

# Diamond gems and jewellery industry commerce essay



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The Indian Gem and Jewellery sector is one of the most active and fast upward sectors of the Indian Economy. The gems and jewellery sector in India is unorganised and disjointed. Around 90% of the players operate in the unorganized sector. This was a single step in an industry where traditional business environment exists. The company's operations are general in scope and global in spread cover all facets of diamond and jewellery manufacture and trading in rough and polished stones, at all key locations worldwide.

The Indian gems and jewellery sector is pre-dominantly needy on the US markets, which is its top export target. This research comprised of activities like listing down various agencies like manufacturers, distributors, etc and also chambers and libraries like the Indian business chambers and network with them in order to gather first hand information.

Diamond jewellery is increasingly serving as a fashion statement for the rich to differentiate themselves from others wearing traditional jewellery gold jewellery. The macro environment includes all relevant focus outside a company's limits applicable in the sense that they are important enough to have brought on the decision. An industry finally makes about its business model and strategy.

Gems and Jewellery is an important rising sector in the Indian Economy. Ranked among the fastest growing sectors, it is also a leading sector for foreign exchange generation.

The gems and jewellery industry is very much interesting being usually exciting and originally modern. This business employees and engages millions; cover wide activities such as raw material procurement from far  
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flung Africa, Australia, Canada and Russia, and transforming these into products in demand with the skills available in China, India, Italy and Turkey for the trendy markets in the USA, Europe, Far East, Middle East and Asia.

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### **Growth and evolution of diamond, gems, and jewellery industry**

The Indian Gem & Jewellery sector is one of the most active and fast growing sectors of the Indian Economy. The fact that India is the world's largest source for trained, skilled and adaptive manpower along with liberalised government policies that provide a helpful environment for joint businesses, is what contributes to the continuous growth of this sector. causal around

19% to the overall Forex kitty of the country, the industry's growth over the years,

Set-up in 1966, the GJEPC has over the years effectively moulded the increase efforts of individual exporters to make the gem and jewellery sector a powerful engine driving India's export-led growth. This height body of the gem & jewellery industry has played a major role in the evolution of the Indian gem and jewellery industry to its present stature.

From being the world's largest manufacturer of cut and polished diamonds to becoming the leading international trading center, India's gems and jewellery sector is now set on a growth way. The exports grew by 38% to \$14, 329. 23 million for January-December 2004 period as compared to \$10, 392. 83 million in the related period the last year. GJEPC aims to boost exports of gems and jewellery to US \$20 billion by 2007 and develop India as the only one-stop-shop for gems and jewellery. Also, on the anvil is the Bharat Diamond Bourse, one of the largest monoliths ever to be built in Asia. The Bharat Diamond Bourse is an urban conglomerate of place, people and activities pertaining to diamond trading. Built to provide world-class facilities to the members of the Indian diamond community, the compound aims to enhance the already largest position of the Indian diamond industry in the world market

## **PRODUCT PROFILE**

### **GILI**

Gili jewellery is high quality, fine finished, machine-made, branded, diamond-studded, designer jewellery including pendants, earrings, rings and bracelets

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in 18k gold studded with small, well-cut, good quality diamonds, as matching sets or by themselves. The average sale price is around Rs. 15, 000.

### Brand Values

Gili's brand values are genuine diamond and gold jewellery at reasonable prices. The Brand personality is difficult, animated, competent, confident, extrovert, self made, successful and reliable.

### Noteworthy

Gili was the brand that in India important Valentine's Day to ' the date' from it being just another date on the calendar. First jewellery brand from India to participate in Basel 2000, the World's biggest jewellery and watches show held in Switzerland. In September 2011, M/s Brand Finance PLC (UK) valued Gili at rs 1018 crores.

## **Nakshatra**

Nakshatra is a circular cluster comprised six to nine stones, with the central stone larger than the stones close it, signifying a constellation. It is a modern, fashionable rendition of the traditional seven-stone ' Thodu' and the ' Kuda Jodi' jewellery, which are traditional Indian floral designs. The combination of traditional charisma and current style helped it gain acceptance with women across age groups.

### Brand Values

Overt Nakshatra brand values include beauty, radiance, class, elegance and quality. Amongst the symbolic values are femininity, celestial splend our and

unknown. Each design is a stylized interpretation of the basic traditional 'kudajodi' which is believed to be positive, showering the wearer with blessings and good luck.

### Noteworthy

The Nakshatra design is the only one to have general appeal amongst women across India. The diamonds used to make up the Nakshatra cluster were formed over 800 million years ago. In September 2011, M/s Brand Finance PLC (UK) valued Nakshatra at Rs. 1, 014 crores.

## **ASMI**

The design styling for the Asmi jewellery has always been that of wavy forms around a central rock of and above 5 points. It rightly personifies the woman of today and her inner fire. Asmi has under its support a range of typical, current yet reasonable designs in diamond jewellery.

### Brand Values

From the outset, Asmi has aimed to fulfil every woman's natural need for self-expression, and has lauded the Indian woman's "middle fire". Asmi is a brand that is "for the woman of will", commemorating her success and inspiring her to achieve higher goals. It is an expression of the power of femaleness, indication of self-confidence, feelings and the middle spirit of a woman. The brand is also promoted as one that offers "validity, Affordability expediency".

### Noteworthy

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A particular annual promotional event has always been organized on Woman's Day, as the most suitable occasion to support and repeat the values and identity of the brand. In 2009, in association with FICCI Ladies Organisation, and an NGO- Fight Back, Asmi launched its Shakti Torch movement on the event of Women's Day 2009, to combat the problem of domestic violence in India. In September 2011, M/s Brand Finance PLC (UK) valued Asmi at Rs. 406 crores

## **D'DAMAS**

D'damas has several sub-brands, each single in positioning & gift. The brand also has items in all categories-rings, earrings, nose pins, pendants, bangles, bracelets, necklaces, Tanmanya, Mangalsutra, half sets and full sets. Each sub-brand under D'damas offers stylized and fashionable designs, conceptualized and produced by an in-house team of award winning designers. D'damas is perhaps the only jewellery brand that has offerings in virtually all product categories, across all price points, for all occasions and emotions, thus covering consumers across age-groups and demographic classes.

### **Brand Values**

D'damas embodies luxury and high aspiration, bestowing on the wearer an aura of exclusivity and modification. The vast variety of associated brands allows every customer a choice of jewellery to mirror her personality, tastes and to suit every time. There is gold and diamond studded jewellery matching various lifestyles, occasions and price points that cater to diverse customers. D'damas is committed to the highest levels of customer



satisfaction. Every piece of jewellery comes with a special certificate of validity that assures of both the diamond and the gold content in the piece. D'damas jewellery is fully hallmarked and accompanied with a diamond certificate from IGI.

Noteworthy

Best Jewellery Designs- JCK and Vivah a Gold Jewellery In September 2011, M/s Brand Finance PLC (UK) valued D'damas at Rs. 331 crores.

## **Demand driver of diamond jewellery**

The demand drivers for the diamond processing and jewellery sector are as below:

- Increasing acceptability of diamond jewellery in the domestic market:

Traditionally, jewellery in India has mainly been gold jewellery. Diamond jewellery is lesser accepted in India due to factors such as myths associated with diamonds being unlucky in certain instances and the higher cost of diamonds. This is now changing with an increased acceptance of diamond jewellery in the domestic market.

- Diamond as a fashion statement for the affluent: Diamond jewellery is increasingly serving as a method statement for the rich to differentiate themselves from others wearing traditional jewellery/gold jewellery.

- Increasing affordability: Employment of women in the workforce has been increasing due to the changing mindsets and increasing education levels among women. This has resulted in women having more impact on the

purchase decisions; and women having also started purchasing jewellery for themselves as against earlier trends of jewellery purchase being primarily a family decision. Increased disposable income for working couples and lifestyle changes have aided this.

- Exports as a driver: As seen earlier, exports have been growing year-on-year and the 5 year CAGR (2002-03 to 2007-08) is about 13%. India currently produces around 95% of the world's cut and polished diamond pieces. By carat weight, India is projected to process 80% Demand Drivers of

- Value addition from processing to jewellery: Though India processes a large number of Diamonds; most of them are re-exported after polishing. There exists scope to increase value addition through setting into jewellery (jewellery manufacture).

## **MAJOR PLAYERS**

- Gitanjali Group: The Gitanjali Group was founded as a single company cutting and polishing diamonds for the jewellery operate at Surat, Gujarat, in 1966. It has become a found among major diamond and jewellery houses. The Group has dumped jewellery trade convention by launching multiple brands for multiple markets and price segments - brands include Nakshatra, D'damas, Collection, Asmi, Sangini and Gili. It opened up distribution via superstores, department stores and other retail outlets at MRP, supported by international certifications of in principle tested clarity and validity, across India and in the world's jewellery capitals. Operations of the Gitanjali Group span the world, all the way from USA, UK, Belgium, Italy and the Middle East to Thailand, South East Asia China, and Japan.

- Su-Raj Diamonds & Jewellery Ltd.: ' Su-Raj' is resulting from contraction of two names viz. Suresh and Rajnikant, the founders of Su-Raj Group in the early Sixties. The company on hand its shares to the public in the year 1986 and became the first company in the industry to opt for public issue in India. This was a single step in an industry where traditional business environment exists. The company's operations are universal in scope and global in increase top all facets of diamond and jewellery manufacture and trading in rough and polished stones, at all key locations universal.

- Suashish Diamonds Ltd.: Suashish Diamonds Ltd was incorporated in October 1988. Suashish is single in the diamond industry as it is one of the few players that have activities across value chain there by retaining higher margins. Its business activities include sourcing of rough diamonds to selling finished diamond jewellery through its retail jewellery brand " Ishi's". Suashish has employed cutting border technology throughout its diamond and jewellery manufacturing processes. It has subsidiaries and intentional partnerships in all major markets.

- Shrenuj & Co. Ltd.: Shrenuj & Company Limited and its subsidiaries take on in the manufacture and sale of diamonds and jewellery in India and internationally. The company operates in two segments, Diamonds and Jewellery. The Diamonds segment engages in cutting and polishing of diamonds. This segment offers polished diamonds in full cut and single cut rounds, as well as in fancy shapes, such as princess, baguettes, marquise, pear, oval, emerald, and heart in various colours and clarities. The Jewellery segment provides diamond Human Resource and Skill Requirements in the Gems and Jewellery Industry studded gold/platinum jewellery. The company <https://assignbuster.com/diamond-gems-and-jewellery-industry-commerce-essay/>

was founded in 1906, is based in Mumbai, India and employs about 3, 000 employees.

- Tanishq: Tanishq is one of India's principal jewellery brands. Started in 1995, Tanishq is the jewellery business of Titan Industries Ltd - promoted by the TATA group. Tanishq has set up production and sourcing bases with through research of the jewellery crafts of India. Tanishq today is India's most aspirational fine jewellery brand with 91 stores in 64 cities, with an exquisite range of gold jewellery studded with diamonds or coloured gems and a wide range of equally amazing jewellery in 22Kt pure gold. Exquisite platinum jewellery is also part of the product range diamond Gems and Jewellery

Gitanjali Group

Shrenuj & Company

Suraj Diamonds and Jewellery Limited

Rajesh Exports

Asian Star

Titan Industries (Tanishq into sell), Bangalore

Suashish Diamond

Rosy Blue

B. Vijaykumar

Laxmi Diamond

K Girdharilal

C. Mehendra Exports

J. B Brothers

Tara - Ultimo

Vaibhav Gems, Jaipur

Sheetal Manufacturing

## **Major players**

Companies

Market cap (rs in crore)

Shree Gan. Jew

720

Goldiam intl.

75

SRS

589

Thangamayil jew.

434

Renaissance jew.

135

Shrenuj & co

489

C. mahendra exp

476

Gitanjali gems

4479

Titan inds

27184

Rajesh exports

3719

Goenka diamond

921

Tbz

1813

Classic diamond

16

Kanani inds.

360

Winsome diamonds

346

Vaibhav global

278

## **Key Issues of the Sector**

### **Unorganised Sector**

The gems and jewellery sector in India is unorganised and opening. Around 90% of the players operate in the unorganised sector mostly in family-run operations. The nature of the sector prevents it from achieving economies of scale. Also, being largely unorganised, the sector mainly uses labour-intensive and original technology that affects their growth projection. Further, the sector finds it difficult to add to their global competitiveness due to difficulties in adopting technology as a result of poor financial capital and high labour costs per unit.

### **Threat from China**

Currently, China is the second-largest diamond processing centre in the world after India; however, it is slowly communicable up and is bullying to

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displace the Indian gems and jewellery sector from its dominant position in the world. The labour cost in China is the lowest, just like in India; however, the gap between the two countries is narrowing slowly. Besides, the Chinese economy is growing fast and is creating a demand for gems and jewellery in the domestic market. Further, many diamond manufacturers from Belgium and Israel are setting up manufacturing plants in China. India also faces risk from China in terms of knowledge adoption, which allows China to process diamonds at a more competitive price.

### **Predominance of the US market**

The Indian gems and jewellery sector is pre-dominantly dependent on the US market, which is its top export destination. The growth of gems and jewellery sector is closely dependent on the growth of demand in the US market.

However, the recent appreciation of the rupee in relation to the US dollar and a slowdown of the US economy have forced the concerns for the sector. All these factors need India's venture into other geographical locations. During FY07, the exports to the US market registered a growth of 14% over exports of FY06; however, owing to the slowdown in the US economy, the exports grew only 1.15% in FY08 over the previous year. In the current situation the heavy dependence on the US market has affected the exporters as they are facing a drop in orders and delayed payments.

### **Exchange Rate/Currency Risk**

The gems and jewellery sector is affected by the rupee/dollar exchange rate because it is export-oriented. Any instability in the exchange rates affects the margins of the players. For instance, the recent approval in the rupee



against the dollar had made the exports of gems and jewellery less competitive in its key export destinations.

### **High Level of Inventories**

As the gems and jewellery sector is highly dependent on imports for its raw materials, the players have to maintain a high level of inventory. However, maintaining this inventory becomes difficult for the players during the drooping season, as it carries inventory price risk. For instance, due to the current recessionary trends, the demand drooping and inventory piled up much to the chagrin of the players.

### **Decreasing Diamond Reserves**

The supply of rough diamonds is likely to fall in the near future as the diamond reserves are decreasing. There has been no major diamond keep discovery since 2003, when assets were last discovered in the Diavik Diamond Mine in Canada. The complete supply will push up the prices of rough diamonds, which will further put pressure on margins. Future supply levels are largely needy on the industry's ability to identify new diamond deposits.

### **Competition from Other Luxury Goods**

With the increase in disposable income and the change in standard of living, the demand for luxury goods such as perfumes, consumer electronics, leather, automobile, gadgets etc are also increasing. The gems and jewellery sector is experience competition from these luxury goods, which is eating into the market share of the division.

## **Beneficiation in Mining Countries**

India is facing a threat from the emerging cutting and polishing centres in the diamond-producing countries such as South Africa, Ghana, Angola, Botswana, Namibia etc. The local government is increasingly pressurising the African countries for processing locally-mined materials such as diamonds within the country itself to increase earnings through value addition to the vast natural resources that these countries possess. South Africa has launched a draft Beneficiation Strategy for the minerals industry of South Africa in March 2009. The newly-formed African Diamond Producers Association (ADPA) is advocating establishing a joint policy that would support beneficiation across Africa. This could lead to fewer rough goods being made available on the open market and in creating a threat to the existing diamond processing centres such as India, as new processing centres comes up.

## **Global Economic Slowdown**

The global economic slowdown has hit the Indian gems and jewellery division hard. As the sector was primarily dependent on exports to the US and European countries, the meltdown in these countries affected the gems and jewellery sector to a great extent. The players faced issues relating to inventory build-up and liquidity pressure. A number of diamond units in Gujarat were shut down that render thousands of workers jobless. Further, the bank finance, which was largely in dollar terms, also faced a delay due to foreign exchange rate fluctuations. This further added to the woes of the players who were full to come out of the global depression.

Even though the sector is in the recovery mode, owing to a gradual recovery of global markets, the credit cycle of the sector has changed severely. The delayed payments from customers have raised the interest outflows for the companies.

## **Synthetic Diamonds**

The sector also faces a face in the form of integration of artificial or man-made diamonds. With the start of technology, it is difficult to discriminate between natural and synthetic diamonds. It may so happen that the imitation diamonds are accepted on as real diamonds and in the long run, this could affect the authority of the sector. Further, as unreal diamonds are much cheaper and identical to the synthetic diamonds, these diamonds may find customers that is a reserve to the natural diamond and may finish positive eating into the market share of the diamond industry.

## **Issue of difference Diamonds**

India is the largest importer of rough diamonds and a leading player in cutting and polishing of the same, therefore, it runs the risk of dealing with conflict diamonds. Conflict diamonds are those that are mined illegally in African countries such as Angola, Liberia, Sierra Leone and the Democratic nation of Congo to fund illegal military wars. In spite of the KP certification, there an issue related to fake KP certificate. These fake certificates put diamond importing countries at a risk of dealing in variance diamonds.

## **Opportunities for the Sector**

### **Entering New Markets**

The US has been the major market for Indian gems and jewellery sector over the years. However, with the current global delay, the dependence on the US market has unnaturally affected the Indian gems and jewellery sector tremendously.

The sector is exploring new locations to vary business and to minimise the risk. Russia, Middle East and China are few of the rising destinations that are witnessing an increase in jewellery demand. The Indian gems and jewellery players can tap these countries to diversify and increase their business.

### **Cutting and Polishing of Large-Sized Diamonds**

India is one of the leading diamond processing centers of the world. India's vast, low cost and very skilled workforce provides it with a competitive edge over other countries. However, it is largely involved in cutting and polishing of small-sized diamonds, which weigh less than one carat. India's cut and polished diamond exports have a high universal share in terms of number of pieces; however, in terms of value the share is much lower. By moving up the value chain and processing larger stones India can further increase its value share in total exports. Large diamonds are less generally set up in nature. Therefore, the price of a diamond rises exponentially with its size. Indian exporters who have authority in processing of small stones have already started moving into cutting of large and medium size stones. For moving up the value chain, the industry should try forward and backward integration. Hence strategic alliances with producers of roughs and retailers of jewellery could lead to higher market share.

Given India's low cost and skill labours, there exists an chance for processing large stones, which will provide the players with higher margins as well as rise in realisations on capex.

### **Value Addition**

There exists a huge chance for Indian players to do value addition to the processed diamonds and to export diamond studded jewellery. India is already a leader in processing small-sized diamonds and it also has natural capabilities of manufacturing hand-crafted jewellery. Further, with its dominance in processing small diamonds, India has an advantage of manufacturing reasonable diamond jewellery for the world market.

### **Jewellery Retail**

The Indian retail sector is increasing fast. This provides an excellent chance for the Indian players to manufacture and sell their jewellery through the retail channels that are fast catching up in the Indian markets. Further, this move will also provide an organised structure to the largely unorganised gems and jewellery sector and lead to further growth of the sector.

### **Outsourcing core**

India can become an outsourcing hub for design and manufacturing jewellery. There is an increased trend of outsourcing design with manufacturing of jewellery from India by global retail players such as Walmart and JC Penny. The players in the area can tap this opportunity to expand business, reduce risk and increase revenues.

## **View point**

The vision for the gem and jewellery sector is positive. On account of the global recovery, the Indian gems and jewellery sector is also on a recovery mode. In December 2009, the exports from the sector grow by 45.35% as compared with the same period in 2008. According to GJEPC, the players received good orders for Christmas in 2009, which indicates a slow recovery for the sector. The positive trend is expected to continue, as major economies are showing signs of recovery, which is resulting in fresh orders for the sector.

Further, the gems and jewellery sector is also expected to grow in the domestic market, going forward. As the per capita consumption of jewellery is low in India, there exists an attractive opportunity to tap the domestic market.

## **ANALYSIS & EVALUATION OF DISTRIBUTION CHANNELS IN VARIOUS SECTORS**

The project involved analyzing and evaluating distribution channels of various companies belonging to sector.

1. Precious and semi precious stones,
2. White goods,
3. Cement,
4. FMCG

**Methodology: –**

This research comprised of activities like listing down various agencies like manufacturers, distributors, etc and also chambers and libraries like the Indian merchant chambers and interacting with them in order to collect first hand information.

**PRECIOUS AND SEMI PRECIOUS STONES**

The Indian Gems and Jewellery industry is an age old industry and comprises mainly of two types of markets, viz the controlled sector and the unorganized sector. The organized sector with celebrated jewelers, Public Sector Units (PSUs), etc forms only 10% of the precious and semi-precious stones market, whereas, the unorganized sector forms 90% of the gems and jewellery market in India. The unorganized sector employs around 1.5 million workers serving over 0.1 million gold jewelers and over 8000 diamond jewelers. Precious and semi-precious stones industry is a main earner of foreign exchange. This sector contributes around 17% of India's exports. The bulk of the Indian gems and jewellery exports comprise imports of rough diamonds, cutting and polishing in India, and re-exports. Cut and Polished Diamonds (CPD) and gold Jewellery account for nearly 95% of India's gems and jewellery exports. India is the world's leading diamond cutting and polishing center, accounting for 53% share of the global polished diamond market in terms of value. India imports gold from South Africa, Switzerland, Australia, Hong Kong and UAE.

The domestic consumption of diamonds have been 626.9 crores in 2001-02 to 483.4 crores in 02-03 and reached an all time high of 1771.3 crores in 2003-04 and the trend has continued in 2004-05 as well. The market size has <https://assignbuster.com/diamond-gems-and-jewellery-industry-commerce-essay/>

also witness a rise of around 10% in 2003-04 over 2002-03. The value of domestic sales has been 7200 crores, 7400 crores and 7650 crores in 01-02, 02-03 & 03-04 respectively. Exports of cut and polished diamonds has been 5892, 7385 and 8240 million dollars in 01- 02, 02-03 & 03-04 respectively, whereas, exports of Jewellery studded with diamonds has been 553, 719 and 934 million dollars in 01-02, 02-03 & 03-04 respectively.

## **Consumer Demographics & Buying Patterns of Indian Consumers**

There is a very high consumption in the western and the northern markets of India, viz, Mumbai and New Delhi, New Delhi being the head. In India, the purchase of Jewellery is quite regular and occasion driven. There is a higher consumption during festivals like Diwali, Dassera, Ganesh Chaturthi, etc. and also during the marriage season, which is spread from November to March.

## **Mechanics of Distribution Channels of Sector**

Since precious and semi precious stones industry is divided into organized and unorganized sector, the mechanics of the distribution channels of the players belonging to these sectors has also been different. Nationally, the branded jewelers of the organized sector cater to the consumers via a 1 or a 2 level supply chain which comprise of either only franchise retail outlets and other retails or wholesalers and then retailers. The players of the unorganized sector, on the other hand, either plainly sell their manufactured products to retailers or have branch offices in cities where the products are transferred and sold to end consumers or to retailers in the particular city.

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Raw diamonds and other Jewellery is imported from sources, manufactured and polished here and either shipped or transported by air to the final destination In exported countries the products are either transferred to retailers who are clients or to branch office who in turn sell it to the retailers. Whether domestic sales or exports overall, the levels of mediators in the gems and Jewellery industry do not really exceed 2 to 3 levels.

This report contains detailed analysis of renowned Gems and Jewellery companies.

### **The PESTEL analysis**

The macro environment includes all relevant focus outside a company's margins relevant in the sense that they are important enough to have brought on the decision. A business finally makes about its business model and strategy. Company's strategy may be needed for answer it. Micro environment includes all general force that does not directly touch on the short run activities of the organization but that can and often does, in dulgence its also ran decisions.

**Political Factors:-**

The Government of India (GoI) has been working to develop the Diamond industry in India through several initiatives but under the purview of Diamond industry. The main political factors are as follows.

-Excise duty: In the budget of year 2008-09 government decrease excise duty from 10% to 5% on cut and polished diamond units.

-Marketing and control orders: Import of rough diamonds illegal by the Jewellery export Promotion Councils . The Council provides market information to its members about foreign trade inquiries, trade and tariff regulations, rates of import duties, and information about Diamond fair and exhibitions.

-FDI approva