

DULL DEMAND

Gold fails to shine in Zaveri Bazaar this festive season

Squeezed supply, higher bullion prices and rising inflation have dissuaded consumers from buying gold this year

By KRISHNA MERCHANT & PALLAVI PRINGONDA

The gloom in Zaveri Bazaar was to be expected. Or maybe not. After all, the finance ministry had said its decision last month to increase import duties on gold jewellery was to protect local jewellers and artisans from cheap imports.

That's not how it panned out. Zaveri Bazaar, one of India's most important jewellery hubs, comes alive every festive season. Not this year. While devotees flock to the Mumba Devi temple—from which Mumbai derives its name—located in the heart of the market, the jewellery shops in the vicinity are crying out for customers.

Owners of the roughly 8,000 wholesale and 3,000-4,000 retail shops and the thousands of artisans crafting jewellery for them in the narrow, dingy lanes of Zaveri Bazaar, are clearly dejected.

"In the past festive seasons, around 20 gold showrooms would give me jewellery-making work. This year, the number has more than halved even though the festive season has commenced," said Sanjay Shreechand Soni, one such jewellery maker, or *karigar*, who runs a small 70 sq. ft. workshop here.

Soni used to save ₹8,000-10,000 a month, but is now finding it difficult to even "meet our daily household requirements and that is creating family discord". He has cut his workforce to just two people from 10 earlier when business flourished.

Likewise is the case of Swapandas, an artisan who goes by his first name, and has been in this industry for the past 17 years. "Earlier we would get work for around 1kg of gold per month, but now we are getting work for only around 400-500 grams per month in the past four to five months."

Soni and Swapandas are among the estimated 100,000 *karigars* in Zaveri Bazaar struggling to cope with the drastic squeeze in the supply of gold as a result of the government's interventions. "Less work has meant that these artisans have stopped coming to Mumbai while many have even fled the city," said Kalidas Sinha Roy, secretary of Bengali Swarna Shilpa Kalyan Sangha, an association representing artisans from West Bengal

since a majority of the artisans come from there.

A big portion of the blame for their woes lies with the government's various measures to curb gold imports as part of its efforts to reduce India's widening current account deficit, effectively squeezing supply of the metal.

The government first hiked the import duty on gold to 8% from 6% in June and further increased it to 10% in August, making the precious metal even dearer. Then in September, the government increased the import duty on gold jewellery as well, to 15% from 10%.

The finance ministry said it had introduced different levies on articles of jewellery and on goldsmiths' wares to protect the interests of small artisans.

"...there is an apprehension that Indian jewellery makers would not be able to compete with cheaper imports, particularly when majority of the imported jewellery is machine-made as compared to handmade jewellery in India", the ministry said in a statement then.

While all this has squeezed supply of gold and gold jewellery, it hasn't helped either that prices of the precious metal have been high and volatile.

During the festive season—for the Zaveri Bazaar occupies the season is from Navaratri to Diwali, a short period of about a month—the jewellery market's typical turnover is around ₹480 crore per day, but that has now halved, said Kumar Jain, governing board of director, All India Gems and Jewellery Trade Federation, a trade body that manages fair trade practices and efficient organization of business in the gems and jewellery industry.

Located in Bhuleshwar in south Mumbai, Zaveri Bazaar accounts for 35-40% of India's gold trading and deals, said Jain. Anyone dealing in gold has a presence in Zaveri Bazaar—wholesalers, manufacturers, bullion merchants, diamond setters, buyers, lenders and artisans. Even Bombay Bullion Association Ltd, an apex body for all bullion and jewellery associations in India, is housed here.

The festive season in India is typically when consumers loosen their purse strings helped by Diwali bonuses. However, weak jewellery demand, according to traders, indicates that the festive season this year will not help, at least as far as gold is concerned.

Soni recalled that in previous years, the artisans would have to work long, staying back way past midnight, starting a month before Diwali.

"There was so much work that we would sometimes delegate work to other artisans," he said. That hasn't happened yet this year, with Diwali ap-

proaching on 3 November. "Tell me, who will pay ₹10,000-11,000 per month to artisans when there is less work?" asked Swapandas, who employed 17-18 artisans last year, but thinks he can do with only eight-nine artisans this year. "We might have to sack people," said artisan Gautam Kannarkar, who supervises 13 artisans.

Some artisans say some factories and artisan clusters have shifted to Dabisar, a western suburb in Mumbai, as rents in Zaveri Bazaar have become unaffordable.

Artisans still sticking around at Zaveri Bazaar are making smaller ornaments like silver and gold rings, instead of say gold necklaces, and many of them also feed the growing demand for imitation jewellery.

Times are tough for gold buyers as well.

Bablu Sonkar, who trades in gold, is finding it difficult to earn even ₹100 a day these days compared with about ₹1,000 a day he was making a year ago.

The supply of gold in recent months has been negligible.

Gold imports have taken a beating following the government's restrictions on the precious metal since June to strengthen the rupee, which had touched an all-time low of 66.50 against the dollar in August. The rupee closed at 61.52 per dollar on Monday.

In April, gold imports stood at 118 tonnes, only to increase sharply to 162 tonnes in May as investors and jewellers advanced their gold purchases in anticipation of the import duty hike. Gold imports plunged after that, to 31 tonnes in June, 41 tonnes in July, 2 tonnes in August and nil in September, according to data compiled by Religare Institutional Research.

While supply is one part of the problem, higher gold prices in particular and inflation have dissuaded consumers from gold purchases this year.

According to data from Multi Commodity Exchange of India Ltd, gold prices were as high as ₹30,631 per 10g on 1 January. The prices have been too volatile for consumers to reach for their wallets. On 6 June, the rate of gold dropped to ₹25,186 per 10g, only to rise sharply to about ₹31,000 per 10g on 29 August. "Today if I buy gold at ₹30,000 and if it becomes ₹26,000 tomorrow, I will have to pay from my pocket because customers will buy gold jewellery at the prevailing market price. I will make a loss because I get only 2-3% commission on every piece of jewellery that I work on," said Soni.

Companies such as Gitanjali Gems Ltd, Tribhovandas Bhimji Zaveri Ltd, Titan Industries Ltd and PC Jeweller



Employment worries: Swapandas, who has been in the industry for the past 17 years and who employed 17-18 artisans last year, says he can manage with only 8-9 this year.

Ltd are seeing lower gold demand.

Mehul Choksi, chairman and managing director of Gitanjali Group, said the demand for gold jewellery is down 20-25% so far this festive season from a year ago, while demand for diamond jewellery is up 25%. Gitanjali Gems plans to increase its focus on diamond jewellery business from 50% currently to 65% in the coming months because of the government clampdown on gold and the tepid demand.

To tide over the gold crunch in the country and the fall in demand, both the government and the jewellers are testing ways to source gold supplies locally that will be cheaper than the imports.

Many jewellery retailers are considering introducing gold deposit schemes that will allow customers to deposit their gold ornaments with them for a certain period and receive interest until the gold is returned, likely in a different form such as a gold coin.

And the government wants to tap the hundreds of tonnes of gold lying idle with various temple trusts and in households to reduce the dependence on gold imports, but experts don't think this will work. Devotees in India offer gold in the form of jewellery, bars and coins to gods in temples across the country.

"Dealing with temple gold is a very sensitive issue," said Prithviraj Kothari, director, *RiddhiSiddhi Bullions Ltd*, a bullion trading company. "Also, in certain religions, once you donate to God, you cannot take it back or else it's considered a sin," said Kothari, in a discussion on the utilization of temple gold for

reducing imports, at an event organized by the Bombay Bullion Association on October 5. Trade associations have been urging the government to collect the gold stashed away in temple trusts and households to overcome the restrictions and meet the demand in India.

Meanwhile, even as most consumers shy away from gold jewellery purchases this festive season thanks to higher prices, there are some exceptions.

"I don't remember a time when I have sold my gold jewellery, ever," said an affluent homemaker who has been buying jewellery sets every six months for the past 20 years from Zaveri Bazaar. "I do feel the crunch though," she said, requesting anonymity.

According to Jini Siroya, a gold lender at Zaveri Bazaar, no one wants to sell gold because of the price fluctuation. "Unless you are in debt up to the neck, you won't sell gold," said Siroya.

All this may very well mean that artisans are likely to be without orders for making ornaments for some more time. "It is not easy for me to change my profession because I have been doing this for many years and what else can I do besides this?" said Swapandas.

Soni feels no different.

"I have learnt this art from my father and it is difficult for me to change this job because it is a family profession. But it will be a big deal if I survive here for another 15 years because machines will take over eventually," said Soni, handing out his business card. "Call me if you want to make an antique ring."

krishta.m@livemint.com