



INDIA'S GOLDEN ERA - THE AGE OF KALIYUG

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THE AGE OF KALIYUG

INDIA -
THE CORNERSTONE OF THE GOLD
MARKET. BUT WHAT OF THE FUTURE?

VIRTUAL METALS RESEARCH & CONSULTING LTD AND
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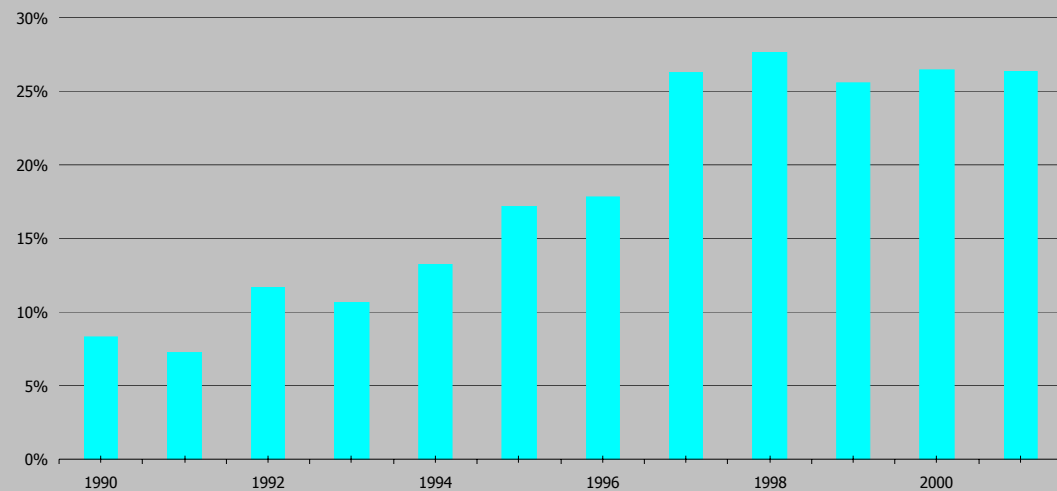
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WHY INDIA?

INDIA TAKES A
QUARTER OF
ALL NEW MINE
OUTPUT

Indian gold demand

As % share of total mine output

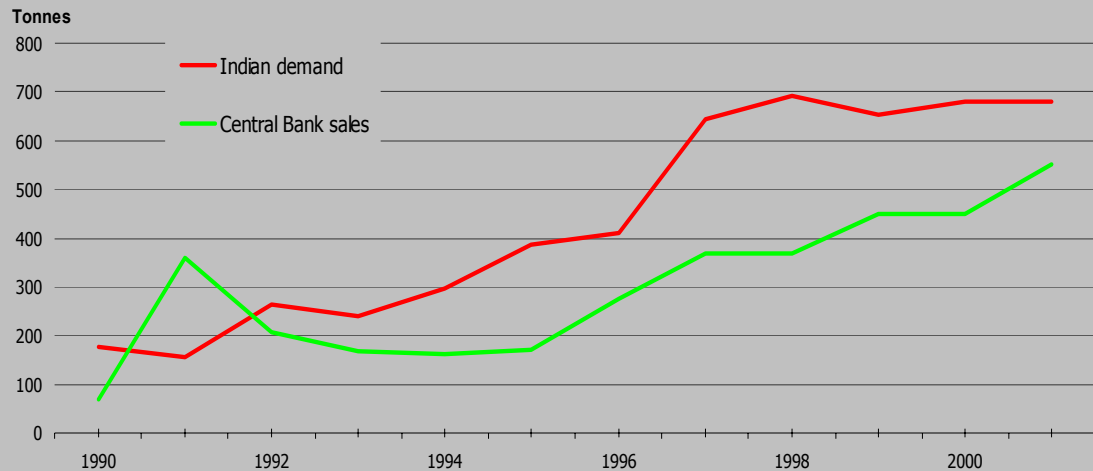


PROPPING UP THE MARKET

INDIA HAS
BOUGHT WHAT
THE OFFICAL
SECTOR HAS
SOLD

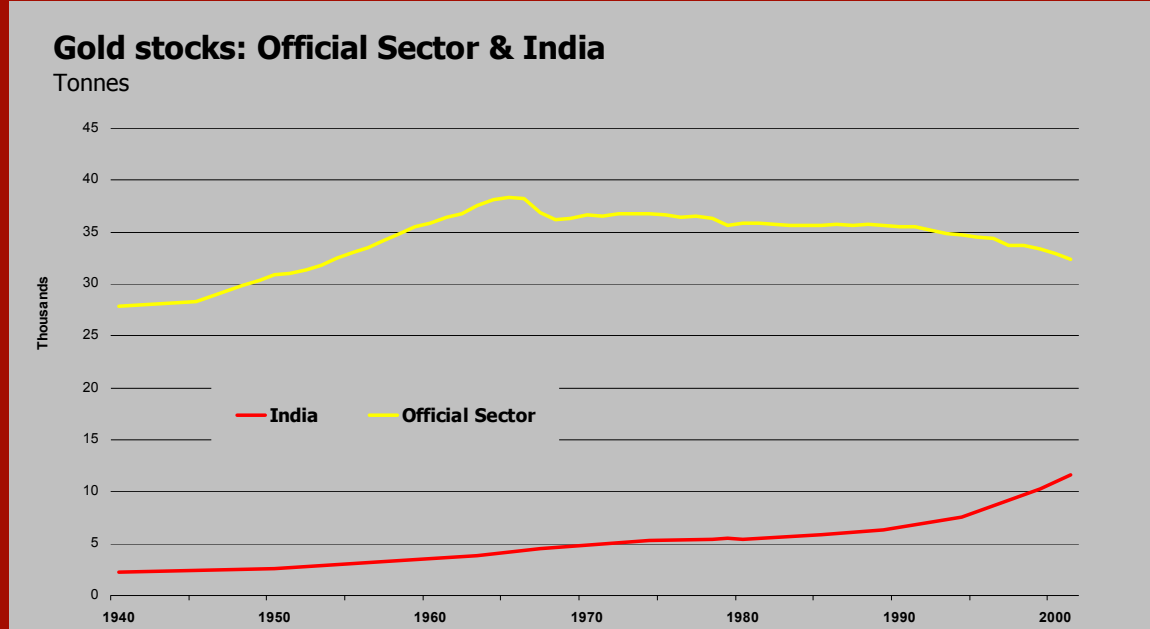
India absorbs the central banks sales

Tonnes a year



INDIAN INVENTORY

INDIA HOLDS A
THIRD AS MUCH
GOLD AS THE
ENTIRE OFFICIAL
SECTOR



INDIA: THE 1990s

- **STRONG GROWTH UP TO 1998**
- **TRIGGERED BY THE REPEAL OF THE GOLD CONTROL ACT**
- **FROM 1998 MARKED DECLINE IN INTEREST**

PERIOD OF GROWTH

- **CONTROLS RESULTED IN PENT-UP DEMAND**
- **LIBERALISATION COINCIDED WITH ECONOMIC REFORM**
- **JEWELLERY BUYING MIRRORED STRONG OVERALL ECONOMIC GROWTH**
- **LOCAL PRICE ENJOYED STEADY AND CONSISTENT RISE**
- **THE FIRST RUPEE GOLD PRICE FALL IN 1997 WAS SEEN AS A BUY SIGNAL**

1998 WINDS OF CHANGE

- **STATIC LOCAL GOLD PRICE UNDERMINED INVESTMENT**
- **MORE OLD JEWELLERY RECYCLED TO FUND NEW PURCHASES**
- **INCREASED EXPENDITURE ON OTHER LIFESTYLE PRODUCTS**
- **SLOWING RURAL ECONOMY**
- **DIAMONDS AGGRESSIVELY MARKETED**
- **HALLMARKING UNDERMINED PROFIT MARGINS**

WHERE HAS THE INDUSTRY GONE WRONG?

- **APPLIED WESTERN NORMS AND VALUES**
- **FAILED TO UNDERSTAND LOCAL NUANCES**
- **ASSUMED A “NATURAL AFFINITY”**
- **TOOK ITS EYE OFF THE BALL**

WHAT IS THE INDUSTRY UP AGAINST?

- **GOVERNMENT STILL ANTAGONISTIC TOWARDS GOLD**
- **WESTERNISATION OF THE TOP END IS ERODING GOLD'S STATUS AMONG THE RICHEST**
- **DIAMONDS ENCROACHING ON GOLD'S DOMINANT POSITION; DE BEERS NOW TARGETTING DOWNWARDS**
- **PLATINUM INDUSTRY – SNIFFING AT THE EDGES**

CAN'T WE JUST IGNORE THIS?

- **ONLY IF YOU ARE HAPPY WITH MORE DEMAND MET BY INCREASED RECYCLING OF OLD GOLD**
- **THIS COULD MEAN INDIA SHRINKS BY 200-300 TPA**



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