

Gold may sizzle for the next few years, says Bombay Bullion head

Investors should buy on dips, says Mr Prithviraj Kothari

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The story on gold is far from over. In fact, the yellow metal in its current corrective phase offers an opportunity to buy, says Mr Prithviraj Kothari, President, Bombay Bullion Association.

"From 2001 to 2011, gold has appreciated the most among all asset classes. I think investors should buy on dips," Mr Kothari told *The Hindu Business Line*. He is also the managing director of RiddhiSiddhi Bullion Ltd, one of the largest bullion trading firms in the country.

Spot gold had touched a historic high of \$1,920 an ounce in September in the overseas market on strong investment demand buoyed by the weakness in dollar against major currencies. The euro zone debt crisis and weak economic data from the US prompted investors to opt for gold as a safe bet.

Though international prices have eased from their



Mr Prithviraj Kothari

highs, Indian gold rates continued to touch all-time highs spurred by the sharp depreciation of the rupee against the dollar. In early December, spot gold in Delhi market hit a record high of Rs 29,540 for 10 gram.

The current weak trend in gold is mainly due to the

liquidity crisis, says Mr Kothari.

"I think the downside should be Rs 26,000 for 10 gram," he said adding that this is a good price to buy.

Gold is likely to see an upside of Rs 32,000 for 10 gram until March 2012 in the event rupee trades in the

range of Rs 51-53 a dollar.

According to him, the euro zone crisis is far from resolved. Also, the economic data coming out of the US is not showing indications of consistent growth. He does not expect gold prices to crash as feared by many investors. The precious metal would continue its upward journey through 2012 and 2013.

If gold prices fall sharply, many central banks around the world would snap it up as they are conscious of the haven value of the yellow metal, Mr Kothari said.

INDIAN DEMAND

Indian demand for gold has been impacted slightly this year because of high inflation and interest rates.

In volume terms, Indian gold demand is likely to be the same as last year at 950 tonnes but in value terms there could be a 50 per cent appreciation mainly because prices were much higher this year, he said.

Indian gold demand, according to him, is unlikely to ebb from current levels but may be seen in clumps as buyers often wait for price volatility to ease.

"In a year, about 3 million weddings are held. Assuming that for each wedding, a minimum of 20 gram of gold is bought, we would require 600 tonnes of gold," Mr Kothari said.

The year has also seen a lot of recycling of old gold jewellery for new, he said.

With gold reinforcing its position as a haven asset, there has been a shift in gold buying to coins and bars, from jewellery, he said.

"In 2005-06, jewellery accounted for 90 per cent of gold purchases and 10 per cent as bars and coins. Today, the ratio has changed," he said.

Now, jewellery accounts for 65 per cent while coins and bars 35 per cent, he said. "People go to jewellery store to buy bars and coins," he said.