

Publication: Commodity online.com

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Date: 4th May, 2011

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India the world's leading consumer of gold and its households hold a record 18,000 tons of gold and despite the recent growth of exchange traded funds and commodity derivatives smart Indian investors look forward to investing in real assets including real estate, physical bullion bars and other precious metals, according to **Ketan Kothari, Director of RiddiSiddhi Bullions Ltd.** He was instrumental in launching the Bullion Plus Plus scheme aimed at providing triple benefits of buying, storing and lending out physical bullion assets aimed at high net worth individuals which has already got a 'fantastic initial response'

Mr. Ketan Kothari joined RSBL in 2003, immediately after completing his MA in Finance & Investments from Nottingham University, UK. He has played an important role in transforming

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Last Updated: 04 May 2011 at 10:45 IST

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Mr. Ketan Kothari joined RSBL in 2003, immediately after completing his MA in Finance & Investments from Nottingham University, UK. He has played an important role in

transforming the traditional family business into a professional organization. He has been instrumental in the successful technical implementation of the futures trading division as well as RSBL Spot. He has been in the forefront in the launch of India's first structured product in the commodities market - RSBL Optionally Convertible Debentures (OCDs). Also, to address the growing demand of bullion investments, he recently introduced an innovative product called 'Bullion++' which is primarily targeted to HNIs and provides a dual income advantage. In an interview to **Sreekumar Raghavan, Managing Editor of Commodity Online, Mr Ketan Kothari** has hinted that RSBL may venture out into mining, refining and retailing of precious metals as part of future diversification plans. Excerpts:

Commodity Online: RiddiSiddhi Bullions Ltd recently launched the Bullion++ aimed at high net worth individuals. What was the motivation behind the launch of the product and what has been the initial response to it?

Ketan Kothari: There are a host of reasons for launching Bullion++ and one of the main reasons is the ever increasing prices of gold and silver and a very positive future for the same. Big investors have been wanting to take advantage of these price rises but for them getting the right price, burden and risks related to storage and the fact that such bars sit idle have made them averse from investing in bullion. Existing structured products in the market offer returns based on the derivatives of bullion which may be so complex that such investors do not understand the same and there are a lot of hidden costs. There are no silver ETFs in India and gold ETFs are expensive for bigger investors. Futures trading is not recommended unless you want to hedge or speculate. Hence, there was a gap, especially for HNIs looking to have a sense of ownership of such bullion bars.

The initial response has been fantastic and we are very confident of achieving our target, or possibly exceeding it.

CO: Indian households hold a record 18,000 tonnes of gold but they are still hesitant to invest in ETFs or unlock the value of the gold they hold except perhaps for availing gold loans from banks? Do you think a Bullion++ scheme for middle and lower income groups could be possible?

Ketan Kothari: Indian investors are smart. Normally, a typical Indian would look forward in investing his hard earned money in real assets including real estate, physical bullion bars, diamonds, etc because of the real sense of ownership and other advantages associated with them. The western world, even though they have so many learned investors, have burnt their fingers in complex derivatives and structured products including options. More and more of them are now resorting to investments in real assets including bullions.

A product like Bullion++ would really help smaller investors because of cost effectiveness, competitive prices, liquidity and of course additional income. They can also put these bars for their actual use after withdrawing them. We are hopeful of introducing 100gms gold bars and 5kg silver bars for such investors soon.

CO: Despite being a major consumer of gold, India is not the price setter for the yellow

metals or for that matter any of those that come under precious metals category. Why is this so?

Ketan Kothari: The very nature of gold makes it impossible for any country or region to single-handedly control its prices or dictate terms. Gold is more like an international currency and its use as a commodity is only secondary. Any problems with the national currency, and investors of that currency would love to immediately shift to another currency or even better, gold. In the recent years, all major currencies have been volatile and the trust factor has only decreased. Hence, major hedge funds and other investor communities have far larger positions in gold than India would physically import.

Having said that, all other things being equal, Indian demand does play a role in gold prices. A bad monsoon, for example, would see prices in gold going down briefly with expectation of lower demand from the region.

CO: How much of a portfolio allocation for gold and silver do you recommend for investors?

Ketan Kothari: At least 10-15% of the invested amount should be in bullion. Since real estate takes a major chunk of anyone's investment and insurance investments are necessary for hard times, investment in gold and silver gets lower. However, seeing the current price rise and the expected future, bullion, besides helping hedge against inflation and a safe haven investment, could actually give far superior returns.

CO: You have played a major role in the successful technical implementation of futures and RSBL Spot. Have you gone by some global role models to structure the RSBL Spot trading and in the absence of any regulatory control, how do you gain the confidence on investors?

Ketan Kothari: RSBL Spot was an idea conceived internally, but was a vision of Mr Prithviraj Kothari. After the launch of futures exchanges in India in 2003, Mr Kothari always referred to the problem of lack of any INR based gold/silver prices as the reference rate. Every jeweller, bullion dealer and retailer would quote a different price complicating matters and the ultimate loser was the consumer. RSBL Spot in a brief period of over three years has revolutionized the spot bullion market in India. These prices have now become the benchmark rates across India.

In the past, similar efforts by some banks and dealers have been a failure. Internationally too, prices are not standard for the spot market, but quotes on Reuters and alike from various banks, give indicative rates for dealing with banks, etc. Hence, RSBL Spot can be termed more of an innovation of an Indian firm rather than being inspired from international models. Infact, when LBMA delegates visited our office in 2009, they were surprised to see that on one hand, there were refineries where molten gold was handled with bare hands and on the other hand, there was RSBL, flaunting the most successful spot trading system.

CO: You have also been instrumental in developing India's first structure product for commodities- RSBL OCDs which provides a guaranteed return of 6%. Considering the

volatility in gold futures and spot markets, how is RSBL able to provide assured returns?

Ketan Kothari: RSBL Commodities' Optionally Convertible Debentures take advantage of the price differences between gold futures prices and the corresponding gold forward prices quoted by banks. This is a very innovative product and involves no risks for the clients because of the sheer nature of investments. Infact, volatile prices help us give better returns to the clients because there is a lag in the way Indian futures prices react to the changes in international gold forward prices quoted by banks. The product has been a huge success and besides capital protection, we have consistently given the investors net return of over 15% p.a. every year.

CO: Off late silver prices are rallying much ahead of gold and do you think the trend will continue for the rest of 2011?

Kethan Kothari: There are bigger experts in the markets, who are all very bullish about gold and silver prices not only for 2011, but also after that. Personally, I think there will be a minor correction in silver prices before they reach another all-time high this year.

CO: How do you visualise the future growth of RiddiSiddhi Bullions Ltd, will it continue to focus on trading or is diversification into financial sector on the agenda?

Ketan Kothari: RSBL has always concentrated on providing unique and innovative products and services using the latest technology, for the greater benefit of our clients. Our strength has been financial engineering related to bullion investments and trading in the bullion market.

Going ahead, RSBL sees itself being present in every stage of completely integrated bullion market. We have a strong hold in the wholesale markets, coins and online trading. In the future, refining, mining and retailing is what we are looking at. However, at every stage, innovation and quality will remain the feature of our products.