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CREDIT RATING AGENCY

Mr. Vipin Malik  
(Chairman, Infomerics Ratings)

Dr. Manoranjan Sharma  
(Chief Economist)

Mr. Athar Imam Raza  
(Officer - Economic Analysis)

## INDUSTRY OUTLOOK

### INDIA'S DIAMOND INDUSTRY: TRENDS, OPPORTUNITIES, & CHALLENGES

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#### Introduction

The diamond industry is a significant contributor to India's economy, accounting for around 7.5% of the country's Gross Domestic Product (GDP) and 14% of its total merchandise exports. India stands as the global leader in cut and polished diamonds, with an annual export value of US\$ 23 billion. In fact, 14 out of every 15 diamonds set in jewellery worldwide are processed in India, demonstrating the country's expertise in the sector<sup>1</sup>.

Indian diamond exports, including diamond-studded jewellery, reach markets across the globe, including the United States, Europe, the Middle East, and Asia. The industry directly employs about 1.3 million workers, particularly in the cutting, polishing, trading, and exporting of diamonds, with the city of Surat alone providing jobs to nearly 800,000 workers, making it the largest hub for diamond cutting and polishing in the world. Millions of indirect jobs are supported through related industries such as logistics, transport, retail, and diamond tool manufacturing.



India's dominance in the global diamond trade is huge, as the country is responsible for nearly 75% of the world's cut and polished diamonds. This success can be attributed to the numerous cutting and polishing centres established across the country, as well as India's rich history of diamond craftsmanship dating back to 500 BC. Indian traders have established a strong presence in key global markets such as Dubai and Antwerp (in Belgium), where most of the global diamond trade takes place<sup>2</sup>.

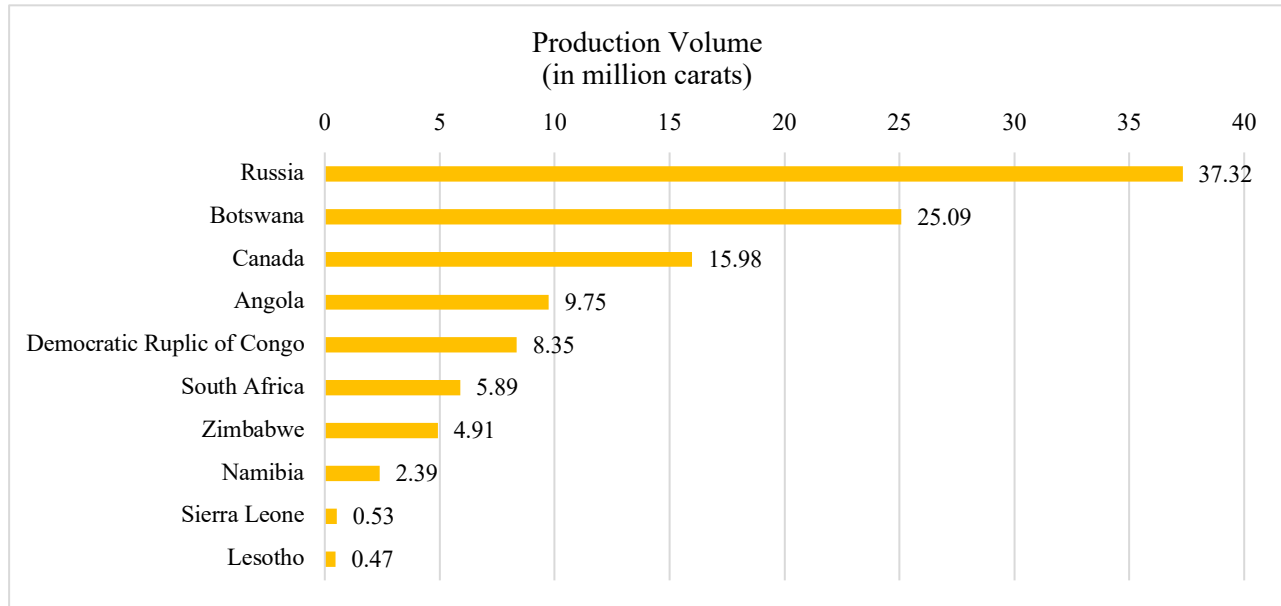
In 2022, India was ranked first among exporters of cut and polished diamonds, and second in gold jewellery, silver jewellery, and lab-grown diamonds. The sector has also attracted substantial foreign direct investment (FDI), with cumulative inflows of US\$ 1.28 billion between April 2000 and March 2024<sup>3</sup>. One of the major technological developments in the Gems and Jewellery sector has been Laboratory-grown diamonds (LGD). India is one of the leading producers of lab grown diamonds using chemical vapor deposition (CVD) technology.

### **Global Diamond Market Landscape**

Global demand for natural diamond jewellery remained steady at US\$ 87 billion in 2022, marking a 10% increase compared to 2019. The US and China are the two largest markets for diamond consumption, with the US alone accounting for 55% of global demand and contributing US\$ 47 billion. While the US market experienced a modest 2% growth in 2022, the demand slowed significantly in the second half of the year due to economic pressures such as rising inflation, higher interest rates, and slower wage growth. These factors weakened consumer confidence, leading to a reduction in discretionary spending, including luxury purchases like diamonds<sup>4</sup>.

Russia is the largest diamond producing country in the world, contributing to 25% of the global supply. In 2023, Russia produced some 37.32 million carats of diamonds. At that time, Botswana and Canada ranked second and third, with a production of around 25.1 and 16 million carats of diamonds, respectively (see Chart 1).

**Chart 1: Top 10 Largest Producers of Natural Diamond in the world**



Source: Statista

Key producers of lab-grown diamonds include China, India, the US, Singapore, Europe, Middle East and Russia. The global market for these diamonds is expanding rapidly, especially in regions like the US, Europe, and Asia. Valued at US\$ 26 billion in 2023, this market is projected to grow to US\$ 50 billion by 2030, with production expected to reach 40 million carats in FY 2024. This, however, remains significantly lower than the annual production of natural diamonds, which stands at approximately 110-120 million carats. While global demand for diamonds has remained stable overall, regional performance has varied. China's demand declined due to COVID-19 lockdowns, whereas India experienced positive growth. This reflects a mixed performance across different regions.

The diamond market is undergoing a significant shift, driven by the rising prominence of lab-grown diamonds. The price of a 1.5-carat lab-grown diamond has dropped sharply, from US\$ 10,600 in 2016 to US\$ 2,445 by early 2023. In contrast, natural diamonds have appreciated by an average of 3% annually over the past 25 years. This widening price gap highlights the increasing affordability of lab-grown diamonds, which is likely to shape future consumer preferences as more individuals opt for cost-effective alternatives.

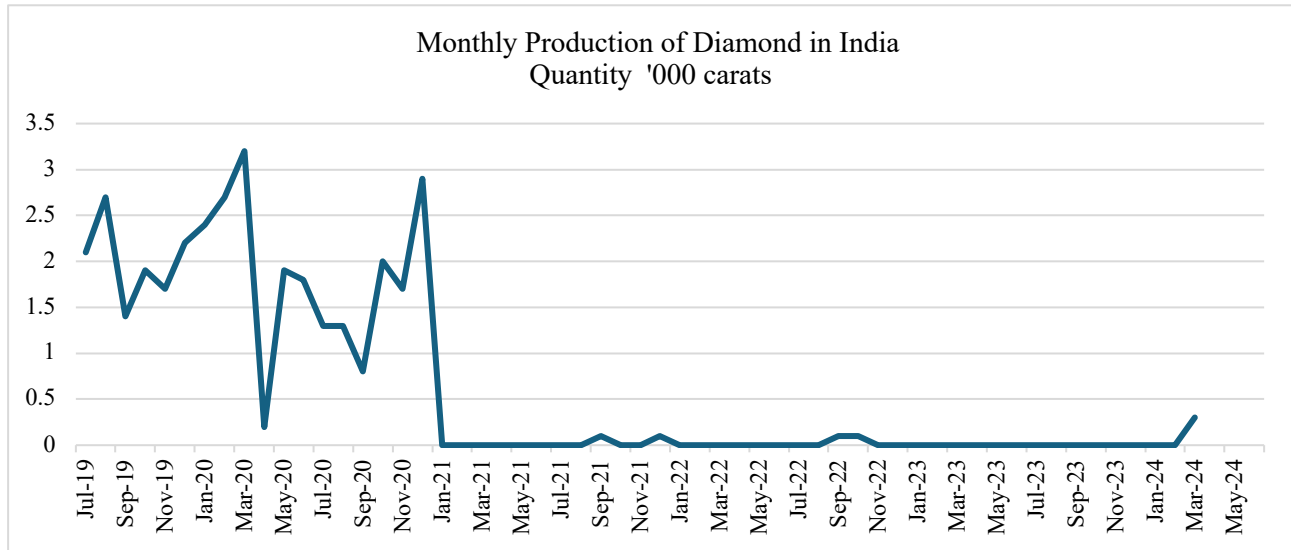
### **Demand and Supply situation in Diamond Industry of India**

India's diamond production experienced significant fluctuations over the last few years. In 2019 and early 2020, production remained steady, with monthly outputs ranging from 1.4 to 3.2 thousand carats, peaking in March 2020. But the onset of the COVID-19

pandemic led to a sharp decline in April 2020, with production dropping to as low as 0.2 thousand carats. Although there was a slight recovery later in 2020, production levels remained below pre-pandemic figures.

Throughout 2021 and 2022, production was almost entirely halted, with only minor activity in a few months. In 2023, there was no production, but a slight resurgence occurred in March 2024, when production reached 0.3 thousand carats, signalling the beginning of a recovery (see Chart 2).

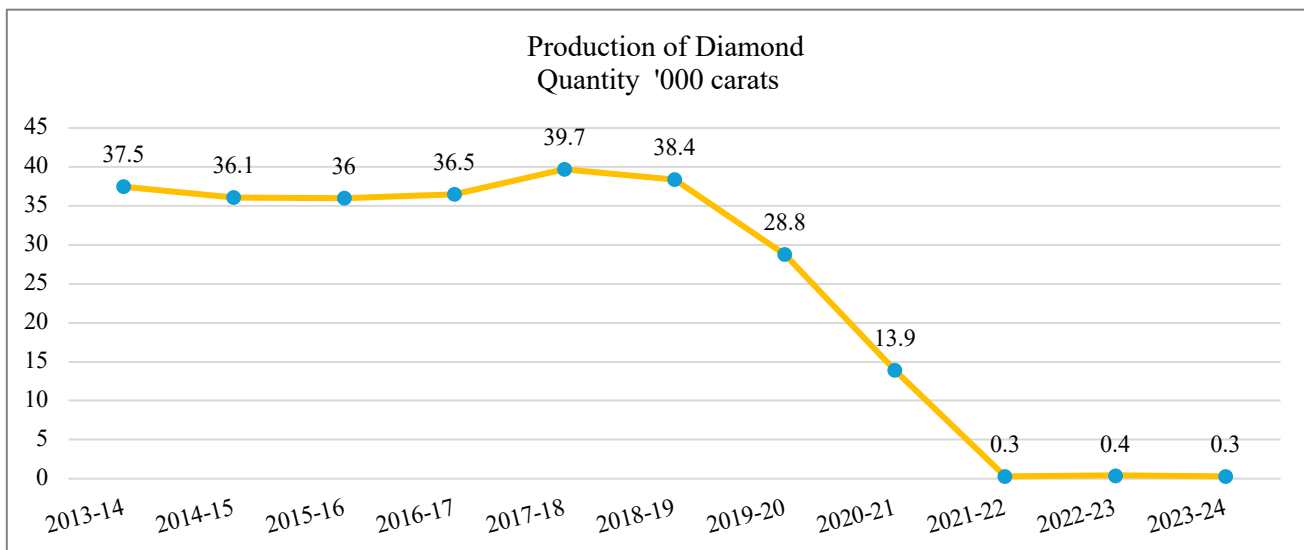
**Chart 2: Monthly Production of Diamond in India from July 2019 to March 2024**



Source: CMIE | Infomerics Economic Research

The yearly trend of diamond production can also be seen here (see Chart 3).

**Chart 3: Yearly Production of Diamonds in India from 2013-14 to 2023-24**



Source: CMIE | Infomerics Economic Research

## India's Diamond Trade Performance

India majorly exports cut & polished diamonds, lab-grown synthetic diamonds, coloured gemstones, synthetic stone, plain and studded gold jewellery, silver & platinum jewellery, imitation jewellery and articles of gold, silver and others. India is the world's largest cutting and polishing centre for diamonds, accounting for over 90% of polished diamond manufacturing globally.

India's gems and jewellery exports decline by 18.79% in August 2024, falling to US\$ 2.01 billion from US\$ 2.47 billion in the corresponding month last year, primarily due to sluggish global demand, according to data from the Gem Jewellery Export Promotion Council (GJEPC). This marks an improvement from July 2024, when exports totalled US\$ 1.66 billion. The sector, however, continues to face challenges, with cut and polished diamond exports dipping by 26%, from US\$ 1.36 billion in August 2023 to US\$ 1 billion in August 2024. Gold jewellery exports also contracted slightly by 1.15% to US\$ 687.69 million. Despite the domestic sector showing relative resilience compared to global markets, imports of gems and jewellery decreased by 17% to US\$ 1.40 billion (₹11,739 crore) in July 2024, while exports fell by 23% to US\$ 1.66 billion (₹13,922 crore).

Additionally, cut and polished diamond imports dropped by 51% to US\$ 82 million. India's diamond processing industry, the largest in the world, is struggling with decreased demand, reflected in a 16% drop in rough diamond imports to US\$ 4.3 billion for April-July 2024. Exports of lab-grown diamonds fell by 10% in July, alongside a 12% decline in gold jewellery exports. Coloured gemstone exports also faced a 25% reduction to US\$ 114 million for April-July 2024<sup>5</sup>. As the sector accounts for around 10% of India's total merchandise exports, geopolitical tensions, shifts in foreign trade policies, and sourcing difficulties continue to weigh heavily on its performance.

### Cut & Polished Diamonds

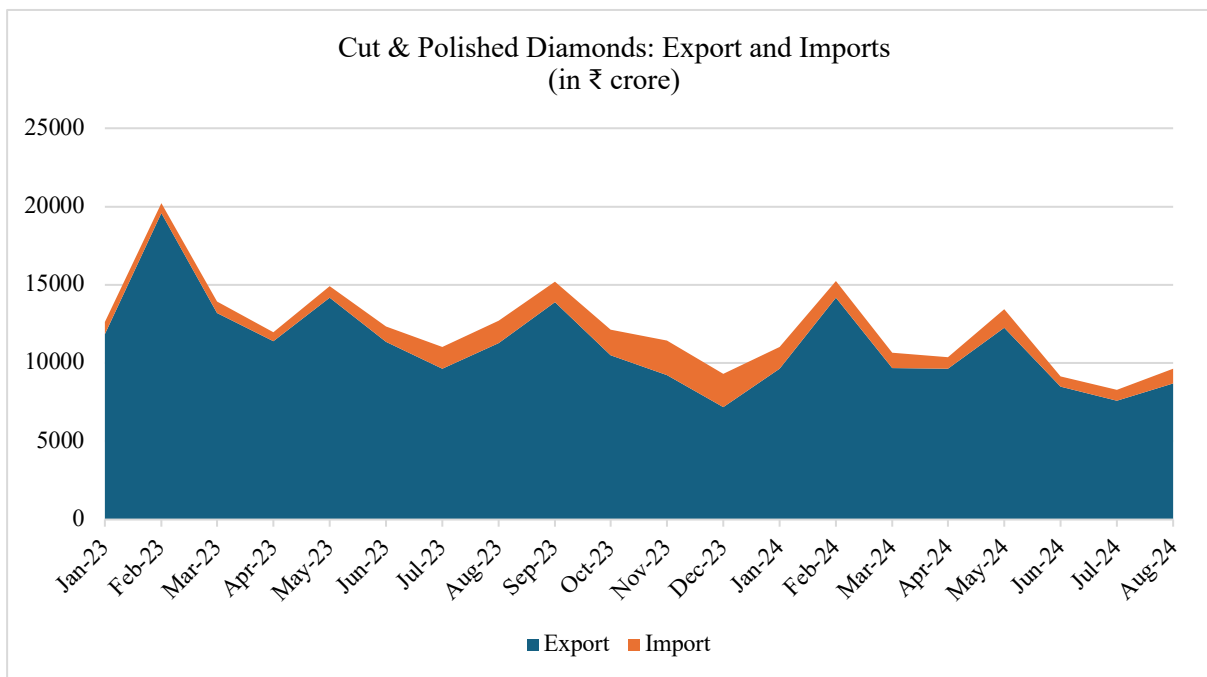
In August 2024, the gross export of Cut & Polished diamonds amounted to US\$ 1036.63 million (₹ 8697.28 crores), reflecting a decline of 23.8% (22.81% in rupee terms) compared to US\$ 1360.39 million (₹ 11267.57 crores) during the corresponding period the previous year.

Gross imports for August 2024 were US\$ 112.59 million (₹ 944.71 crores), showing a decrease of 35.55% (34.68% in rupee terms) from US\$ 174.7 million (₹ 1446.39 crores) in the corresponding period last year. Imports of Cut & Polished diamonds in the Domestic Tariff Area (DTA) for the month increased by 4.45% (5.82% in rupee terms) to US\$ 40.28 million (₹ 337.94 crores) compared to US\$ 38.57 million (₹ 319.35 crores) last year.



However, imports in Special Economic Zone/Export Processing Zone (SEZ/EPZ) for August 2024 declined by 46.89% (46.16% in rupee terms), standing at US\$ 72.31 million (₹ 606.78 crores), down from US\$ 136.14 million (₹ 1127.04 crores) during the same month last year (see Chart 4).

**Chart 4: Cut & Polished Diamonds Trade: Monthly Trend from Jan' 23 to Aug' 24**



Source: GJEPC | Infomerics Economic Research

For the period from April to August 2024, gross exports of Cut & Polished diamonds reached US\$ 5618.61 million (₹ 46933.74 crores), marking a decline of 20.06% (18.87% in rupee terms) compared to US\$ 7028.67 million (₹ 57847.4 crores) during the same period last year. Gross imports for the same period were US\$ 502.6 million (₹ 4199.15 crores), showing a decline of 19.1% (17.92% in rupee terms) from US\$ 621.25 million (₹ 5115.75 crores) last year. Imports in the DTA decreased marginally by 1.09% (0.43% in rupee terms), amounting to US\$ 174.51 million (₹ 1458.23 crores) compared to US\$ 176.44 million (₹ 1451.99 crores) last year. Imports in SEZ/EPZ dropped by 26.24% (25.19% in rupee terms), totalling US\$ 328.08 million (₹ 2740.92 crores), down from US\$ 444.81 million (₹ 3663.76 crores) during the same period last year.

USA, UAE, Hongkong, and Belgium are the key export destinations for cut and polished diamonds with around 80% share in total exports. USA (-60.02%), UAE (-21.64%), Hongkong (-75.64%), and Belgium (-66.17%) have recorded negative export growths in FY25 as compared to FY24 (see Table 1).

**Table 1: Top 10 destinations for India's Export of Cut & Polished diamonds***(in ₹ crore)*

S. No.	Country	2023-2024	2024-2025	% Growth (YOY)	% Share
1	United States of America	81315.82	32514.04	-60.02	36.00
2	United Arab Emirates	67342.59	19549.44	-70.97	21.64
3	Hongkong	55736.1	13579.53	-75.64	15.03
4	Belgium	16428.16	5558.3	-66.17	6.15
5	Switzerland	5682.05	2365.65	-58.37	2.62
6	United Kingdom	4796.09	2029.41	-57.69	2.25
7	Israel	5896.09	1966.21	-66.65	2.18
8	Singapore	4983.91	1932.95	-61.22	2.14
9	Thailand	5422.14	1924.49	-64.51	2.13
10	Netherland	1253.5	1001.66	-20.09	1.11

Source: GJEPC | Infomerics Economic Research

**Rough Diamonds**

During the period from April 2024 to August 2024, gross imports of rough diamonds equalled US\$ 4978.04 million (₹ 41565.08 crores), representing a decline of 22.58% (21.45% in rupee terms) compared to US\$ 6429.76 million (₹ 52913.24 crores) during the same period last year. In terms of volume, imports of rough diamonds stood at 432.32 lakh carats, showing a decrease of 21.47% compared to 550.53 lakh carats in the corresponding period of the previous year. Among the top 10 export destinations, USA, Hongkong and UAE have more than 90% share in India's total exports in FY25. Except Botswana, rough diamonds exports to almost all key export markets have recorded negative growth in FY25 as compared to FY24 (see Table 2).

**Table 2: Top 10 destinations for Rough Diamonds***(in ₹ crore)*

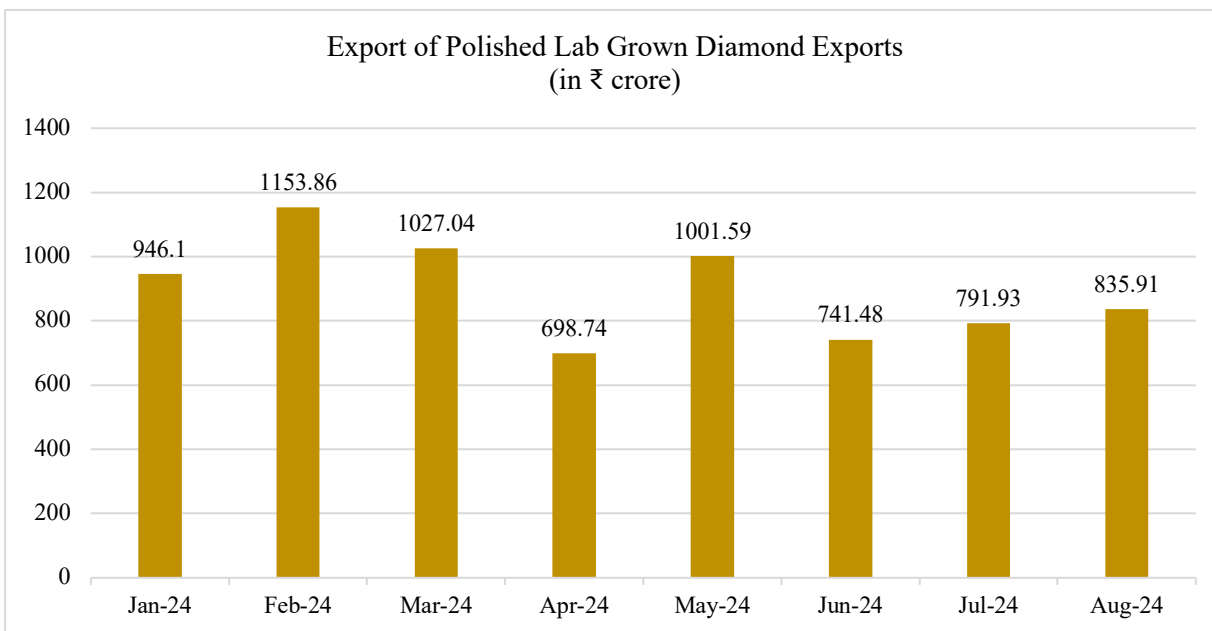
S.No.	Country	2023-2024	2024-2025	% Growth (YOY)	% Share
1	Belgium	1588.68	747.88	-52.92	41.69
2	United Arab Emirates	4062.54	746.42	-81.63	41.61
3	Hongkong	192.81	189	-1.98	10.53
4	Sri Lanka Dsr	77.33	54.95	-28.94	3.06
5	Israel	297.1	18.63	-93.73	1.04
6	Botswana	0.82	15.54	1795.12	0.87
7	Netherland	891.06	5.96	-99.33	0.33
8	Switzerland	3.94	5.12	29.95	0.29
9	United States of America	16.88	4.05	-76.01	0.23
10	Others	460.54	0	-100	0
	Total	7591.71	1794.04	-74.93	100

Source: GJEPC | Infomerics Economic Research

## Polished Lab Grown Diamonds

According to provisional data released by the Gem & Jewellery Export Promotion Council (GJEPC), the gross export of Polished Lab Grown Diamonds in August 2024 stood at US\$ 99.64 million (₹ 835.91 crores), reflecting a decline of 15.30% (14.19% in rupee terms) compared to US\$ 117.63 million (₹ 974.20 crores) in the corresponding month last year (see Chart 5).

**Chart 5: Monthly Trend of Polished Lab-Grown Diamond Exports from India**



Source: GJEPC | Infomerics Economic Research

For the period from April 2024 to August 2024, the provisional gross export of Polished Lab Grown Diamonds cumulatively reached US\$ 515.49 million (₹ 4306.55 crores), showing a decrease of 8.41% (7.06% in rupee terms) from US\$ 562.8 million (₹ 4633.76 crores) during the corresponding period of the previous year.

India's export of lab-grown diamonds has seen a significant decline across all major markets in the year 2024-2025 compared to 2023-2024. The United States, which remains the largest market with a 55.19% share of exports, saw a sharp 64.51% drop, with exports falling from US\$ 6698.09 million to US\$ 2376.84 million. The United Arab Emirates, holding a 15.8% share, experienced a 59.77% decrease in exports, dropping from US\$ 1691.03 million to US\$ 680.3 million.

Other major markets also faced substantial declines. Exports to Hong Kong, which represents 14.51% of India's total lab-grown diamond exports, fell by 68.11%, from US\$ 1960.26 million to US\$ 625.06 million. China saw a 40.3% decline, while the United Kingdom and Israel reported drops of 53.92% and 50.34%, respectively.



Exports to Belgium decreased by 72.86%. India's total lab-grown diamond exports plummeted by 63.48%, from US\$ 11612.36 million in 2023-2024 to US\$ 4306.55 million in 2024-2025 (see Table 3).

**Table 3: Top 10 destinations to India’s Lab Grown Diamonds (worked)**

(in ₹ crore)

S. No.	Country	2023-2024	2024-2025	% Growth (YOY)	% Share
1	United States of America	6698.09	2376.84	-64.51	55.19
2	United Arab Emirates	1691.03	680.3	-59.77	15.8
3	Hongkong	1960.26	625.06	-68.11	14.51
4	China P. R	173.02	103.3	-40.3	2.4
5	United Kingdom	195.98	90.31	-53.92	2.1
6	Israel	179.8	89.28	-50.34	2.07
7	Thailand	124.17	64.43	-48.11	1.5
8	Belgium	209.95	56.98	-72.86	1.32
9	Singapore	82.65	45.62	-44.8	1.06
10	Others	297.41	0	-100	0
	Total	11612.36	4306.55	-63.48	100

Source: GJEPC | Infomerics Economic Research

## Pricing of Diamonds

In August 2024, diamond prices faced continued pressure due to an oversupply in the market and sluggish demand. The RapNet Diamond Index (RAPI™) showed price declines across various diamond sizes, with 1-carat diamonds dropping by 1.1%, 0.30-carat stones falling by 2.7%, 0.50-carat diamonds by 0.7%, and 3-carat diamonds by 0.9%. These price declines were milder compared to July, partly due to the removal of Chinese diamond listings from the RapNet platform, which resulted in a technical 1.3 percentage-point increase in the index<sup>6</sup>. While there was strong competition from lab-grown diamonds and mixed retail performance in the U.S., the Chinese market remained weak, further dampening demand for natural diamonds (see Table 4).

**Table 4: RapNet Diamond Index (RAPI™)**

	Index	August	Year to Date Jan. 1, 2024 to Sep. 1, 2024	Year on Year Sep. 1, 2023 to Sep. 1, 2024
RAPI 0.30 ct.	1068	-2.7%	-24.7%	-27.6%
RAPI 0.50 ct.	1750	-0.7%	-11.6%	-16.2%
RAPI 1 ct.	4887	-1.1%	-18.3%	-23.7%
RAPI 3 ct.	18840	-0.9%	-14.4%	-17.2%

Source: Rapaport USA

Indian diamond factories extended their vacations during August, which is expected to have a delayed impact on inventories. Additionally, De Beers and Petra Diamonds postponed their rough diamond sales in an attempt to curb the oversupply. Despite these challenges, there were signals of strong domestic demand for gold and jewellery in India, though expectations for the September Jewellery & Gem World show in Hong Kong remain low due to weak Chinese demand.

### **Institutional Initiatives**

In the Union Budget 2023-24, the government announced a five-year research grant for IIT Madras to promote indigenous production of lab-grown diamond (LGD) machinery, seeds, and methodologies. This initiative, with an estimated cost of ₹242.96 crores, includes the establishment of the India Centre for Lab-Grown Diamonds (InCent-LGD), aimed at boosting India's position in the global diamond industry<sup>7</sup>. The Budget also sought to promote entrepreneurship and foster employment by abolishing the angel tax for all classes of investors. A simpler tax regime was introduced for foreign shipping companies operating domestic cruises, and safe harbour rates were extended to foreign mining companies selling raw diamonds in India. Corporate tax rates for foreign companies were reduced from 40% to 35% to attract more foreign capital into the industry<sup>8</sup>.

The recent removal of the 5% tariff on diamond imports poses significant challenges for India's domestic diamond industry and manufacturers. With global exports of cut and polished diamonds valued at approximately US\$ 15.9 billion, zero-duty diamonds imported from Dubai create a competitive disadvantage for local businesses, leading to potential closures or relocations<sup>9</sup>. China's growing interest in Indian diamond expertise may incentivize the shift of processing activities away from India. The Comprehensive Economic Partnership Agreement (CEPA) further threatens the domestic industry by eliminating tariffs on cut and polished diamonds, which could result in production moving to countries like China and undermining the viability of local manufacturers<sup>10</sup>.

The government has taken additional steps to support the diamond industry through the abolition of the 2% Equalization Levy and the introduction of the Safe Harbour Rule for the sale of rough diamonds in Special Notified Zones (SNZs). This allows foreign mining companies to sell rough diamonds directly to Indian manufacturers, improving access to raw materials for smaller manufacturers. Import duties on gold, silver, and platinum have been reduced to 6% and 6.4%, freeing up working capital and improving the competitiveness of the manufacturing sector<sup>11</sup>.

To further ease doing business, the government is simplifying tax structures and encouraging Foreign Direct Investment (FDI). E-commerce export hubs will be established to support MSMEs, artisans, and craftsmen in the gem and jewellery sector. The industrial parks, in partnership with state governments, will focus on skilling and employment, particularly for women and new workers. These measures are expected to boost the growth of the diamond and jewellery industry, which employs over a million workers, helping India maintain its leadership in the global diamond trade.

### **Industry Risks and Challenges**

The Indian diamond industry is currently facing multiple challenges that threaten its stability and growth. In Surat, a global hub for diamond cutting and polishing, many units have reduced working hours and introduced additional weekly holidays due to declining overseas demand from key markets like China, the USA, and Europe<sup>12</sup>. This slowdown has led to unsold inventories, pressuring cash flow within the sector. Tighter credit conditions have made financing difficult for businesses, and concerns over quality have further weakened competitiveness. The economic downturn in major economies, along with inflationary pressures, has strained exports of polished diamonds to key markets, worsening the situation.

The India-UAE Comprehensive Economic Partnership Agreement (CEPA) has brought significant risks to the domestic diamond and jewellery sectors by allowing zero tariffs on imports of gold, silver, platinum, and diamonds from the UAE. This policy is expected to shift import activities from established banks to private traders, increase the influence of Dubai-based suppliers, and funnel imports through GIFT City, which has been criticized for its lack of transparency. These disruptions come at a time when India's diamond-cutting and polishing sector is already dealing with decreased demand and production.

India's lab-grown diamond industry is also facing major obstacles. Rapid production growth has led to oversupply, resulting in a 65% price decline, with prices crashed from ₹ 60,000 to ₹ 20,000 per carat. This price decline exacerbated financial strain on manufacturers, many of whom had invested in costly machinery. The sector now faces financial instability, as these investments are proving difficult to recover. The visual similarity between lab-grown and natural diamonds has eroded consumer trust.

Specialized machines needed to distinguish between the two being both expensive and scarce, buyers are cautious, slowing market growth. The lack of proper regulatory oversight and certification is further complicating matters, raising concerns about the industry's long-term sustainability.

The global diamond trade is also under pressure from G7 sanctions on Russian diamonds, disrupting India's supply of rough diamonds and creating doubts around Indian-manufactured polished diamonds in G7 markets. Geopolitical tensions, especially the Russia-Ukraine conflict and the middle-east scenario, have further strained India's diamond imports, disrupting the supply chain and impacting exports<sup>13</sup>. The rising popularity of lab-grown diamonds, which are priced significantly lower than natural diamonds, has weakened demand for larger natural diamonds, particularly those in the one to three-carat range. These factors collectively pose substantial risks to both India's natural and lab-grown diamond sectors.

## The Road Ahead

India's diamond industry remains a key player in the global market, particularly in the cutting and polishing of both natural and lab-grown diamonds. But the industry faces headwinds challenges, including declining global demand, intense competition, price fluctuations in lab-grown diamonds, and the potential impact of institutional policies. Strategic adjustments improved regulatory frameworks, and innovations in both natural and lab-grown diamond sectors will be essential for maintaining India's competitive edge in the coming years.

India's growing role in lab-grown diamonds presents both opportunities and risks. As global demand for affordable diamonds continues to rise, India must carefully navigate trade policies, manage overproduction, and maintain consumer trust to sustain long-term growth.

The challenges faced by India's lab-grown diamond industry—ranging from plummeting prices and oversupply to a lack of consumer trust and regulatory oversight—are substantial. Addressing these issues will require coordinated efforts from industry stakeholders to regulate production, establish trust through certification, and ensure that the market remains competitive and sustainable.

With such interventions, the industry's growth potential could be significantly enhanced benefitting lives and livelihood across the development spectrum and broad-basing India's development odyssey. This required system integration, prioritizing speed, flexibility, efficiency value addition and addressing skill gaps. These attributes are essential to stay agile in an intensely competitive and increasingly complex market.

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