

PRESS RELEASE  
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## Indian Cut & Polished Diamond exports to contract to decadal low in FY2025; sector outlook remains Negative: ICRA

- **Industry reeling under high inventory levels**
- **Rough-polished price differential to remain under pressure, which will trim operating profit margin (OPM) of the industry by around 60-70 bps in FY2025 amid subdued demand conditions**

ICRA expects India's Cut & Polished Diamond (CPD) exports to decline to decade low levels of \$12.5-13.0 billion, reflecting a YoY contraction of 18-19% in FY2025, led by a 13-14% decline in volumes along with the softening of average realisations by 5-6%. According to ICRA's recent note on the sector, CPD exports from India contracted by 28% in FY2024, led by the worsened global macro-economic conditions and increased competition from lab-grown diamonds (LGD). With sustained subdued demand conditions in the two key consuming markets – the US due to inflationary pressures and China on account of changing consumer preferences away from diamonds, the downturn in exports continues, with the industry witnessing a 19% YoY contraction in CPD exports in 4M FY2025. While some sequential improvement in volumes is expected in the coming months, driven by the onset of the festive season, the same will be offset by continued pressure on polished prices, especially given the current high inventory levels. The rating agency has thus retained its sector outlook at Negative.

According to **Sakshi Suneja, Vice President & Sector Head – Corporate Ratings, ICRA**: “The CPD players have been facing a persistent demand slowdown in the US and China due to weak economic conditions and continued inflationary pressures. Demand from China has been additionally impacted by the renewed popularity of gold amid economic uncertainties prevailing in the country. Besides, geopolitical tensions and restrictions imposed by G7 countries on Russian diamonds have impacted demand across Europe. Furthermore, lab-grown diamonds, which are priced significantly lower than natural diamonds, continue to impact the demand for large-sized diamonds in the range of one to three carats. India remains the only bright spot globally, with increasing preference for diamond-studded jewellery.”

The polished prices have been declining since April 2022 following a demand slack, dropping to an all-time low in August 2024. The pressure on the polished prices is expected to continue in H2 FY2025 as well despite the onset of the festive season, as CPD players offload their current high inventory. Rough prices, which saw some correction in recent months, are now expected to remain firm as most miners have announced production cuts in FY2025 to match the demand. This, coupled with intensified sanctions on Alrosa PJSC, the third largest roughs' supplier, by G7 nations, should restrict any further price correction in roughs. Consequently, the rough-polished differential is expected to remain under pressure. This, along with reduced scale of operations, will shave off 60-70 bps of OPM of Indian diamantaires in FY2025, in ICRA's assessment.

**Suneja** further added: “The credit profile of Indian CPD players weakened in FY2024 due to stretched working capital cycle led by inventory pile-up amid a slowdown in demand and increase in global lending rates. The credit profile of the CPD players is likely to remain subdued in FY2025 following the reduced scale of operations, lower profitability and continued stretched working capital cycle. However, the impact of decadal low levels of scale of operations will be less pronounced in some entities, which can control their working capital efficiently and limit its dependence on external debt. Thus, inventory management will be critical from the credit perspective.”

ICRA expects the interest cover of CPD entities in its sample set to moderate to 2.7-2.8 times in FY2025 (vis-à-vis 3.0 times in FY2024 and 4.6 times in FY2023), with total outside liabilities to tangible net worth at 1-1.2 times as on March 31, 2025 (vis-à-vis 1.0 times as on March 31, 2024, and 1.2 times as on March 31, 2023).

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