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Rahil Shah: Indian Diamond Industry Ready To Capitalise On Pent-up Demand From Key Export Markets

by PRADEESH GOPALAN



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***Rahil Shah**, Executive Director, Asian Star Company Limited, states that the company is expecting a 40% growth in the financial year 2021-22 as it has been able to meet demand from its key export destinations.*

Asian Star is one of the most recognised companies in the diamond manufacturing segment. Rahil Shah, Executive Director, Asian Star Company Limited, talks about the current situation in the diamond industry, the products in demand, the effects of the second wave and much more.



Rahil Shah

What is your assessment of the current state of the Indian polished diamond market?

Currently, the midstream polished diamond market is relatively stable in spite of the upheaval created by the pandemic. Responsible partnering by mining companies did help to maintain low levels of diamond inventories in the pipeline during 2020. Today, there is a revival of healthy demand from the cutting and polishing segment against a background of both, a reduction in inventories as well as a strong demand from consumer markets. The second wave of Covid and

subsequent lockdowns have resulted in a temporary slowdown in the domestic retail sector, but a full recovery to normal manufacturing and retail operations is expected in the next few months even as the vaccination drive is being intensified. However, there is some uncertainty on the polished diamond price front in the short term, mainly due to the current shortage of rough and surge in prices.

How are the strong international retail jewellery sales translating to the wholesale polished market? What are the main factors driving this momentum?

We are seeing a resurgence of international jewellery sales in vital consumer markets, particularly in the US and China. While part of the reason for strong holiday jewellery sales is pent-up demand and rechanneling of spends on jewellery in the absence of luxury travel and other luxury experiences, the US stimulus package and opening up of markets post vaccination also contributed to the boom. Even though the recovery in Europe is slower, demand was healthy as diamond retail sales pivoted online due to the agility of the retail community. The growing demand from consumer markets has translated into genuine demand for polished and led to depleting inventory levels, which, in turn, has created a shortage and price surge of rough diamonds.

How do your production levels vary by category (e.g. certified goods versus 20 pointers+ versus stars & full cuts below 18 pointers)? And which are the categories seeing the heaviest demand?

Our production levels have reverted to pre-pandemic levels in all categories. We are also experiencing a robust demand across all categories; while certified goods are in high demand and reaping higher prices due to shortage of rough and the GIA bottleneck, the non-certified goods too are receiving a healthy response. Pointers (20 pts and above) in SI and I1 quality and smalls (stars and full cuts) in lower quality, priced \$250 and below, are doing especially well in our portfolio.

Are you concerned about rough supply and rising prices at the moment?

Yes, we are concerned about the dramatic jump in rough prices. There is no denying that increased demand has led to supply issues, but the euphoria of this surge is questionable as the rough price hike has yet to percolate into the midstream level. A gradual rise in polished prices can be seen across categories but historically it is known that the price balancing process takes time. It is a longer process as customers are always reluctant to accept a price hike in the beginning

and most decide to defer purchases. We have also learnt from past experience that the formation of a price bubble is a possibility and if that occurs, it could mean compromising on margins and risking stock losses. So, we should definitely be cautious and tread carefully.

What impact did the 2nd covid wave have on polished output? What is the difference from pre-Covid peak capacity levels?

In the first few weeks of the second Covid wave, production was hit due to the resultant migration of labour. Also, capacity restrictions and social distancing norms applied in factories by the State Governments hampered production. We took a production hit of around 20% during this period. However, at present, our production levels have reverted to nearly pre-Covid levels as normalcy resumes.

Is the bottleneck situation at the GIA affecting orders?

Definitely, the bottleneck situation has created a shortage of certified goods leading to a surge in price, thus further adding to the price imbalance already created due to shortage and price hike of rough diamonds. As a result, deliveries have been delayed and it has been difficult to meet deadlines of current orders and commit to timelines of new ones. We are hoping that the situation is normalised at the earliest.



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Where is the strongest polished diamond demand coming from?

In my opinion, it is predominantly from the USA, closely followed by China and Europe. Government stimulus, accelerated vaccination drives, reduced travel and work restrictions, and improving economic outlook are factors that have contributed to getting these regions back on their feet so swiftly. Pent-up consumer demand and online sales too have played a vital role in pushing demand in these regions.

Can you estimate your company's growth in polished exports for the full year 2021?

We are expecting to achieve a healthy 40% growth in polished exports in FY 2021-22 as compared to last year. One of our biggest strengths during the pandemic has been our strong global presence in all major diamond markets. In spite of restricted travel and lockdowns, we are in a position to service our customers worldwide. Moreover, this crisis reset our ways of thinking and the manner in which we conduct business. It forced us out of our comfort zone and tested our ingenuity and flexibility to adopt new opportunities. And, I do believe, all these changes have placed us in a stronger position today.