

Jewellery industry in india

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THE JEWEL INDUSTRY OF INDIA WITH SPECIAL REFERENCE TO GITANJALI

INTRODUCTION INDIAN JEWELLERY INDUSTRY India is a leading player in the global gems and jewellery market. The gems and jewellery industry occupies an important position in the Indian economy. It is a leading foreign exchange earner, as well as one of the fastest growing industries in the country. The two major segments of the sector in India are gold jewellery and diamonds. Gold jewellery forms around 80 per cent of the Indian jewellery market, with the balance comprising fabricated studded jewellery that includes diamond studded as well as gemstone studded jewellery.

The Indian gems and jewellery industry is competitive in the world market due to its low cost of production and the availability of skilled labour. In addition, the industry has set up a worldwide distribution network, of more than 3, 000 offices for the promotion and marketing of Indian diamonds. The sector is expected to register a compound annual growth of (CAGR) of 13% during 2011-13, according to a report “ Indian Gems and Jewellery Market Forecast 2013”. (By research firm RNCOS).

MICHAEL PORTER’S 5 FORCE MODEL FOR JEWELLERY INDUSTRY

INTER- FIRM RIVALRY- HIGH There are two types of rivalry. 1) Inside India & (2) Outside India.

- Large presence of unorganized sector. 0. 2 Million Gold jewellers and over 8, 000 Diamond jewellers
- International rivals Such as, China
- Threat from producing nation like S. A. & Russia.

BARGAINING POWER OF SUPPLIERS - MEDIUM In jewellery industry the suppliers are S. A. , UAE, Australia, US, Congo, Botswana, Russia, DTC.

- Few Alternatives of cutting & polishing.
- Skilled labour
- Bargaining power of India is enhanced because India is largest consumer of gold jewellery.

BARGAINING POWER OF BUYERS- LOW Divided in two types 1.

Domestic buyers & . Foreign buyers •As investment (Demand increase)

- Bargaining power of Indian exporter is high because Majority of the world's rough diamond production is cut and polished in India

THREAT OF

SUBSTITUTES- LOW Substitutes are Real assets, Stock market, ; Bank deposits ; Mutual fund investment and other types of jewellery like imitation Jewellery, bagasra jewellery, stone jewellery etc. •Second preferred investment behind bank deposits •Status and standard of living increase so demand is increasing at High rate

BARRIERS TO ENTRY- LOW TO MEDIUM * Low capital requirement Government subsidy * EXIM policy ; government's rules ; regulations are high * Skilled manpower is essential *

Advanced technology required. GITANJALI | | | | Vision To emerge as a jeweller of choice, in terms of quality, style and surpass all levels of customer satisfaction. Mission To assimilate the expertise of trained personnel and state-of-the art machinery, so as to nothing, but the best. Values Are Integrity, Solidarity, Credibility and Perfection. The Gitanjali Group which was established in 1966, and is one of the earliest diamond houses in India.

By 1968, it was accorded a ' Sight" by the Diamond Trading Company Ltd. London and Gitanjali became one of the first Sight holders in India. It has received over 50 National and Council awards from the Ministry of Commerce for outstanding exports. It is one of the leading diamond exporting companies in India. Presently, Gitanjali Group has highly modernized diamond cutting and polishing facilities in India. The group strengthens its core business of loose diamonds with international association. Internationally, business patterns of the diamond industry.

The Group has positioned itself to manufacture and promote diamonds as well as studded jewellery right up to the retail level. Gitanjali Group one of the leading integrated diamond ; Jewellery manufactures ; Retailers in India with turnover of Rs 3467 Cores. The Company has strong brands such as: * ASMI Asmi was launched in 2002 by the Diamond Trading Corporation. All the years the brand has been endorsed by various actresses such as Kajol, Parizad Zorabian ; Mandira Bedi. All these women epitomize the different strengths that an Asmi woman is identified with fire - spirited, goal oriented ; with an inner fire. NAKSHATRA Nakshatra is one of India's most reputed diamond jewellery brands, achieving an iconic status within three years of its launch in 2000. Today, it is a leading diamond jewellery brand, patronized by women of fashion in almost all segments of society. * SANGINI Sangini is a high profile brand launched by the Diamond Trading Company, and Spectrum Jewellery, a joint venture between the Gitanjali Group and Sanghavi Exports, promotes the brand in India. * DIYA DIYA is the distilled essence of the Gitanjali Group's four-decade long engagement with jewellery.

It is the first B2B diamond jewellery brand for manufacturers and the trade. It offers exquisite designs, selected after a rigorous India-wide survey of 6, 300 women - some of which are already acknowledged classics. * BEZEL Bezel is a watch store from the stable of the Gitanjali group products includes watches and writing instruments. Brand mix will include GLL brands ; brands from outside. * WORLD OF SILVER It has been conceptualized for offering silver gifts in various product categories like Home decor, Office Utility, Bar Sets, Table ware, Devotional Collections and Artefacts.

It range of International Brands , Greggio from Italy and Frazer ; Haws from UK, offering best of the brand value and perceived value while making gifting a lifestyle statement. It caters to the high end, up market ; value conscious niche cliental. * GILI Gili's brand identity is to ' Embrace the Gili way of easy elegance'. The Brand characteristics are Stylish, Contemporary, Extrovert, Enthusiastic and Self-made. And its Design concept is easy to wear, highly contemporary and trendy designs * D'DAMAS

D'damas India Jewellery is a joint venture between Gitanjali Group and Dubai-based Damas based in Mumbai. It has a presence in 159 towns and cities across India. It main area of business is manufacturing and marketing of gold, diamond, silver, platinum branded jewellery's in India. It has six sub brands - Lamhe, Glitterati, Vivaaha, DER, Solitaire and Saumya. It is also only international brand in India. D'Damas India also used as manufacturing base and will export jewelleries to markets like Saudi Arabia, Japan, US and Europe markets. * MAYA GOLD

MAYA is the brand from the Gitanjali Gold Collection specifically aimed at the Indian wedding market and similar festivities and traditional occasions for gift-giving, especially from parents to daughters. Lucera, Calgaro, Rivaaz, Kashvi, Stefan Hafner, Ezee Diamonds, Aakanksha, Rosato, Shuddhi, Parineeta, Sagae and Menz are some other brands which sell its products in India through its vast network of 1, 250 outlets including outlets in host stores. In fact, five of the top six brands in the Indian market are owned or managed by Gitanjali.

These brands manifest the significance of the group in the Indian Jewellery retailing market. Additionally, the Company operates 143 retail Jewellery stores located across the United States through the acquisitions of Samuel Jewellers and Roger Jewellers. Activities undertaken by Gitanjali:- * Sourcing and Trading of Rough Diamonds * Diamond Manufacturing * Distribution and Trading of Polished & Cut Diamonds * Jewellery Manufacturing and Exports * Jewellery Sourcing (Local & International Markets) * Manufacturing Branded Jewellery * Retailing Branded Jewellery

OBJECTIVES * The main objective of this term paper is to understand the value chain and its strategic distribution presence of GITANJALI in India. * To conduct a market survey in order to know the 1) Consumer perception about jewellery. 2) Brand awareness of various brands in jewellery market. 3) Parameters which the consumer considers while buying jewellery. * To critically examine the company and the environment by conducting the SWOT and PORTER'S 5 FORCE ANALYSIS. * To analyze and evaluate the financial performance of GITANJALI over the years. To highlight the CSR initiatives and the CORPORATE GOVERNANCE taken up by GITANJALI to uplift the society. *

To study about the aggressive retail strategy and its growing focus on

International and Domestic Retail. SWOT ANALYSIS OF GITANJALI

STRENGTHS • Large integrated diamond & jewellery player and having an international presence. • Pioneers of branded jewellery in India. • Strong marketing & distribution network. Strong retail presence in India and in U. S. 112 distributors and 1246 outlets in India and 143 outlets in U. S. Strong brand equity and broad product range Such as, Gili, Asmi, Nakshatra, Sangini, D'damas, Vivaaha, Maya, Giantti, Desire, Samuels etc.

- Visionary leadership (Acquiring Nakshatra, Samuels, Rogers etc.)
- Expanding manufacturing capabilities in Mumbai and at special economic zone in Surat to address increasing demand.
- Net Worth is 3,460.37 million Rs. So we can say that it is financially very strong company.
- Sight holder status with DTC through a promoter group company.
- Highly skilled, qualified and motivated employee.

WEAKNESSES

- There may be conflicts of interest between them and certain of their Promoter group companies. As the major raw material requirements need to be imported, companies normally stock huge quantities of inventory resulting high inventory carrying costs.
- Technology is less improved compared to China and Thailand's company.

OPPORTUNITIES

- New markets in Europe & Latin America.
- Growing demand in South Asian & Far East countries.
- Industry moving from a phase of consolidation.
- Expansion possibilities in lifestyle and luxury products in India like watches, leather goods, Platinum jewellery because increasing disposable income of people.

THREATS

- International Competition:-China, Sri Lanka and Thailand's entry in small diamond jewellery.
- Increase in the price of Gold & Diamonds.
- Other local competitors. According to the data 97% jewellery sales are by family jewellers.
- Threat from producing nation like S. A. & Russia.

VALUE CHAIN OF GITANJALI

- * Sourcing and Trading of Rough Diamonds
- * Diamond Manufacturing
- * Distribution and Trading of Polished & Cut Diamonds
- * Jewellery Manufacturing and Exports
- * Jewellery Sourcing (Local & International Markets)
- * Manufacturing Branded Jewellery
- * Retailing Branded Jewellery

DISTRIBUTION AND RETAIL STRATEGY OF GITANJALI

RETAIL BUSINESS

- * Gitanjali has strong retail presence in the world's largest

markets for jewellery. Retail business is a major Contributor in Gitanjali's revenue. Gitanjali has over 2000 plus retail outlet across India and in the process of expansion in tier II and III cities to cater to new segment of the customer. * USA is a largest jewellery consuming country and 45% of worldwide diamond jewellery sales are made in the United States.

In FY 2007-08, Gitanjali made a strategic acquisition in USA, including Samuels and Rogers, and now has about 137 stores in Centre and across USA, being expanded to 200 stores in the near future. * Samuels and Rogers of Gitanjali are the 8th largest branded jewellery retail chain in US. * Gitanjali's integrated supply chain business model has given an advantage to survive and post profit despite of US recession. * Gitanjali retail business has spread through all channels and in all geographies, across all the market segments * Net Profit has gone up because of shift in market from wholesale to retail. | | * | RETAIL EXPANSION STRATEGY IN INDIA * The Changing Socio - economic factors in India created a clear opportunity in Lifestyle and Luxury markets in India. These changes in retail environment have created opportunity for establishment of modern retail formats. Keeping this in view Gitanjali has embarked on an aggressive domestic retail expansion plan. * Gitanjali's strategy is to increase the market share of various brands and its positioning in the market. Strategy is to generate demand for branded diamond jewellery in the future. Flagship product brands of the company are able to convert themselves into retail brands. * The group has introduced many promising brands to its bouquet. The new collection includes World of Solitaire, World of Silver, ME Solitaire, Maya, Gitanjali Menz, Maya Bridal, Bezel and many more. | * Gitanjali notable innovation has been its dramatic

breakthrough from the confines of traditional distribution of jewellery and launching of mass distribution through variety of channels. By passing the old world of neighborhoods proprietary jewellery stores, it brought its new world branded jewellery into the world of super stores and department stores, dedicated jewellery marts and chain stores supported by international certifications of scientifically tested purity and authenticity. * Gitanjali is even marketing its branded jewellery directly by mail order catalogue Gitanjali placed its jewellery brands right into the context of the new consumer's shopping environment of new and global branded personal goods and accessories. Gitanjali supported its brand with high-visibility positional branding in both mass and local up-market media. With this multi-tiered mobilization of formats, Gitanjali is well placed to advance and realize its vision of global leadership. GITANJALI FINANCIAL PERFORMANCE

The Company is making conscientious efforts in addressing the large market opportunities that exist in the Diamond Segment both in India and abroad. India, China, Israel and Belgium are the leading players in the diamond cutting and polishing industry.

India accounts for 60% of the global polished diamonds in value terms, 80% in caratage and 90% in pieces. TURNOVERS & PROFITS During the end of the financial year March 31, 2009 the sales and other income increased from 26,549.08 Million to Rs. 26,940.64 Million. The net profit before tax stood at Rs. 1,307.20 million as against Rs. 1,486.75 million in the previous year. The net profit after tax stood at Rs. 1,267.69 million as against Rs. 1,381.55 million in the previous year. FINANCIAL REVIEW

Gitanjali Gems consolidated results of operations for the year ended March 31, 2009 include business and operations of the various subsidiaries/joint ventures. The company has achieved overall sales growth for the year ended March 31, 2009 of about 5% compared to last year. The gross revenue from diamond segment has decreased by 10% whereas the gross revenue from jewellery segment has substantially increased by 24% and thus the ratio of diamond and jewellery in the sales mix accordingly has improved more favourably towards jewellery from 55: 45 last year to 47: 53 for the year ended March 31, 2009.

HIGHLIGHTS FOR THE YEAR 2010

- * Jewellery Sales turnover increased by 60% to 1, 098 cr. in FY10
- * EBIDTA gone up by 44% to 102 cr. in FY10
- * Operating Profit registered a growth of 51%, stood at 91 cr.
- * PAT of FY10 stood at 41 cr. registering an increase of 39%
- * Gems and Jewellery Sales volume grown to 1812 cr. reported a growth of 63%

NINE MONTHS FY10 vs. NINE MONTHS FY09

- * Jewellery Sales turnover increased by 43% to Rs. 2703 cr. as compared to Rs. 892 cr. in nine months period FY09
- * EBIDTA gone up by 37% to Rs. 307 cr. from Rs. 223 cr. in nine months period FY09
- * PAT of nine months period FY10 stood at Rs. 139 cr. as compared to Rs 120 cr. in nine months period FY09 registering an increase of 16%
- * Operating Profit of nine months period FY10 stood at Rs. 283 cr. as compared to Rs 201 cr. in nine months period FY09, registering an increase of 41%

GITANJALI CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES AND CORPORATE GOVERNANCE HUMAN RESOURCES

The Company believes investing in people through creating an environment where people are valued as individuals and are given equal opportunities for achieving professional and personal goals. The Company's focus on

development of Special Economic Zones includes huge employment opportunities and the Company already initiated through setting up training centre in SEZ Hyderabad which has a capacity to train more than 1, 500 workers in diamond and jewellery manufacturing. CORPORATE GOVERNANCE The Company's philosophy of Corporate Governance is based on preserving core values and ethical business conduct, commitment to maximize shareholder value on a continuous basis while looking after the welfare of all the stakeholders which is primary responsibility of the Board of Directors, Management and employees. The Compliance of clause 49 of the listing agreement has undoubtedly raised the standard of Corporate Governance in India. However, regulatory directives and enforcement will not be sufficient to create a best in class transparent organisation. The corporate governance philosophy is based on the following principles: * Satisfy the spirit of the law and not just the letter of the law. Be transparent and maintain a high degree of disclosure levels. * Continuously innovate and adapt the Corporate Governance * Practices so as to meet new demands and tap new opportunities. * Comply with the laws in all the countries in which we operate. * Management is the trustee of the shareholders' capital and not the owner. CORPORATE SOCIAL RESPONSIBILITY The CSR initiative under the name Sambhav brings together the different social programs that Gitanjali has been associated with over the years. These are programs in the fields of education, health, providing employment to PWDs.

It focuses on integrating all of them and other different initiatives like Saksham, Saakshar, Sujyot and Sneh. The focus will be both on strengthening the existing programs as well as developing new ones too. It

further aims to take this CSR initiative to new heights and is in the process of channelizing all their strengths and efforts to form a strong CSR team within the company to encourage and promote a wide range of social welfare activities internally or in partnering with other NGOs and government bodies.

SOME ACTIVITIES UNDERTAKEN BY GITANJALI
Rose day celebration for cancer patients | Gitanjali Gems Limited supported Cancer Patients Aid Association (CPAA) in its celebration of The rose day - a day to make a difference in the lives of cancer patients. CPAA reaches out to cancer patients through medicines, counselling, research and rehabilitation. | | *
Special rakhies by special children Gitanjali gems continues to support to ADAPT (spastic society) by organizing a sale booth of their products at Gitanjali gems Marol office on 11th Aug 2011, on the eve of Rakshabandhan.

We repeated the achievements of last year by motivating and appreciating the efforts of these specially abled children by having sale of products close to Rs 10000/-. The staff was extremely enthusiastic and extended their support through 100% participation. * Presentation on ' Diabetesawareness and healthy life style' Today Diabetes is one of the fastest growing lifestyle disease, with Indians being the largest population affected by it. A presentation on diabetes awareness and healthy life style was organized on 25th July 2011 at Transmission house , Marol , for the benefit of the employees .

It indicated the causes , symptoms , prevention and cure for diabetes. A full house attendance showed the concern most of us have about this booming disease. | * Lecture on ' The damaging effects of tobacco' at Gemplus| | | As

a part of SAMBHAV , CSR initiative , " The Damaging Effects of Tobacco" were highlighted at a presentation made under the Tobacco Intervention Initiative (TII) program of the Indian Dental Association (IDA) for the staff and workers of Gem plus , Gitanjali Gems, Mumbai on 11th June 2011 by Miss. Tejal Rajgor.

Tobacco leads to heart and blood vessel disease, heart attack, chest pain, sudden cardiac death, stroke, peripheral vascular disease (Gangrene of legs) plus it is also responsible for cancer of various parts of the body like mouth, throat, lungs, stomach, kidney, bladder etc. Gitanjali Gem's staff members felt that there was an urgent need for more prohibition of tobacco usage and this won't happen until there is a public outcry, so meetings like these are designed to generate awareness in the hope of making the come community forward to request change.