

# 'India will attain its rightful place in the world for determining price of diamonds': ICEX CEO

India's diamond industry, considered to be one of the largest in the world, is all set to be re-energized by a new entrant in the commodity markets space – the Reliance-group anchored Indian Commodity Exchange (ICEX).

## Rough patch

The size of India's diamond industry, comprising trades of cut and polished diamonds, is around \$20 billion or Rs 1,40,000 crore per annum. It is estimated that 90 per cent of the world's rough diamonds are polished in India and Surat alone is regarded as the global centre for cutting and polishing of diamonds. India is also the largest importer of rough diamond and the largest exporter of cut and polished diamond in the world with annual revenues close to \$8.5 billion (Rs. 552 Billions), which is rapidly growing. The third largest economy of the world in terms of purchasing power parity, India is also third largest consumer of polished diamond.

For the last one year, the Indian diamond industry has been facing a rough patch – there was a huge fall in prices by 25-30% owing to fall in

were carrying huge inventory that resulted into losses and capital erosion. At a time when industry is looking at various solutions to minimize losses and get the shine back in the trade, the ICEX futures are expected to resolve some of these issues facing the industry.

## From price taker to price setter

ICEX, promoted by a mix of public-private partnership comprising of PSUs including MMT, Indian Potash, KRIBHCO and IDFC Bank among others and the Reliance Group, has been able to understand the various issues related to the Diamond industry and gone for offering the solution.

The most important contribution of ICEX futures will be enablement of price discovery of roughs. India has the world's largest number of gemstone cutters and polishers who are also the world's most-skilled in the trade. Surat in Gujarat is the heart of cutting and polishing of diamonds and the priciest of the stones are honed and shaped by the workers of this city. According to Sanjit Prasad, CEO



Sanjit Prasad, CEO, ICEX

stone cutters in the world are from India. Indian karigars are undisputedly the best in the world, determining the facets of each diamond that finds its way into the market from their workshops. Why then, should India not determine the price of diamonds?"

At present, price discovery of diamonds is done by the New York-based Rapaport.

With the launch of ICEX futures trading, market forces – genuine buyers and sellers – will start discovering the price of diamond through a democratic and hi-tech platform. ICEX will inject transparency

and individuals who trade, process and participate in the diamond industry will now converge on the ICEX electronic trading platform to discover the fair price of the diamond on pure demand and supply factors. Hence with time, there will be a transition where India will move away from being a price follower to a country where fair price of diamonds is determined.

## Game changer

ICEX is expected to create an entirely a new market where the seller can offload their certified quality diamond among different set of buyers. There will be three separate monthly contracts of diamond having lot size of 1 carat, 50 cents and 30 cents with compulsory delivery at Surat, the basis center, for price and delivery, at the expiry of the contract.

The buyers will be able to quote his buy price. The futures contracts will be an advantage for manufacturers who will be able to hedge their position against the inventory to protect against the falling prices. Similarly rough buyers will be in a position to hedge

buying at futures market. New set of market participants providing liquidity in the market place enabling easy entry.

## Retail play

India has 64% of its population in the age group of 20 to 35 years. These groups have disposable income and affinity towards the diamond. ICEX Futures will open up a completely innovative channel for the retail buyer/investors.

Retail investors generally prefer to buy diamonds that are in the weight range of 30 cents to 1 carat. The USP of ICEX futures is to attract the retail crowd by offering them the choice to buy or invest in certified diamond in the size of 30 cents, 50 cents and 1 carat through this platform. People will have the option of buying 1 cent (one lot) of diamond by spending just Rs 3,500. This will open a completely new market segment which otherwise has not been tapped yet. With the industry expecting the diamond prices to start climbing back and continue with the rise for at least next few years, it will not be long that diamond becomes a coveted part of investment portfolio.