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THE OTHER SIDE

Rush to sell household jewellery as gold touches new high

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AHMEDABAD

Investors are rushing to buy gold even as the yellow metal rose to a new high of \$1,745 per ounce on Tuesday, up 1.5%. This is one side of the gold story. On the other side, many Indian households are busy cashing in on record high prices by selling their household jewellery or raw gold as they don't have the patience to wait for prices to climb further. On the Multi Commodity Exchange, spot gold rose 3.66% on Tuesday to close at ₹25,826 per 10g.

Scrap gold buying in Delhi and Mumbai has doubled in past two days to almost 15kg per day, according to Prithviraj Kothari, president of the Bombay Bullion Association, a leading association of jewellers and bullion traders in India.

Kothari, who is also the managing director of RiddiSiddhi Bullions Ltd, a leading bullion trading firm with presence in at least 15 major cities, said in markets such as Ahmedabad and Kolkata gold buying by jewellers has gone up by at least 15% since Monday.

Ahead of the recent price rise, jewellers in Kolkata used to buy around 20kg of gold scrap per day and, in Ahmedabad, purchases of old gold used to be at around 10kg per day, according to industry experts.

On an average, every year, 100 tonnes of scrap gold is sold in the Indian jewellery market, according to the Bombay Bullion Association.

However, most industry experts that *Mint* spoke to maintained that many investors were still holding on to their gold as they expected a further rise in gold prices in the coming months.

"There is certainly a rise in people selling off their old gold and cashing in on the current price rise. However, the rise in old gold sales by investors is



Cashing in: A file photo of a jewellery shop in Kolkata.

not as much as it was expected because most of the people are still holding on to their gold possessions as they expect prices to top ₹27,000 per 10g," said Haresh Soni, director in Rajkot-based Premji Valji Jewellers, which owns jewellery showrooms in Gurgaon and Mumbai.

"Normally, scrap gold buying (by jewellers) in Kolkata remains at around 20kg per day which has gone up by at least 10% since the price rise," said Nilesh Parekh, chairman of Shree Ganesh Jewellery House Ltd, a Kolkata-based jewellery firm.

A similar trend is being witnessed at Ahmedabad's Manek Chowk area, considered a hub of bullion trading and jewellery retail in the city with over 300 jewellery shops.

"Jewellers in Manekchowk are buying back at least 12-13kg of old gold per day now as against 9-10kg per day earlier," said Harshwardhan Choksi, president of Shree Manek Chowk Suvarnakar Mahajan in Ahmedabad.

Hiren Soni, who owns a jewellery shop in Manek Chowk, said the current rush is not as big as in 2007 when gold prices rose from ₹8,000 per 10g to ₹10,000-11,000.

Gold prices have risen sharply globally as investors are rushing to buy yellow metal in search of a safe haven for their investments in the wake

of economic troubles in the US and Europe that has led to massive value erosion in the equity markets, globally.

In the New York spot market, gold shot up to \$1,707 an ounce in Monday morning trade, from Friday's closing of \$1,663. Prices in India's spot markets rose to ₹25,500 per 10g on Monday from ₹24,300 on Friday.

On Tuesday, the spot gold price rose further to a new high of ₹26,400 per 10g in intra-day trade. However, the rise was not sustained and it eased to ₹25,826 per 10g by evening.

Since 1 August, gold prices have risen 11.8%. During this period, the Bombay Stock Exchange's bellwether equity index, the Sensex, has dropped 7.95%.

Most investors are holding on in anticipation of gold prices touching ₹26,500-27,000 per 10g, said Haresh Acharya, head of bullion trading at Parker Bullion Pvt. Ltd, a leading gold supplier in Ahmedabad.

According to the World Gold Council (WGC), in the first quarter of 2011, the country's jewellery demand grew 7% from the year earlier, while demand for gold coins and bars—or investment products—grew 26%.

A WGC spokesperson refused to comment as a report on India's gold market is due to be unveiled in a week.