



INTERVIEW OF THE DAY



Diamantaires Need To Exercise Self-discipline –Sevantibhai Shah

In an exclusive interview with Solitaire International, SEVANTIBHAI SHAH, partner, Venus Jewel doesn't hold back any punches on the current state of affairs in the diamond industry.

Diamonds have in the past brought a lot of glory to India, but banks are tightening their exposure to the industry at present. How should the diamond industry move forward to restore confidence?

Yes, it is indeed true that diamonds have brought a lot of glory to India, and at the same time it is also true that banks are indeed tightening their exposure to the industry.

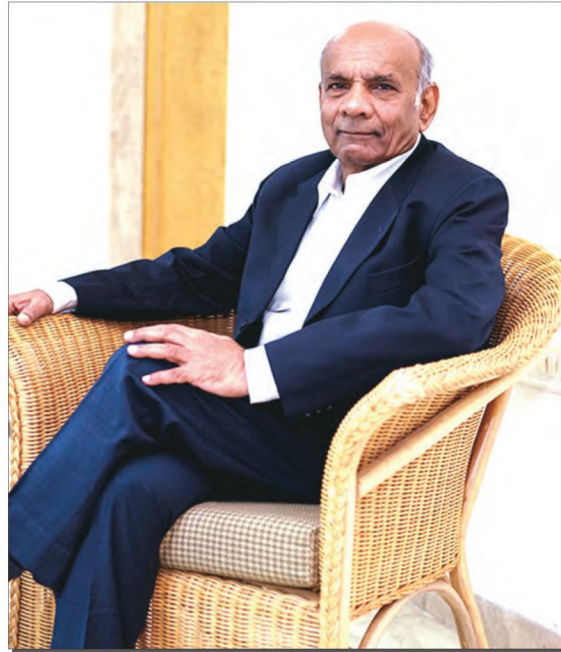
As we all are aware, banks usually run a detailed background check on a business's reputation, operations, standing etc. from their own as well as industry sources, before extending facilities. It is very surprising then for the industry that certain companies managed to obtain very high facilities. I too, having been in the industry for over 50 years fail to understand how such companies were given very large credit lines!!

However, all is not lost yet...the industry's glory can surely be restored - much stronger than before. It will require mutual cooperation between the industry and the banks. On one side, as responsible industry members, we all need to exercise self-control and ensure that we keep our businesses in order. We must stay clear from the very disturbing thought that using bank money is child's play or that one can get away easily by defaulting on one's financial obligations.

Banks on the other hand need to become more cautious and ensure that businesses having genuine and long standing reputation do not face difficulties in obtaining credit, as opposed to businesses having questionable reputations easily getting large credit facilities. Unfortunate practices like these make up a part of the reason why our industry is facing such challenges today.

According to you, what self-regulatory mechanisms can be instituted in order for the industry to govern its members? Kindly elaborate.

Industry regulatory frameworks and business regulatory structures from rough to polished already exist – the Kimberley Process Certificate Scheme, De Beers' Best Practice Principles (BPP), the Responsible Jewelry Council Certification (RJC), the World Federation of Diamond Bourses' (WFDB's) Code of Conduct are all programs ensuring validation and trust at various stages of our industry, which forms its very strength.



SEVANTIBHAI SHAH

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Come to think of it, we are possibly the only luxury product having such extensive regulatory requirements. But we must ensure we follow them and walk a righteous path, as what we polish and market is an exemplary symbol of love, and needs to be upheld to the most ethical standards.

So, as responsible members of our glorious industry, each one of us needs to govern ourselves...the key is self-discipline! At this time one of the important problems we are facing arise due to long-term credits. Extending long credits needs to be gradually controlled and reduced.

Secondly, each one of us needs to avoid becoming over ambitious leading to pushing ourselves to become too big too quickly or diversifying into areas that are not our core expertise. We must conduct business within our means and not stretch ourselves beyond our capabilities.

Thirdly, we need to ensure that we always have a buffer to fall back on during difficult times. Assuming that nothing will ever go wrong is the biggest mistake one can possibly make.

Could you outline a few survival strategies for an industry that is seeing multiple bankruptcies and unit closures?

As said in 2 above, it is purely by first disciplining our own selves that we will not only ensure our industry's survival, but do so in a long sustaining and successful manner.

Planned or intentional bankruptcies are becoming common in the diamond industry due to a lack of fear of the consequences. Your thoughts on this controversial trend.

Yes, I agree with your comment. In the past people would think long and hard before taking credit lines from the banks, and had the feeling of responsibility to ensure there is no default. It was a matter of one's self-respect, honor and a fear of losing one's hard earned reputation.

Gradually however, many people seem to have lost this fear. It is extremely worrisome now to see that despite having more than sufficient personal wealth, keeping or using bank's money is becoming a habit, and people don't see any danger in it. Not only this, but willful defaulters are able to get away without any problems for their evasions on the huge sums of money they owe.

This makes me wonder, when approving bank facilities; the banks require so many forms, deposits, signatures.... But what for? As many who have taken large facilities have apparently been able to walk away with minimal damage to their businesses, despite defaulting on their obligations. Why do banks ask for all that? Is it a mere formality or does it really mean something?

Is the diamond pipeline still choked with excessive loose stone inventory even now?

Yes, this is indeed the situation even now. But it is a cycle that needs to be addressed as every year for the past few years we have been here at this time.

What changes do you foresee in the next 5 years for the diamond industry?

In my opinion, there are more people than there is work at each and every stage of the industry pipeline. Slowly they will be constrained to exit the business, unless they can come up with unique and engaging ways of genuinely adding value.