

TIDEFX

MAY 2018

MAGAZINE

THE 2017 PIPELINE The Calm Before the Storm

by Pranay Narvekar and Chaim Even-Zohar

BHARAT DIAMOND WEEK

Organizers Praise Success
Of Inaugural Show



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Became The 'Fifth C'
In Diamonds

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in April

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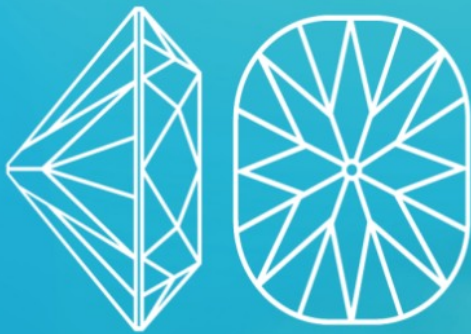
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BHARAT DIAMOND WEEK:
BHARAT DIAMOND EXCHANGE
TO HOLD 2ND SHOW AFTER
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BY ALBERT ROBINSON

EDITOR'S NOTE

The Cost Of Doing Business – Sarine Defends Its Technology

One of the most important news items last month was that concerning Sarine Technologies Ltd and the court case that ended in Tel Aviv of two Indians who had tried to steal the firm's intellectual property last summer. Looking back at Sarine's announcements over the past year, the threat of theft of its IP is a very serious ongoing matter that the firm is tenaciously and correctly countering.

Sarine announced last July that two Indian nationals tried to buy Sarine's Galaxy system's schematics, list of parts and vendors and software source code for \$1,000,000. The money was offered by the Indians to an investigator posing as a

Sarine employee, and they were immediately arrested by the police; the perpetrators were convicted and ordered to pay a substantial fine with one suspect also sentenced to eight months in Israeli prison, and the second perpetrator summarily expelled from the country.

The case came about after Sarine employees last year reported to company management that they had been approached by a third party offering to buy key intellectual property pertaining to Sarine's diamond manufacturing products. Sarine took on a private investigator who posed as a Sarine employee and corresponded with the third party. An initial meeting took place in Tel Aviv in June 2017 between the private investigator and two Indian nationals, who arrived in Israel specifically for the meeting.

The terms of the proposed deal were agreed and a second meeting was set up in Tel Aviv. During the meeting, the suspect, and a relative, who is also an Indian national residing in Israel, the owner of a company dealing in rough diamonds and a member of the Israel Diamond Exchange, handed over \$100,000 in cash, as an advance payment against an agreed \$1,000,000, Sarine reported. Immediately after the cash handover, Israeli police detectives arrested the suspects.

Meanwhile, in January, Galatea Ltd., a wholly-owned subsidiary of Sarine Technologies Ltd further stepped up its enforcement initiatives against the fraudulent use of its Galaxy inclusion mapping technology and systems. Galatea said it is taking action against a manufacturer in Surat, India, for its deliberate under-reporting of rough stone weights and underpayment of amounts owed to Galatea for the scanning of the rough stones.

While auditing the manufacturer's usage of its Galaxy system, Galatea uncovered significant discrepancies over an extended period between the weights of rough stones processed and those actually reported to Galatea, Sarine said at the time. This under-reporting resulted in an underpayment of the amounts owed to Galatea for the use of the Galaxy system. After an internal in-depth analysis, Galatea determined that such under-reporting was clearly a deliberate act to misrepresent the stone weights processed and the resultant sums payable to Galatea. Galatea also has incontrovertible evidence to demonstrate that the under-reporting was done through the illegal manipulation of the Galaxy software.



Consequently, Galatea summarily locked out the manufacturer from the use of its Galaxy system. Even though the illicit software manipulation was temporarily successful in submitting the manipulated values of the weights processed, Galatea's supervisory and billing software was able to identify the fraud and track it. The firm has irrefutable proof of the software hack and exhaustive data pertaining to the stones.

"When confronted by Galatea, the manufacturer's proprietor claimed that a senior manager had been responsible for the software manipulation, which led to the fraud," Sarine says. "Galatea intends to initiate appropriate legal action against said manufacturer and its owners, officers, employees, etc. who were involved in such unlawful and illegal activities, seeking compensation for the damages caused, and will take additional actions in the appropriate Indian and international diamond industry and trade centers to expose these fraudulent activities."

As David Block, Sarine's CEO, said, "The Sarine Group is taking proactive and aggressive actions aimed at protecting our intellectual property rights, including against manufacturers, who are engaged in the use of infringing products and services or any other fraudulent use of our technologies. Wrongful use of any Galatea or other Sarine Group products of any type will not be tolerated."

Previously, last September, Sarine, notified U.S. diamond industry trade organizations and leading importers, dealers and retailers of its intent to file actions to block the importation into the U.S. of polished diamonds that were produced in violation of Sarine's patented processes for the manufacture of such diamonds, wherever they were manufactured.

"Sarine is now seeking protection under its U.S patents and copyrights, which allow Sarine to file actions with relevant U.S. authorities to preclude the importation into the U.S. of polished diamonds, which were manufactured in an infringing manner. It should be noted that if such infringement is found, enforcement might also involve the seizure of goods by U.S. Customs and Border Protection."

Again, Block was crystal clear on Sarine's stance, "Sarine has invested significant resources over the years to obtain protection of its intellectual property in various countries and is fully committed to enforcing those rights. The ongoing illicit exploitation of intellectual property rights by less than ethical players in the diamond industry should be actively opposed by the industry as a whole and should meet with zero tolerance in all countries where the intellectual property is protected by law."

Developing revolutionary technology is an expensive business – and so is defending it. But Sarine is quite clear that this it will continue to invest in both the former and the latter. That's part of the cost of doing business. Being a market leader means always having to look over your shoulder – not just at possible competitors, but also at unscrupulous elements trying to steal your technology.

TALK TO US





How Compliance Became The 'Fifth C' In Diamonds

The diamond industry has for decades, done business with a truly international pipeline — diamonds are mined in some continents, sorted and distributed through centers elsewhere, cut and polished in yet other places, set into jewelry in centers that could be in a fourth geographic location and finally consumed in bulk in places like the US, Japan and China — the first two having had nothing to do with the process pipeline whatsoever.

Less than 20 years ago, a diamantaire could easily have bought diamonds from a supplier in one location, have

them shipped to another location and perhaps a company that was distinct from his own firm, which was doing the ordering and paying.

There were many variations to this. For example, if the buyer was purchasing rough from unorganized suppliers or from countries with limited and untrustworthy banking systems, he might ask to pick up the diamonds through another company in a free zone area and settle the outstanding through a bank transfer — or even in kind — to a different company in another part of the world as instructed by the supplier.



Banks and shipping agents merely followed instructions, and no eyebrows were raised as this was considered trade practice. Everybody understood that all the diamantaire was doing was optimizing his own process pipeline with financial and security safety built in.

Not today. A process trail like that will be viewed as a money-laundering process. The banks and financial institutions would not participate. I personally know of instances when legitimate business payments have been stopped by banks in the US (all dollar payments are routed through US banks, though

neither the receiver nor the sender were in the US) for compliance scrutiny. The money was only released after three or four weeks after the parties provided satisfactory documentation to convince the bank that the process was legitimate.

Like it or not, compliance to official requirements for a clear audit trail of one's processes is now an integral part of a diamantaire's business. You could say compliance is the "Fifth C" of the business.

Why, you might ask, does one have to undergo this? It all has to do with money-laundering, a process that is perhaps as old as money itself — the

first documented cases date from 2,000 BCE. The activity got its current name from the laundromats that the mafia in the US used in the 20th century to legitimize the money it had earned from criminal activity.

Naturally, governments everywhere are looking closely at anything that might smack of money laundering and the associated evasion of tax payments. The US Banking Secrecy Act that was passed in 1970, made banks responsible for the detection and prevention of money laundering. Money laundering became a federal crime in the US with the passing of the Money Laundering Control Act of 1986. The initial focus of legislation was mainly on the drug trade.

FINANCIAL ACTION TASK FORCE

In 1989, the G7 countries founded the Financial Action Task Force (FATF), an intergovernmental organization that develops policies to combat money laundering. Not only does the FATF set policies, it also monitors the progress of countries in implementing them and ensuring that the implementation is satisfactory. This process works through peer

reviews, much the way the Kimberley Process does with its review missions.

The FATF came up with its first guidelines in 1990, when banking was still predominantly a manual process and the internet was just starting up. The initial guidelines covered banks and financial institutions.

In 2001, the FATF mandate was changed to cover terrorist financing as well. The guidelines issued in 2004 brought in five designated non-financial businesses and professions including dealers in precious stones and precious metals under its ambit. From that time, all diamond and jewelry industry stakeholders in centers across the globe have had to follow FATF guidelines.

Initially, diamond and jewelry industry stakeholders only had to implement customer due diligence or “know your customer” procedures for cash transactions above \$15,000. But even that was a shock. Banks routinely supplied clients with cash to travel and pay African suppliers with limited banking access or to settle up immediately when taking delivery of hand-carried parcels.

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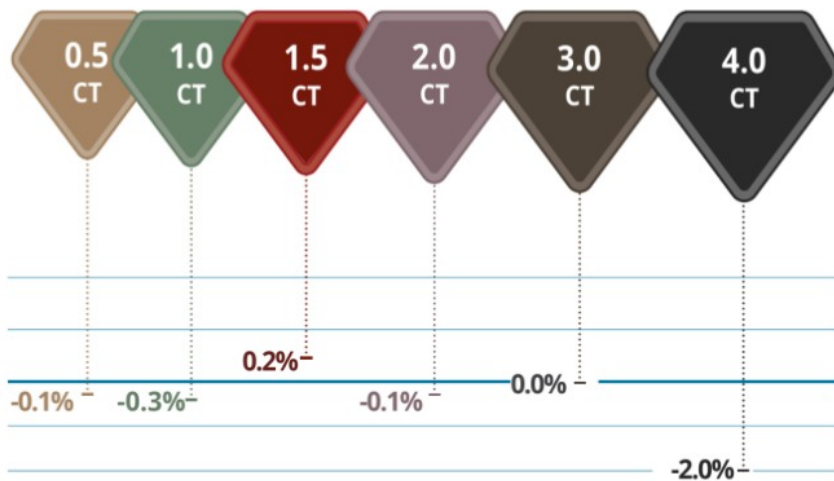
MARKET SNAPSHOT



PRICES
WERE FLAT
IN APRIL

POLISHED DIAMONDS

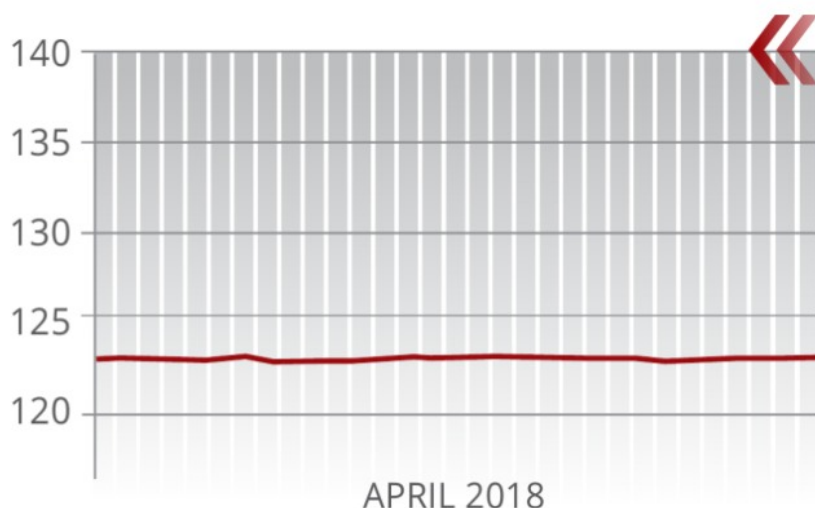
THE IDEX POLISHED DIAMOND PRICE INDEX WAS FLAT AGAIN IN APRIL, FOLLOWING A SIMILAR PERFORMANCE DURING MARCH WHICH CAME AFTER AND SMALL INCREASES IN JANUARY AND FEBRUARY. ON A MONTH-TO-MONTH BASIS, GLOBAL POLISHED DIAMOND PRICES IN APRIL WERE UNCHANGED FROM MARCH.



ON A MONTH-TO-MONTH BASIS – COMPARING PRICES DURING APRIL OVER MARCH – THERE WAS ONE RISING CATEGORY FOUR DECLINERS AND ONE UNCHANGED AS SEEN IN THE GRAPH BELOW.

POLISHED DIAMONDS DAILY INDEX

THE INDEX BEGAN THE MONTH AT **123.22** AND ENDED AT **123.32**.



METAL PRICES IN APRIL US\$ PER OUNCE

*Prices as of 30.4.18
Source: Amark.com



Palladium 968 (+0.3%)
Platinum 906 (-0.3%)
Gold 1,317 (-0.2%)
Silver 16.36 (-0.1%)

ROUGH DIAMONDS

TRADING WAS GENERALLY QUIET IN APRIL DUE TO THE PASSOVER AND EASTER HOLIDAYS.

PROFIT MARGINS WERE SOMEWHAT HIT DUE TO THE RISE IN ROUGH POLISHED PRICES. HOWEVER, POLISHED DEALERS GENERALLY ACROSS THE DIAMOND MARKETS HAVE BEEN STANDING FIRM ON PRICES, KNOWING THAT THEY WILL BE PAYING HIGHER PRICES FOR GOODS TO BE BOUGHT FOR PROCESSING.

BOTH DE BEERS AND RUSSIAN DIAMOND MINING MONOPOLY ALROSA REPORTED ONGOING ROBUST SALES AT THEIR LATEST SIGHTS IN APRIL.

IDEX

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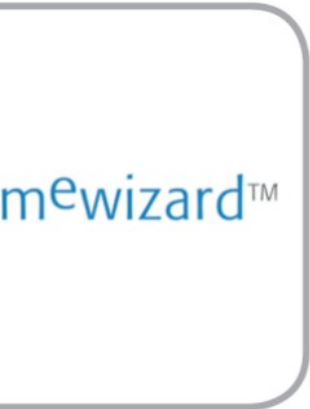
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ROUNDS | MAY 2018

PRICEREPORT

There were relatively few price changes in round diamonds in April, particularly in smaller diamonds under 0.50 carats. Diamonds of 1-2 carats saw some downward movement, while larger diamonds saw significant upward movement. This was particularly evident in 3.00-3.99 carat stones and to a lesser extent in the 4.00-4.99 and 5.00-5.99 carat categories.



ROUNDS 0.70-0.79 01-MAY-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	93.0	75.0	63.0	57.0	55.0	45.5	37.5	33.5	30.5	21.5	13.0
E	72.5	69.0	59.0	53.5	50.5	43.0	36.0	32.5	28.0	20.5	12.0
F	63.5	59.0	53.0	50.5	45.5	42.5	34.5	32.0	26.5	19.5	12.0
G	56.5	52.5	48.5	46.0	42.5	39.0	31.5	30.5	25.5	19.0	11.5
H	53.0	47.5	46.0	43.0	39.0	35.0	31.0	29.0	23.0	17.5	10.5
I	43.0	39.5	37.0	36.5	34.5	31.5	26.5	25.5	21.0	13.5	9.5
J	32.0	30.0	28.5	27.5	27.0	25.5	23.0	22.0	18.5	11.5	8.5
K	27.5	27.0	24.5	24.0	22.5	21.5	18.5	17.5	15.5	10.5	8.0
L	25.0	24.0	23.0	21.5	20.0	19.5	18.0	16.0	14.5	10.0	8.0
M	24.0	21.5	21.0	18.5	17.5	17.0	15.0	14.5	13.0	8.0	8.0
N	21.0	19.5	19.0	18.0	17.0	16.0	14.5	12.5	10.0	8.0	7.0

ROUNDS 0.70-0.79 CARATS
 **E/IF-I1 UP 3%**
 **F-G / VVS2-VS2 DOWN 1-3%**

ROUNDS 0.90-0.99 01-MAY-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	145	115	92	80	74	62	53	48	38	25	16
E	109	102	85	72	67	58	50	45	36	24	16
F	100	92	78	70	64	56	49	42	35	22	15
G	83	77	69	63	59	54	43	38	30	20	15
H	73	71	61	56	55	48	40	37	28	19	14
I	62	58	56	49	48	45	37	32	25	16	12
J	55	47	45	40	39	35	32	29	22	15	11
K	37	35	34	31	30	29	28	26	16	14	10
L	31	30	29	28	26	24	23	21	16	12	10
M	29	27	26	24	23	22	18	17	16	12	10
N	27	23	21	20	19	18	17	16	14	11	9

ROUNDS 0.90-0.99 CARATS
 **D-I / IF-VVS2 UP 2-3%**
 **I / I1 DOWN 4%**

ROUNDS 1.00-1.24 01-MAY-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	204	162	143	115	104	80	68	60	48	32	18
E	158	136	113	102	90	77	63	56	46	28	16
F	123	114	105	98	84	76	62	55	43	27	16
G	104	96	89	85	80	71	59	52	40	27	16
H	87	81	80	78	73	66	54	49	37	24	15
I	69	68	65	64	61	58	50	45	36	21	15
J	58	57	56	53	52	49	45	40	31	16	14
K	50	47	45	44	42	39	37	33	28	16	14
L	45	44	42	40	39	35	32	30	26	16	13
M	41	39	37	34	31	28	27	26	24	16	12
N	39	38	36	33	26	24	23	19	16	15	12

ROUNDS 1.00-1.24 CARATS
 **H / IF UP 3%**
 **D-L / VVS1-I1 DOWN 1-3%**





FANCIES | MAY 2018

PRICEREPORT

Fancy diamonds also saw relatively few price changes in diamonds of less than 0.5 carat. The 0.70-0.79 category saw declines of 2-3% and the 0.80-0.89 carat category saw rises in E-K, SI1-12, while 0.90-0.99 carats in D-J, IF-I2 showed notable increases, as did the 1.25-1.49 carat category in D-D, IF-VS1, and in 5.00-5.99 carats L-N, SI1-SI2.


FANCIES 0.70-0.79 01-MAY-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	75.0	63.0	56.5	52.5	50.5	47.0	39.0	33.5	26.5	19.0	12.5
E	60.0	56.5	50.0	48.0	46.0	44.5	37.0	29.5	25.5	18.0	11.5
F	58.5	54.5	49.5	46.0	45.5	41.0	32.5	27.0	24.0	16.5	10.0
G	53.5	48.5	47.5	41.5	41.0	39.5	31.0	25.5	20.0	14.0	9.5
H	49.5	46.0	43.0	39.5	38.5	33.0	28.0	23.0	19.0	12.0	8.0
I	41.5	39.0	36.0	33.0	31.5	30.0	25.5	21.0	17.0	11.0	7.0
J	29.0	28.5	28.0	27.0	25.5	25.0	22.0	15.5	13.5	7.5	5.5
K	23.5	22.5	21.5	20.5	20.0	18.5	16.5	14.5	11.0	6.5	4.5
L	21.5	17.5	16.0	15.5	13.5	13.0	12.0	11.5	8.0	6.0	4.5
M	20.0	17.0	15.0	14.0	12.0	11.0	10.0	8.0	7.5	5.5	4.0
N	18.0	14.0	13.0	11.0	10.0	9.0	8.0	7.0	5.5	4.5	3.5

FANCIES 0.70-0.79 CARATS
 L / SI3 **UP 4%**
 E-I / VVS1-SI3 **DOWN 2-3%**

FANCIES 0.90-0.99 01-MAY-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	114	93	80	71	64	57	49	46	37	25	13
E	103	84	74	67	63	56	47	43	34	23	12
F	78	70	69	63	62	55	46	42	32	22	11
G	71	65	61	60	56	54	44	41	30	21	11
H	60	59	55	54	51	47	41	36	29	16	10
I	56	55	49	46	45	43	37	32	28	15	9
J	43	37	36	32	31	30	29	27	24	13	8
K	34	28	27	26	25	24	23	21	16	10	8
L	29	23	21	20	19	16	15	14	13	9	6
M	22	20	19	16	14	13	12	11	10	8	6
N	20	15	14	12	11	10	9	8	8	5	4

FANCIES 0.90-0.99 CARATS
 D-J / IF-I2 **UP 2-5%**
 K-L / IF **DOWN 2-3%**

FANCIES 1.50-1.99 01-MAY-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	229	188	171	129	116	103	86	70	56	34	19
E	178	165	132	117	110	99	83	67	49	29	15
F	162	140	126	111	106	95	80	62	44	25	12
G	137	122	110	99	94	86	76	61	44	24	11
H	106	100	90	83	82	78	67	58	41	22	11
I	86	82	75	70	69	68	58	50	38	21	10
J	73	66	63	60	57	54	51	46	33	15	10
K	59	52	51	50	48	43	40	34	26	14	10
L	47	44	42	38	34	33	31	28	21	14	10
M	38	36	34	32	29	27	25	22	19	13	10
N	34	32	31	30	26	23	21	20	15	13	9

FANCIES 1.50-1.99 CARATS
 F-G / IF **UP 3%**
 G / SI1-SI2 **DOWN 2-3%**



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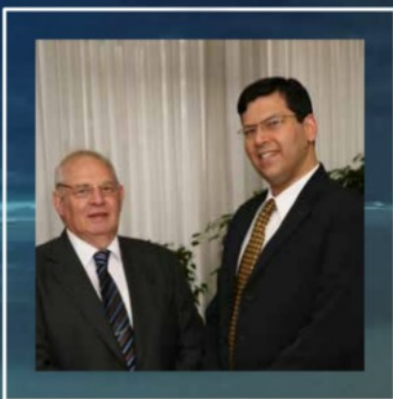


THE 2017 PIPELINE
The Calm Before the Storm

In 2017, the diamond industry witnessed a period of relative calm and a semblance of balance. While the midstream profitability improved, it's debatable whether the profitability levels are yet sustainable. The supply of diamonds increased, as new mines started up, and producers who had held back sales in the last couple of months of 2016 (due to the demonetization in India, which affected the small-scale polishing sector) sold down their excess inventories.

All of this meant that the price of polished dropped slightly during 2017, as the increased demand was not able to keep pace with additional supplies. Moreover, the increased supplies of both undisclosed and disclosed lab-grown diamonds adversely impacted the demand for natural diamonds. This further weakened the market's ability to maintain firmer polished prices.

However, this current situation might only be the calm before the storm. The industry is heading into a period where the next few years will see some of the fundamental operating principles of the industry undergo changes.



by Pranay Narvekar
and Chaim Even-Zohar

2017: Fragile stability

Like most other global commodities, diamonds are priced in dollars (although there are exceptions at the retail end). This makes diamonds susceptible to changes in the price of the dollar. It is common knowledge that a cheap dollar helps the industry, while a strong dollar leads to a contraction in the industry. Currently, about 50-60% of global sales are in countries that either use the dollar or are pegged to it. Hence, the remaining 40-50% of global diamond sales are boosted by weakness in the dollar.

Overall, in 2017, diamond jewelry retail sales in 2017 were up by about 4.2% and hit US\$77.41 billion for the year. This reversed the trend of the last two years, where jewelry sales had dropped. In the US, which is the largest global market by far, sales grew by 2.5%. Sales were strong during the latter part of the year, especially for independents and smaller stores, while the larger chain stores were less buoyant.

It is important to note that 2017 also saw the new campaign for generic promotion start in a meaningful way by the Diamond Producers Association, more than 10 years after De Beers halted their generic marketing efforts. Generic promotions, by definition, are more long term and their full effect will be only seen after continued efforts for two to three years. While it is a good beginning, there was limited effect on demand last year. And, in any scenario, its impact will be marginal. The bulk of promotions must come from the industry players – or, more precisely – from their margins.

Of the other large markets, the Hong Kong/China market also started showing signs of life after two to three slow years. It grew at about 7.3%, as jewelry sales picked up. India had a slow start, as the effects of the demonetization in late 2016 were felt on jewelry sales. However, the markets perked

up as liquidity returned into the system. A relatively benign Goods and Service Tax GST rate on jewelry, compared to expectations, also helped continue the momentum. Both of these markets also gained from the strength of their respective currencies.

Declining diamond content

From a diamond pipeline perspective, what is more critical is the diamond content in retail. In 2017, this increased by only 2.5% to about US\$20.7 billion. As diamond prices drop, retailers are able to buy diamonds cheaper. While some of these benefits are passed on to the consumer, retail prices are generally more sticky and do not move as quickly as wholesale prices. Some of this price reduction ended up adding to retailer margins, leading to a reduction in diamond content in the jewelry. Moreover, retailers are prone to “save money” by going for lower diamond sizes and/or qualities. This is especially true in the United States and increasingly in China – the industry’s two main markets.

In the 2016 pipeline, there was a brief uptick in diamond content, but as prices dropped in 2017, the diamond content in retail again slid downwards. This meant that the industry was not able to see the full effect of the growth in jewelry sales, and the pipeline growth was more subdued.

Stocking or de-stocking the retail side also affects the diamond pipeline. In 2017, it was observed that the US retail market, which had purchased heavily in the last few years, decided to reduce their diamond purchases and bring down their stocks. This de-stocking combined with a continued stock adjustment by the Chinese retail industry resulted in a cooling of the overall demand for diamonds.

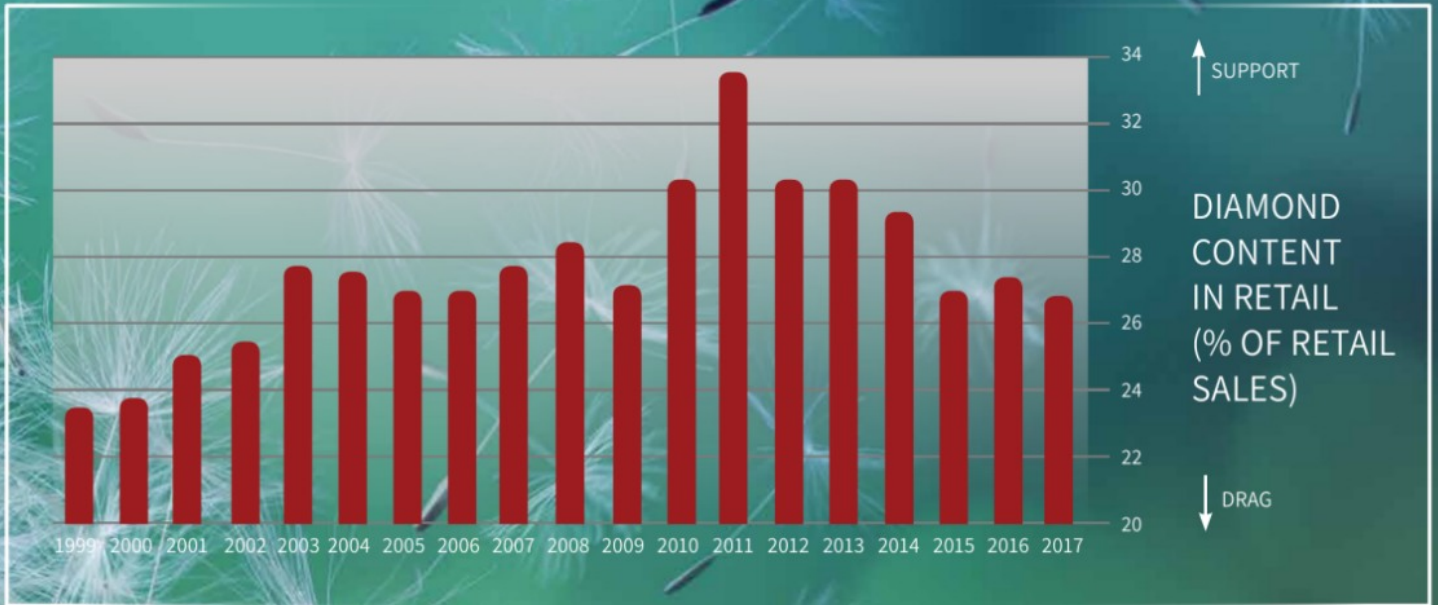
On the manufacturing side, the pipeline was dry coming into 2017 due to liquidity conditions in India. As these eased, companies purchased rough diamonds, especially in the cheaper qualities to

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Fragile Stability

Diamond Content in Retail



Fundamental Changes Ahead

feed the factories. The small-scale polishers also restarted their operations and purchased increasing quantities of rough.

Rough producers, who had stockpiled their cheaper goods towards the end of 2017, were able to work down their inventories, after necessary price corrections. The stable demand, throughout the year, ensured that the rough offtake was also stable, albeit at lower prices.

The year 2017 also witnessed possibly the highest rough production in about a decade. This was despite the fact that a few mines ran into operational issues. New mines, which hit operational capacities over the last couple of years and robust productions from Australia, ensured that the rough production was high. The market was able to absorb most of this production, along with the liquidation of the rough stockpiles.

A Reasonable Year, But Fundamental Changes Ahead

In private discussions, most diamantaires will agree that 2017 was a reasonable year, given the performance during the last five years. Despite the price drop in polished, there was sufficient margins at an overall level. It might even lead one to believe that the industry has stabilized!!

However, the industry is headed into a period of fundamental changes, one which could change the entire structure of the industry as we know it. The main factors at work are as follows:

1. INDUSTRY FINANCING

So far, 2018, seems to have quite a few tailwinds on the demand side. The year started off well, with replenishment demand from the previous season coming in. However, the banking frauds in India doused industry optimism as questions about bank reactions grabbed the collective industry attention. At the time of writing, banks are considering

increasing their hard-collateral requirements (non-diamond securities) to up to 40% on export credits.

A few things need to be said about these fraud incidents. Firstly, these were mostly pure and simple frauds, done in connivance with bank officials. My colleague Chaim Even-Zohar knows about instances where a major diamond-financing institution was reluctant to give credit to a company that resisted giving kickbacks. With lending funds becoming scarcer, unscrupulous bankers have gained leverage over present and future clients.

Having said this, these frauds could have been carried out in any industry, not just diamonds. Secondly, the method used, namely the Letter of Undertaking or LUT, is never used by the diamond industry. That itself should have raised suspicions. Thirdly, not all frauds were abusing diamonds – some players used other precious stones and pearls for their fraudulent schemes.

Fourthly, the diamond industry (i.e., the midstream players) depends on heavy supplier credit, which is an unsecured credit. However, in these headline-making fraud cases, very few diamond companies seemed to have been affected by the largest criminal schemes. This is because no one seems to have significant outstanding debt with these companies. That should also have raised red flags at the banks – if they really tried to look for the signs.

Banks who have invested in a dedicated industry unit, and who have a feel of the pulse of the industry, were able to steer clear of these frauds and have minimal or no exposure in the loans of the affected companies.

However, despite all this, the industry will have to bear some pain as bank financing will become difficult to obtain. Indian banks, whether lending in India or at international locations, currently account for about 60% of the total funding to the industry. Hence, actions taken by them will have global consequences.

The concern is that the public perception of the entire industry in India has taken a severe beating. There are reports of retail sales being lower than expected over the last two to three months since the crisis broke. Banks typically take lending decisions through credit committees. While bankers who deal with the industry might understand these cases are outliers, other committee members might not. The negative industry perception means that in the current scenario it is likely that even current limits would be stringently analysed, and asking for increased limits might be simply off the table!!

Banking Concerns

These events have also brought to the surface the real concerns of banks, not just in India but globally. Banks have seen that the underlying stocks and receivables, against which they provide the loans, did not yield much recovery. Stocks that were seized ended up being valued much below their book values and receivables were simply not paid. This was either because the counter party was not genuine or because funds had been paid elsewhere. Hence, the very basis on which the banks lend has been shaken.

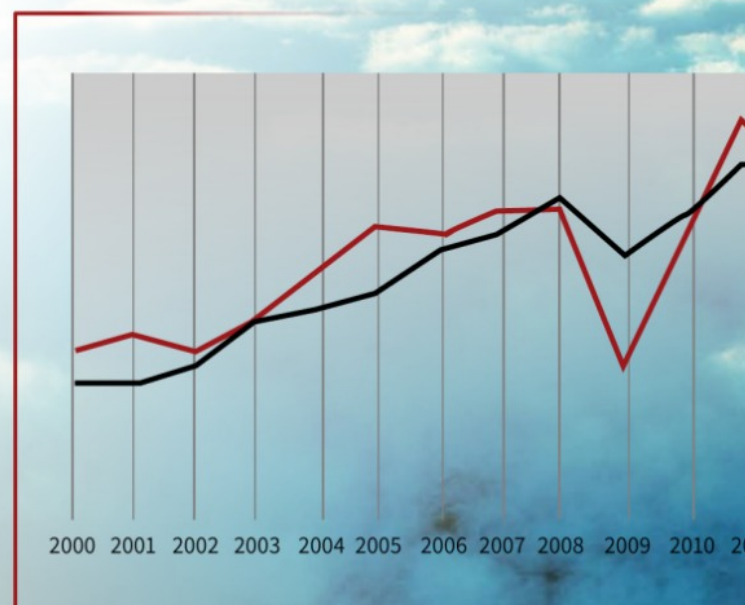
The fallout in banking confidence in other international centers, like Belgium and Hong Kong, may, if anything, be more severe than in India. Even if a wife of a diamantaire wants to open a bank account, or some employee working for a diamond company is looking for a mortgage, banks have become reluctant (and, at times, have refused) to open accounts due to the link to the diamond business. Though Belgium's fiscal arrangements (carat tax) finalized in the past few years should have led to a significant increase in activity there, this has not happened (yet), largely due to constrained banking facilities.

Banks are expecting the industry and the companies to come up with suitable solutions to address their issues. These include:

Clear identification of affiliated companies | Greater visibility in the counterparties, whose invoices are being offered | Confidence in the "genuineness" of the invoice and a confirmation of the liability | Each transaction to be viewed and settled independently, without adjustments | Greater confidence in the value of the underlying stocks | Bank debt has a direct impact on rough diamonds.

This is easily visible when comparing the two since 2000.

Rough Sales and Bank Debt





“the industry will have to bear some pain as bank financing will become difficult to obtain.”

We are heading towards a challenging period of upheaval, as banks change their policies and look to address these issues. Too many banks are taking the easy way out – and simply exiting the industry. The heavy-handed approach of those remaining, in the short term, will possibly be to increase hard collateral and/or reduce banking lines. That will cause near-term stress on the industry. Globally, few nimble banks might even use this opportunity to glean good clients away from banks who are looking to reduce their portfolios. Alternate funding alternatives, like securitized assets, will also get a new lease on life. But one shouldn't hold one's breath here.

In India, with the existing financial regulations, companies will continue to depend on bank financing. In the long run, there are just too many livelihoods involved in the sector for the government to allow their mostly state-owned banks to totally shut down financing in India. However, the industry will not go unscathed.

Companies, who do not adapt and become transparent, will simply lose access to financing. Data will need to be shared on a much larger scale

than currently done, as banks realize that it is the only way to de-risk the entire sector.

2. WHERE ARE THE DIAMONDS?

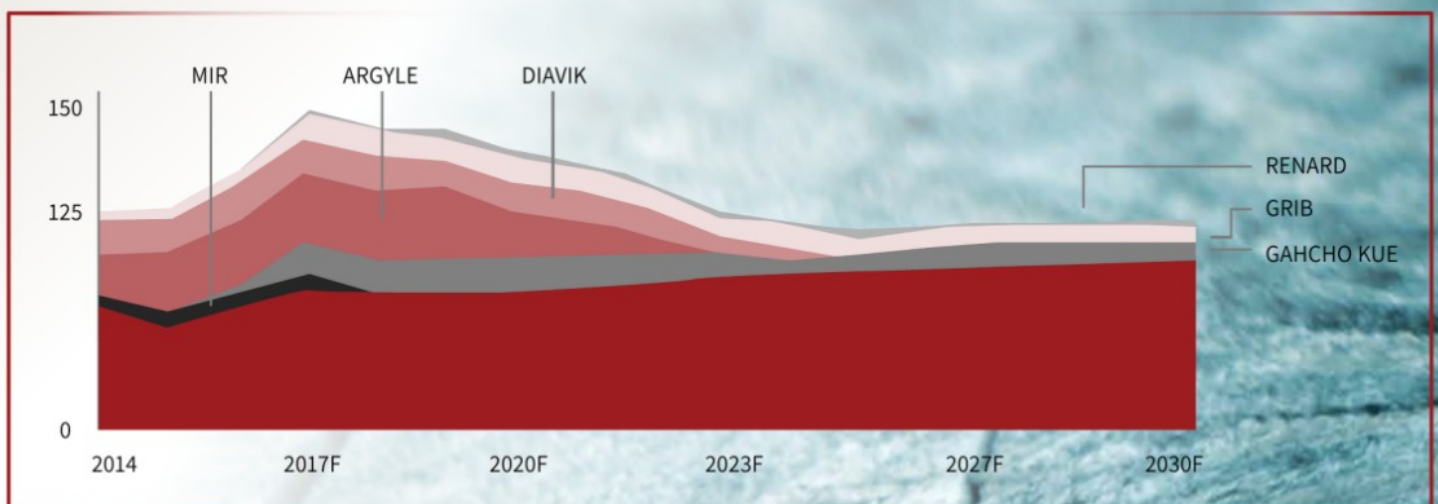
In the annual report of most diamond producers, we see the classical chart where production falls and demand increases. This creates the gap between demand and supply, and it is supposed to signify the price increase which will happen in rough diamonds going forward.

We have always challenged that, and in 2012 we had shown that prices would not recover until the end of the decade. The reasons for this are that production never quite falls off as steeply as suggested. Mines normally project 5-10 years ahead, enough to justify their investments. As they near the end of the open-pit phase, they move underground, as their cost of doing so is low, once the mine is in operation. Demand, without any marketing efforts, has also been below estimates.

However, we might be nearing the point of peak supply, which will be reached over the next couple of years.

A recent chart in the Alrosa Investor presentation sums it up.

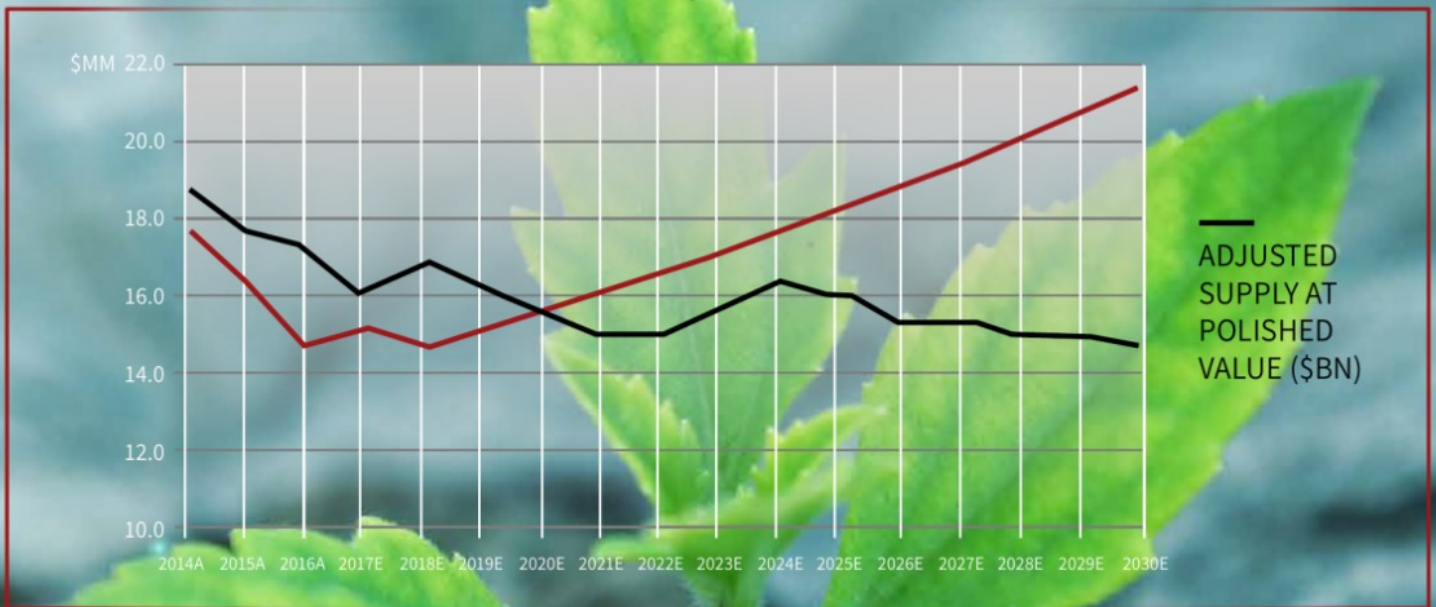
Alrosa Investor Presentation: Projected Diamond Supplies



While we may possibly be living in the period of peak supply, we do not quite agree with some of the numbers. We expect that the industry will settle into a production in the range of about 110 million carats over the next five to seven years.

Canaccord Genuity analyst Des Kilalea's estimates of the demand supply gap are as follows:

supply and demand for rough



Again, more than the actual numbers, what is critical is that production will go down over the next five to seven years. From a volume and activity level, the industry will shrink. This has huge implications for the entire pipeline from miners right down through to retailers.

Implications Of Reduced Supplies

From a mining perspective, an increased gap is likely to increase the demand for rough. Prices are expected to go up, and hitherto marginal mines might become profitable and might come back on stream. However, these numbers are not expected to be large.

From the midstream perspective, as the amount of carats decreases, the necessary effort to extract them also decreases. It means the sector will provide less employment than before. This is especially true in the polishing sector. Workers do not work on the dollar value of the carats. They need carats of stone to polish. To put it in perspective, the carats produced will be similar to the amount produced in 2009, the year after the financial crisis. Lower volumes of carats also means that companies will require less assortment efforts, and brokers will also be affected.

From a retailer perspective, this means that the availability of polished diamonds will be reduced. This reduction will not be uniform, as it depends on the mine and the quality of the mine's output. This has some serious ramifications, including:

1. Retail industry has seen a consolidation over the years, where large companies with multiple outlets grew, while smaller mom-and-pop stores shut their doors. With falling production, larger retailers will not find it difficult to source the diamonds, but they might actually see diseconomies of scale, where the size of their orders can distort the prices in the market.
2. Retailers will also need to better predict and judge

the quantity of goods in the market. It is likely that popular designs (stock-keeping units) might run out of supply if the demand is focused on only one quality of diamond. Companies will need to tweak their designs so as to broad-base their purchase pattern of diamonds.

3. Over the last 15-20 years, retailers have generally operated in a situation of excess supplies and weak prices. They have stopped providing detailed purchase targets for diamonds, which allowed companies to collect the diamond requirements over a period of time. Companies and their managements will need to relearn those skills.

Lower Supply Triggers Volatility

The other effect of lower stocks in the pipeline will simply mean more volatility in prices. Producer ability to "stabilize prices" would be difficult. Goods in excess supply will simply not have a price, as no one would be willing to buy them. Meanwhile, the ability to increase supply in specific goods will be limited, as producers cannot dig out only what is required.

This volatility is visible even this year. An Alrosa press release dated April 10, had an interesting last line, quoting an official saying that: "Whereas it should be noted that at the end of the first quarter rough diamond stock approached the technological minimum level." This basically means that Alrosa has no stockpile left as of the end of March. We could expect a similar situation with most other producers. De Beers has already ramped up production levels in view of the demand, but they too might not be able to keep prices from spiking in the latter part of this year.

The widening gap between supply and demand, reduced pipeline inventory, the resultant price volatility, and increased price point focus across both the US and Chinese markets will drive up the prices of cheaper goods.

That is problematic, as it will allow lab-grown diamonds to force their way into the market. Consumers will start getting to choose between lesser quantities of lower quality natural diamonds, or to buy larger quantities of better quality lab-grown diamonds.

3. LAB-GROWN DIAMONDS (SYNTHETICS)

It is amply clear that the lab-grown diamond pipeline is slowly developing its own dynamics, with increasing numbers of stores and dealers who trade in lab-grown diamonds, including exclusive dealers. However, production continues to outpace the visible sales mechanisms for lab-grown diamonds, leading to the intermeshing of the pipelines.

The production of lab-grown diamonds will continue to increase through both the number of producers and higher production levels. Lab-grown diamonds are like any other manufactured product, and their prices are dropping, following the cost of production. This is leading to an increased gap between the natural and equivalent lab-grown diamond prices.

The presence of lab-grown diamonds also means that companies in the midstream have to regularly test their stocks at the time of transactions, so as to avoid inadvertently passing on lab-grown diamonds to their customers. This is gradually becoming part of regular practice, at least for the larger companies.

Lab-grown diamond producers and marketers have often been confused about whether they want to offer their product as a cheaper alternative to diamonds, or to establish themselves as a separate niche. A major reason for the genesis of the problem is that most people selling lab-grown diamonds to consumers come from a diamond and jewelry background, making it almost impossible for themselves to view it as a separate product. This is short-term thinking, because by doing so, if the prices of natural diamonds decrease, the prices of lab-grown diamonds will eventually be reduced even further!

It has increasingly become evident that lab-grown diamonds are viewed as economic substitution for natural diamonds. The natural diamond producers strive to delay the inevitable widespread acceptance of lab-grown diamonds through product differentiation. They also present the product as a low-value (or non-value) product. The animosity between natural and lab-grown producers has intensified. The possible “success” of the natural producers to differentiate the products falls or stands with the ability to indeed be able to separate the natural and lab-grown diamond.

The Detection Arms Race

Therefore, in the natural diamond pipeline, lab-grown diamonds and detection constitute a kind of arms race, with each side trying to get the better of the other. Currently, the existing set of machines seem to have an upper hand and can detect most of the lab-grown diamonds at an acceptable price. However, there are periodic reports of new types of lab-grown diamonds that might not be detectable by some machines.

There are further instances, especially on the retail levels, of a prevailing attitude of “who cares.” To the consumer, either product is viewed as a diamond. In Surat and other cutting centers, in the small ranges (probably up to 10 pointers) many manufacturers “don’t care” anymore, as long as their factories are economically productive.

The natural diamond producers, who have a lot to lose, hope that lab-grown diamond detection processes will gradually percolate and become as prevalent as the ubiquitous weighing scale. This will require the industry to change both their processes as well their physical money handling, if they can be expected to tackle this threat. This would include additional costs of equipment and staff for handling the testing equipment.



Compliance with AML laws is just one of the compliances, in addition to human rights, anticorruption, and others that the diamond industry needs to adhere to.



Eventually, it will not be only detection, but a combination of detection and effective storytelling about the product (including traceability of the diamonds), which will enable the natural industry to effectively counteract the threat of lab-grown diamonds. There are few analysts who expect that, over time, lab-grown diamonds and natural diamonds will become one single “diamond” market. Were this to happen, diamonds would become more like any other industrial consumer product – and their price would be set by the normal supply-and-demand curve. The treasured scarcity element may then not become sustainable. The threat of lab-grown diamonds to natural diamonds is real and should not be underestimated or dismissed.

4. COMPLIANCE

With increasing data collection and transparency will come compliance. Until a few years ago, “conflict diamonds” were viewed as the foremost compliance issue – it was the *raison d’être* of the ubiquitous Kimberley Process (KP). That issue has virtually disappeared, with the last remaining so-called blood-diamond NGOs desperately searching to expand the definition of the term. Money laundering, financial frauds, abuse by diamonds for criminal or even terrorist purposes, have now become the main compliance issues. Globally, laws have been enacted to confront this menace, making the KP less relevant.

The world has been taking an ever-darker view of money laundering and terrorist financing. The original focus of these compliance rules was on the banking system. As controls have gradually been tightened there, the focus has shifted to trade-based money laundering.

The issues in the diamond industry came into the spotlight in October 2013, when the FATF and the Egmont Group, a group consisting of Financial

Intelligence Units of all countries, published a typology report titled, “Money Laundering and Terrorist Financing through Trade in Diamonds.” The report was accepted by the FATF participants and looks at the money-laundering vulnerabilities in the diamond sector. My colleague Chaim Even-Zohar was an integral part of the industry efforts – led by the World Federation of Diamond Bourses – to refute the charges and to mitigate the damage.

An interesting aside is that as the vigilance and compliance requirements on the natural diamond industry tightens, there are reports of lab-grown diamonds being increasingly used for trade-based money laundering. Lab-grown diamonds are not explicitly covered under existing FATF related regulation in various countries.

The challenge for anti-money-laundering (AML) compliance within our industry lies in the fact that it covers the entire world, including countries with sophisticated financial systems, and others where they simply do not exist. Genuine transactions to countries with rudimentary banking systems or to countries identified as “high risk” face delays and might violate AML laws in other countries.

Compliance with AML laws is just one of the compliances, in addition to human rights, anti-corruption, etc., that the diamond industry needs to adhere to. The World Diamond Council is expected to come out with an updated System of Warranties, which they hope to implement throughout the diamond chain from the mine to the consumer. It will cover the above-mentioned areas, apart from the KP.

No matter which area of compliance, the concept involves ensuring that diamond transactions are accounted for and traceable. This alone would mean that companies need the necessary technology in place to capture and utilize this information.

5. DATA TSUNAMI

Blockchain is the current favorite in the technology world, just like, say, the Cloud, mobile apps, websites, etc., were before. We are aware of at least 8-10 companies who are putting in serious efforts and money in coming up with blockchain solutions for the diamond industry. We are sure there might be literally hundreds of smaller technology companies who might have had conversations with people in the diamond industry to explore the potential issues within the industry and the possibility of developing blockchain based solutions for the same.

The areas covered by these solutions include everything from traceability of the diamond, trade finance, supply chain optimization, as well as a few omnibus solutions. In the current environment, just like jewelers who make designs based on the latest trends, IT companies like to cloak projects under the garb of blockchain, which makes it easier for them to sell! However, the application of blockchain is meeting resistance. In the diamond pipeline, many traders are not truly interested in documenting the “identity” of suppliers to their customers, lest they risk being “bypassed” in the future.

That being said, there are some serious investments by industry participants as well, which cannot be disregarded easily.

De Beers has put in significant efforts along with BCG Digital Ventures to create a blockchain platform for tracking the stones from mine to finger. Our estimate is that the project would end up investing at least \$10-20 million in the project. De Beers, with their market position, is likely to be able to push this through with their shareholders. However, with initial high investments involved, the reluctance of data providers (i.e., the midstream) to share all the data and lack of clarity on who will pay for it all might put a question mark on its viability.

At the end of the day, any technology solutions must address the same challenge previously faced by the conflict diamond issue and Kimberley Process: How much will the retailer (who is the consumer's

ultimate storyteller) really use it and how much will the consumer be willing to pay for it.


Blockchain is seeing investments by producers. Look at Lucara Diamond, for example. While the company lost its CEO, it still invested \$29 million through shares into acquiring Clara Diamond Solutions, which uses blockchain to create a supply chain platform. This technology would allow companies to “buy the rough tailored to a specific polished outcome.” We were unable to understand the rationale and the viability of such systems due to lack of available details, but global supply chains and planning solutions have existed and functioned smoothly well before blockchain was invented.

From an industry perspective, an efficient, pull-based production system has the potential to significantly cut down on inventory holding and their associated costs, but at the cost of increased delivery lead times. The other challenge of any such solution, whether blockchain or otherwise, is whether the planning done by one company, will be acceptable to the polisher as well as his delivery capability.

Data Tsunami

Figure: Samples for Lucara Presentation – March 2018





Looking Forward

Smaller companies will find it increasingly difficult to access financing options, including banks.

If we leave all the hype of blockchain aside (and some solutions will eventually succeed), data and analysis, irrespective of whether it sits on a blockchain system, will be crucial to help the industry provide stone traceability to consumers who desire them. Such data and analysis will also improve industry efficiencies and provide greater transparency to the bankers etc. We live in a data-driven world, and the traditionally opaque and even secretive industry will have to adapt to it.

However, all these solutions will require a steady flow of authentic and reliable data. Companies will need to gear up to be able to capture, analyze and transmit this information. This will apply not just to the larger companies but also to smaller companies as well as those who take on subcontracting work. Diamond companies who decide not to participate in the data-collection effort could find themselves sidelined.

Implications On The Industry

For the diamond industry, there is no escaping the fact that the operating business environment has become more complex, and this complexity will only increase with the five aforementioned changes.

In 2017, the midstream market saw growth and competition, as there were almost no barriers to entry. Every polisher could aspire to set up his own unit and start polishing. Disorganized units often had price advantage of up to 10-15% of the price of the diamonds over organized units following rigorous audit processes. Some of this cost benefit was passed on to the traders. As diamonds had minimum differentiating factors, and the participants were all price takers, the midstream could be considered to a near-perfect market. When margins were healthy, and with easy access to finance, new companies, with low cost bases, were able to grow rapidly through lower prices. As margins dropped, the same price competitiveness started to hurt the very same price warriors. That situation is likely to change!

Looking Forward

Looking forward, companies in the sector need to become much more transparent with their transaction information, with a view to ensure that the trust of the banks remain. Practices which might have been acceptable in the past will get weeded out.

Smaller companies will find it increasingly difficult to get access to finance, if not the banking system. Companies will need certain basic minimum capabilities before they can meet all the data, detection, compliance and financing requirements apart from the conditions of the mining companies.

Individuals who operate their own firms will need to be good at various fields, including technology, finance and management, not just diamond polishing and trading. Smaller firms with leaders who are not master-of-all-trades will struggle, with weaker companies and individuals deciding to either exit the business or deciding to work sub-optimally as brokers. Larger, midstream polishing companies could also opt to become solely outsourced polishing companies rather than deal with all the other business issues.

As the midstream consolidates and the supply of rough also drops, retailers will have to rebuild their long-term planning capabilities, as current processes, with little loyalty from the supplier, could lead to stock-out situations, where customer orders cannot be fulfilled. Previously, large retailers enjoyed huge benefits of scale, where a few designs could be sold across thousands of stores. In the new scenario, companies could face diseconomies of scale, with larger orders actually driving up prices and necessitating more careful designing and planning. Companies could need to improve their forecasting of polished availability, so as to avoid falling into these availability traps.

The industry will also witness significant volatility, as prices of specific items, which are in demand, will shoot up, while the remainder will remain at subdued levels. With diamond producers having limited potential to increase production, and less inventories in the midstream, these diamond price swings could get more severe.

From a producer standpoint, consolidation is also problematic. Fewer numbers of companies wanting to buy the rough would automatically cool off the rough prices. Larger customers could also mean that customers would be able to give more pushback if prices increased, especially if there are only a few companies concentrating on one area of goods.

Reinventing Business Model: An Existential Imperative

The industry was possibly one of the first to move into the “gig economy,” which was driven by low entry barriers, easy finance availability and lower costs for smaller companies. The few large companies of the 70s and 80s became less prominent as smaller companies moved up the value chain. The risk-reward equation favoured the smaller and more nimble companies.

A recent announcement, which was reported but which did not elicit too much commentary in the media, was that of Rosy Blue taking a minority stake in Leo Schachter. While the announcement was innocuous enough, and these are clearly the first baby steps, it is a harbinger to show that mergers and consolidations are possible in the midstream of the diamond pipeline, something which, hitherto, was unthinkable.

Both are among the most respected diamond companies and have always been forward-thinking in their approach. This step is clearly a reflection of that, and it is worth considering whether the hub

and spoke model followed by most of the companies in India, with a single manufacturing base and distribution through affiliates in different countries, needs a reset.

As the risk-reward equation changes once again, and rough availability and finance decrease, the industry might swing back towards consolidation. With supplies decreasing in the years ahead, thousands of mainly small players may find themselves superfluous. Those who remain may still successfully defend their niches – and compete with the mammoth firms.

Nevertheless, both small and large diamond firms may find that the protracted pressure on their margins – which are likely to continue, if not exacerbate – will encourage moving their capital to more productive enterprises. Virtually all major players already have extensive non-diamond holdings. We remember that in years of major industry crises, it was always the small firms that, through their ability to adapt fast and control costs, led the industry-wide recovery.

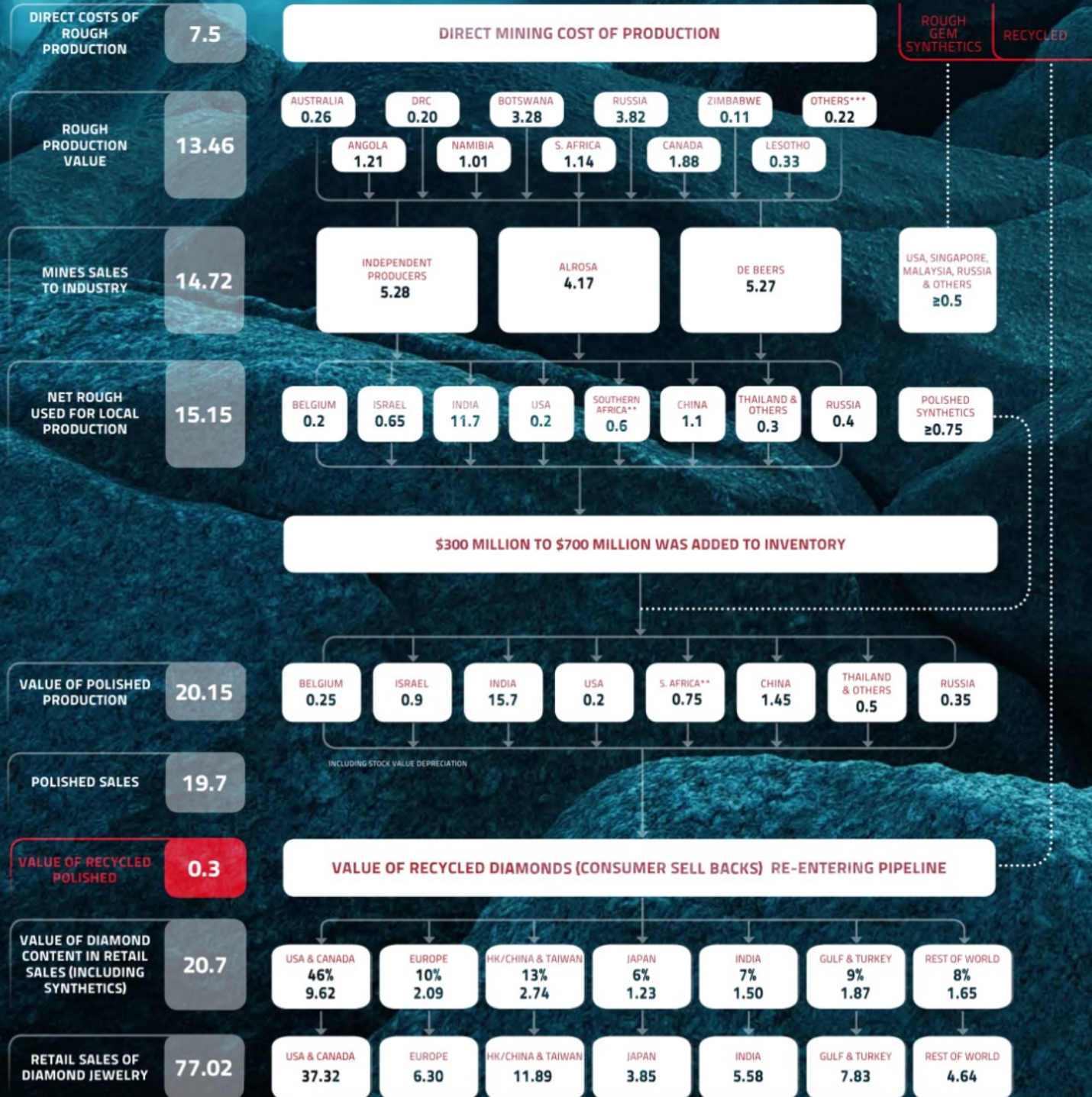
While nimbleness will remain a key virtue this coming year, company size may not provide that significant an advantage. The competitive of 2017 landscape is dramatically changing. As 2018 progresses, the traditional conservative resistance (or reluctance) to change is dissipating – each and every company finds itself in a process of “reinventing” its own business model. It has become an existential imperative. And the innovations we have clearly observed in 2017 will continue – and abide well for the future.

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TACY'S 2017 DIAMOND PIPELINE

PREPARED BY PHAROS BEAM CONSULTING LP (IN US\$ BILLION)

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SAPPHIRE SPLASH IN DIFFERENT COLORS

Brilliant Earth says sapphire is a unique gem that is not just for those born in September. "Known as the 'wisdom stone', sapphires are thought to bestow gifts of all kinds and fulfill the dreams of the wearer. Furthermore, sapphires are said to have healing properties that cure depression and restore balance to the mind. This versatile stone will take you from day to night, and add a dose of glamour to festive occasions."



[VIEW MORE](#)



COMPLEX ASSYMETRY

Designer **Amy Burton's** collections are characterized by their shapes, original designs, use of stunning gemstones and fine craftsmanship; however each maintains its own distinct identity and personality. Amy says: "In a lot of my design I love to walk a line between architectural, sculptural design and femininity. I keep toying with the design until I can feel that balance. My aim is to design finely crafted beautiful jewelry that people will love, balancing unusual and original design with elegance and wearability."



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IDEXOnline Research



U.S. Jewelry Sales Post Solid Rise in February

SALES OF FINE JEWELRY AND FINE WATCHES **ROSE BY 7.2 PERCENT** IN THE U.S. MARKET IN FEBRUARY 2018, WHEN COMPARED TO THE SAME MONTH A YEAR AGO.

SPECIALTY JEWELERS POSTED A **10.9 PERCENT SALES RISE** IN FEBRUARY.

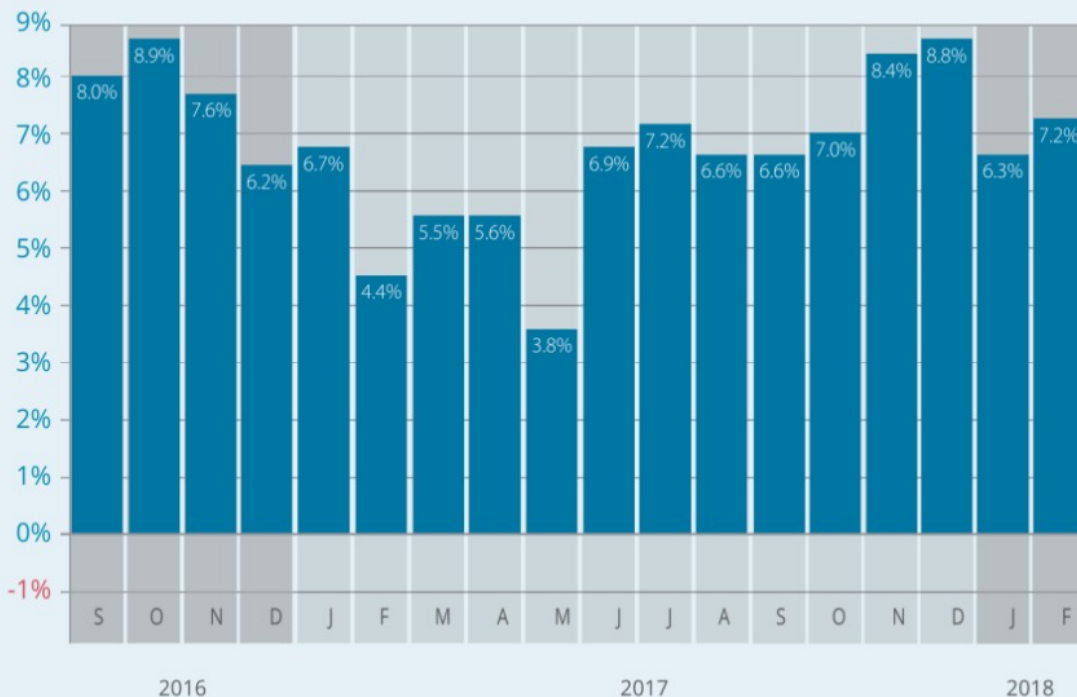
OTHER RETAILERS WHO SELL JEWELRY – MOSTLY MULTI-LINE MERCHANTS SUCH AS WAL-MART, J.C. PENNEY AND OTHERS – GENERATED SALES OF **\$3.6 BILLION** COMPARED WITH **\$4.7 BILLION** IN THE YEAR-EARLIER MONTH.

TOTAL U.S. JEWELRY SALES **ROSE BY 7.1%** ON THE YEAR IN FEBRUARY, WHILE TOTAL SALES OF FINE JEWELRY AND FINE WATCHES WERE **\$6.6 BILLION**.

FINE JEWELRY SALES

FINE JEWELRY SALES (APPROXIMATELY 88 PERCENT OF THE MARKET)

ROSE BY AN ESTIMATED 6.3% IN FEBRUARY, WHILE FINE WATCH SALES (APPROXIMATELY 12 PERCENT OF THE MARKET) INCREASED BY 7.5 PERCENT.



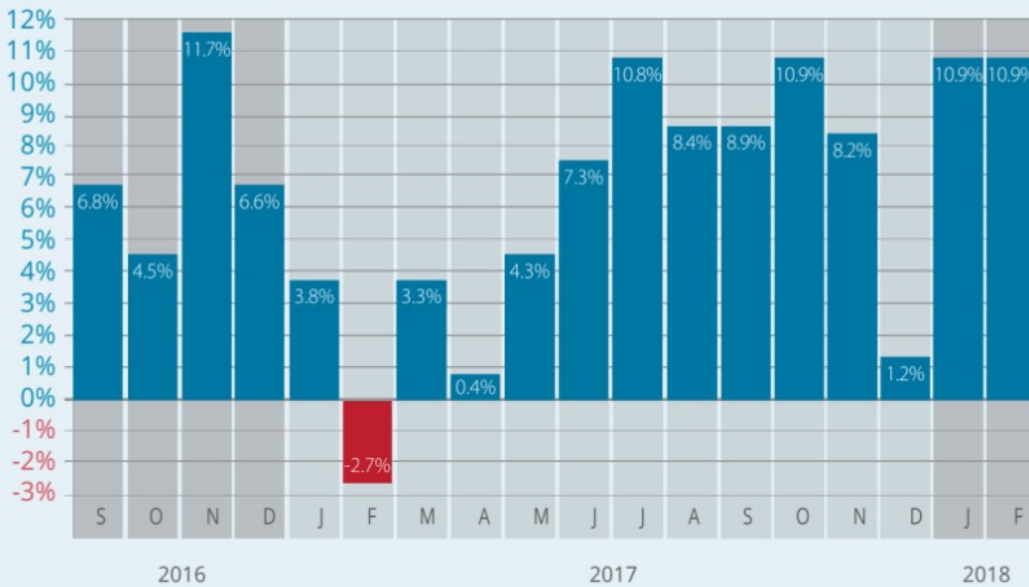
US TOTAL JEWELRY & WATCH SALES TRENDS 2016 - 2018
% Change Y/Y

Source: US Dept. of Commerce



SPECIALTY JEWELERS' SALES RISE IN FEBRUARY

SPECIALTY JEWELERS' SALES IN FEBRUARY WERE AN ESTIMATED \$3.0 BILLION.



US SPECIALTY JEWELERS SALES TRENDS 2016-2018 % Change Y/Y

Source: US Dept. of Commerce

JEWELRY'S SHARE OF WALLET WAS UP SHARPLY IN FEBRUARY

TOTAL U.S. JEWELRY SALES ROSE BY 7.2 PERCENT IN FEBRUARY. THE RISE IN AVERAGE RETAIL SALES (ALL RETAIL CATEGORIES) POSTED BY ALL U.S. RETAIL MERCHANTS WAS LOWER AT 4.0%. AS A RESULT, THE U.S. JEWELRY INDUSTRY TOOK SHARE OF WALLET FROM OTHER RETAIL MERCHANTS IN JANUARY.

STRONG START TO 2018 JEWELRY SALES

AMERICAN JEWELRY CONSUMERS, COLLECTIVELY, WERE CLEARLY IN A GOOD MOOD IN 2017 WITH ROBUST SALES REPORTED THROUGHOUT THE YEAR REFLECTING THE HEALTHY STATE OF THE U.S. ECONOMY.

▶ RETAIL NEWS

FOREVERMARK LAUNCHES IN INDONESIA AS GLOBAL EXPANSION CONTINUES

The De Beers Group's Forevermark diamond brand has been launched in Indonesia in its latest expansion. Forevermark said it is partnering with Indonesia's premier jewelry company, Central Mega Kencana (CMK), which will sell Forevermark in its retail brands, Frank & Co., The Palace and Miss Mondial. Forevermark will initially be sold in 12 stores in the CMK network in the Jakarta region, with plans to expand further in the near future.

[READ MORE >>](#)

GIA PROVIDES MELEE ANALYSIS SERVICE INDEPENDENTLY OPERATED AT STULLER INC HQ

Stuller, Inc. has announced a new strategic service arrangement with GIA (Gemological Institute of America) by offering GIA's Melee Analysis Service inside its global headquarters in Lafayette, Louisiana, where it produces jewelry for retailers.

[READ MORE >>](#)

The launch of the Forevermark in Indonesia



FOREVERMARK

De Beers brand sets its sights on key European markets

STRONG JEWELRY SALES BEHIND ROBUST DIAMOND FIGURES

Strong demand at the retail level seems to be behind De Beers' ongoing robust sales as it reported the sale of a provisional value \$520 million of goods at its third sales cycle of 2018.

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FOREVERMARK ENTERING EUROPEAN MARKETS AFTER SUCCESSFUL 2017

The Forevermark diamond brand will enter the German retail market after signing with an exclusive licensee partner, and is also in advanced-stage discussions with potential partners in France and Italy.

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BY ALBERT ROBINSON

BHARAT DIAMOND WEEK

Organizers Praise Success of Inaugural Show



The audience at the official opening of the Bharat Diamond Week



Organisers of the first Bharat Diamond Week at the Bharat Diamond Bourse (BDB) in Mumbai, India, were delighted with the results of the show which they said far exceeded expectations. The Bharat exchange is already planning the next edition of the fair which it says will be even bigger and feature new elements.

The first-ever Bharat Diamond Week was opened by US Consul General Edgard D. Kagan in the presence of BDB President Anoop Mehta, GJEPC Chairman Pramod Agarwal, MDMA President Mahendra Gandhi, Diamond Dealers Club of New York President Reuven Kaufman, and Rosy Blue (India) Managing Director Russell Mehta. The Belgian Consul General in Mumbai, Peter Huyghebaert, also visited the fair.

“This first Bharat Diamond Week more than lived up to our expectations,” said BDB Vice-President Mr Mehul Shah, who heads the Diamond Week project. “We understood early on that there

was going to be great interest, and that turned out to be the case with more than 1,000 visitors from India and across the world are taking part. We are planning for the next show to take place from October 8-9.

“Our aim is to help the smaller and medium-size firms by giving them a platform on which to show their goods to buyers from India and overseas. Many companies in the bourse who were not able to exhibit in the show marquee reported that buyers also moved around the exchange, visiting offices and doing business. I must thank all members of the organising committee, particularly Jay Parikh, and, of course, all the exhibitors and buyers who made a great effort to attend.”

BDB President Mr Anoop Mehta said: “The Diamond Week really energised the whole Bharat Diamond Bourse. It created a lot of action and momentum. People had smiles on their faces and the event really put a spring in the step of our BDB members.

“We are now planning the next show. We will be implementing changes based on lessons that we learned from the planning of this show. The October show will take the Bharat Diamond Week to a whole new level. I must



From left: Reuven Kaufman, Mehul Shah and Edgard

thank all my members who organised the show and put in so much effort to ensure its success, as well as the buyers who took part.”

Congratulating the team for putting together such a spectacular show, Pramod Agarwal said, ‘This is a great event that is conceptualized to promote smaller companies. Diamonds are an important aspect of the gems and jewellery industry and we are world leaders in cut and polished diamonds.’ Throwing light on the relationship the Indian and the US industries have built over the



D. Kagan

“Our aim is to help the smaller and medium-size firms by giving them a platform on which to show their goods to buyers from India and overseas.”

years, Reuven Kaufman said, ‘When I came here in 2000, I saw potential suppliers, today I see friends who have become family. India is the largest manufacturers of cut and polished diamonds, and the US is the largest consumer and this relationship has to be nurtured,’ he said.

The Bharat Diamond Week was overwhelmingly aimed at helping small and medium size companies. “These companies are not able to showcase their goods at bigger shows, especially during international shows, due to various reasons,” said Shah. “In order to give smaller players an equal playing field, good exposure to the vast range of domestic as well as international buyers, this show is expected to give much needed boost to the smaller diamantaires during current market situation. It is also expected to be an ideal gateway to international markets.

Kagan praised the team for its extraordinary operation skills and commitment. “Personal ties and traditions are very important in this industry and it is incredible to see how this industry has grown over the years. I am extremely optimistic about US-India relationship. We at the Consulate are looking to promote both the countries’ business together,” he said.

The Bharat Diamond Bourse saw around 1,000 visitors from India and abroad at the April 23-25 show. The event saw 150 Indian companies displaying polished diamonds to buyers from across the world.

“We knew there would be strong interest in the Bharat Diamond Week because India is such an important polishing and trading center, and we are delighted with the response,” Shah said, adding that the BDB booked around 150 complementary hotel rooms in order to host foreign buyers.

The Bharat Diamond Week also featured a display of synthetic diamond detection equipment with competitively priced services, together with specially organized seminars and meetings on the issue of synthetics, Shah said. “The synthetics part of the Diamond Week brought a great deal of added value for attendees, with the latest updates on this important issue.”

“We see the size of the interest, and it is clear that this is going to be an event that will need to be held on a regular basis. As a result, we plan to hold the event twice a year. There is a very clear demand both from exhibitors and from visitors. The interest in the Bharat Diamond Week continued to rise far beyond our original projections and this is extremely positive,” Shah added. He explained that priority was given to members of bourses affiliated with the World Federation of Diamond Bourses (WFDB), but all members of



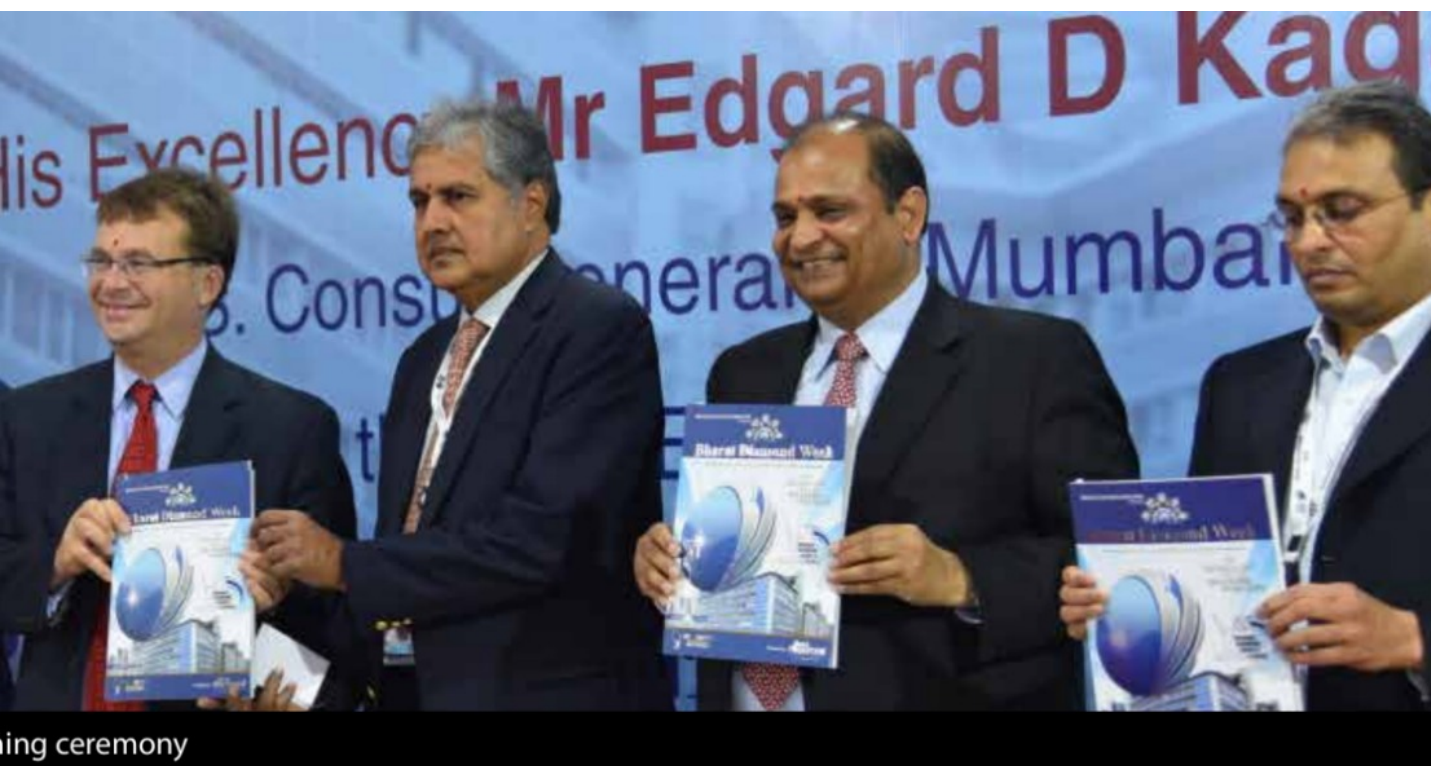
BDB President Anoop Mehta and officials at the opening ceremony of Bharat Diamond Week.

“The event saw 150 Indian companies displaying polished diamonds to buyers from across the world.”

the diamond trade across the world were encouraged to attend. “It’s not just about transactions, it’s also about making contacts and networking, which is a vital element of our business.”

Meanwhile, Mehta said: “The need for such a Diamond Week in India is clear. As the world’s major manufacturing center and the heart of global diamond trading, there is no better place for buyers to come to view an incredible range of polished stones.

We have literally every type, size and color of diamonds available. I am certain that even those traders who



know the Indian market well found new sources and come across goods that they did not previously know were available.

“Our colleagues from abroad were as excited as we were at the prospect of this international diamond week. The demand is clearly there. We believe it is critical for the Bharat Diamond Bourse and for the international trade that an event such as this is held. The industry is facing various challenges and we are delighted to be able to organize an event that we believe will lead to great connections,” Mehta added.

In the run-up to the event, a cricket tournament was held from April 8-15 ahead of the Bharat Diamond Week. It featured 12 teams with players from the following companies and

organizations taking part: Asian Star, Ankit Gems, Bharat Diamond Bourse, Mahendra Brothers, Blue Star, Palanpur Samaj Kendra, Jewelex, Venus Jewel, Shree Ramkrishna Exports, GIA, Rosy Blue and Jasani. The tournament winners were the BDB XI.

Meanwhile, Shah said there were many advantages to holding an inter-bourse event. “As has been seen at other diamond week events, they create a great deal of attention and put buyers directly in touch with suppliers in a compact and intimate setting. There is no need to waste time searching across a huge exhibition hall, as the exhibitors and their goods can be easily and quickly found, thus making the fair an efficient visit. We will be announcing new details in the coming weeks,” Shah added.



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POLISHED NEWS

ROBERTO COIN TO SHOWCASE JEWELRY AT CARAT+ SHOW

Jeweler Roberto Coin will present new collections and adorn special guest Elizabeth Hurley at CARAT+ next month.

The Italian fine jewelry brand will showcase its collections at CARAT+ in May 2018, following a successful showing at the event in 2017.

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IRRADIATED HPHT-GROWN DIAMONDS 'MIGHT ESCAPE DETECTION'

Hong Kong-based Diamond Services, a developer of technological systems and services for detecting synthetic, imitation and treated diamonds, says research it conducted indicates that High Pressure-High Temperature (HPHT) created diamonds subjected to irradiation treatment may not be detected by many of the screening devices that test diamonds at room temperature.

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NYDDC HOLDS ISRAEL DIAMOND WEEK ON NEW TRADING FLOOR

The Diamond Dealers Club (DDC) held its annual Israel Diamond Week from April 10-12, welcoming Israel Diamond Exchange (IDE) members to its new premises for the first time. As in the past, members of both bourses exhibited their goods on the DDC trading floor, now located at 50 West 47th Street.

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Visitors to the Baselworld watch and jewelry show



REGISTRATION STARTS FOR 2018 WORLD DIAMOND CONGRESS

The official website of the 38th World Diamond Congress has gone live, allowing participants to register for the June 19-21 biennial gathering of the World Federation of Diamond Bourses (WFDB) and the International Diamond Manufacturers Association (IDMA), the WFDB said.

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SARINE: INDIANS SENTENCED FOR ATTEMPTED THEFT OF IP

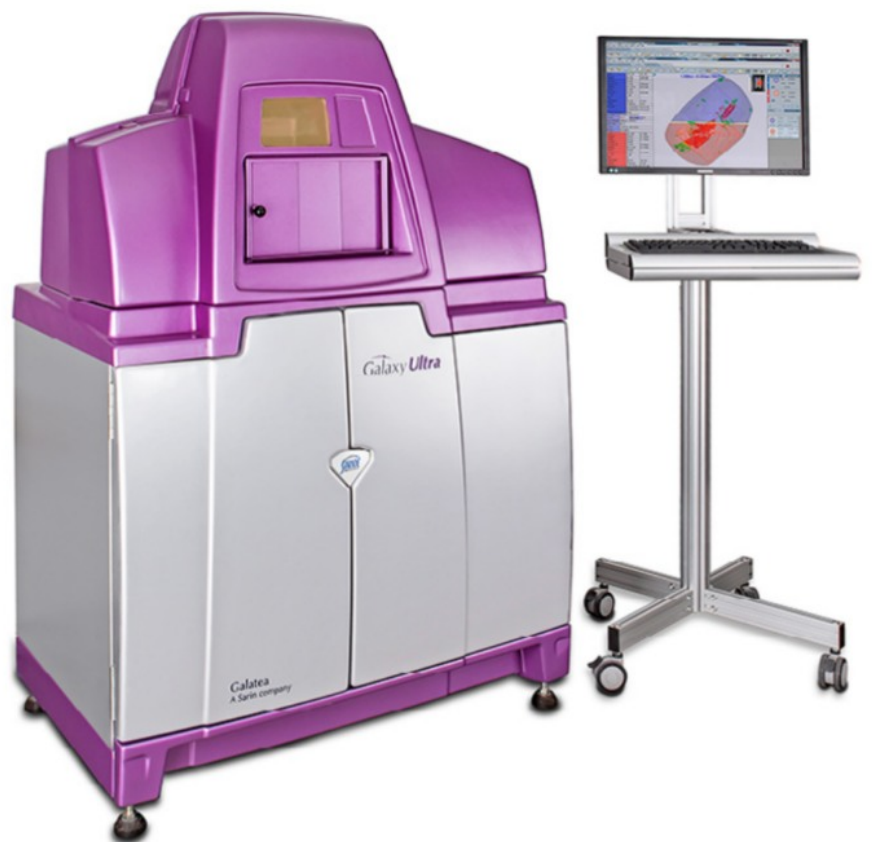
Sarine Technologies Ltd said the court case has ended in Tel Aviv of two Indians who had tried to steal the firm's intellectual property last summer.

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NEW, SMALLER SIX-DAY BASELWORLD SHOW

Sarine Technologies Ltd said the court case has ended in Tel Aviv of two Indians who had tried to steal the firm's intellectual property last summer.

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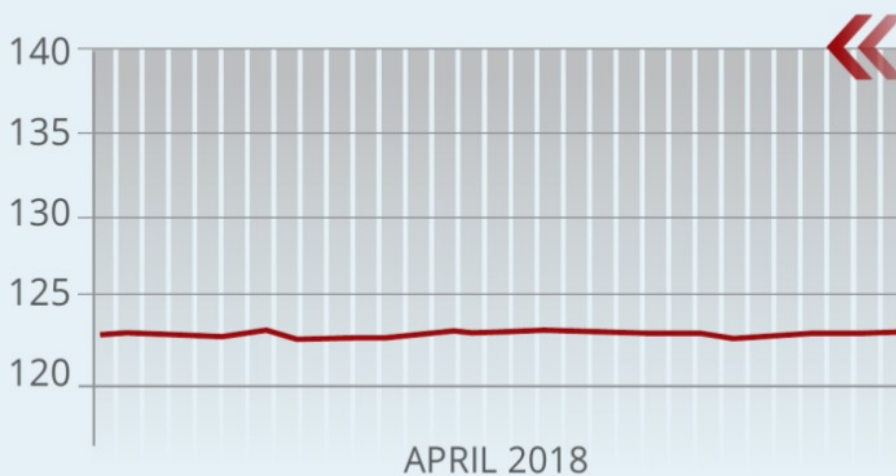
BY ALBERT ROBINSON

POLISHED PRICES



Polished Diamond Prices Index Flat in April

THE IDEX POLISHED DIAMOND PRICE INDEX WAS FLAT AGAIN IN APRIL, FOLLOWING A SIMILAR PERFORMANCE DURING MARCH WHICH CAME AFTER AND SMALL INCREASES IN JANUARY AND FEBRUARY. ON A MONTH-TO-MONTH BASIS, GLOBAL POLISHED DIAMOND PRICES IN APRIL WERE UNCHANGED FROM MARCH.



DAILY IDEX POLISHED DIAMOND PRICE INDEX

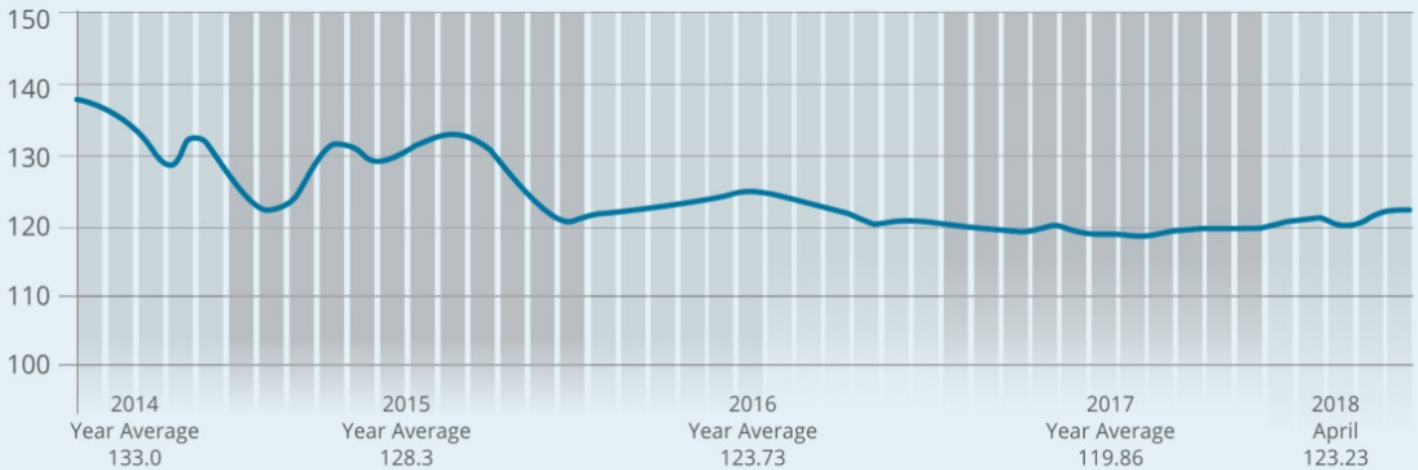
THE INDEX BEGAN THE MONTH AT **123.22** AND ENDED AT **123.32**.

ON A YEAR-OVER-YEAR BASIS, THE AVERAGE PRICE IN APRIL SHOWED A **2.5-PERCENT INCREASE.**

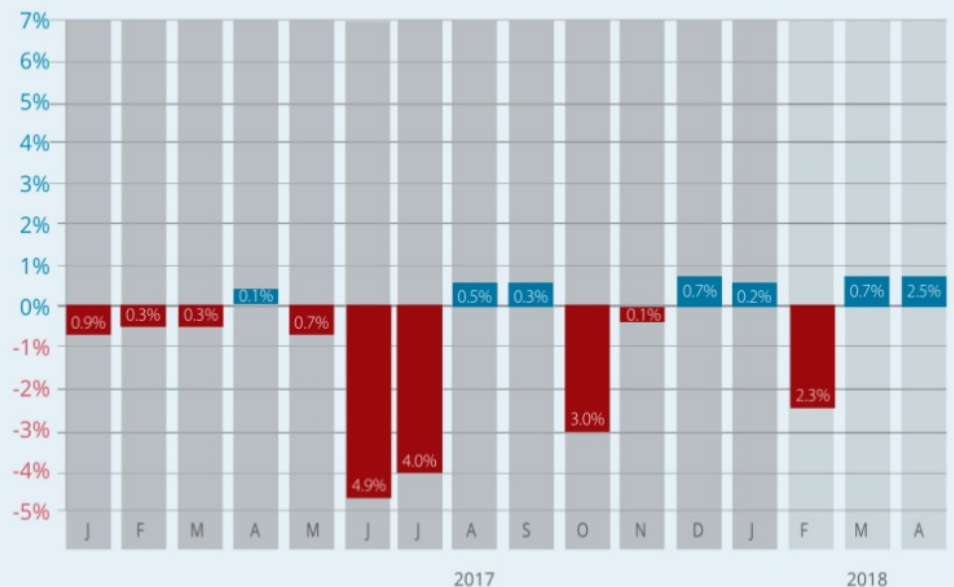
ON A MONTH-TO-MONTH BASIS, GLOBAL POLISHED DIAMOND PRICES IN APRIL WERE UNCHANGED FROM MARCH.

IDEX ONLINE POLISHED DIAMOND PRICE INDEX

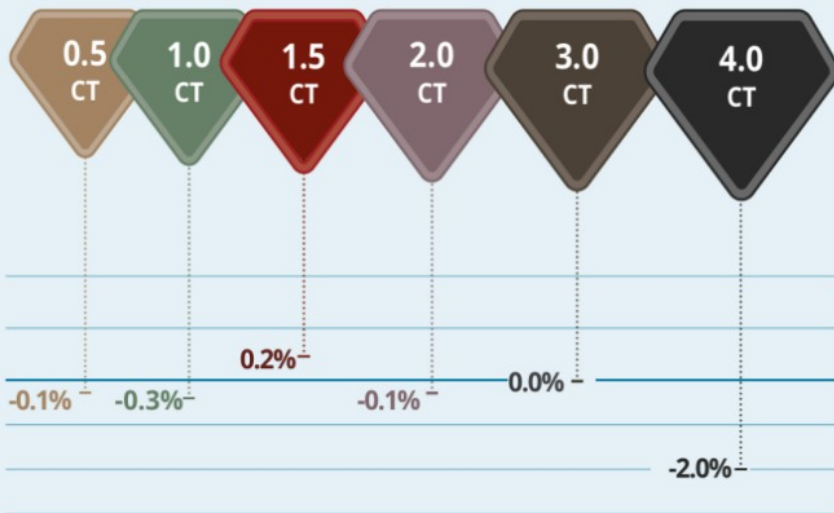
POLISHED DIAMOND PRICES HAVE DRIFTED FOR THE PAST 18 MONTHS, ALTHOUGH THERE HAS BEEN A SLIGHT INCREASE IN RECENT MONTHS.



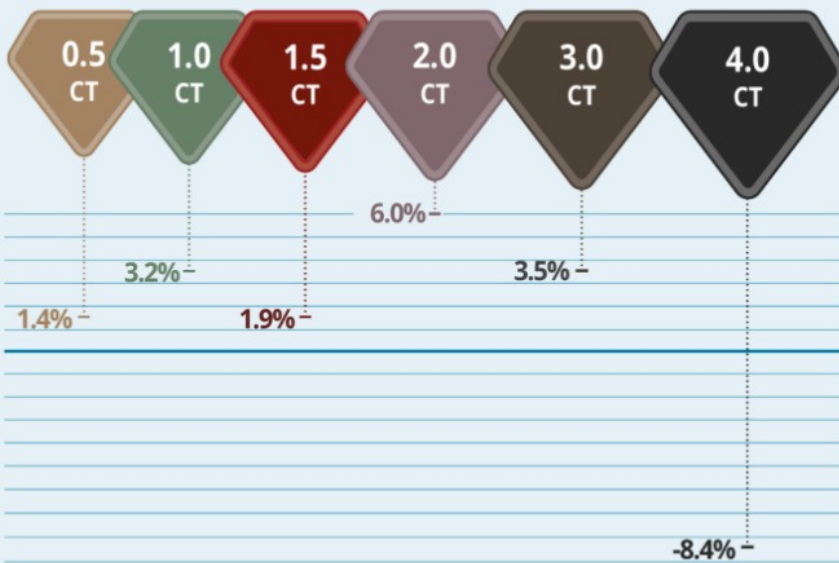
IDEX DIAMOND POLISHED PRICE TRENDS



ON A MONTH-TO-MONTH BASIS – COMPARING PRICES DURING APRIL OVER MARCH – THERE WAS ONE RISING CATEGORY FOUR DECLINERS AND ONE UNCHANGED AS SEEN IN THE GRAPH BELOW.



ON A YEAR-OVER-YEAR BASIS, THERE WAS JUST ONE DECLINER AND FIVE RISERS AS CAN BE SEEN IN THE GRAPH BELOW.



OUTLOOK

Trading was generally quiet in April due to the Passover and Easter holidays.

Profit margins were somewhat hit due to the rise in rough polished prices. However, polished dealers generally across the diamond markets have been standing firm on prices, knowing that they will be paying higher prices for goods to be bought for processing.

Both De Beers and Russian diamond mining monopoly ALROSA reported ongoing robust sales at their latest sights in April.

Although there is healthy restocking on the back of sold orders in the United States and China, the financing situation remains fragile in the wake of the Nirav Modi bank fraud case which is creating problems for diamond companies looking for bank credit.

DE BEERS: INDUSTRY RESTOCKING CONTINUES INTO THIRD SIGHT

De Beers sold rough diamonds with a provisional value of \$520 million, following confirmed sales of \$564 million in the second sales cycle of 2018 as industry restocking continues.

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REGISTRATION OPENS FOR 10TH ANTWERP ROUGH DIAMOND DAYS EVENT

The 10th Antwerp Rough Diamond Days event will take place on May 16-17. The show takes place in Antwerp's Diamant Kring, the rough diamond bourse.

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The Mir mine which is still closed down

DIAMOND EMPOWERMENT FUND LAUNCHES NEW 'DO GOOD' STORY

The Diamond Empowerment Fund (DEF), through its Diamonds Do Good nomenclature, launched a profile of Okavango Diamond Company's Youth Entrepreneurship Programme (ODC-YEP) on DiamondsDoGood.com. The program is designed to expose youth in Botswana to the diamond value chain and provide formal entrepreneurship training to assist them in exploring and developing their entrepreneurial ambitions, the DEF said.



Artisanal miners at work

ALROSA ANNOUNCES RESULTS OF COMPETITION FOR RESUMING MINING AT MIR PIPE

ALROSA has announced the results of the final stage of the competition for proposals for the resumption of mining works at the Mir pipe deposit. The competition committee awarded two projects with the second place. Another project took the third place.

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New exchange providing rough seminars for Chinese market

GUANGZHOU DIAMOND EXCHANGE HOLDS ROUGH DIAMOND TRAINING COURSE

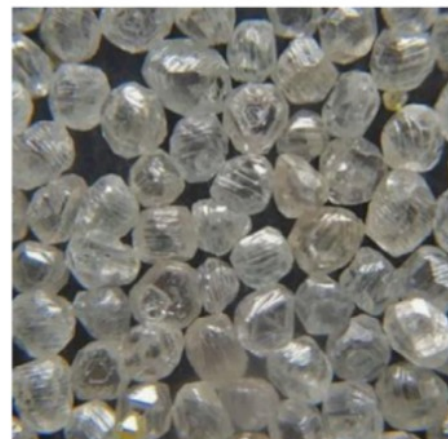
The Guangzhou Diamond Exchange (GZDE), together with senior rough diamond buyers, opened its first Generic Public Course on Rough Diamonds at the end of March.

Rough diamonds are unfamiliar to most mainland Chinese companies, the GZDE said.

[READ MORE >>>](#)

ALROSA SELLS \$1.582B OF ROUGH DIAMONDS IN FIRST QUARTER

ALROSA sold \$1.582 billion of rough diamonds in the first three months of this year, with sales of almost \$550.3 million in March alone.



ALROSA sales were strong

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