Business Confidence Survey Report

Gems and Jewelry Industry Perspective

(Jan – March 08)

Polygon.net

the jewelry industry’s largest e-marketplace™
Table of Contents

1. Executive Summary .............................................................................................................................. 3
2. The Second Polygon Business Confidence Survey: Objective .................................................................. 4
3. Methodology ........................................................................................................................................ 5
4. Overview ........................................................................................................................................... 6
5. The Survey Results ............................................................................................................................... 7
   5.1 Business Confidence Index .............................................................................................................. 7
      Overall BCI ......................................................................................................................................... 7
      BCI for Jewelers ................................................................................................................................. 8
      BCI for Diamond Co’s ......................................................................................................................... 8
   5.2 Current Business Index .................................................................................................................... 9
      Overall CBI ....................................................................................................................................... 9
      CBI for Jewelers ............................................................................................................................... 9
      CBI for Diamond Companies ........................................................................................................... 10
   5.3 Business Margin Expectation Index ................................................................................................ 11
      Overall BMEI .................................................................................................................................... 11
      BMEI for Jewelers ............................................................................................................................ 12
      BMEI for Diamond Co’s .................................................................................................................. 12
   5.4 Strategies for Growth ......................................................................................................................... 13
   5.5 Constraints for Growth ..................................................................................................................... 13
   5.6 Export Destinations ........................................................................................................................ 14
   5.7 Views on Online Jewelry Retailing ................................................................................................ 14
   5.8 Dubai v/s India as Diamond Trading hub ........................................................................................ 14
6. Conclusion ........................................................................................................................................... 15
   Annexure 1 – Statistical Tables .......................................................................................................... 16
   Annexure 2 - Polygon Company Profile ............................................................................................. 17
      Membership ....................................................................................................................................... 17
   Annexure 3 – Business Confidence Survey Questionnaire For JAN – MAR 2008 Quarter .................... 18
1. **EXECUTIVE SUMMARY**

The Second Business Confidence survey revealed that the Indian Gems and Jewelry Industry had a disappointing Oct-Dec quarter. Record level gold prices deterred Indian consumers from purchasing gold jewelry during the festive season, the sliding dollar adversely affected diamond companies. The Current Business Index (CBI) for the Oct-Dec quarter stood at 63.3 as opposed to a CBI of 82.1 in the preceding quarter.

The Polygon Current Business Index assesses the Industry’s views on performance in the last quarter, Oct-Dec’07 with respect to their performance in the same quarter of the previous year. Only 51% of the respondents performed better in the Oct-Dec’ 07 quarter as compared to the same quarter in the previous year.

Valentine’s Day and the Indian wedding season will be the key drivers of gems and jewelry sales during the first quarter of 2008. Diamond jewelry enjoys unprecedented demand during Valentine’s Day. On the other hand, as consumers get accustomed to higher gold prices, gold jewelry might witness a boost because of the wedding season.

The Industry is optimistic about business prospects in the next quarter and it reflected in a healthier Business Confidence Index. The Business Confidence Index (BCI) for Jan-Mar’08 stands at 75.5. However, it was substantially lower than the BCI of the preceding quarter. The Business Confidence Index for Oct-Dec ’07 stood at 94.64 as the industry was excited about business prospects in the festive season.

The Polygon Business Confidence Index is a barometer that senses the pulse of the Industry’s Business Prospects in the current Jan-Mar’08 quarter. About 65.3% of the respondents indicated that they expect to perform better in Jan-Mar’08 than the same quarter in the previous year.

Gross operating margins for Jewelers and Diamond Companies will be under pressure in the Jan-Mar’08 quarter. Gold prices are expected to remain strong through 2008. Uncertainty over supply of diamond rough will expose Indian companies to price volatility of the open market.

The Business Margin Expectation Index (BMEI) for Jan-Mar’08 stands at 46.93. The Polygon Margin Expectation is a measure of expected operational margins in the Jan-Mar’08 quarter. About 59% of the respondents felt that their input prices would be higher than the previous quarter.

Uncertainty over the US economy will alter the export landscape of diamonds and jewelry. Companies will look at emerging markets for export growth. About 29% of the Jewelers will export their jewelry to the Middle East. Asia, led by China has emerged as the most popular export destination for Diamond Companies.

Online jewelry shopping is gaining popularity amongst Indian consumers and sellers. An increasing number of companies are looking at selling online to reach a wider target audience. However, Jewelers are still concerned over malpractices prevalent in online jewelry shopping, like copying of designs.

The Indian G&J industry believes that Dubai with its remarkable infrastructure would emerge as a favored diamond hub for the Middle East Markets. However, it will not threaten India, the country that is home to a number of big diamond companies.
2. **THE SECOND POLYGON BUSINESS CONFIDENCE SURVEY: OBJECTIVE**

Polygon has successfully concluded its Second Business Confidence Survey to assess the business expectation of Diamond Merchants and Jewelers for first quarter of 2008, Jan-Mar. The survey has also assessed their performance in the preceding quarter ended Dec’07. Three basic indices have emerged from this survey to measure the business sentiment of the industry.

- Polygon Business Confidence Index (BCI)
- Polygon Current Business Index (CBI)
- Polygon Business Margin Expectation Index (BMEI)

The Polygon Business Confidence Index is a barometer that senses the pulse of the Industry’s Business Prospects in the current Jan-Mar’08 quarter.

The Polygon Current Business Index assesses the Industry’s views on performance in the last quarter, Oct-Dec’07 with respect to their performance in the same quarter of the previous year.

Polygon Margin Expectation is a measure of expected operational margins in the Jan-Mar’08 quarter.

The indices are based on the perceptions of CEOs and Executives of Diamond and Jewelry companies and will be useful in devising corporate strategy and business planning. These indices bring forth the industry’s perception on future businesses and aspirations drawn from the current business status.

Polygon continues to bring up constraints to businesses that are external to the industry. The economic hurdles listed in this survey were International and local Demand, Availability of skilled labor and raw materials.

**Spectrum of Companies:** - Companies spanning from small Jewelry stores to listed companies, suppliers and retailers across different cities like Mumbai, Delhi, Pune, Jaipur and Chennai participated in the survey.

**According to Firm Size**

Companies were further categorized according to size based on estimated turnover:-

- **Small** - up to 100 crore
- **Medium** - 100 to 400 crore
- **Large** - above 400 crore
3. **Methodology**

The data for the construction of Polygon Gems and Jewelry Business Confidence Index is derived from interviews that were conducted based on the questionnaire during the IIJS 2007 exhibition, Mumbai. The survey questionnaire comprised 10 questions which are variables used as index components. The Questionnaire is appended at the end of this report.

The respondents were asked to choose one of the 3 alternatives: Better, Same as today, Worse and in some cases the alternatives were: Higher, Same as today, Lower. The respondents are also asked the prospective product and pricing strategies and regions / countries, which they perceive would provide growth to their company.

These questions focus on the forecasting of business and economic conditions over the period of next three months and current status compared to those in the previous quarter.

The sampled firms comprised of a few listed companies but predominantly privately held companies. The respondents were mostly the business leaders, business owners themselves, or corporate executives who understood the purpose of the questionnaire. These representative firms were either only into one business i.e. diamond or jewelry or both. In the assessment process of the responses received, the qualitative data (business views) is converted to quantitative data (numbers and points) before the sentiment index can be constructed through the application of an indexing approach called diffusion index.

**THE INDEX FINALLY DERIVED WILL BE AN INDICATOR OF BUSINESS AND ECONOMIC SENTIMENT.**

Highest index is 100 while the lowest is 0.

Reading of index is as follows:
1. Index of 50 implies business sentiment remains stable.
2. Index above 50 implies business sentiment has improved.
3. Index below 50 implies business sentiment has worsened.

Computation of index comprises the following procedures:

1. **Converting qualitative data into Quantitative data by scoring the responses received within the criteria below:**
   - The score of 1 are assigned to the answers that show positive sentiment
   - The score of 0.5 is given to “no significant change” answer
   - The score of 0 are assigned to “Worse or lower” responses

2. Adding all the scores obtained the dividing the total score by the number of respondents and multiplying the final figure by 100.

3. There are three types of indices constructed:
   - The Current Business Index - the index derived from the current performance surveyed data
     \[(CBI = \text{Cumulative Score on Current Performance}/\text{No. of Companies} \times 100)\]
   - The Business Confidence Index- the index derived from the data surveyed one three months in advance
     \[(BCI = \text{Cumulative Score on Expected Performance}/\text{No. of Companies} \times 100)\]
   - The Business Margin Index – the index derived from the data surveyed on product and raw material pricing
     \[(BMEI = \text{Average [Final Marketing Price and Input Price]} \times \text{No. of Companies} \times 100)\]
     \[(\text{Final Marketing Price} = \text{Cumulative Score on Pricing Products}/\text{No. of Companies} \times 100)\]
     \[(\text{Input Price} = \text{Cumulative Score on Suppliers Price}/\text{No. of Companies} \times 100)\]
4. OVERVIEW

Dassera, Diwali and Christmas were the key drivers for Jewelry demand in the last quarter of 2008, making it the most productive quarter for the Gems and Jewelry Industry.

Unfortunately, gold prices in Oct-Dec ‘07 were up by nearly Rs 1000 per 10 gm (tola) than the preceding three quarters of ‘07. High gold prices were instrumental in denting Jewelry sales in India. Consumers decided to delay their Jewelry shopping in anticipation of gold prices cooling down.

Diamond companies fared marginally better as consumer shopping trend shifted towards diamond jewelry with low gold content. However, an appreciating rupee and a recessionary American economy pushed labor costs higher and affected exports.

The Indian Gems and Jewelry Industry have entered what is traditionally the second most productive quarter of the year. Valentine’s Day and the Indian Wedding season drive demand for diamond and gold Jewelry during the first quarter of the year.

A declining dollar and rising crude oil push demand for gold as a safe haven investment. Indian Jewelers expect gold prices to remain strong during 2008.

Diamond Companies are upbeat about the prospects of diamonds sales in the emerging economies of India and China. Nonetheless, concerns over a smooth supply of diamond rough, especially in light of the reduced allocation of rough by Diamond Trading Company to Indian companies has the industry under a spot of bother.

Year 2008, promises to be a defining year for the Indian Gems and Jewelry Industry. Jewelers are hoping that consumers are convinced that high gold prices are here to stay and diamond companies will look at diversifying their sources for procurement of diamond rough. The Industry believes they will be able to overcome both challenges and are optimistic about business prospects during the first quarter of 2008.
5. **The Survey Results**

5.1 **Business Confidence Index**

As we enter 2008, gold analysts predict another strong year for gold. Firms are hopeful that consumers will start accepting higher gold prices and not treat it as an aberration from normal price levels. Acceptance of higher gold prices by consumers will revive demand for gold jewelry in the Indian market.

Diamond Companies are aware of recessionary fears in America. However, they are hopeful that demand from emerging economies like India and China will compensate for the sluggish demand in USA.

**Overall BCI**

The Polygon Business Confidence Index (BCI) for the quarter ending March ’08 stands at 75.5 on a scale of 0 to 100, where the highest is 100, at 50 the confidence is same as today and below 50 implies lower than current level.

The question posted was “What do you envision about your company’s performance in Jan-Mar ’08 quarter compared to Jan-Mar ‘07” (Oct to Dec 2007). The respondents were asked to choose from 3 alternatives: Better, Same as today, Worse.

Of the respondents, 65% chose the first alternative indicating that their performance would be much better in the Jan-Mar’08 quarter.

About 21% respondents are of the opinion that their performance would remain unchanged over the next quarter. About 14% of the respondents believed that their performance would be worse than the same quarter in the previous year.

At 75.5, the Jan-Mar quarter BCI is much lower than the previous quarter. The Oct-Dec ’07 quarter BCI stood at 94.6, an optimistic outlook for business prospects.
BCI for Jewelers
The Business Confidence Index (BCI) for Jewelers stands at 75.6, about 64.1% of the respondents are expecting to do better this quarter (Jan-Mar ’08) than the same quarter in the previous year.

However, the Business Confidence Index stands much lower than the previous quarter (97.7 for Oct-Dec’07) when Jewelers were anticipating strong Diwali sales.

The Business Confidence Index for Jewelry Suppliers (80.4) stands higher than the Business Confidence Index for Retailers (68.8). Valentine’s Day shopping will drive demand for Jewelry and Indian Jewelry suppliers will be looking at exporting Jewelry to a number of International Markets.

According to Firm Size
Large-sized firms expressed a great deal of confidence in Business Prospects (BCI 83.3) for the Jan-Mar’08 quarter, while small firms (BCI 68.4) are still skeptical of consumer’s attitude towards high gold prices.

BCI for Diamond Co’s
The Business Confidence Index (BCI) for Diamond Companies stands at 80.5, which is higher than Jewelers are but lower than their Business Confidence Index in the last quarter.

High gold prices have sparked off a trend where consumers prefer to buy diamond Jewelry with lower gold content rather than pure gold Jewelry.

According to Firm Size
Business Confidence Index for Medium and Large firms stands virtually at the same levels at 83.3 and 85 respectively, indicating that they are equally confident about business prospects in the Jan-Mar’08 quarter.
5.2 CURRENT BUSINESS INDEX

High gold prices and the strengthening rupee have dampened sales of the Indian Gems and Jewelry Industry during the festive season. Traditionally the last quarter of the year (Oct-Dec) is the busiest and most profitable quarter for the Gems and Jewelry industry. Unfortunately, the industry on a whole feels that they have underperformed this season.

OVERALL CBI

The Polygon Current Business Index (CBI) for December quarter stands at 63.3 for quarter ending December 2007 on a scale of 0 to 100, where the highest is 100, at 50 the confidence is same as today and below 50 implies lower than current level.

The question posted was “From your perspective how is your business in Oct-Dec 07 quarter compared to same quarter in the previous year?” The respondents were asked to choose from 3 alternatives: Better, Same as today, Worse.

Of the respondents, about 51% chose the first option, which indicated that their performance in the quarter Oct-Dec’08 has been better than the same quarter in the previous year. About 24.5% companies responded that they have fared poorly compared to the same quarter in the previous year and 24.5% companies have managed to perform at par.

At 63.3, the Current Business Index for the quarter ending in December was much lower than the Current Business Index for the quarter ending in September (CBI 82.1). Primarily due to the factors mentioned earlier i.e. high gold prices and the appreciation of the Indian rupee had adversely affected business in the Oct-Dec Quarter.

CBI FOR JEWELERS

Gold prices had surged in the last quarter of 2007. Average gold prices for Oct-Dec quarter was $786.26 per ounce as opposed to $665.58 per ounce during Jan-Sep period. In the Indian market, that implies a jump of over Rs 1000 per ten grams (tola) of gold. Gold prices in
NR averaged Rs 9867 per tola during Jan-Sep’07 and Rs 10953 per tola during Oct-Dec’07.

The Current Business Index for Jewelers at 63.3 stands lower than the Current Business Index in the previous Aug-Sep quarter (CBI 77.3).

The CBI stands at about the same for Jewelry Retailers (CBI 62.5) and Suppliers (60.9). Indicating that performance for both retailers and suppliers was below expectations.

According to Firm Size
High gold prices adversely affected the sale of gold jewelry in India. Small Indian retailers suffered the most as they reported the most dismal performance.

The Current Business Index for Small Jewelers stands at 47.4, with about 41.1% of the respondents claiming that they fared poorly as compared to the same quarter last year. Medium and large sized Jewelers performed substantially better as their CBI stands at 77.3 and 72.2 respectively.

CBI for Diamond Companies
An appreciating rupee had an impact on the margins of diamond companies. Their problems were accentuated by sluggish demand in the largest market for diamonds, i.e. USA.

The Current Business Index for Diamond Companies for the Oct-Dec quarter (CBI 72.2) stands lower than the CBI for the previous quarter (CBI 80).

According to Firm Size
The Current Business Index across Medium and Large Scale Diamond companies stood the same at 75. Indicating they had similar performances.
5.3 Business Margin Expectation Index

Indian Jewelers and Diamond Companies will have to face rising raw material costs. Price of gold for jewelers and price of rough for Diamond Co’s is expected to rise in 2008.

Overall BMEI

The Business Margin Expectation Index (BMEI) stands at 46.9 for the forthcoming quarter (Jan-Mar ’08). The index is based on responses to two questions; “In the next 3 months, do you foresee that you will be able to price your products”, and “In the next three months, what do you see your suppliers’ price you pay will be”

The Business Margin Expectation Index is an average of the Final Marketing Price (ability to price your products) and the Input Material Pricing (suppliers’ price)

The respondents were asked to choose from 3 alternatives: Higher, Same as today, Lower.

About 53% of the respondents were of the opinion that their product price would remain the same as today in the next quarter while 43% believed that they would be able sell their products at higher prices. Only 4% felt that they would have to lower the price of their products next quarter.

On the supply side, 59% of the respondents expect their input prices to rise, while 33% expect their input prices remaining at the same level as the previous quarter. Only 8% are of the opinion that their input prices would fall.
BMEI for Jewelers
Gold analysts across leading banks expect the US dollar to weaken in 2008, which would prompt investors to reduce their exposure to the US dollar and invest in gold. Furthermore, South Africa and other gold producing nations are reporting a decline in gold production. Thus, a drop in supply of gold and strong increase in investor demand for gold will push gold prices higher during 2008.

Gold prices were the biggest concern for most jewelers. They expect their operating margins to come under pressure as they try to price their goods competitively. The Business Margin Expectation Index (BMEI) for Jewelers stands at 48.7.

According to Firm Size
Small and Large sized firms expect their margins to come under tremendous pressure. The BMEI for Small and Large firms stands at 44.7 and 45.3 respectively.

BMEI for Diamond Co’s
According to GJEPC, global demand for diamond rough is going to exceed supply by 10% in the coming years and will cause diamond rough prices to increase. Furthermore, the Diamond Trading Company has eliminated eight Indian firms and added three new firms to its Sight holder list in Dec 07. It is estimated that DTC’s new Sight holder list will reduce India’s diamond rough allocation by 25%.

The Business Margin Expectation Index (BMEI) for Diamond Co’s stands lower than the BMEI of Jewelers at 47.22.

According to Firm Size
Large diamond companies expressed strong concern over availability of diamond rough and skilled artisans. Their operating margins are expected to be affected more adversely than Medium sized diamond companies. The BMEI for Large sized diamond companies stands at 45 as opposed to 58.3 for Medium sized companies.
5.4 Strategies for Growth

In terms of strategies for enhancing their company’s performance, about 61.5% of the Jewelers indicated that they would generate growth by developing new designs. About 23.1% of the Jewelers believed that they could generate growth by using existing designs to enter new markets.

About 55% of the Diamond companies responded indicating they would enter, new markets to generate growth, 22.2% companies would enter new segments of diamonds and the same percentage of companies envisioned better pricing capabilities.

5.5 Constraints for Growth

Amongst the Jewelers, most firms were concerned about local demand, which has been affected due to high gold prices. About 28% of the respondents viewed availability of skilled artisans as a major threat to growth. Jewelers were also concerned about high gold prices and cited it as an impediment to growth.

Availability of raw material was cited as the biggest constraint to growth for diamond companies. Uncertainty over sourcing diamond rough has the diamond industry in India worried. About 33% of the respondents mentioned raw material availability as their biggest threat. About 28% of the Diamond Companies are concerned over availability of skilled artisans.
5.6 Export Destinations

The Middle East has emerged as the fastest growing export market. About 29% of the respondents are looking at exporting to the Middle East. The Middle East was extremely popular amongst Jewelry exporting firms, with about 35% of the respondents looking at exporting to that region.

A number of firms expect to see a drop in demand from USA, the largest importer of Gems and Jewelry. About 25% of the respondents will look at exporting to USA. Most companies have established trade connections in USA and hence it is easier tapping the US market.

Asia is a new entrant to the list of major destinations for Gems and Jewelry exports. China has been driving demand for gems and jewelry in Asia. Diamond Companies cited Asia as the most popular export destination. About 31% of the respondents will look at exporting diamonds to China and other South-East Asian countries.

5.7 Views on Online Jewelry Retailing

As firms try to enter new markets and increase sales revenues, more firms are looking at exploring online retailing as a channel of growth.

Majority of the respondents are of the opinion that Online Retailing is in its nascent stage in India, but has tremendous potential. They can reach a wider target audience at a much lower cost.

On the downside, they feel that it will still require persuading Indian consumers to change their attitude towards online shopping. Young professionals like to shop online, but the older generation still prefer going to a store to purchase Jewelry.

5.8 Dubai v/s India as Diamond Trading Hub

The Indian Diamond Industry does not feel threatened by the emergence of Dubai as a diamond-trading hub.

They believe Dubai has a location advantage and better infrastructure. However, unlike India it does not process diamonds. India has more diamond companies with a processing base in India.
6. CONCLUSION

The Indian Gems and Jewelry industry is entering an exciting yet challenging quarter. Valentine’s Day is a great occasion to gift diamonds while winter is also the wedding season in India.

Valentine’s Day and the Indian Wedding season will help drive international and domestic demand for diamonds and gold jewelry. However, the industry will have to cope with higher gold and diamond rough prices.

Gold prices according to gold analysts are expected to breach the $1000 per ounce mark. According to current exchange rates, it would translate to over Rs 13,000 per 10 gm (tola). In addition, DTC’s decision to delist eight Indian Sightholders will reduce India’s rough allocation by 25%. However, supplies from other regions like Russia and Canada will partially meet the Indian demand for rough.

The Business Confidence Index stood at a healthy 75.5 with about 65.3% of the respondents of the opinion that they could perform better this quarter than the same quarter in the previous year. Jewelers were of the opinion that consumers will start purchasing jewelry at the current price levels.

Jewelers and Diamond companies are adopting different strategies to stimulate growth. About 61.5% of the Jewelers are looking at developing new designs while about 55% of the Diamond Companies will look at entering new segments of diamonds.

Indian companies which until recently were extremely US-centric with their exports are now looking at exporting to new emerging markets like China and the Middle East were cited as markets with tremendous export potential.

Online Retailing of Jewelry in India is still in its infancy stage, but has tremendous potential. A number of respondents will look at exploring online retailing to reach a wider customer base, especially the young working professionals.
### Table 1: Polygon G&J Industry Indices

<table>
<thead>
<tr>
<th>Qtr Ended</th>
<th>Overall</th>
<th>Jewelers</th>
<th>Diamond Co’s</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CBI</td>
<td>BCI</td>
<td>BMEI</td>
</tr>
<tr>
<td></td>
<td>CBI</td>
<td>BCI</td>
<td>BMEI</td>
</tr>
<tr>
<td></td>
<td>CBI</td>
<td>BCI</td>
<td>BMEI</td>
</tr>
<tr>
<td>Dec-07</td>
<td>82.10</td>
<td>94.60</td>
<td>42.40</td>
</tr>
<tr>
<td></td>
<td>77.30</td>
<td>97.70</td>
<td>77.30</td>
</tr>
<tr>
<td></td>
<td>77.30</td>
<td>90.00</td>
<td>77.30</td>
</tr>
<tr>
<td>Mar-08</td>
<td>63.30</td>
<td>75.50</td>
<td>46.90</td>
</tr>
<tr>
<td></td>
<td>63.20</td>
<td>75.60</td>
<td>48.70</td>
</tr>
<tr>
<td></td>
<td>63.20</td>
<td>80.50</td>
<td>47.20</td>
</tr>
</tbody>
</table>

### Table 2: Respondents Perception (% Distribution)

<table>
<thead>
<tr>
<th>Business Confidence Index</th>
<th>Dec-07</th>
<th>Mar-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better</td>
<td>92.00</td>
<td>65.00</td>
</tr>
<tr>
<td>Same As Today</td>
<td>6.00</td>
<td>21.00</td>
</tr>
<tr>
<td>Worse</td>
<td>2.00</td>
<td>14.00</td>
</tr>
<tr>
<td>Current Business Index</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>72.00</td>
<td>51.00</td>
</tr>
<tr>
<td>Same As Today</td>
<td>26.00</td>
<td>24.50</td>
</tr>
<tr>
<td>Worse</td>
<td>2.00</td>
<td>24.50</td>
</tr>
<tr>
<td>Business Margin Expectation Index</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher</td>
<td>46.00</td>
<td>51.00</td>
</tr>
<tr>
<td>Same As Today</td>
<td>48.00</td>
<td>43.00</td>
</tr>
<tr>
<td>Lower</td>
<td>6.00</td>
<td>6.00</td>
</tr>
</tbody>
</table>

### Table 3: Respondents Perception on Growth Strategies Jewelers

<table>
<thead>
<tr>
<th>Qtr Ended</th>
<th>Develop New Designs</th>
<th>Better Pricing Capabilities</th>
<th>Enter New Markets</th>
<th>Expand Current Market</th>
<th>Launch a New Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-07</td>
<td>43.00</td>
<td>47.00</td>
<td>63.00</td>
<td>15.00</td>
<td>24.00</td>
</tr>
<tr>
<td>Mar-08</td>
<td>61.50</td>
<td>30.80</td>
<td>23.10</td>
<td>20.50</td>
<td>20.50</td>
</tr>
</tbody>
</table>

### Table 4: Respondents Perception on Growth Strategies Diamond Co’s

<table>
<thead>
<tr>
<th>Qtr Ended</th>
<th>Enter New Markets</th>
<th>Better Pricing Capabilities</th>
<th>Enter new Segments in Diamonds</th>
<th>Diversify to Jewelry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-07</td>
<td>39.00</td>
<td>55.00</td>
<td>24.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Mar-08</td>
<td>55.50</td>
<td>22.20</td>
<td>22.20</td>
<td>11.10</td>
</tr>
</tbody>
</table>

### Table 5: Distribution by Constraints to Growth

<table>
<thead>
<tr>
<th>Qtr Ended</th>
<th>Availability of Raw Material</th>
<th>Availability of Skilled Artisans</th>
<th>International Demand</th>
<th>Local Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-07</td>
<td>31.00</td>
<td>16.00</td>
<td>20.00</td>
<td>36.00</td>
</tr>
<tr>
<td>Mar-08</td>
<td>35.50</td>
<td>27.90</td>
<td>22.40</td>
<td>11.90</td>
</tr>
</tbody>
</table>

### Table 6: Respondents Choice of Export Destination (% Distribution)

<table>
<thead>
<tr>
<th>Qtr Ended</th>
<th>USA</th>
<th>Asia</th>
<th>Europe</th>
<th>Middle East</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-07</td>
<td>32.00</td>
<td>16.00</td>
<td>23.00</td>
<td>22.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Mar-08</td>
<td>22.00</td>
<td>25.00</td>
<td>26.00</td>
<td>27.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>
ANNEXURE 2 - POLYGON COMPANY PROFILE

Polygon, (www.polygon.net) is the jewelry industry’s largest and most active online business-to-business Internet marketplace, created exclusively for the gems and jewelry industry. Mr. Jacques Voorhees who is currently the Chairman of Polygon founded it in May 1984. The Polygon diamond database is estimated to be the largest collection of polished diamonds in the world and one of the most complete groupings of finished jewelry available in a searchable database format. Over 3,000 retail jewelers, suppliers, manufacturers, and other jewelry industry businesses, transact several million dollars a day in business on polygon.

In December 2005, Polygon and the Dubai Multi Commodities Centre (DMCC) (www.dmcc.ae), a free-trade zone and an initiative of the Government of Dubai, formed a joint venture corporation to support the expansion of Polygon throughout the Middle East, Asia, Africa and Russia. On June 27, 2006, Polygon announced the beginning of its global expansion, with new offices opened in Dubai, and Mumbai. Now Polygon operates also in Shenzhen and Hong Kong.

MEMBERSHIP

Polygon membership is open to companies operating in the gem and jewelry sector and helps to facilitate the connection between the wholesaler and supplier to the retailer. Jewelry suppliers use Polygon to efficiently locate and do business with buyers who do not presently purchase from them. Polygon gives companies a chance to build their brand on the Internet, by advertising their products. Retail jewelers use Polygon to source products, discover new suppliers, and find unique jewelry that they are not presently carrying. Sponsored by DMCC, local buyers within the Middle East, Asia, Africa and Russia have FREE access to Buy on Polygon and reach sellers worldwide. Sellers pay a fixed fee for participation and unlimited usage. There are no transaction fees. Polygon is not a party to the transactions, which are private between buyers and sellers. No commission fees or other types of usage fees are charge.
ANNEXURE 3 – BUSINESS CONFIDENCE SURVEY QUESTIONNAIRE FOR JAN – MAR 2008 QUARTER

1. From your perspective how was your business in Oct-Dec 07 quarter compared to Oct-Dec 06 quarter?
   - Better
   - Worse
   - About the same
   Comments, if any ____________________________________________________________________

2. What do you envision about your company’s performance in Jan-Mar 08 quarter compared to Jan-Mar 07 quarter?
   - Better
   - Worse
   - About the same
   Comments, if any ____________________________________________________________________

FOR JEWELLERS ONLY

3. Where do you see the greatest source/s of growth in the next Jan-Mar 08 quarter?
   - Use existing design concepts to enter new markets
   - Expand current market with same design concepts
   - Develop new design
   - Launch new Brand
   - Better pricing capabilities
   Comments, if any ____________________________________________________________________

FOR DIAMONDS COS. ONLY

4. Where do you see the greatest source/s of growth in the next Jan-Mar 08 quarter?
   - Entering new segments of Diamonds
   - Enter new markets
   - Diversify into Jewelry segment
   - Better pricing capabilities
   Comments, if any ____________________________________________________________________

5. In the next Jan-Mar 08 quarter, do you foresee that you will be able to price your products?
   - Higher
   - Lower
   - Same as today
   Comments, if any ____________________________________________________________________

6. In the next Jan-Mar 08 quarter, what do you see your suppliers’ price you pay will be?
   - Higher
   - Lower
   - Same as today
   Comments, if any ____________________________________________________________________

7. What are the constraints, in your opinion for your company’s growth in the next Jan-Mar 08 quarter?
   - Local Demand
   - International Demand
   - Skilled Labor / Artisans
   - Raw material availability
   Comments, if any ____________________________________________________________________

8. Which top 3 regions / countries do you see export growth to come for your company in the next Jan-Mar 2008 quarter?
   1. ____________________________________________________
   2. ____________________________________________________
   3. ____________________________________________________
   Comments, if any ____________________________________________________________________

FOR JEWELLERS ONLY

9. What is your opinion on selling jewelry Online v/s retailing? What are the advantages and disadvantages?

FOR DIAMOND COS. ONLY

10. What is your opinion on Dubai v/s India as a diamond trading hub? What are the advantages and disadvantages?