



## Gems and Jewelry Industry this Week

June 5 – June 12

### DIAMOND NEWS

Botswana, the largest diamond producer in the world (in value terms), recorded a 63.6% and 53.9% growth in exports measured in Pula and US Dollar terms respectively in the first quarter of 2008, compared to exports in the last quarter of 2007.

However, the nation has indicated that exports may decline, as Botswana will retain a share of its diamonds for processing within the country.

### METAL NEWS

#### GOLD NEWS

Gold prices fell on Tuesday below the \$890 per ounce mark as the dollar strengthened on anticipation of a possible interest rate hike.

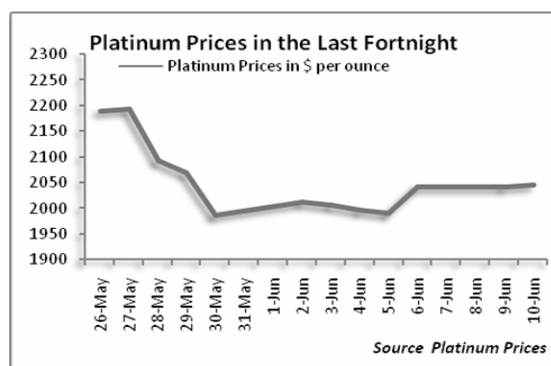
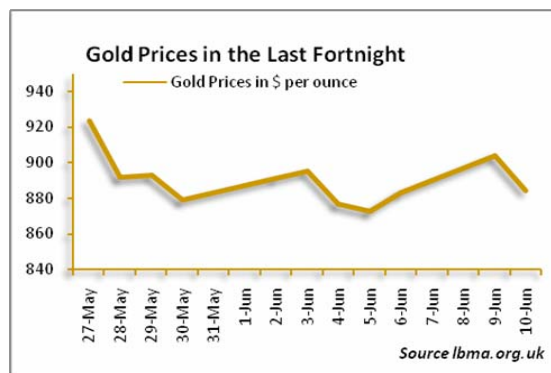
Dubai, also known as the city of gold, is not expected to see a decline in gold imports despite high gold prices through 2008.

“Dubai will finish this year with the same level of gold imports we have seen last year regardless of the high volatile prices,” said Moaz Barakat, managing director of the World Gold Council in the Middle East, Turkey and Pakistan.

Demand for gold in India seems to me improving as prices for gold soften. A dealer at a large private bank stated that gold in India would witness strong demand if the price falls to around Rs.12,000 [US\$ 285.71 approx] per 10gm.

#### PLATINUM NEWS

According to venerable Investment Bank Merrill Lynch and Co, platinum is expected to average \$2500 per ounce in 2009 and 2010, which is 25% higher than their previous forecast. Power shortages in South Africa are expected to affect mining production.



### INDUSTRY NEWS

The Indian inter-ministerial board of approval has approved the setting up of 23 more export zones across the country, including a zone specifically for gems and jewellery in the state of Andhra Pradesh.

Fine Jewellery India Ltd., a Mumbai-based diamond jewellery exporter, is looking at raising Rs.115 crore (US\$26.2 million) to boost its manufacturing capacity and open 30 jewellery stores across the nation. The company is either looking at raising a funds through an IPO or through private equity.



#### FINE JEWELLERY SEEKS \$26.8 MN IN PRIVATE EQUITY [10-06-08]

(GJEPC) Fine Jewellery India Ltd., a Mumbai-based diamond jewellery exporter, is considering raising funds to finance the expansion of its domestic retail business and manufacturing capabilities, reports the Press Trust of India.

The company estimates that it will require about Rs.115 crore (\$26.8 million) to boost its manufacturing capacity and open 30 jewellery stores across the country in the next three years. It currently sells jewellery under the 'Nirvana' brand name.

Fine Jewellery director Sohail Kothari said the company was looking to raise \$25 million through private equity in the next six months, and is also considering floating an initial public offering (IPO).

The jeweler has the capacity to produce 1 million jewellery pieces per year and an installed capability to consume 500,000 million carats of diamonds a year.

#### ANOTHER GEM & JEWELLERY EXPORT ZONE OKAYED [06-06-08]

(GJEPC) The Indian inter-ministerial board of approval on Wednesday approved the setting up of 23 more export zones across the country, including a zone specifically for gems and jewellery in the state of Andhra Pradesh.

The government has so far given formal approval to 467 export zones, of which 225 have actually started up and currently collectively employ 98,000 people. Exports from these zones have increased from Rs. 34,615 crore (\$8.1 billion) in 2006-07 to Rs. 66,638 crore (\$15bn) in 2007-08, registering a growth of 92 %.

#### MERRILL SAYS PLATINUM TO AVERAGE \$2,500/OZ IN '09 [07-06-08]

(The Bullion Desk) Merrill Lynch & Co. said that platinum will average \$2,500 an ounce in 2009 and in 2010, 25% higher than it had previously forecast, owing to power shortages in South Africa, according to a Bloomberg report. Platinum prices have risen by 34% so far this year and averaged \$1,936 per ounce.

Starting in February this year, the South African state-owned power company Eskom rationed electricity supply to mines at 90% of their normal needs in order to avoid a total collapse of the grid as it was unable to ensure stable supplies. While it raised electricity supply to 95% of normal requirements, it noted that the shortage is expected to last until 2012, Eskom said.

"After a period of zero production because of power outages, mines are now producing again but have to contend with reduced power availability," Merrill analysts Jason Fairclough and Daniel Fairclough said in a report. "Expect more shocks."

#### TOLKOWSKY DIAMOND JEWELLERY COMES TO INDIA [07-06-08]

(GJEPC) Indian upscale jeweler C. Krishniah Chetty & Sons (CKC) unveiled the Tolkowsky diamond jewellery brand at its 14,000-sq-ft flagship store in Bangalore through an exclusive partnership with the 200-year-old European diamond house. CKC has been sourcing polished diamonds from Tolkowsky for the past three years, but this is the first time that the brand is available as a range in India.



The diamonds for all the six new collections are obtained from the Diamond Trading Company (DTC) and cut and polished in Tolkowsky's factories in Thailand and Botswana. Jean Paul Tolkowsky, the seventh generation of the Tolkowsky family of legendary diamond cutters, designed five of these collections which were aimed at an international audience. He noted that there were no plans to manufacture Tolkowsky diamonds in India at present.

The range, which is targeted at the high-end consumer, retails from Rs.35,000 (\$818) onwards and includes an Indian line developed by CKC. The two brands are also jointly developing a diamond jewellery collection, which will be launched in two months' time. The jewellery comprises diamond-studded rings, earrings, neckwear, etc. set in platinum, and yellow and white gold.

Speaking at the launch, CKC managing director Vinod Hayagriv, said, "This exclusive arrangement allows Tolkowsky to be available to diamond connoisseurs who demand the best in India." He added that apart from the two stores in Bangalore that currently house the Tolkowsky collection, CKC would take this range into other cities across India. Hayagriv said the company was considering opening four more stores by 2012.

The Tolkowsky collection is also available as a brand in the UK and the US, and as Exelco in Japan.

#### **BOTSWANA DIAMOND EXPORTS UP 60% IN Q1 [06-06-08]**

(Polished Prices) Botswana's rough diamond exports grew by 63.6% and 53.9% measured in Pula and US Dollar terms respectively in the first quarter of 2008, compared to exports in the last quarter of 2007, according to a March 2008 financial statistics report from the Bank of Botswana (BoB).

A total of 3.9 billion Pula worth of diamonds was exported between October and December 2007. This figure increased to 6.4 billion Pula in the first three months of this year, the report said.

Thirty-three point eight (33.8) million carats were produced by Debswana in 2007, and over 34 million carats were sold, it said.

However, due to Debswana's plans to invest substantially in capital development, the report warned of a slight decline in exports, going into 2008. As a result, a production fall of 1.5% is anticipated, it said.

#### **GOLD DROPS BELOW \$890 AS DOLLAR FIRMS [10-06-08]**

(Bloomberg) Gold extended losses on Tuesday and dropped below \$890 an ounce after the US dollar gained on expectations of a possible interest rate hike, reducing the metal's appeal as an alternative investment.

Gold fell to \$889.80/890.70 an ounce from \$894.00/896.00 late in New York on Monday, when it jumped to its highest in almost two weeks to \$908.70 before slipping back as the dollar regained strength and crude oil fell.

Gold was well below its record \$1,030.80 hit in mid-March. Jewellery makers were on the sidelines, waiting for prices to fall further, dealers said.

"We'd expect to see very strong resistance at \$900," said Louis Lok, a dealer at Bank of China in Hong Kong, adding gold could also test the downside of \$885 due to a firm dollar.



"If I were a physical buyer, this level is not low enough. Maybe at below \$875 or \$865," said Lok, referring to levels which may attract buying from jewellers and other bargain hunters.

The dollar hit a three-month high against the yen and rose against other currencies after Federal Reserve Chairman Ben Bernanke said the rise in oil prices added to inflation risks, stoking expectations for rate hikes this year.

Oil was up 68 cents at \$135.02 a barrel on Tuesday, having settled \$4.19 lower the previous day. US crude jumped to a record \$139.12 on Friday in its biggest one-day gain ever.

"Short-covering and bargain-hunting should come around \$880 and \$16.50 for gold and silver respectively if there's any new wave of sell-offs," said William Kwan, bullion director of Gold Capital Management in Singapore.

"But looking forward this month, a weak US economy will translate to a weak US dollar," he said.

Silver edged up to \$17.07/17.14 an ounce from \$17.06/17.16 late in New York on Monday, when it hit a high of \$17.67 an ounce, its highest since May 27.

Gold futures for June delivery on the Comex division of the New York Mercantile Exchange fell \$4.4 an ounce to \$893.70.

"People seem to be reluctant to commit themselves to gold. There's selling pressure but gold may find support at \$885," said a physical dealer in Hong Kong. "I don't think jewellery makers are around. Maybe they will be happy to buy at below \$880," he said.

Premiums for gold bars were unchanged at between 30 and 40 U.S. cents an ounce to the spot London prices in Hong Kong. The most active Tokyo platinum contract for April 2009 delivery on the Tokyo Commodity Exchange fell 48 yen per gram to 6,826 yen despite a weaker yen, under pressure from a weak cash market.

Spot platinum fell to \$2,022/2,042 an ounce from \$2,037.50/2,057.50 late in New York. Palladium firmed to \$424.00/429.00 an ounce from \$422.00/427.00.

#### EXPERTS SEE NO CHANGE IN DUBAI GOLD IMPORTS [10-06-08]

(GJEPC) Strong gold prices are unlikely to put the brakes on imports of the precious metal into Dubai, despite a recent fall in purchases by the Gulf Arab emirate known as "the City of Gold," industry executives say.

Gold's surge to multi-year highs earlier this year scared buyers in many parts of the world and pulled down Dubai's first-quarter imports by 7.6 percent to 122 tons.

Last year, gold imports reached 559 tons on investors' appetite for the metal, while exports hit 287 tons. Dubai, the Gulf's commercial hub, has the highest concentration of jewelry shops in the world, generating trade worth \$35 billion last year — 20 percent of the \$173 billion total global jewelry trade.

"Dubai will finish this year with the same level of gold imports we have seen last year regardless of the high volatile prices," said Moaz Barakat, managing director of the World Gold Council in the Middle East, Turkey and Pakistan.



“Imports are not directly related to price only. You have other factors like exports and industry demand,” he said.

Spot gold powered to a record of \$1,030.80 an ounce on March 17 on record-high crude oil, fears of inflation and expectations of more rate cuts in the United States, making the metal more attractive as an alternative investment.

Gold has since fallen, but rose to a high of \$900.30 an ounce on Friday on record oil prices and a dollar drop after data showed a sharp rise in US unemployment and as equity markets slipped on worries about economic growth.

“On the jewelry side, buyers tend to adjust to prices quicker in this region, and on the investment side, when there is a bullish sentiment, you get investors pouring money into gold,” said Tawhid Abdullah, manager director of the Dubai Gold and Jewelry Group.

“We are also seeing higher export demand from other regional markets, so I think we will comfortably see higher import figures this year,” he told Reuters.

Dubai’s gold and jewelry trade is fuelled by demand from the Arab world and India, the world’s number one gold market.

Gold trade through Dubai reached \$7 billion in the first quarter, up 71.5 percent from the same period a year earlier, while exports surged 74.2 percent to 115 tons, the Dubai Multi Commodities Center (DMCC) said in May.

Tax-free jewelry in the gold souks and shopping malls in the United Arab Emirates — the seven-member federation that includes Dubai — draws Gulf Arab and Western tourists.

Drops in sales volume of gold jewelry and bullion imports earlier this year have deepened anxieties among traders that the emirate may lose its luster as a regional gold hub.

Traders fear high and volatile prices could scare off gold jewelry buyers in Dubai, but analysts say a growing number of Western tourists will drive demand for the yellow metal higher.

“More than 60 percent of gold purchases in Dubai is done by the tourists and (as) their number rises, it is likely that demand and gold imports would surge higher,” said Pradeep Unni, analyst at Vision Commodities Services in Dubai.

“In the coming weeks the city will also see more expatriates going on summer vacations and gold gifts are generally seen as a must before the travel,” Unni said.

#### JEWELLERY EXPORTS MAY HIT \$37B IN 2015 [10-06-08]

(GJEPC) Diamond traders and jewellery shop owners in Gujarat and other parts of the country may listen to this findings by a Federation of Indian Chambers of Commerce and Industry (Ficci) study.

According to the study, India has the potential to increase its jewellery exports to \$37 billion from \$18 billion by 2015 if the domestic gems and jewellery industry is transformed from family-owned to professionally managed business.

The study called for ensuring easy access to dollar loans and rupee loan at a uniform interest rate for the diamond industry to make it more competitive.



The matter needs to be taken up with the RBI and finance ministry for regulatory measures, the study added.

Ficci also called for easy availability of gold loan products to domestic manufacturers, allowing exporters to import gold freely to position the sector on a higher growth trajectory.

MUMBAI, June 10 (Reuters) - India's gold demand improved on Tuesday as prices softened and dealers said it could pick up if the prices fall further.

"The demand has improved a bit as prices have come down, but people are still cautious of high prices," said Ashok Gupta of Delhi-based Ganpati Traders.

#### INDIA GOLD DEMAND IMPROVES AS PRICES SOFTEN [10-06-08]

(The Bullion Desk) Indian gold prices, which mirror international trends, fell on Tuesday on overseas weakness. The benchmark August contract was down about 120 rupees per 10 grams after losing more than 100 rupees the previous day.

If prices would come down to 12,000 rupees, one can see more demand, said a dealer at a large private bank.

However, the real rush will come only after August when a series of festivals and auspicious periods for marriages will increase demand for gold, he said.

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