

Publication: The Times of India

Headline: Wedding purchases drop by 80% as gold and silver rates soar

Edition: All Editions

Date: 24th April, 2011

Coverage –

'Wedding purchases drop by 80% as gold and silver rates soar'

Bella Jaisinghani | TNN Sanjay Hadkar

Mumbai: As the world's largest consumer of gold at 800 tonnes per annum and one of the largest buyers of silver at 2,500-3,000 tonnes, India is feeling the pinch of record bullion prices. With gold having touched Rs 22,060 per tola (10 gm) on Friday and silver rising even faster to Rs 69,410 per kg, the bullion market has shrunk to the sole benefit of investors.

"Wedding purchases currently underway have reduced to 10-20% of what they used to be even a year or two ago. Middle-class families are either remodelling old designs or selling old pieces of jewellery to buy new ones," says Sejal Chacha who runs a marriage bureau in Bandra. "Gujaratis who would earlier gift lavish dining sets and images of deities in silver to the bride now make do with the thali, bowl and spoon that are essential for the rituals."

The price of precious metals has risen by 70% since Diwali 2010 and counting. Prithviraj Kothari, president of the Bombay Bullion Association, says silver will hit Rs 1 lakh per kg by the end of 2011 and gold Rs 50,000 per tola within two or three years.

"In fact, silver is the new gold for investors. Just last Diwali, it cost Rs 39,000 per kg and this week it is selling for nearly Rs 70,000. Our projections are that silver will touch Rs 1 lakh per kg by the close of this year, and gold will hit Rs 24,000 per 10 gm. Within two or three years, gold prices could double to Rs 50,000 per tola," Kothari says.

"Marriage parties are settling for two tolas where they intended to buy three while common consumers are merely buying small items like pendants that weigh 0.5-1 gm," says Sharad Pednekar, spokesperson of a popular showroom in Dadar. Tardeo-based Ravi Jain, who specializes in silver, says: "In recent months, demand has swung in favour of ingots as investment. Business has dropped considerably."

The escalation, however, has lent a sheen to private and professional investment. "Investors continue to buy gold in small quantities knowing that its value will only appreciate," says jeweller Prakash Pethe of Girgaum. "Families that have daughters of marriageable age also prefer to buy when prices are rising for fear that they may not be able to afford as much later. But on the other hand, when rates fall, people defer purchases in the vain hope that they will fall further."

Years of insight have taught Pethe that few investors sell their gold. "Only those who wish to make a grand purchase like buying a house will do so. I cannot imagine somebody disposing of family jewellery to take a trip to Malaysia," he laughs.



ALL THAT GLITTERS

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Prithviraj Kothari | PRESIDENT, BOMBAY BULLION ASSOCIATION