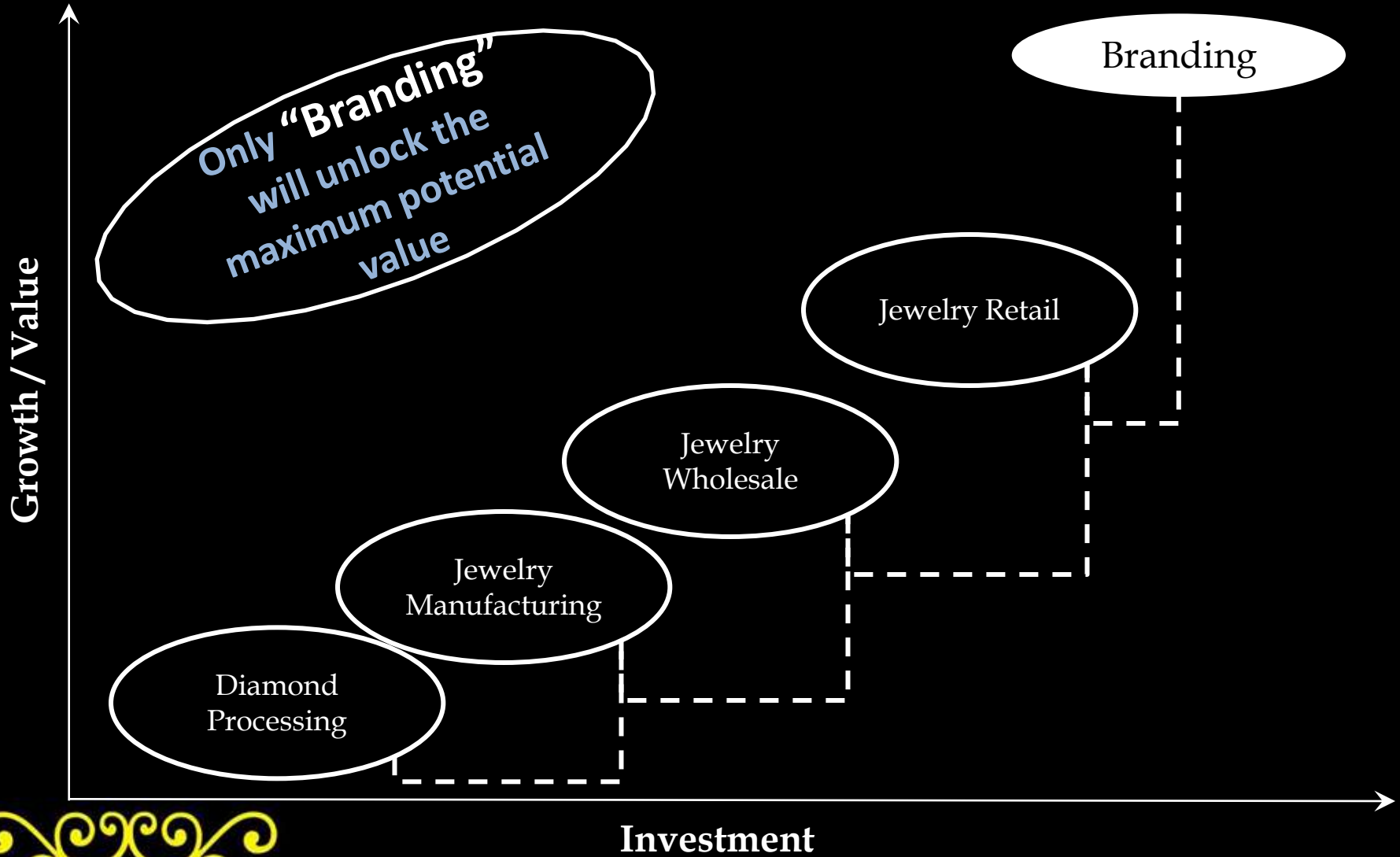
What players need to do is to be intuitive...



...and their success rests on the speed of execution of these plans



Consolidation, Maintaining product integrity and Branding enables one to generate maximum value



This is a great opportunity for the industry to rationalize costs ...

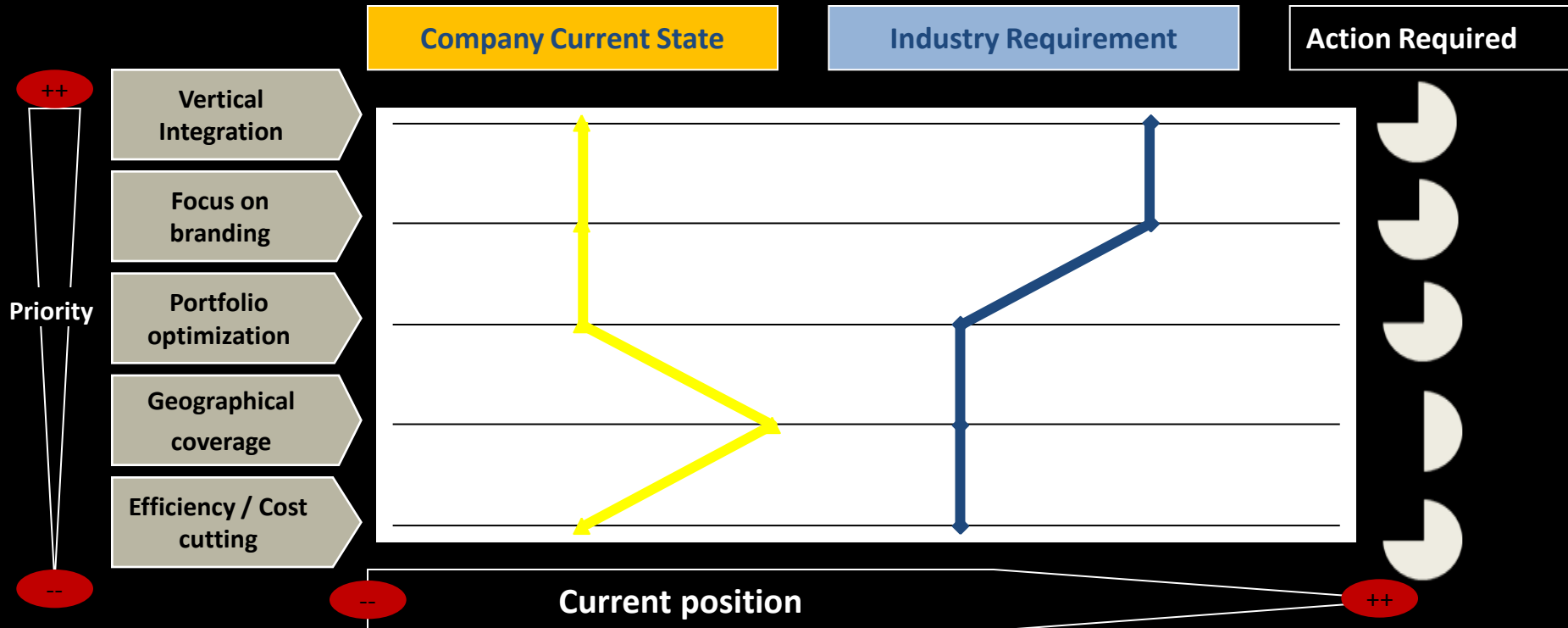


- The days of low margins and high leverage are over
- The industry is restructuring fast and players who don't integrate vertically will find it difficult to survive in the near future
- Lower demand in some of the key markets, make it imperative to squeeze as much margin out of the value chain as possible – one of the fastest ways to do it is to move production to low-cost manufacturing hubs like India and China



...and vertical integration is the best way to tackle these challenges

Gap between industry requirements and current state need to be closed fast...



- Vertical integration **“is a must”** for companies to enable control over supply chain and profitability to optimize its operations
- Branding and creating aspiration **“is a must”** to generate revenues and better the stock to turn ratios

...only those that bridge this gap, can be assured of a profitable future



Rising INDIA



You can still make money

By investing in emerging markets like India...



Rising INDIA: can help offset the decline in global demand...



<h2>INDIA</h2>	<h3>Strong sales</h3> <p>India has exhibited a 20-25% increase in jewelry sales over the last year</p>	<h3>Emerging market</h3> <p>World's third largest diamond jewelry market, and growing swiftly (\$5bn by 2013)</p>
<h3>Captive demand</h3> <p>20 thousand tonnes of gold in store, uses 40% of world's mined gold year-on-year</p>	<h3>Entrenched value proposition</h3> <p>Indians buy jewelry not just as an accessory, but also as an investment</p>	<h3>Margins will improve</h3> <p>Lower margins at retail, compared to the US. Likely to improve over the next few years</p>
<h3>Visible shift</h3> <p>Demand moving from gold jewelry to diamond jewelry</p>	<h3>Market Potential</h3> <p>India has the 2nd largest population and the largest youth population in the world</p>	<h3>Growing economy</h3> <p>One of the fastest growing economies in the world with 6% growth over the last decade</p>

...and have several factors working in its favor



Rising INDIA: has great geographical diversity and cultural differences for jewelry distribution...



North-West

- Medium to Low quality diamond dominant
- Heavy designs

North-East

- Medium-low quality diamond dominant
- Basic handcrafted designs

West

- Medium-high quality diamond dominant
- Fine designs

East

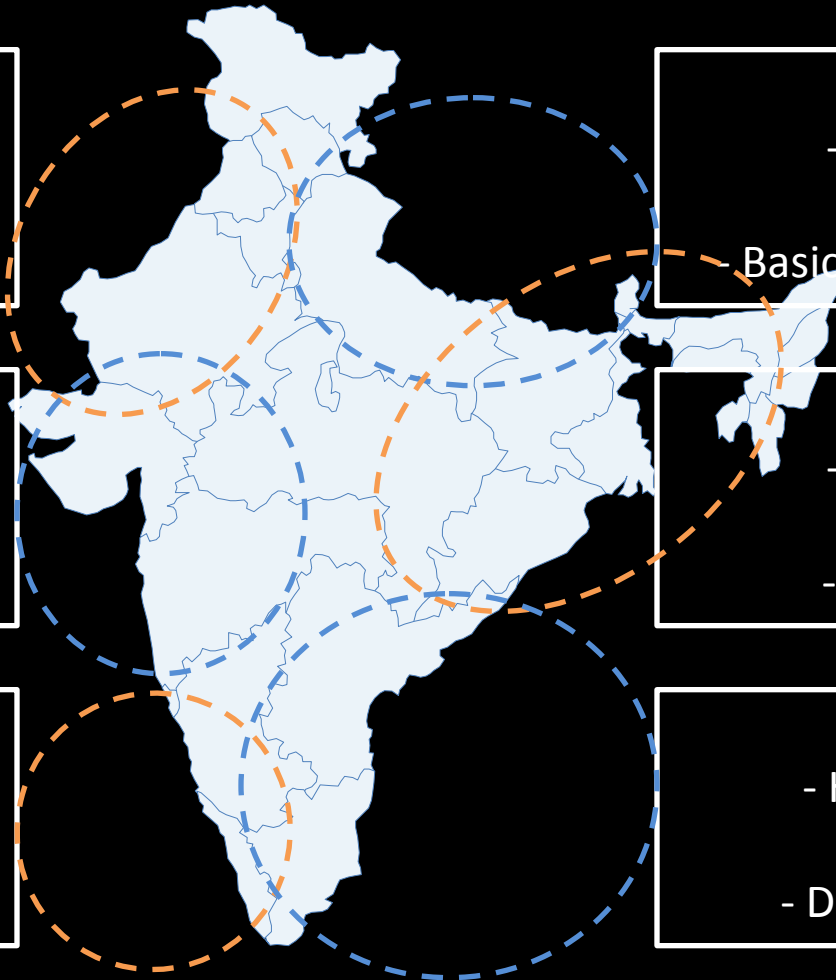
- Medium-low quality diamond dominant
- Handcrafted designs

South-West

- High quality diamond dominant
- Divine/Temple designs

South-East

- High quality diamond dominant
- Divine/Temple designs



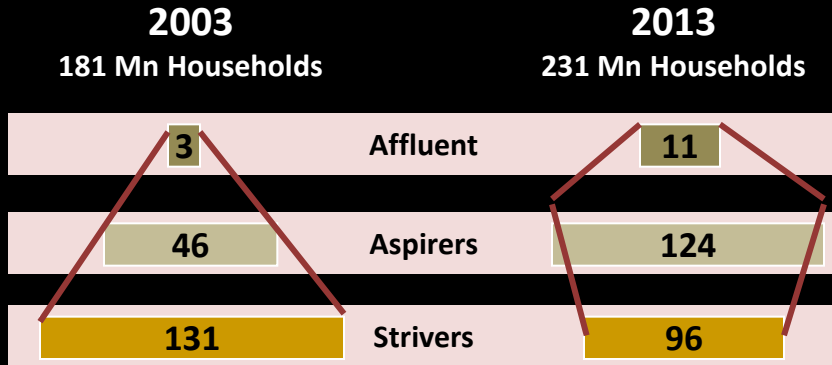
...offers large opportunities to distribute and sell a dynamic product mix



Rising INDIA: building a substantial consumer class...



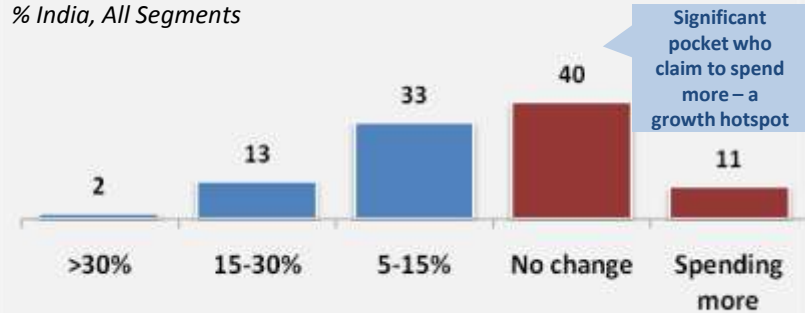
Evolving consumer class



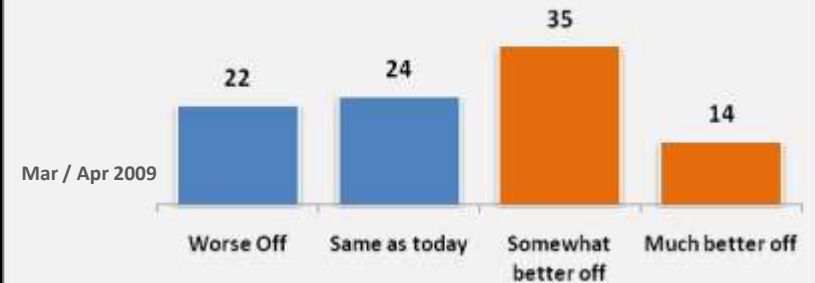
- The number of households in the consumer class is increasing rapidly
- More households are moving up the ladder
- Even with the current recession, there are pockets of spending that exist
- These pockets exist across all age-groups
- The sentiment has declined, but that will recover as the situation improves. Meanwhile target those that are still positive

Braving the recession

% of households by change in spending relative to 6 months back
% India, All Segments



How do you expect to be 5 years from now



...that has not been affected too adversely by the economic downturn



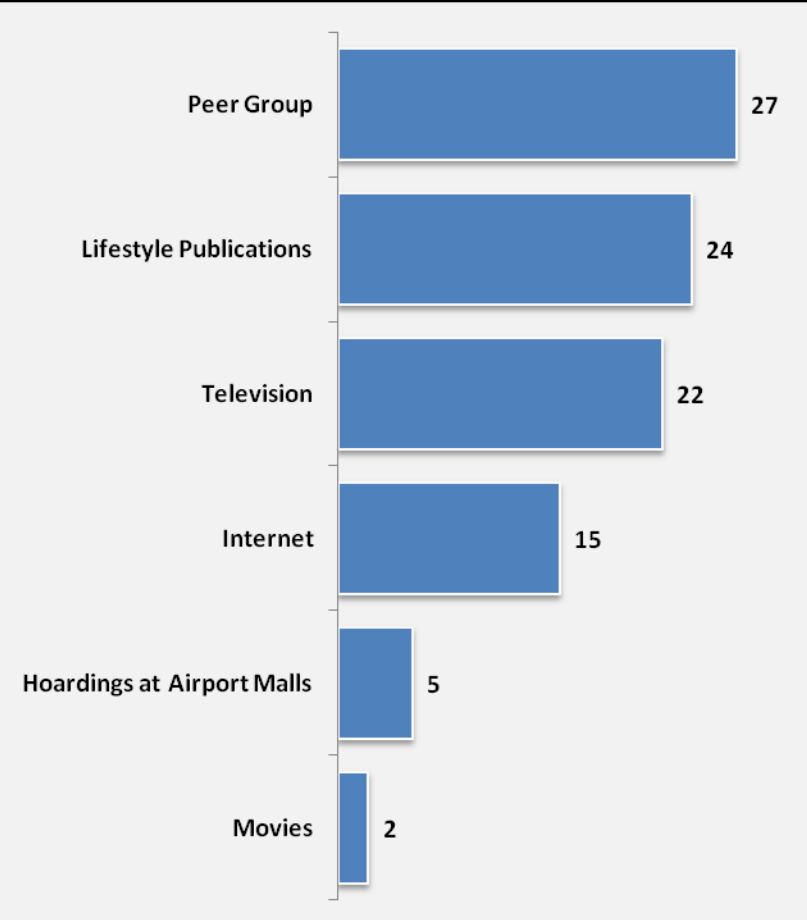
Rising INDIA: Marketing and Branding is becoming increasingly important...



Brands drive consumers

- Customers today prefer quality & design – aspects only branding can ensure consistently
 - Branded products bring assurance of quality for consumers
- Branded & machine-made diamond jewelry is more affordable and can be benchmarked
- New retail formats such as boutiques, supermarkets & souks are winning consumer mindscape
 - Association of these formats with branded jewelry mutually benefits the channels & the brands

Changing influences



...and will be the key influencer in consumer purchase decisions



Rising INDIA: the many facets...



Rising INDIA: taking cue from success of branding by other industries in India...



Advantages of Branding

Better stock turnover ratio

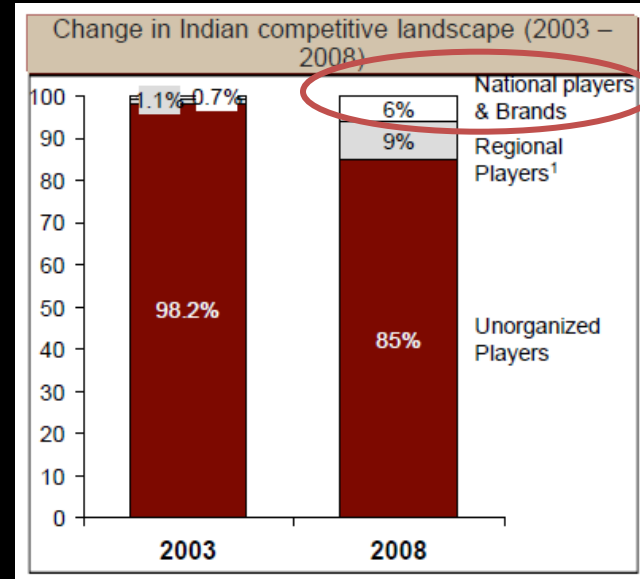
Higher Customer footfalls

Better differentiation

Higher Margins

Better connect with the customers

Quality assurance



- Brands are propelling growth; Branded segment growing at 40% annually in India
- Market for branded jewelry is likely to be worth US\$ 5 billion by 2012 in India itself



...gems and jewelry industry should be able to achieve the same

Rising INDIA: different from the American Jewelry industry



Indian Jewelry Industry



• Type Of Industry

- Family Owned
- Un-organized
- Fragmented

• Consumer Sentiments

- Financial security
- Investment
- More of gold based jewelry
- Traditional Designs

• Business Dynamics

- Labor charges
- Lower margin
- Outsourcing and Manufacturing destination for the world – more of B2B
- Huge secondary market



American Jewelry Industry



• Type Of Industry

- Professionally Managed
- Organized
- Consolidated

• Consumer Sentiments

- Fashion statement
- Prestige
- Diamond & stone based
- Modern designs

• Business Dynamics

- MRP (piece) based products
- Higher Margins
- Retail and consumption destination – more of B2C
- Limited secondary market

...and therefore needs a localized approach





Gitanjali: an Indian Jewelry Pioneer

- Established in 1966, Gitanjali started as diamond trading and polishing house
- Graduating from the diamond trading the company set-up its own jewelry manufacturing units
- In 1994, Gitanjali launched India's first diamond jewelry brand - "Gili"
- Expanded into jewelry retail by launching first stand alone store in India
- From 2000 to 2006, introduced major brands like Nakshtra, Asmi, D'damas, Sangini to India
- Increased international footprint by acquiring/opening stores in leading jewelry markets like USA, Japan, China and Middle East and upgraded them by aggressive branding
- Our strategy is to **"Sell every diamond as a dream"**



Gitanjali: Joining the dots...

CAPTURING AN INCREASING SHARE OF THE VALUE

Started as a diamantaire

Access to rough directly from the miners

Set-up Jewelry manufacturing facilities

Entered Jewelry mfg to take advantage of low-cost locations and capture more share of the value

Introduced India to Branded Jewelry

Launched India's first jewelry brand "Gili", and aggressively started branding and marketing jewelry

Built retail presence in India

Entered Retail. Adopted the franchisee model to expand presence at a very fast pace in the complex Indian market

Expanded into International markets

Retail presence in the US, Japan, Middle East and China

...by selling every diamond as a dream

Gitanjali: Spread across global stage



...by selling every diamond as a dream





Thank You

