

OUTLOOK BUSINESS

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State Of The Economy 2016

Roughing It Out

Surat's diamond units are recovering from the industry's worst slump in four decades Mahithi Pillay



Losing its sheen: Unlike this polishing unit in Surat, many diamond SMEs have had to shut shop in 2015

“Last year was one of the worst years for the industry and this crisis was mostly created by our own people,” says Sevanti Shah. Venus Jewel, the company Shah co-founded in 1969, is one of several Indian sightholders - players with a minimum turnover of 1,000 crore-5,000 crore on mining group De Beers’ Global Sightholder Sales list, which means it can purchase rough diamonds in bulk. Although most sightholders run their own manufacturing and polishing units to burnish this crystalline raw material into a gleaming 56-facet diamond, there are several manufacturing and job work units downstream that either source and work on the material themselves or work on a contract basis for the biggies. This, Shah says, is also where the current slump stems from, in part.

Unreasonable appetite

“Some people wanted to grow very fast and sourced more raw material than necessary. The demand for rough diamonds shot up, leading to clearing of existing mining stock, increased mining, overproduction and a consequent rise in rough prices,” he explains, adding that the spurt had little to do with consumer demand. So, while manufacturers in Surat were paying more for rough diamonds, polished prices went down due to the oversupply and scant demand on the ground. “Demand and supply — the key economic metrics — were ignored. In part, bankers were also responsible, as they kept releasing credit indiscriminately in certain cases,” he adds.

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Shah of Venus Jewel, in fact, was an early adopter in this field. “In value terms, business has suffered, but we have our own way of working and were personally not affected. In fact, we hiked wages for our 1,400 workers last year.” There has been no retrenchment, with production lowered by 25-30% instead. “Inefficient workers are retrained in-house. We were the exceptions even in 2008, when we didn’t close production for even a single day,” he explains. For this feat, IIM-A had featured the company as a case study in its periodical Vikalpa.

For now, as he looks out at the city sprawled out in front of him from his office terrace, Shah of Venus is optimistic. “People have become more disciplined - whether out of compulsion or otherwise - and if they work this way, there won’t be a problem. The people in Surat are nice, the work environment is nice, the climate is nice. I came here in 1965, soon after my matriculation. Good or bad, I have never left since,” he smiles.