

**REPORT ON DELEGATION TO SERBIA , RUSSIA &
AZERBAIJAN .
4th – 13th December, 2008**

The delegation comprised of the following members:-

Sr. No	First Name	Company Name
1	Shah Hemant Manillal	GJEPC, Leader of the delegation
2	Alok Gupta	Gili India Limited
3	Nehal D Dhadda	Dhanraj Dhadda Exports
4	Satish Mehta	Fine Facet India Pvt Ltd
5	Nihar Mehta	Bombay Jewellery Manufacturers
6	Rahul Desai	Rosy Blue (India) Pvt. Ltd.
7	Kashish Mehta	Shairu Gems
8	Shantanu Rajguru	GJEPC, Secretariat

Objective

- To build a strong bilateral trade relationship between Russia and CIS countries Gem & Jewellery Industry.
- Interact with prospective traders and establish areas of cooperation.
- Establish joint ventures/partnership in jewellery manufacturing.
- Facilitate participation of trade/associations in the forthcoming IIJS Signature Goa to be organized by the Council from 20th – 23rd February, 2009.

Meeting / Presentation at Belgrade Chamber of Commerce on December 5th, 2008 at 11.00 hrs.

Mrs. Ivana Zeljkovic , Secretary General, welcomed the guests on behalf of Belgrade Chamber of Commerce and felt honoured to have delegation from India from the Jewellery sector for the second time in as many years. She expressed happiness for India choosing to do business with Serbia , a small country compared to India in size and resources and felt that the relationship should take a big leap towards more business interaction.

Mr. Steven Borislevich, President , Federation of Goldsmith's Association of Serbia, thanked the delegates for the decision to come to Belgrade and seek opportunity to interact with the jewellery community and know the market for better business promotion. He observed that such interaction should develop and promote business



between the two countries. He said that although the current economic crisis is not favourable, but the goldsmith are fighting out its effects to survive.

His Excellency Mr. Ajay Swarup , Ambassador of India, in Serbia took the opportunity to thank the Belgrade Chamber of Commerce for providing the opportunity to interact with the Goldsmith's of Belgrade. He expressed happiness particularly that Gem & Jewellery export Promotion Council has sent such an impressive delegation representing a wide variety of products to explore business cooperation possibilities with Serbia. He mentioned that India and Serbia enjoy good relationship and concluded several agreements to promote economic ties and facilitate business interaction.

Mr. Hemant Shah, Leader of the delegation presented the friendship flag to the dignitaries and to the members in the house and unraveled the objective of the delegation level visit that include the industry leaders who had variety of jewellery to offer to the people of Serbia and requested for proactive interaction with jewelers. India your first Choice was screened followed by Industry presentation highlighting India's achievements in the G& J sector followed by Presentation on IIJS Signature, Goa .

There were 26 jewellers present for an interactive session with the Indian delegates. All the jewelers were invited to visit the IIJS Signature – Goa trade show from 20th – 23rd February , 2008. Mr. Steven Borislevich, President , Federation of Goldsmith's Association of Serbia has been requested to form a delegation of 10- 15 jewellers to the show which he would attempt to make it possible with all the ground hospitalities.

Mr. Hemant Shah, Leader of the delegation introduced the members of the delegation to the chamber and requested the other members representing Serbian jewelers to introduce themselves as well for a seamless interaction. On behalf of GJEPC, Mr. Hemant Shah presented mementoes to Mrs. Ivana Zeljkovic , Secretary General, Belgrade Chamber of commerce & to Mr. Steven Borislevich, President , Federation of Goldsmith's Association of Serbia. Mr. Shantanu Rajguru , Director-E.R., thanked all the persons present and requested them to join for lunch and for general interaction post lunch.

Meeting in the city of Novisad on December 5th , 2008 at 16.30 hrs. Hotel Park.

A similar presentation was made in the city of NoviSad for the first time where 40 jewellers participated in presence of H.E. Mr. Ajay Swarup , Ambassador of India, in Serbia, Mr. Saikat Sen Sharma , Second Secretary in the Embassy of India ,Mr. Milosav Lelovic, President of Vojvodina Association of Jewellers and many jewelers of Novisad.



The friendship flag tag was presented to mark the joint collaboration for cooperation and development of trade between the two countries. There was a meaningful one to one interaction of the jewelers and the delegation to understand each others need and exchange ideas with respect to the market. An important fair “Novosadski Sajem “ ie Novisad fair in its 13th edition from September 24th -27th 2009 was presented by the counterpart and requested GJEPC to participate in the fair to broaden the base. Some of the reputed jewelers like Lelovic, Zlater, Nevad, Savic Dragon, Rajko Lukic, Tupic Branislava and Belonovic specialized in stamped and casting jewellery. Some do hollow tube stamping in gold and silver. Thereafter, His Excellency Mr. Ajay Swarup , Ambassador of India, in Serbia presented a memento to Mr. Milosav Lelovic, President of Vojvodina Association of Jewellers and Mr. Hemant Shah presented a memento to His Excellency Mr. Ajay Swarup , Ambassador of India, in Serbia. The meeting was followed by dinner hosted by GJEPC at Hotel Park, Novisad, Serbia.

Market visit December 6th ,2008.

The delegates visited the shopping malls , retailers and distributors for the most part of the day and had one to one interaction that revealed the following salient features.



The market is understood to have potential for Silver and Gold Jewellery but a relatively cheaper market. Not much of diamond visible but use of CZ & Gemstones prominent. Jewellers get their jewellery from Italy, Turkey and Dubai. Some even source from Thailand . Landing cost of goods around 40% with 18% Vat and 20% import tariff. Hence most jewellery comes in through hand carriage and or by paying commission to agents. Although some manufacturing takes place but the quality are inferior compared to exports. Brand culture in jewellery is non existent whereas in other products of luxury items it is fairly prominent. More over, the aspect of visual merchandising is mostly ignored when displayed in shops which looks mostly as assortment of jewellery products.

The formidable challenges facing trade with this country is the language as the citizens donot speak English and the duty is very high although a proposal has been sent by the Belgrade Chamber of Commerce to the Government to bring it down fro 18 % to 8% .

The delegates headed for Moscow on December 7th 2008 at 11hrs.

Moscow December 8th , 2008

On 8th December, Mr. Hemant Shah , Leader of the delegation made a presentation on Emerging Markets at the Global Luxury Forum, Ritz Carlton, Moscow in presence of global leaders in luxury lifestyle business. He highlighted India's strength in terms of market size and the



economic growth that is being witnessed for last couple of years with factual success stories. He was one of the notable speaker representing GJEPC in the panel session “ Russia- Motherland of Gold and Gems.



The delegates there after visited the Juvelir 3 exhibition in Sokolniki , Moscow (trade fair) followed by intensive interaction with the local retailers and wholesalers at Moscow.

Moscow December 9th , 2009.

The delegation visited the Kremlin Moscow including the Diamond Fund. The tour encompassed the study of historical connection between Indian Gems & Jewellery and the Russian Royalty of the past which was a huge treasure.

A roundtable meeting was organized at Bridg Ltd at 14.30 hrs in presence of Ms. Brigitte Morina, Mr. Alex Popov , along with select professional journalists like Mr.Sergei Dmitryuk, Editor-in-chief RIO STYLE, Mr.Robb Report, News editor of Karen Gazaryan and the members of the delegation wherein following notes emerged.



- Russia is a complex market. Large parts are still unknown, though many parts are becoming clearer day by day. Entire spectrum of the industry could be explored i.e. rough diamond mining, polish diamond manufacturing, jewellery production and jewellery retailing. Opportunities exist in all segments.

- In the 'rough diamond' segment of the industry, there are mainly two producers. One is Alrosa and the other is Yakutz. The ownership structure of Alrosa is very complicated whereas Yakutz is independently owned by government of Yakutia and till date remains one of the only independent producers of rough.
- Yakutz being independent is comparatively a small producer. It needs marketing assistance since historically it has mainly sold to two key diamond polishers – i.e. KGK and Rajesh Gandhi – which was enough to fulfill its annual production of approximately \$130,000,000
- For some reason, mainly political, the cooperation between both the above parties have ceased or are nearing completion since January 2008. Hence they are looking for more customers. They have opened a company in Dubai in DMCC and are looking for customers
- Alrosa has had a problem selling rough diamonds in the previous year because of the market situation. They believe that their prices are fair, but the market is not willing to accept the same. Hence they approached Gokhran to buy out their unsold lots.
- Gokhran has now already paid upto \$300,000,000 to buy the unsold lots of rough from Alrosa. They plan to buy nearly \$1,000,000,000 worth of goods. It is quite likely that Gokhran has paid over the market value for these goods and hence it might be several years since these rough diamonds will ever be seen in the open market
- Polished Diamond manufacturers are very few in Russia. The industry is not supported by either of the rough diamond producers. In fact

many polishing plants import rough directly from Africa or other sources, in spite of the fact that there is a 6% duty on the import of rough diamonds into Russia

- Kristall, a huge polishing plant has 'closed down' for Christmas. This is quite a typical situation – very many plants are closing down simply because they have no work or want to buy time till the New Year.
- There are many jewellery manufacturing plants around Russia. These range from small workshops specializing in niche products to huge manufactories employing 2000+ personnel. There is a huge demand for loose diamonds – since all these plants constantly require the same for their production. However they still follow the Russian standards which should be correlated to GIA or international standards.
- There is a large retail presence in Russia of the famous brands. There are 7 boutiques of Graff, 2 boutiques of Van Cleef and 3 Boutiques of Cartier. The interesting thing is that while there is an import duty and VAT on the products, the retail prices across countries in the boutiques are more or less the same. For example an 11ct diamond costs the same in the London store or the Moscow store of Graff.
- The normal retail markup in Russia is 2.6 times the landed cost. Retail jewellery sales in Russia are booming having recorded an impressive 35% growth year on year for the past 5 years. There are all sorts of jewellery retail stores in Russia – branded jewellery shops, independent boutiques, mid market jewelers, mass merchandisers located in out of town areas etc.

Finally it was understood that the customs system in Russia is elaborate. There are extremely complex invoicing requirements with detailed descriptions needed for gold weights, diamond weights etc. Legal expenses are very high – the Richemont Group spends about 15% of its turnover in legal expenses

Meeting with Rough Diamond producer Glentrade JSC at 16.30 hrs.

Mr. Vladimir R. Kychkin , General Director ,Glentrade JSC gave a presentation on the mining activity at Yakutia ie. Republic of Sakha that was founded on March 29, 1994. Mining is done in summer and washing is done in June - September for 100 days. The mining is worth US\$100 million



and is second place after Alrosa. They also mine Gold around 1.3 MT. Glentrade offers to diamond manufacturers and diamond traders rough diamond of Gem and near Gem types mined in Yakutia. Sizes are -9,+9, +11-3GR, 4-6 GR.They offer diamond of wide spectrum particularly fantasy yellow colour stones and absolutely white stones of the first colour group. The above rough diamonds are intended to be sold outside Russia with KPCS. The delivery of the goods will be in Dubai, UAE. The rough diamonds may be reviewed at the Gohran Of the Russian Federation from December 2008 to April 2009. The price of the goods will include cost of customs procedure and cost of transportation to Dubai etc. On advance payment, it can deliver to the countries of the customer through agreement with BRINKS. Rough diamond exports incur 6-7% tax from Russia and as a rule 80% has to be processed within Russia. They said that Diamond India Limited buy from them.

St.Petersburg, December 10th , 2008.

A meeting with the Russian Jewellery Trade club scheduled at 15hrs could not take place as the flight got delayed due to technical snag and the delegates reached St.Petersburg at 17.30hrs.

Meeting with the Restec – Junwex, Jewellery Trade Show Organizers were held at 18.30 hrs at the trade club office. A presentation was made by Mr. Valery Budnyy, General Director assisted by Ms. Ekaterina Stromova, coordinator to the delegates wherein following things came up for discussion.



A meeting was held with the fair organizers of Junwex in presence of Mr. Valery Budnyy, General Director, Ms. Ekaterina Stromova, Coordinator and the delegates wherein following points were discussed among others.

Junwex features

1. Home to great jewelers of Russia.
2. 17 years jewellery show
3. 22000 sq mtrs area.
4. Stall size 9 sq. mtrs.
5. Good structure in Marketing
6. Next Shows – Junwex St.Petersberg Feb 4-8, 2009, New Russia Style Moscow May 21-24, 2009, Junwex Moscow September 12-17, 2009.
7. Retail sale allowed
8. Main Holidays March 8TH and 23RD February military buy jewels.

Discussion on Participation at Junwex

1. GJEPC aims to participate in September 12-17, 2009 fair.
2. Looking for 100- 150sq. mtr. for 15 companies under India Pavilion.
3. Organizers to provide cost of space, cost of booth, cost of advertisement package.
4. Organizers to provide name of agent (having solid background) proficient in clearing goods from customs in time and without hassle.
5. GJEPC wants organizers to provide space at the Main Entrance at Junwex Diamond. Organizers did not commit for that space but to offer for best alternative place. (Not ready to change space of earlier sponsors)
6. Contract would be for 3 years as suggested by the organizers.
7. Organizers to send the booth/ pavilion design.
8. GJEPC laid down condition that any jewelers participating from India would be through council only and none to be entertained privately which would be integral part of contract

St.Petersburg December 11th ,2008

A visit to State Hermitage was organized to see the collection of Moghul Jewellery which is rare and a great ensemble. This was followed by Visiting malls , retail and chain stores with the aim to interact intensively whereby following knowledge emerged about the Russian market.

Russian market is a huge market with all product categories visible. Innumerable distributors and wholesalers exists and most of the jewellery is procured from Europe like Italy, Turkey and from Dubai. Cheaper jewellery comes from Thailand specially the Silver jewellery catering the lower segment of the market. Because of 25%import tariff and 18% Vat , most of the jewellery is routed either through hand carriage or paying commission to special agents. Formidable local manufacturing facilities exists but of moderate quality. Moscow and St. Petersburg are huge buying and selling centres but again the goods mostly procured are on consignment basis . As the consumers are not educated about jewellery products, the margins are quite high. There remains the language barrier to circumvent in order to do business with Russia. Some of the Indian companies already have offices in Russia to make inroads into those markets. Participating in Russian fairs like Restec Junwex, and Moscow fairs could be an edge for entry into the market which is why GJEPC has started negotiating space in the JUNWEX at St. Petersburg. It is expected to have a delegation from Russia of 15 jewellers coordinated by Mr. Alex Popov with all the ground facilities at the IJS Signature Goa 2009.

The delegates headed for Baku, Azerbaijan via Moscow at 18.30 hrs.

Meetings at Baku, Azerbaijan on December 12th , 2008.

At 11.30 hrs a meeting was organized at Azerbaijan Chamber of Commerce & Industries chaired by Mr. Adil Sh. Huseynov, Vice President of the chamber, who welcomed the delegates and touched upon the various facets of trade and commerce conducted at Azerbaijan. He said that The



Azerbaijan Republic Chamber of Commerce and Industries is a public body comprising 300 members who join voluntarily and have mostly minor and big independent enterprises and are also member of International bodies of CIS and Islamic countries. They provide services like holding conferences, seminars, exhibitions , interpretations and experts for quality of goods. The people are happy with the leader of the country and their living conditions have improved under the current president H.E. Mr. Ilham Aliyev which the people feel is the outcome of various measures taken by the president. In fact , the 12th of December every year is commemorated for the past president Mr. Hyder Ali for all the good work done by him and who is also the father of the current president . He mentioned that the financial crisis has not affected the country to the extent it has done others. The value of currency is stable. India is known for Tea in Azerbaijan and now receiving it directly from the origin country after independence and not via Moscow. Mentioned how people of Azerbaijan are fond of Raj Kapoor and his films. He finds Indias traditions quite similar to their country and willing to work together with countries who value and respect others culture , customs, tradition and religion. He emphasized that it is an honour to work with countries respecting traditions. He assured all help for protocols, MOU and meet business people in their country.

Mr. Hemant Shah , Leader of the delegation thanked the chamber for the warm reception and valuable advise given to do business with Azerbaijan. He outlined the role and function of GJEPC and the contribution it made to the cause of India's rise in Gem & Jewellery sector. He mentioned that he would look forward to use various services provide by the chamber. For now the participating in exhibition seemed interesting and will avail other services once the market is understood well. He wanted to know how foreign companies can use local people as sales force and the inherent laws that govern such recruits. He observed that the tax component is too high and wondered whether any special treaty could be made with India for Jewellery. Thereafter he introduced all the delegates to the chamber and asked them to speak on their products that they have to offer to the people of Azerbaijan. Both sides interacted comprehensibly and found out the nature of commerce and trade in the region and tried to find out the areas of common business interest.

At 18.30 , IYFC was screened followed by industry presentation by Mr. Hemant Shah in presence of Charge -d-Affairs Mr. J.P.Meena of Embassy of India, Baku, Azerbaijan. There were in all 26 attendants that include jewelers , press, fair



organizers etc . Most of the Jewellers were mourning the death anniversary of former President of Azerbaijan. Some jewelers preferred not to show up and get identified because of nature of business. GJEPC may expect a delegation of 10 jewellers from Azerbaijan with all Ground hospitalities. In addition they asked for some additional facilities which were not agreed but they insist that it was given previous year.

Market visit on December 13th .

Delegates went for the local market visit.”SUM” is considered one of the main jewellery markets and had intense interaction with the local jewelers retailers, importers and dealers with the help of interpreters wherein following things emerged.

Market exults in Silver and Gold products with CZ and coloured Gems stones. Traces of diamond jewelery exits. Size of the market is not very big and most of the jewellery comes from Dubai and that too hand carriage or through special agents on commission. Again like typical of CIS countries, language is a problem and the duty structure is quite high to the tune of 40 % including 18% Vat.



A meeting was held with “Lenkors Fair” organizers at their office at Nizami street, Baku where participation of GJEPC in their show was extensively discussed. The fair organizers are members of Azerbaijan Chamber of Commerce and allow retail sale. GJEPC has asked them to find out the customs procedure to import goods for exhibition,

ATN Carnet facilities and the procedure of taking back unsold goods to the country of origin. They have to let GJEPC know the dates, fee structure , layout / position of India pavilion and other common facilities. They wish to prepare a proposal with all the requisite elements of participation and will then enter into an agreement with GJEPC. Moreover, they informed that they have some jewelers willing to come to IIS Signature Goa which GJEPC has requested them to route through Embassy Of India, Baku, Azerbaijan.

In the evening at 19.0hrs the delegates were invited for dinner by the Charge –d-affairs of Embassy of India Mr. J.P.Meena . The delegates had sumptuous dinner and vibrant interaction wherein the embassy expressed happiness in extending all kind of help to the Gem & Jewellery sector. They said that 4 years ago, EPC for pharmaceutical had entered Azerbaijan and promoted its cause through seminars/ road shows and now it has established itself as prime supplier of pharmaceutical products into the country. They observed that GJEPC needs to adopt similar action plan.

Observations:-

To do business with CIS countries following things need to be addressed.

1. Local presence with person conversant with both local language and English must.
2. Participation in local trade fair would improve widening of business opportunities.
3. Bilateral trade show participation to be encouraged.
4. Consignment sales in these markets are a reality.
5. Difficult for sight holders to operate in these markets under BPP norms where most of the trade is unofficial.
6. It is mandatory to penetrate these markets imploring upon Government to Government interaction for reduced tariffs.