

Jewellers dole out incentives to boost subdued demand this Diwali season

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JUST a few days to go for Diwali and the demand for gold has not picked up yet. In an attempt to make up for the slackened demand during the first half of calendar 2012, jewellers are active with incentives and offers at the expense of margins.

Seeing the way people have been buying gold, industry expects sales volumes to be around 30 per cent lesser this time of the year, compared with last year. Last year too, gold demand in the third quarter (Q3 2011) was down 26 per cent to 125.3 tonnes, against 168.4 tonnes in Q3 2010.

"Usually the festive season sees huge buying in both, gold and silver. This time, the demand is not as expected. People are restricting themselves to unavoidable gifting purchases and the volumes too,



Festive demand

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- The volumes of recycled gold should go up this year to 300-400 tonnes, against the usual 125-135 tonnes
- In Q2, gold demand had declined by 38 per cent, against the corresponding quarters in 2011

are lesser than usual," said Harmesh Arora, director, National India Bullion Refinery.

Prithviraj Kothari, MD of Riddisiddhi Bullions also echoed the general mood in market. "Gold prices are still above Rs 30,000 per 10 gm. In the international market, prices would have remained subdued for the past one month, but volatile rupee has kept it above Rs 30,000," he said.

According to him, the volume of recycled gold should go up this year to 300-400 tonnes, against the usual 125-135 tonnes. "The exchange of old jewellery for new one has been up these days," he added.

Two quarters of slackened demand has put pressure on jewellers, who are doling out incentives and offers to meet their sales targets. In Q1 of 2012, gold demand was down 29 per

cent, and in Q2, it further declined 38 per cent, against the corresponding quarters in 2011.

"Jewellers are waiving part of making charges and wastage. This will put pressure on margins, but is expected to drive volumes," said Vinod Haya-griv, managing director, C Krishniah Chetty and Sons.

Tata's jewellery retail brand Tanishq too, has been active in marketing these days. "Sales in the past two quarters have been lesser due to several reasons and there is a pent-up demand among buyers," said Sandeep Kulkarni, VP, Tanishq. However, Arora believes that customers cannot be lured to stores by discounts and offers. They will buy gold when there is a good correction and prices stabilise at lower levels.