



Seize the right opportunity  
in diamond markets.

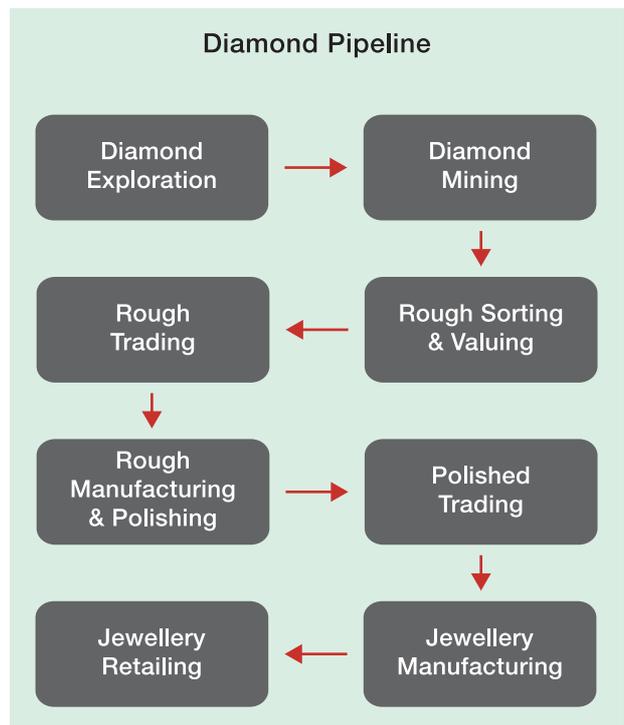


## ABOUT ICEX

ICEX, 1st Exchange in the world to launch diamond derivatives trading, is regulated by the Securities & Exchange Board of India (SEBI). ICEX is set up by large public sector institutions - MMTC, KRIBHCO, Indian Potash & IDFC Bank and private sector institutions - Reliance Exchange Next (A group Company of Reliance Capital) & Indiabulls Housing Financial Services, to provide hedging platform to the Commodities market.

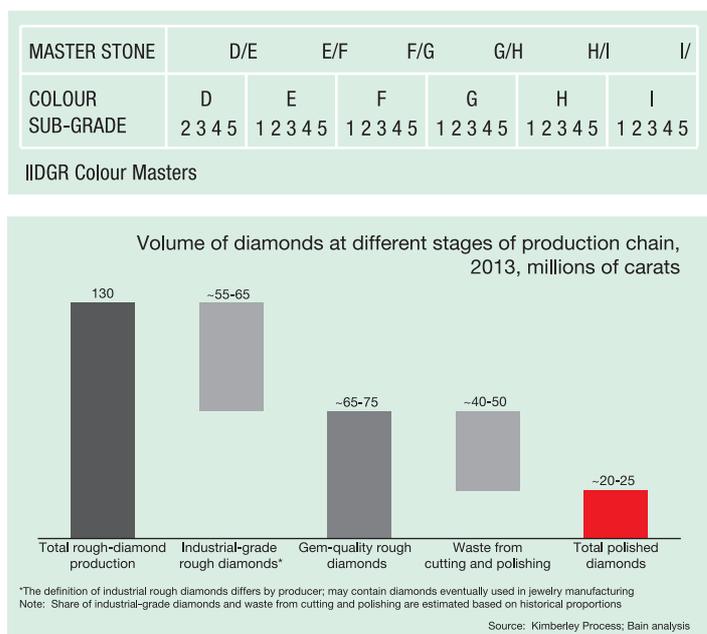
## INTRODUCTION

- Diamond is the hardest commodity on Earth. It's a modified form of carbon. The word diamond derives from the Greek word "adamas," which means invincible or indestructible.
- Under the immense heat and pressure far below the earth's surface, the carbon atoms bond in a unique way that results in diamonds' beautiful and rare crystalline structure.
- Most natural diamonds are formed at high temperature and pressure at very low depths of 140 to 190 kilometers in the Earth's mantle.
- Countries that are main sources of diamonds have changed over time. India was the world's original source of diamonds, beginning in the 1400s when Indian diamonds began to be sold in Venice and other European trade centers. Then in the 1700s India's diamond supply declined and Brazil became the world's major source of diamonds, until the late 1800s when a huge diamond reserve was discovered in South Africa. Today, diamonds are mined in many parts of the world.
- Diamonds that have come to the Earth's surface are generally quite old, ranging from under 1 billion to 3.3 billion years old. This is 22% to 73% of the age of the Earth.
- If you GIFT a Diamond, you are gifting something which has taken Mother Earth more than 1 Billion years to make, and this gift can't be destroyed and hence your legacy can be passed on generations after generations!



## USEFUL FACTS ON DIAMOND

- The US, China and India are major diamond jewellery consumers, driving rough-diamond demand.
- Major trading place for rough and cut diamond is Antwerp, Belgium.
- Diamond quality is measured mainly on four parameters that is called 4Cs. (Cut, Carat, Colour & Clarity). Other Factors which also contribute in diamond pricing, however, 4C's decides more than 90% pricing of Diamond. Certified diamonds are priced and traded on per stone basis, based on their carat, colour and other quality parameters.
- Diamond prices per carat increases with increase in size or carat of the diamond stone.
- There is a price e.g (0.30-0.39),(0.50-0.69),(1.00-1.09) etc.
- Diamond can be stored in perpetuity. It does not deteriorate in quality over any period of time. Hence, it is a good instrument for storing wealth.



## GLOBAL SCENARIO OF DIAMOND

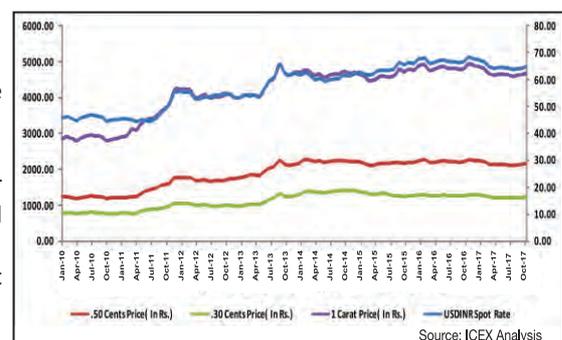
- Major Diamond mines are in Botswana, Zimbabwe, Namibia, South Africa, Angola, Russia, Canada and Australia.
- Top 3 diamond mining companies are De Beers, ALROSA and Rio Tinto.
- Important centres of diamond cutting and trading are Surat (India), Antwerp (Belgium), London (UK), New York (USA), Tel Aviv (Israel), Amsterdam (Netherlands).
- Surat is considered to be the global centre for diamond cutting and polishing. Around 90 per cent of the 'rough' diamonds mined across the world are sent to Surat for cutting and polishing.



- Eight in ten of all rough diamonds in the world are handled in Antwerp and 1 in 2 of all cut diamonds passes through Antwerp.
- USA, Japan, China, Gulf region and India constitute approximately 70% of Diamond Jewellery sales.

## INDIAN SCENARIO OF DIAMOND

- Annually, India imports around \$18 billion of 'rough diamonds' and exports around \$24 billion of cut & polished diamonds.
- Diamond trade and industry in India consists of import of rough diamond, cutting and polishing of rough diamond and export of polished diamond /diamond stud jewellery. Production or mining of rough diamond in India is negligible, compared to total mining in the world. Diamond mining in India is concentrated in the State of Madhya Pradesh and Chhattisgarh.
- Mumbai and Surat are the two major locations of the Industries. India is the world's largest cutting and polishing centre for diamonds.
- Diamond import and export continues throughout the year. But, the domestic sales increase during festival and marriage season.
- India ranks first with 16.7 % market share in total export of diamond.
- India exports 95 per cent of total imported rough diamond, as per statistics from the Gems and Jewellery Export promotion Council (GJEPC).
- India is the world's third largest diamond consumer with 8% market share.
- Polished diamond attracts 3% of Goods & Services Tax (GST).
- ICEX has appointed the Internationall Institute of Diamond Grading and Research (IIDGR), as grading agency of the exchange for the purpose of providing services of grading, testing and packaging of certified diamonds stones.
- MALCA-AMIT JK LOGISTICS PVT. LTD has been appointed as custodian for the physical diamond storage in India.



## PRESENT FUNDAMENTALS OF DIAMOND

DEMAND	SUPPLY
<ul style="list-style-type: none"> <li>Polished diamond value (in nominal US dollars) is expected to expand at a Compound Annual Growth Rate (CAGR) of four per cent between 2016 and 2022. (Bank of America Merrill Lynch)</li> <li>Diamond jewellery sales are expected to grow at a four per cent CAGR (in nominal US dollars) between 2016 and 2021. (Morgan Stanley)</li> </ul>	<ul style="list-style-type: none"> <li>Global supply of rough diamonds (in carats) is expected to expand at a CAGR of three per cent between 2016 and 2022, peaking in 2021 (Bank of America Merrill Lynch)</li> <li>Global supply of rough diamonds (in carats) is expected to expand at a CAGR of one per cent between 2016 and 2021. (Morgan Stanley)</li> <li>A larger share of production is expected to come from ever deeper mines, which are complex and costly to operate. (Morgan Stanley)</li> </ul>

\*Source De Beers Diamond insight Report 2016.

## ADVANTAGES OF DIAMOND FUTURE TRADING

### Advantages for physical market participants

- Sellers can sell on ICEX and tender his goods for delivery. Both buyer as well as the seller can give their price.
- Advance price signal for (One/Two/Three) months indicating the price scenario and fundamentals of the market. The future price is determined by the actual people participating on the ICEX platform. The participant could be traders, manufacturer, investor or even diamond jeweller.
- ICEX Future price is more accurate & reliable since trade result into actual diamonds delivery. Seller is ready to sell and give delivery buyer is ready to buy and take a delivery of diamonds letter at that price point. Since Surat is the delivery centre and price derived on ICEX is ex-Surat, hence diamond traded on the ICEX reflect wholesale market price. The gap between wholesale and retail price of polished diamond varies in the range of 30 to 40 %.
- Leverage of capital. As in futures market, buy/sell position can be taken even with small margin money.
- Availability of Risk Management tool to carry out price hedging or 'price insurance' by the physical market participants.

### Advantages for retail investor

- Investors can accumulate the unit through staggered buying.
- Investors have option to take physical delivery, wear it and re-sell on ICEX when s/he wants to exit. New set of market participants (retailers, arbitrageur and investors) providing liquidity in the market place enabling easy entry into and exit from the market.
- Buyers are assured of quality. ICEX diamond have quality checked by internationally acclaimed, one of the world's highly reputed labs only. ICEX Diamond Certificate is the only certificate in the world that categorically mentions that the Diamond does not contain BLACK INCLUSIONS.
- ICEX Diamond Certificate clearly mentions that ICEX Diamond does not contain Brown, Green or Milky (BGM) discoloration in the diamond.
- ICEX Diamond certificates ensure that one is buying NATURAL AND NOT LAB GROWN Diamonds.
- Buyers or investors, who have taken delivery from ICEX, have the flexibility to keep the diamond either in electronic mode or in physical stone.
- Buyers or investors, who have taken delivery of ICEX diamond, can re-sell on the exchange on any futures date and give delivery on the exchange after following the due process.
- Regulated market, hence security from default in case of adverse price movement.
- Access to bigger national level market where large number of sight holders, manufacturers, jewellers and retailers converge.
- From 2011 to till 2017 Gold has appreciated by about 11% whereas Diamond price appreciated by 18.01%. With low volatility, Diamond makes better sense to hold vis-a-vis Gold. Please refer price movement table.

### PRICE MOVEMENT

Year & Months	Occasion	Gold Price (In Rs.)	Change%(YoY)	Diamond Price (In Rs.)	Change%(YoY)
26-Oct-11	Diwali	26709		2709	
13-Nov-12	Diwali	31829	19.17	2846	5.06
3-Nov-13	Diwali	30475	-4.25	3260	14.55
23-Oct-14	Diwali	27420	-10.02	3235	-0.77
11-Nov-15	Diwali	25721	-6.20	3304	2.13
30-Oct-16	Diwali	30311	17.85	3306	0.06
19-Oct-17	Diwali	29645	-2.20	3197	-3.30

Source: ICEX Analysis

## DELIVERY OF DIAMOND

- All open positions on Expiry of contract result into Compulsory delivery. Only graded and Electronic diamond units are deliverable on Exchange platform. Failure to give delivery by Seller result in a penalty of 3% of the Futures Closing Price on the Delivery day(s) or DDR (Spot Rate on the last Day of the Delivery)
- Additionally diff. between spot and delivery rate is also charged to Seller. Buyer not taking delivery pay a penalty of 3% and Auction process conducted. Consequently buyer also pay additional penalty due to auction price difference.
- All buyers who are allocated delivery get electronic units of diamond in their a/c which can be converted into physical diamond on their request subject to minimum holding in their electronic a/c.

## DIAMOND-CONTRACT SPECIFICATIONS

Contract Symbol	Diamond 1CT	Diamond 0.5CT	Diamond 0.3CT
Underlying Commodity	Diamond 1 Carat	Diamond 50 cents	Diamond 30 Cents
<b>TRADING</b>			
Trading Unit/Contract Size	1 unit equivalent to 1 cent (1/100th of Carat)		
Price Quotation	Rs. Per 1 cent of HVS2 grade diamond ( converted from per carat rate of respective stone size)		
Basis Price	Ex - Surat (exclusive of GST )		
Tick Size	Rs 0.05 per 1 cent		
Trading Sessions	Monday to Friday 10.00 am to 11.30/11.55*pm (*due to US day light saving time)		
Daily Price Limit	The base price limit will be 3%. Whenever the base daily price limit is breached, the relaxation will be allowed up to 6% without any cooling off period. In case the daily price limit is also breached then after a cooling off period of 15 minutes, the daily price limit will be relaxed up to 9%. In case price movement in international markets is more than the maximum daily price limit (Currently 9%), the same may be further relaxed in steps of 3% beyond the maximum permitted limit.		
Initial Margin	Minimum 4% or VaR whichever is higher and in addition to this Extreme loss margin of 1% and/or amendments thereto from time to time shall be applicable.		
Special Margin	In case of additional volatility, an additional margin (on both buy and sale position) and/or special margin (on either buy or sale position) at such percentage as deemed fit; will be imposed in respect of all outstanding positions.		
Maximum Order Size	3,000 cents	6,000 cents	10,000 cents
Maximum Allowable Open Position	For individual client: 60,000 cents for all diamond contracts combined together. For a member collectively for all clients: 6,00,000 cents or 15% of market wide open position, whichever is higher, for all Diamond contracts put together.		
Quality Specifications	Graded Natural, Untreated Diamond having No BGM and Brown/Black inclusion with following quality parameters: However, a seller can deliver any quality better than the parameters specified below, but there will be no premium for the same.		
Shape	BR ( Round Brilliant)	BR ( Round Brilliant)	BR ( Round Brilliant)
Carat	1.00 – 1.09 ct	0.50 to 0.69 ct	0.30 to 0.39 ct
Color	H	H	H
Clarity	VS2	VS2	VS2
Cut	Excellent	Excellent	Excellent
Polish	Excellent	Excellent	Excellent
Symmetry	Excellent	Excellent	Excellent
Flour	Negligible	Negligible	Negligible
Culet	Pointed	Pointed	Pointed
<b>DELIVERY</b>			
Delivery Logic	Compulsory Delivery		
Tender & Delivery Period	1 <sup>st</sup> to 6 <sup>th</sup> day of the contract expiry months except Saturday, Sundays and Trading Holidays		
Delivery Unit	1 lot=1 cent in electronic form		
Delivery Margin	It will be higher of a). 3%+ 5 days 99% spot price volatility or b). 20%		
Delivery Centre	Surat		

## USEFUL WEBSITES

<https://kimberleyprocessstatistics.org> • <http://www.gjpec.org> • <http://www.diamondshades.com> • <http://www.ibef.org>  
<http://www.bain.com> • <http://www.countryranker.com> • <http://www.statista.com> • <http://www.worldstopexports.com>  
<http://www.diamonds.net> • <http://www.idexonline.com>

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