

Surat diamond traders suffer jolt of Rs 150cr in three days

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Surat: Dozens of traders and small manufacturers in Surat are at the receiving end as four polished diamond traders operating from Bharat Diamond Bourse (BDB) at Bandra Kurla Complex (BKC) have defaulted on payments to the tune of over Rs150 crore in the last three days.

Market sentiments in Surat and Mumbai are at an all-time low following Rs500 crore of defaults reported in the diamond industry in the last two months.

Industry sources said two diamond traders operating at BKC had supplied polished diamonds worth Rs75 crore, purchased from over two dozen traders in Mumbai and Surat, to a trading firm in China. The Chinese firm has defaulted on the payment that is due to the Mumbai-based parties. The diamond traders in Mumbai disappeared from the market two days ago.

In another instance, two other diamond traders defaulted on payments worth Rs70 crore due to losses in the trade in the last one year. One of the traders based at BKC has offered to repay the amount to the creditors by selling off his office.

When diamond traders receive large sums of money on credit and have between one and four months to repay it, some of them use it to make short-term investment to secure additional profits. Many in the industry believe that faith and trust, which are pillars of the industry, have been shaken due to the activities of unscrupulous elements and fly-by-night operators.

A senior functionary of Gems and Jewellery Export Promotion Council (GJEPC) told TOI, "The confidence of genuine people in the city has been shaken in the last few months. We have to work to win back the trust of people in the industry."

Aniruddha Lidbide, diamond analyst, said, "There is a tendency among diamantaires to divert money to real estate and stock exchange. If the diamantaires lose money, they default on payments to other merchants. It is high time the industry abolishes credit system and introduces know-your-customer norms."

If the total default in the last one-and-a-half-year is considered, then diamantaires may have lost close to Rs3,500 crore. At least 60% of this amount belonged to diamond merchants and manufacturers from Surat.

Diamond trade recovering

Despite increasing defaults in the diamond industry since January 2016, India's diamond trade seems to have recovered in April. The data published by GJEPC suggested that polished diamond exports in April 2016 increased by almost 15% in rupee terms at Rs11,834 crore compared to Rs10,263 during the same month in the previous year. Likewise, the import of rough diamonds rose by a staggering 45% at Rs12,505 crore compared to Rs8,601 crore during the same month in the previous year.

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