

WEALTH MANAGEMENT



# The Gold Rush

The evolution of traditional investment in gold has turned new chapters as the country sees a dazzling future of the Indian bullion industry. A renowned expert in bullion trading, Prithviraj Saremal Kothari, Managing Director, RSBL shares his views.



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**T**he word 'Gold' conjures up different images in the minds of people across the globe. It is the most expensive and sought after yellow metal and has probably gone down in the annals of history as having had wars fought over, and people dying in their search to find the ultimate in precious metal.

In India, the glittering metal is considered as an important savings and investment instrument and is the second most preferred investment option after bank deposits. Gold is most convenient to store and according to common belief, is a hedge against inflation. In the jewellery form, it protects against depreciation, such as what the Indian rupee is experiencing against the US Dollar. Indians are known to be people who love to save and invest whenever possible. It is believed that Indians will buy gold and then save money.

#### Market Trends

While the tendency to hoard gold is also well ingrained in the Indian society, domestic procuring is dictated by elements such as monsoon, harvest and the wedding season. Indian jewellery off-take is sensitive to price rise and even more so to volatility.

While there are no official figures about how much Indians invest in physical gold, in the form of gold bars and jewellery, according to estimates from the World Gold Council, the investment demand in India has grown from about 16 per cent of total imports in 2003-04 to over 35 per cent in 2012-13. The All India Gems and Jewellery Trade Federation representing Indian jewellers, estimates that between 30 and 35 per cent of gold imports are used for meeting investment demand in the form of gold bars and coins. Of the approximately 1,000 tonnes of gold being imported annu-

ally in recent years, an estimated 350 tonnes is for investment purposes with most of the rest going into jewellery.

However, during the last year or so, the demand for gold has considerably gone down. As a bullion dealer mentioned, we have witnessed a drop in the demand for gold in recent times. In 2013, the demand for gold dropped more than 25 per cent, thus giving negative returns. If the United States' economy does not show signs of improvement, gold will no longer be considered a safe asset. This goes hand in hand with government policies to curb imports, fluctuating and extreme volatile markets, and lower purchasing power in a deteriorating economy. This year the demand for silver has been higher than that of gold. As it is rightly said, silver is the poor man's metal. Moreover, since prices are high, many established buyers are entering the market for silver.

