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# India Rising

## *“Joining the Dots”*

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



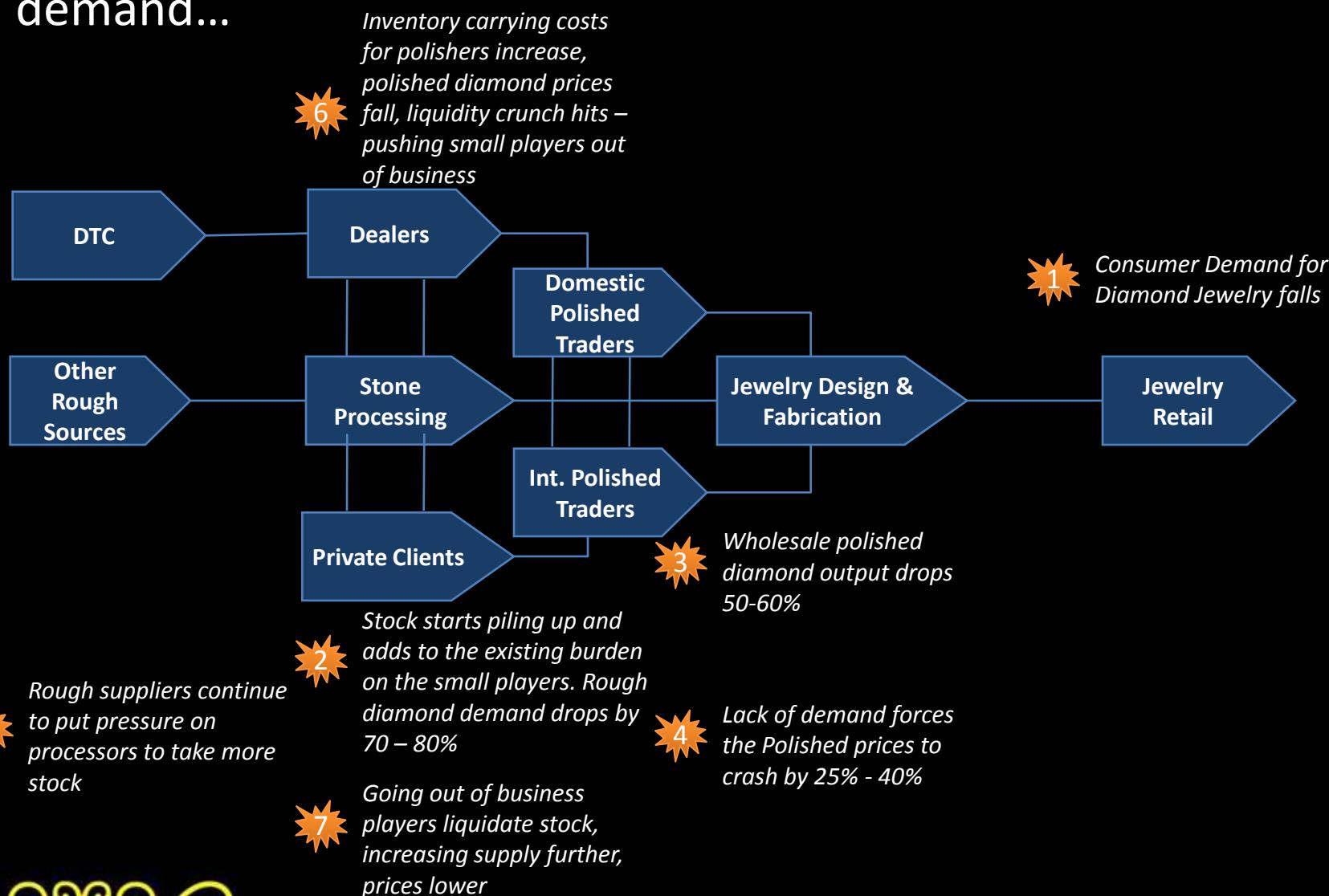
***Stress in the system***

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...



## Rough sourcing

1

Demand for rough has dropped substantially

2

Companies have stocked up on rough during this recession

## Rough polishing & trading

3

A number of middle men have been driven out of business

4

Polished prices still lead the rough diamond prices

## Retail

5

Diamond jewelry still holds its charm

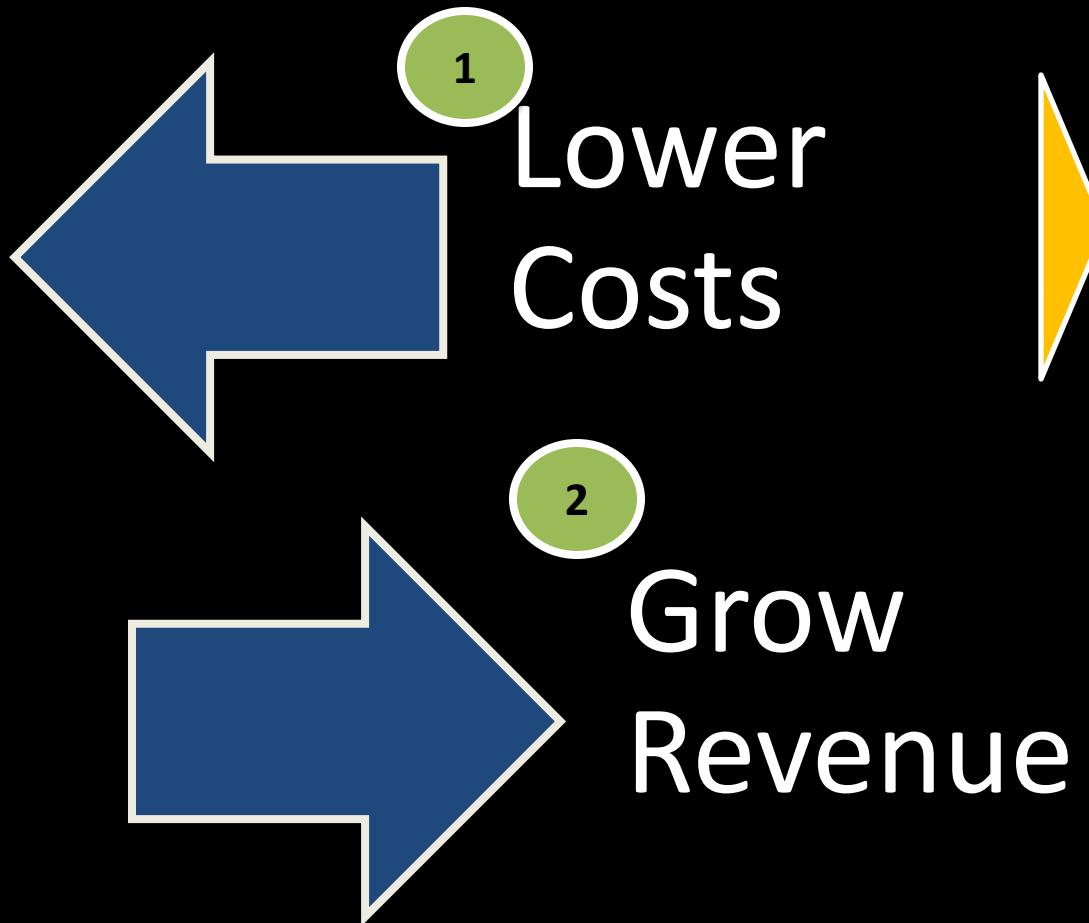
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India and China have justified their reputation as strong emerging markets

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



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

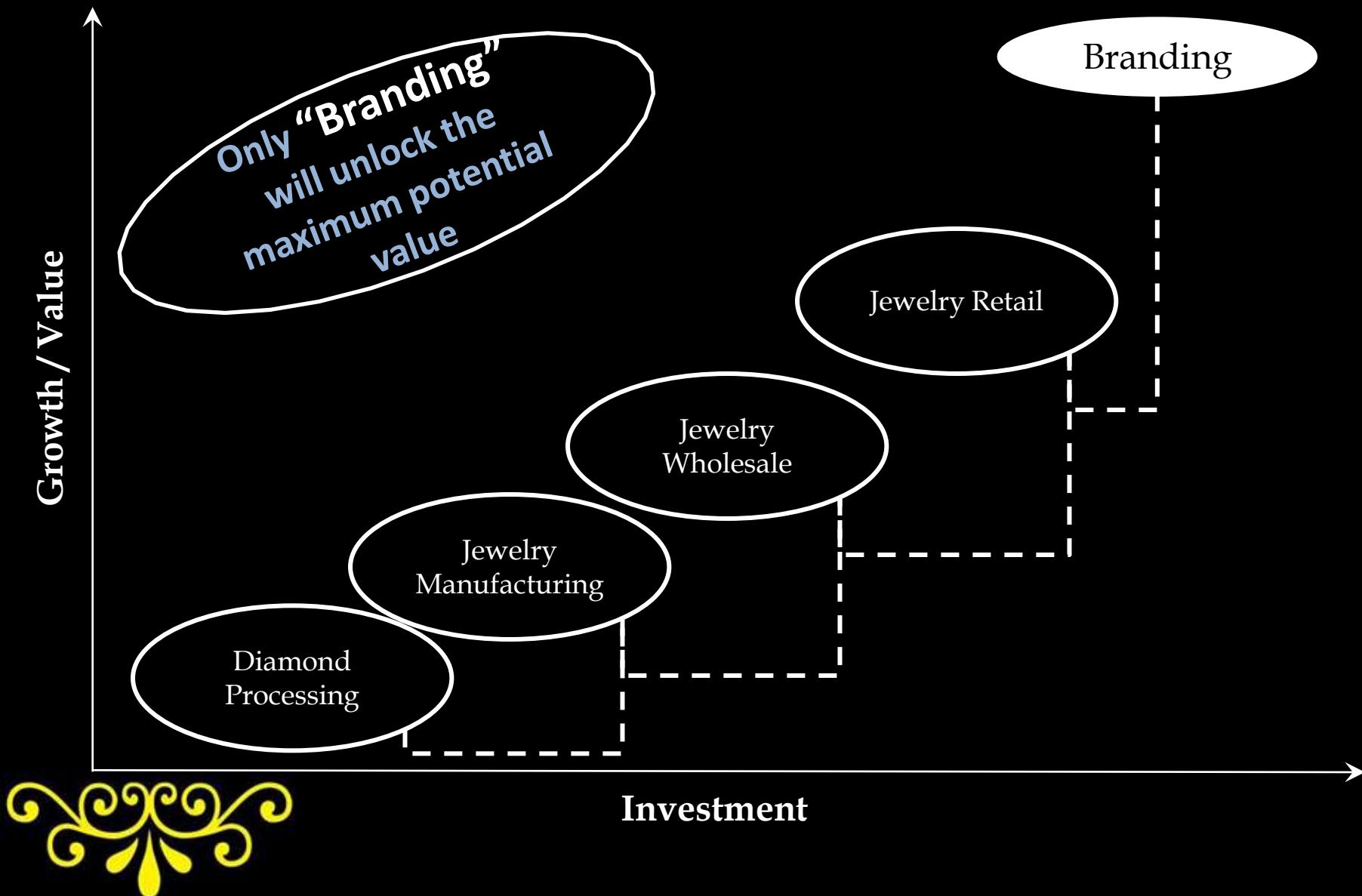


- Improve margins through consolidation
- Explore emerging markets (India / China)
- Invest in marketing / branding



*...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 ...

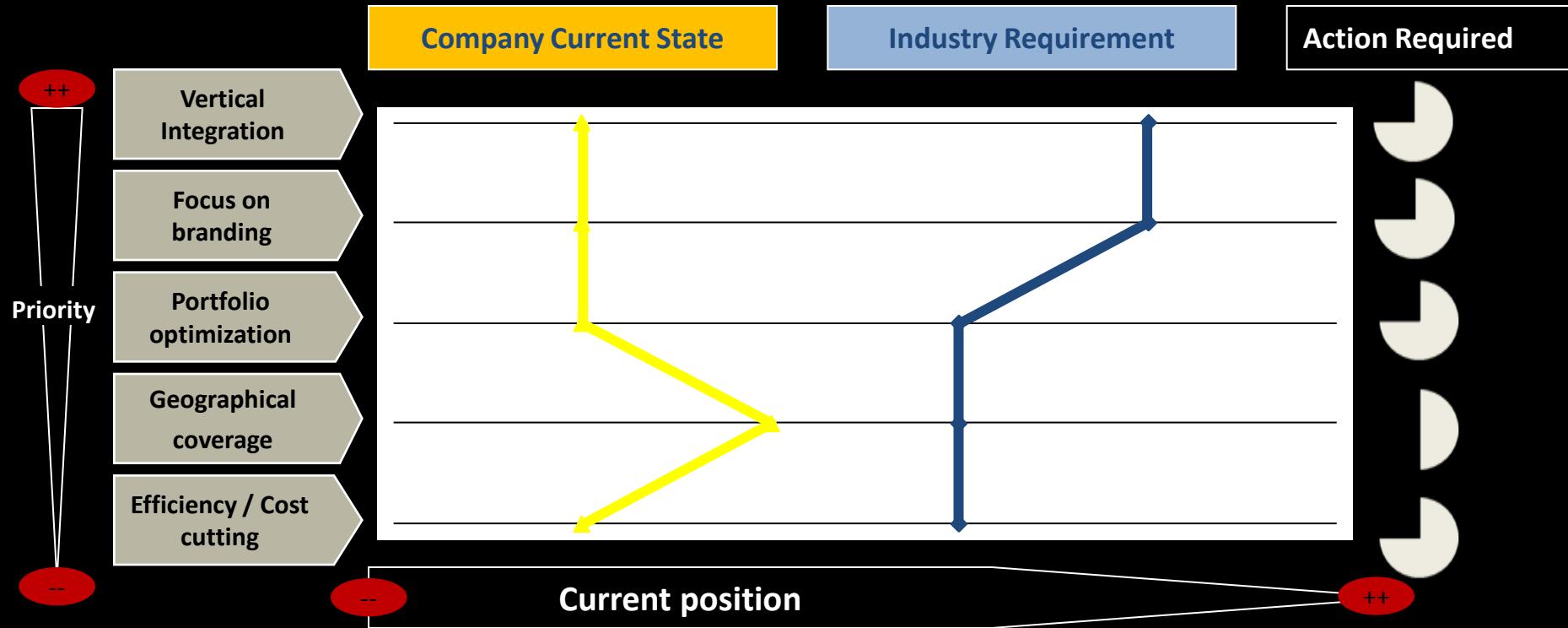


- The days of low margins and high leverage are over
- The industry is restructuring fast and players who don't integrate vertically will find it difficult to survive in the near future
- Lower demand in some of the key markets, make it imperative to squeeze as much margin out of the value chain as possible – 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...



<h1>INDIA</h1>	<p><b>Strong sales</b> India has exhibited a <b>20-25% increase</b> in jewelry sales over the last year</p>	<p><b>Emerging market</b> World's <b>third largest diamond jewelry market</b>, and growing swiftly (\$5bn by 2013)</p>
<p><b>Captive demand</b> 20 thousand tonnes of gold in store, uses <b>40% of world's mined gold</b> year-on-year</p>	<p><b>Entrenched value proposition</b> Indians buy jewelry not just as an accessory, but <b>also as an investment</b></p>	<p><b>Margins will improve</b> Lower margins at retail, compared to the US. <b>Likely to improve</b> over the next few years</p>
<p><b>Visible shift</b> Demand moving from gold jewelry to diamond jewelry</p>	<p><b>Market Potential</b> India has the <b>2<sup>nd</sup> largest population</b> and the <b>largest youth population</b> in the world</p>	<p><b>Growing economy</b> One of the fastest growing economies in the world with <b>6% growth</b> 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

## West

- Medium-high quality diamond dominant
- Fine designs

## South-West

- High quality diamond dominant
- Divine/Temple designs

## North-East

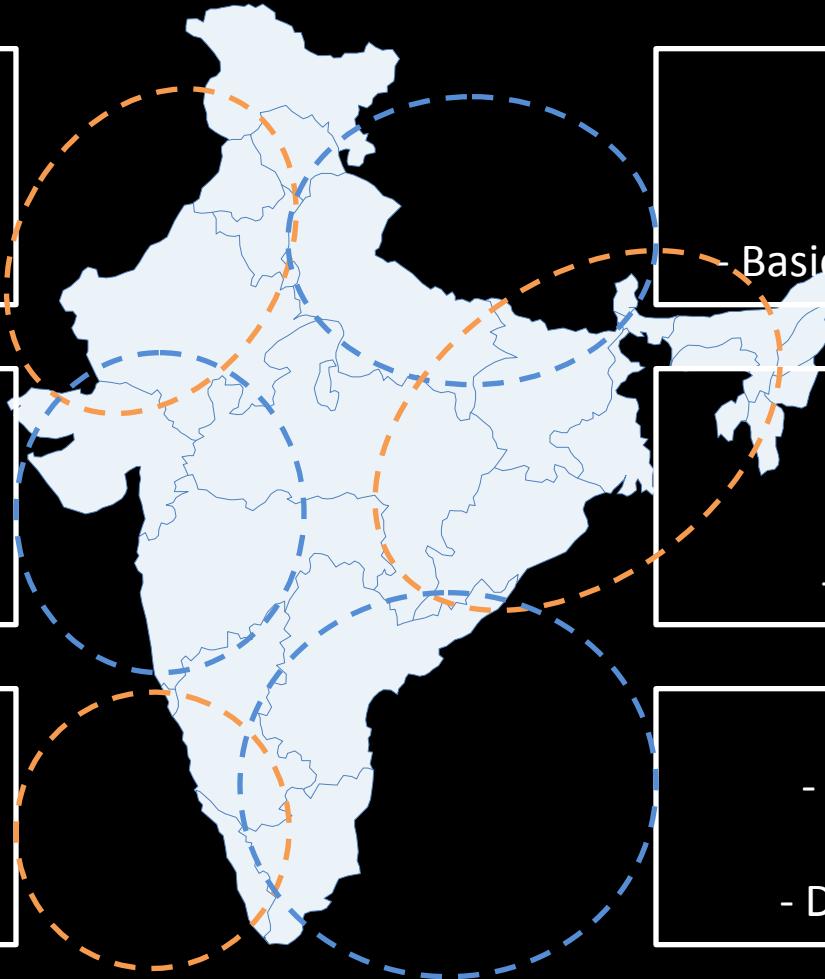
- Medium-low quality diamond dominant
- Basic handcrafted designs

## East

- Medium-low quality diamond dominant
- Handcrafted designs

## South-East

- High quality diamond dominant
- Divine/Temple designs



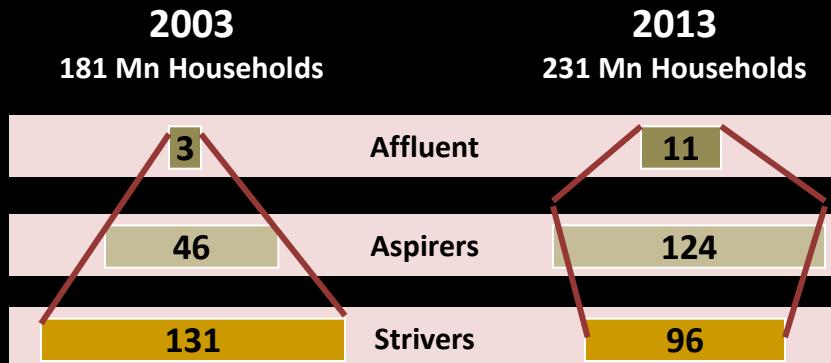
*...offers large opportunities to distribute and sell a dynamic product mix*



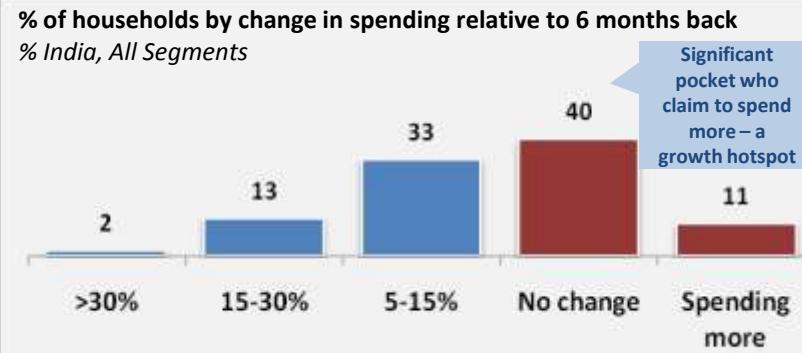
# Rising INDIA: building a substantial consumer class...



## Evolving consumer class

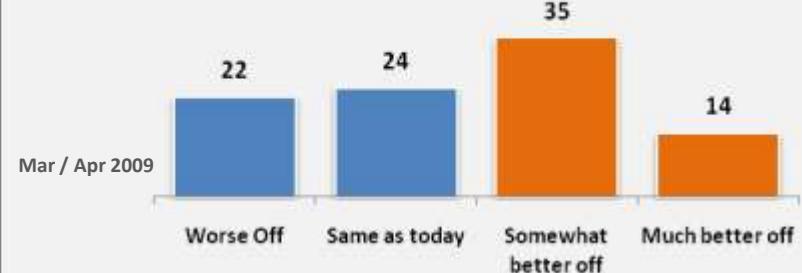


## Braving the recession



- 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

## How do you expect to be 5 years from now



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



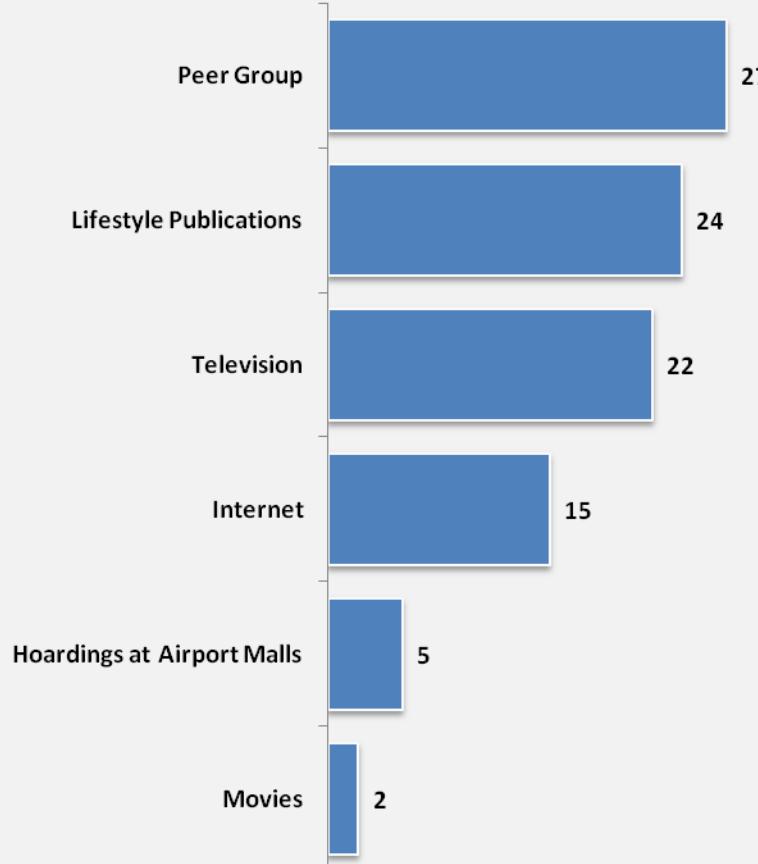
# Rising INDIA: Marketing and Branding is becoming increasingly important...



## 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 mindspace
  - 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

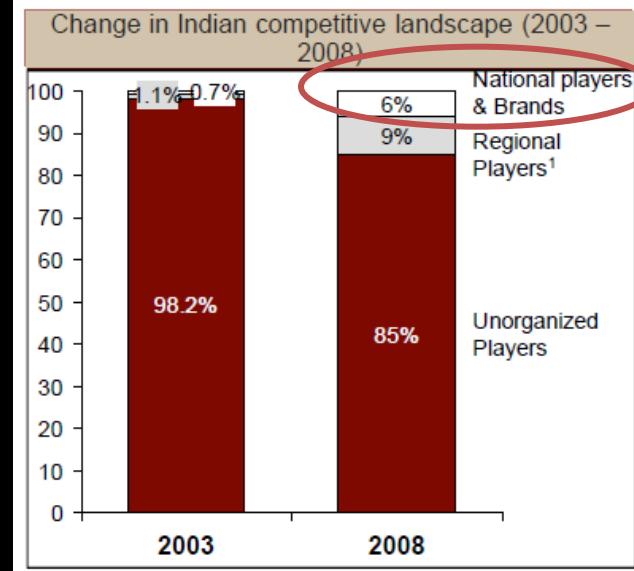
Higher Customer footfalls

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

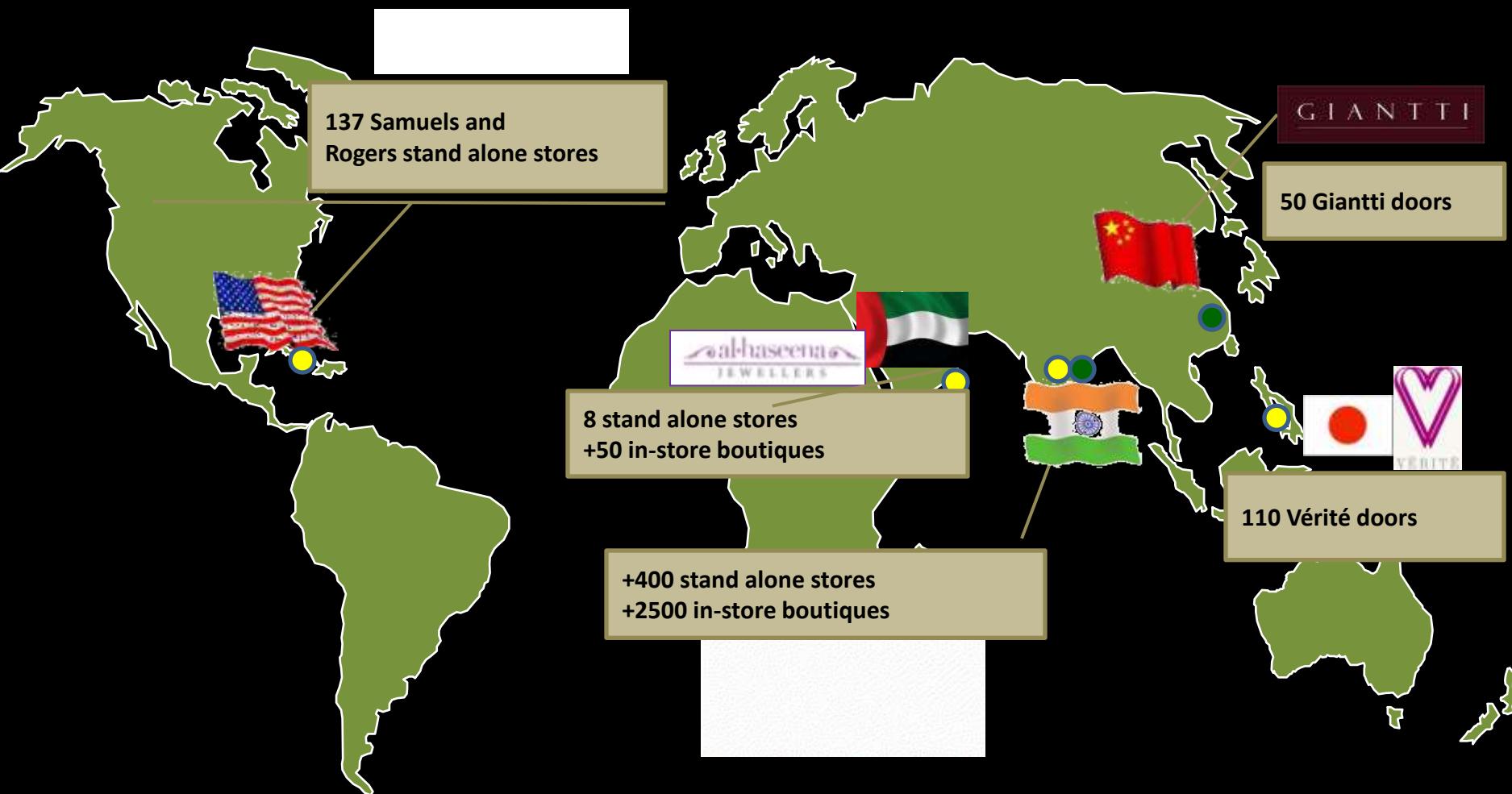
Expanded into  
International  
markets

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*







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Thank You

