

'Gold imports may drop 5-10%, but duty hike can't be the solution'

A DAY after it hiked the import duty on gold and platinum to 6 per cent, the finance ministry on Tuesday also raised duty on gold dore bars and ores from 2 per cent to 5 per cent. The move is expected to help check the current account deficit that touched 4.6 per cent of the GDP in the first half of the fiscal. But Prithviraj Kothari, Managing Director, RiddiSiddhi Bullion believes that its impact would be limited as the demand for gold due to marriages would still continue. The former president of Bombay Bullion Association tells Surabhi in an interview that gold prices are likely to rise over the next three months as it continues to be the safest investment avenue. Excerpts:

Will the import duty hike on gold and platinum help curb import demand?

I don't think the two percent-



INTERVIEW

**WITH PRITHVIRAJ
KOTHARI**

age point hike in import duty will have much impact. It will be offset by the Rupee appreciation of 2 per cent. There may be a 5 to 10 per cent drop in gold imports, but duty hike can not be the solution. There are about 10 million marriages in

India every year, and 70 per cent of the demand comes from rural areas where people don't have demat accounts or credit cards.

What will be the impact of the duty hike on gold dore bars and ores from two per cent to five per cent?

Dore bars are raw, unprocessed gold. Several mines and refineries in India can get special license to import such gold, for which they get 1 per cent duty benefit. The duty hike on these is basically to maintain this difference in tax rates between processed and raw gold.

Gold ETFs can now deposit gold with gold deposit scheme of banks. Will this improve domestic supply of the metal?

This will not have much im-

pact, but will definitely improve sentiments. About 50 to 60 tonne of gold is imported every month, while there is just about 41,700 kg or 42 tonne of gold in all 14 exchange traded funds currently operating in the country. Also, it is not easy to lend in the domestic market due to local issues such as taxes.

How far will these measures impact gold prices?

Gold prices will rise to Rs 34,000 per 10 gram on the upside or Rs 30,000 per 10 gram on the downside over the next three months. I expect gold prices to remain bullish, despite the import duty hikes. Gold is the major investment commodity across the globe. Investors don't have many avenues as the interest rate on US bonds is low and the European economy is still weak.