

# INDIAN CUT AND POLISHED DIAMOND (CPD) INDUSTRY

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**Mounting demand woes for the  
Indian CPD industry**

**JUNE 2025**



# What's Inside

## 1 Indian CPD volume and price trends



## 2 Increasing presence of lab-grown diamonds



## 3 Financial performance of the industry



## 4 ICRA ratings in the CPD Industry





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*ICRA's continued Negative outlook on the CPD sector reflects the opinion that intensified competition from LGDs and anticipation of adverse impact of US tariff imposition will put further pressure on the industry*



- **ICRA expects the Indian cut & polished diamonds (CPD) exports to further decline by 7-10% in FY2026 on a YoY basis to about \$12 billion, after witnessing 20-year low exports in FY2025.** This is largely attributable to pressure on demand in US, exacerbated by uncertainties surrounding imposition of US tariffs. ICRA has thus, maintained its sector outlook at Negative.
- **In FY2025, CPD exports from India contracted by 17% to \$13 billion** led by worsened global macro-economic conditions and increasing competition from lab-grown diamonds (LGD) and fancy-coloured diamonds (FCD). Driven by shift in consumer preferences for comparatively inexpensive diamonds and their perception of LGD's ethical sourcing, these diamonds have gained momentum with their market share increasing to 8% of polished diamond exports in FY2025 vis-à-vis 1% in FY2019.
- **While the prices of rough diamonds declined by 8% in FY2025 as miners affected price cuts to boost demand, any considerable correction in rough prices in the near term is unlikely.** Miners are expected to curtail their production output in FY2026; controlled supply shall keep rough prices at their current level.
- **Polished diamond prices dropped to an all-time low in H2 FY2025, as demand remained tepid,** resulting in the polished diamond prices in FY2025 declining by 7% YoY, after a 17% YoY fall in FY2024. Q1 is generally a slow quarter for the industry, which coupled with the evolving tariff situation, is expected to result in rangebound polished prices in H1 FY2026.
- **In FY2025, the operating profit margin (OPM) of ICRA's sample set of CPD companies declined by around 400 basis points to ~4.0%,** led by negative operating leverage. ICRA expects the OPM for entities in its sample set companies to decline further to ~3.6-3.7% in FY2026, as the extent of passing on the price increases led by US tariff imposition remains limited in the backdrop of restrained demand.
- **The credit profile of Indian CPD players is likely to remain subdued in FY2026** amid reduced earnings and stretched working capital cycle. Going forward, inventory management will remain critical from the credit perspective.

# Sector outlook remains Negative

## FY2024-FY2025

- Led by weak macro-economic conditions, tightening of surplus liquidity as well as the preference for other spending avenues, such as travel and hospitality and a growing market for LGD, CPD exports declined YoY by 28% in FY2024.
- In FY2025, CPD exports from India dropped further by 17% YoY led by demand slowdown in the US and China, the two key consuming markets.

## FY2026E

- The volumes are expected to witness further sequential decline in H1 FY2026, led by additional demand pressures emanating from uncertainties around US tariff imposition and continued subdued offtake from China. ICRA estimates CPD exports from India to contract by 7-10% YoY in FY2026 to \$12 billion.

**Outlook - Negative**



**Outlook – Negative**



**With high inflation having reduced discretionary spending globally, the Indian CPD industry is staring at another demand downturn due to imposition of tariffs by the US, which will impact the CPD exports from India**



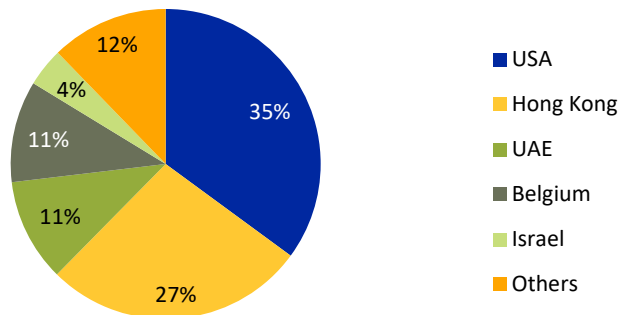
## Indian CPD volume and price trends

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*Exports to remain impacted in FY2026 given the global demand slump along with uncertainty regarding US tariffs*

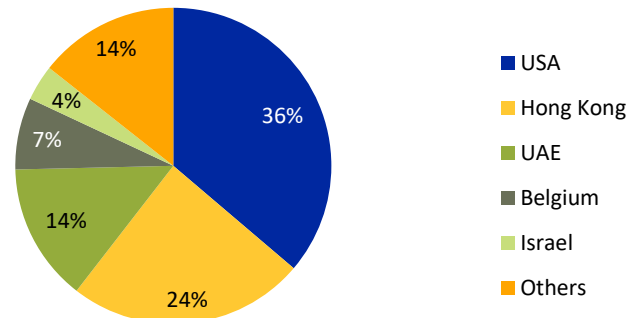
# US and China remain the key consuming hubs for polished diamonds

Exhibit: Country-wise exports of CPD from India (FY2024)



Source: Gems and Jewellery Export Promotion Council (GJEPC), ICRA Research

Exhibit: Country-wise exports of CPD from India (FY2025)

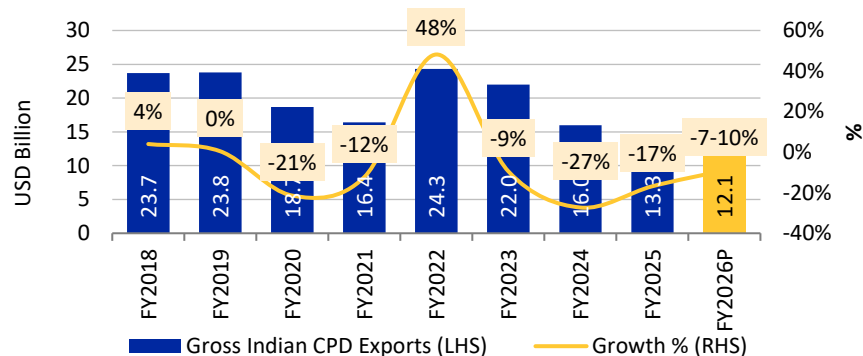


Source: GJEPC, ICRA Research

- US and China (exports routed through Hong Kong) remain the primary destinations for India's polished diamond exports. Their contribution within the export mix reduced from 67% in FY2022 to 60% in FY2025, indicating a sharper slowdown in these markets as compared to the overall CPD exports.
- With effect from April 9, 2025, the US imposed a reciprocal tariff of 27% on imports of CPD from India. The implementation of the same was paused by the US for 90 days from April 10, 2025, following which a baseline tariff of 10% is applicable for the 90-day period.
- This tariff hike shall adversely impact the overall quantum of direct Indian CPD exports to the US. Nonetheless, some comfort can be drawn from the fact that Q1 of a financial year is typically an off-season for the industry. In case there is an increase in tariff rate beyond 10% post this 90-day period, Indian diamantaires may shift exports to trading hubs like Dubai, Belgium and Israel to re-route to the US, given the lower import tariff (10%) for these countries.
- Diamantaires expect some pickup in end user demand from the US in H2 FY2026, led by revival in sales of bridal jewellery. However, end user demand from China is expected to remain subdued, with no signs of any significant improvement in the near term.

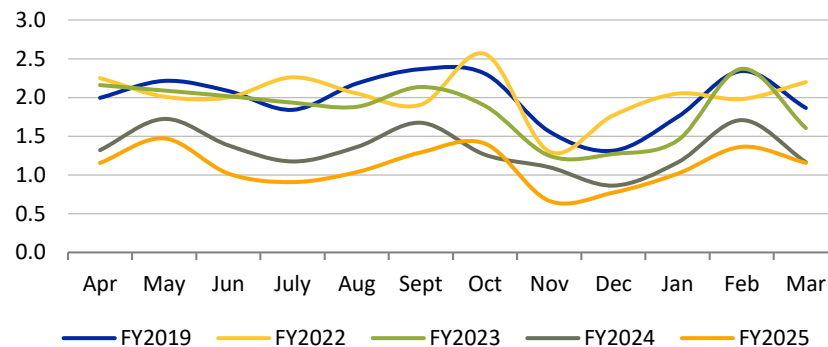
# Indian CPD exports set to contract further in FY2026

Exhibit: Trend in CPD exports from India (\$ billion)



Source: GJEPC, ICRA Research

Exhibit: Monthly trends in CPD exports from India (\$ billion)



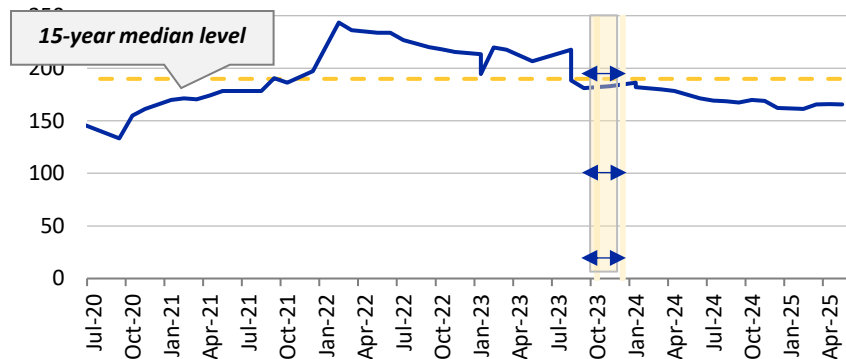
Source: GJEPC; ICRA Research

- In line with ICRA's expectations, the CPD exports from India contracted YoY by 17% to \$13.3 billion in FY2025. This was led by a 10% decline in volumes and 7% drop in average polished diamond prices. Increasing competition from LGDs, high inflation across the globe and declining demand from China have been the key reasons impacting the demand for natural diamonds. While China has resumed some diamond purchases in February 2025, ICRA does not expect the same to increase in a meaningful way in FY2026.
- The demand pressures continue in the current fiscal, with Indian CPD exports declining by ~4% YoY to \$1.1 billion in April 2025, led by 11% drop in volumes offset to a certain extent by an 8% increase in average polished realisation. Some of the CPD players had already shipped\* large quantities in March 2025 in anticipation of tariffs, additionally contributing to the decline in volumes in April 2025.
- ICRA expects CPD exports from India to contract by 7-10% in FY2026, emanating from volume decline in H1 FY2026 amid tariff uncertainties and continued subdued demand across the globe.

\*shipped to their respective marketing entities in US; however, the same is yet to be offloaded in the market.

# Rough diamond prices to remain range-bound

Exhibit: Rough diamond price index




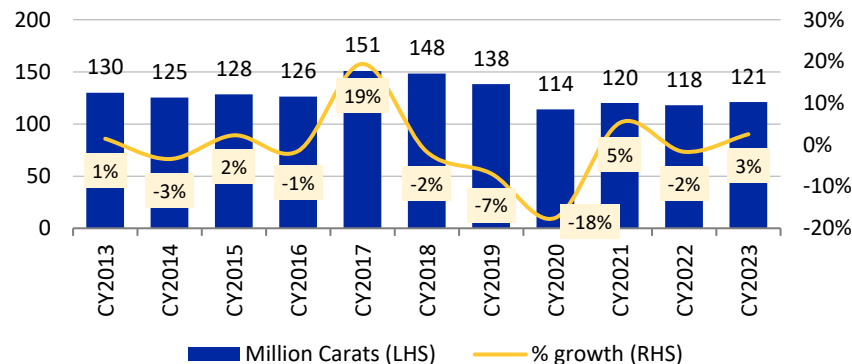
Source: Bloomberg, ICRA Research; Note : Jan 2009=100,  Voluntary moratorium of rough purchases by Indian CPD players

Exhibit: Trend in global rough diamond production



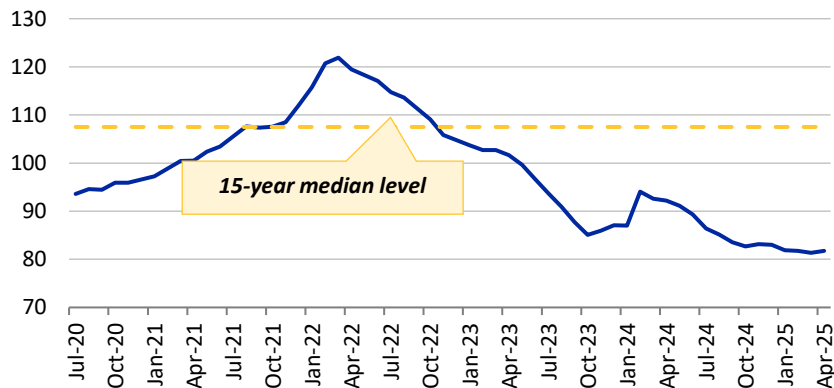
Source: Kimberley process; ICRA Research, CY2024 data not available

- The prices of rough diamonds have been trailing the 15-year median since H2 FY2024. The industry witnessed a YoY average decline of 17% in rough prices in FY2024, with a further contraction of 8% in FY2025, as miners reduced prices and offered discounts to spur demand.
- In CY2024, De Beers' total diamond production contracted by 22% to 24.7 million carats, compared to 31.86 million carats in CY2023. De Beers continues to manage output cautiously to adjust in line with market conditions with production guidance of 20–23 million carats in CY2025, depicting a further decline of ~13%.
- ICRA expects the mining output to remain curtailed in FY2026, which would restrict any further material correction in rough prices.



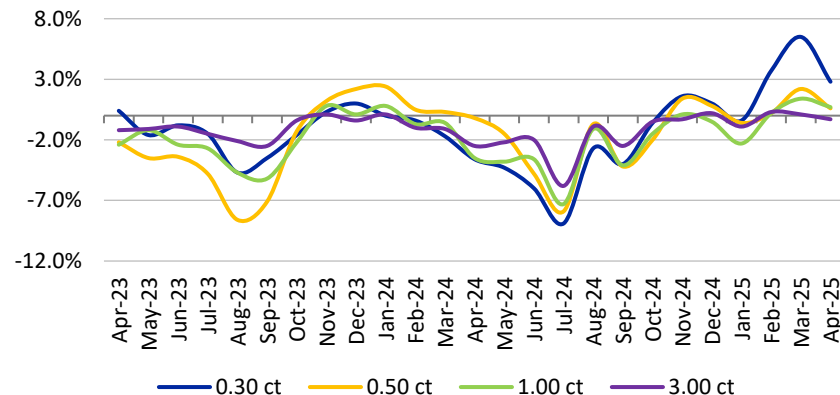
# Polished diamond prices to remain under pressure

Exhibit: Polished diamond price index



Source : Bloomberg, ICRA Research; Note : Jan 2009=100

Exhibit: MoM change in polished diamond prices (by diamond size)

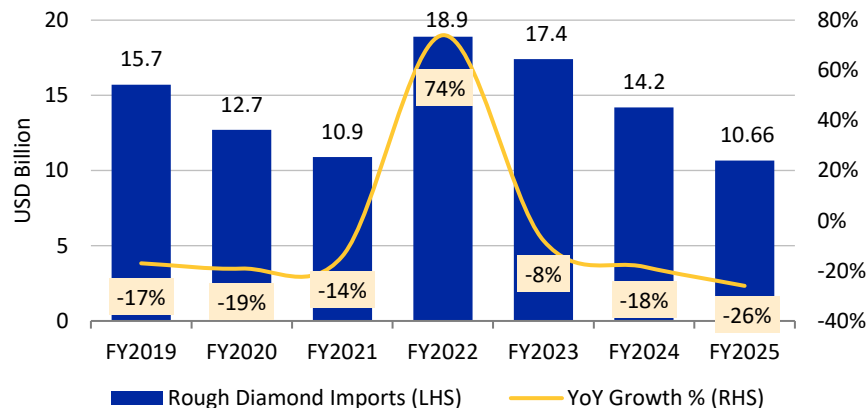


Source: Rapoport, ICRA Research

- Polished diamond prices have been softening since April 2022 amid slowdown in US demand and growing preference for LGDs and FCDs, in turn impacting demand for large carat sized natural diamonds.
- The prices dropped to an all-time low in H2 FY2025, as demand remained tepid. The CPD players also offloaded inventory in March 2025 prior to implementation of the US tariff. Overall, polished diamond prices declined by 7% in FY2025, after a 17% YoY fall in FY2024.
- Q1 is generally a slow quarter for the industry, which, coupled with the evolving tariff situation, is expected to result in range-bound prices for polished diamonds in H1 FY2026. Movement in polished prices, thereafter, will be driven by the uptick in demand for polished diamonds.

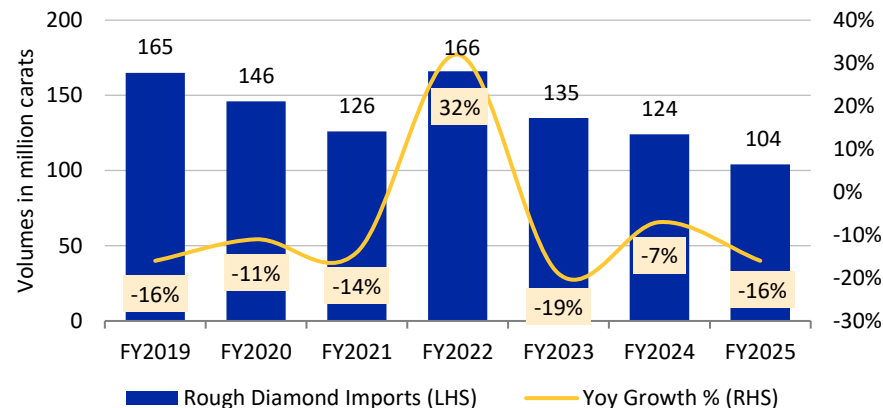
# Consistent decline in import of roughs (volumes) during last three years

Exhibit: Trend in rough diamond imports to India (value)



Source: GJEPC; ICRA Research

Exhibit: Trend in rough diamond imports to India (volumes)

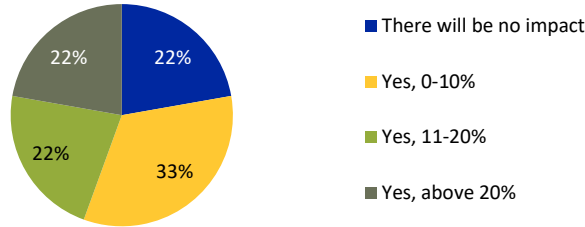


Source: GJEPC; ICRA Research

- Rough diamond imports (in volume terms) into India are a leading indicator of the global demand of CPDs. In FY2025, while the volumes declined by around 16% on a YoY basis (despite a lower base), overall imports in value terms dropped sharply by 26% YoY due to an 11% moderation in average rough prices.
- While anticipating a slowdown in demand, CPD players managed the inventory levels in FY2025 by reducing rough procurement and cutting back on production, followed by extended seasonal holidays in Q3 FY2025. Moreover, to save the additional cost led by US tariffs, most of Indian CPD exporters increased the shipments to the US in March 2025, thus leading to controlled inventory levels at the year-end.
- ICRA's channel checks suggest that the CPD players remain reluctant to buy roughs amid sluggish overseas demand as well as the evolving tariff situation.

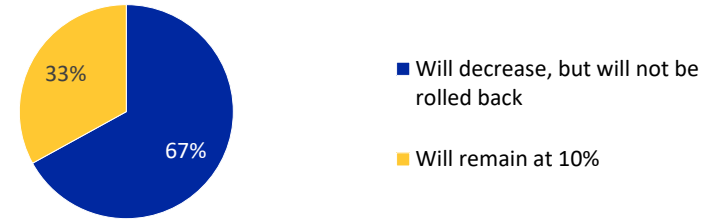
# Pulse check – ICRA’s channel check findings on the impact of US tariffs on the CPD Industry

**What will be the volume impact on exports to US year-on-year, due to the additional levy?**



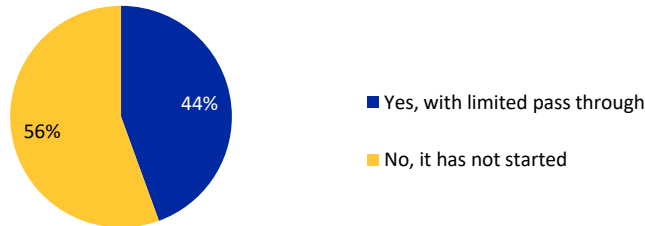
*More than 75% of CPD players expect volumes to be impacted due to US tariffs.*

**Tariff expectations post the 90-day period**



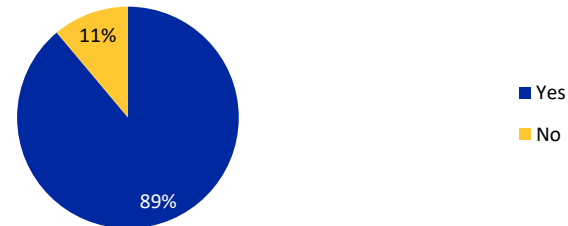
*Most of the CPD players are optimistic about decline in US tariff rates from the current level of 10%*

**Have the negotiations with customers started on the revised tariffs and what has been the extent of passing on of prices?**



*Ability of the CPD players to pass on the additional costs will remain a key monitorable.*

**Are the CPD entities expected to reroute the exports post the termination of 90-day period via regions where tariffs would be lower than India (such as the UAE)?**

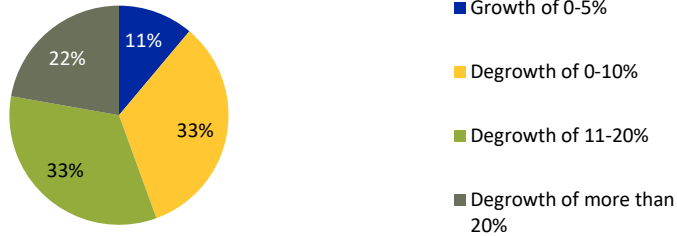


*89% of the respondents expects rerouting of exports to some extent*

*Source: ICRA Research; Survey comprises aggregate of 10 CPD entities; channel check conducted during June 2025*

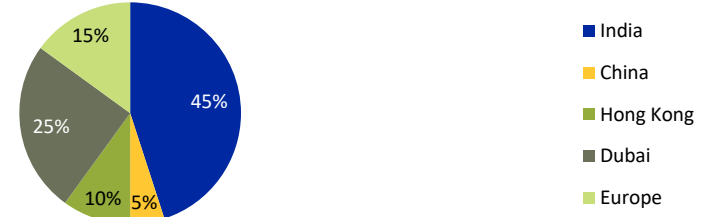
# Pulse check – ICRA’s channel check findings on the impact of US tariffs on the CPD Industry

## Overall expectations for polished diamonds volume growth in FY2026



56% respondents expect decline in the polished diamonds volume by more than 10%.

## Which region will experience YoY volume growth in FY2026?



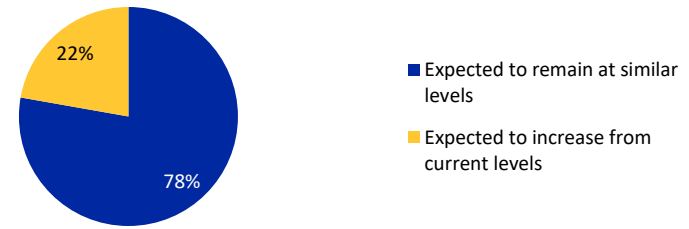
Despite the uncertainty in the key consuming markets, India is likely to remain a sliver lining for CPD players.

## Which carat size will experience YoY growth in FY2026?



Most CPD players expect growth in large carat size diamonds.

## What is the expectation for polished diamond prices in FY2026?

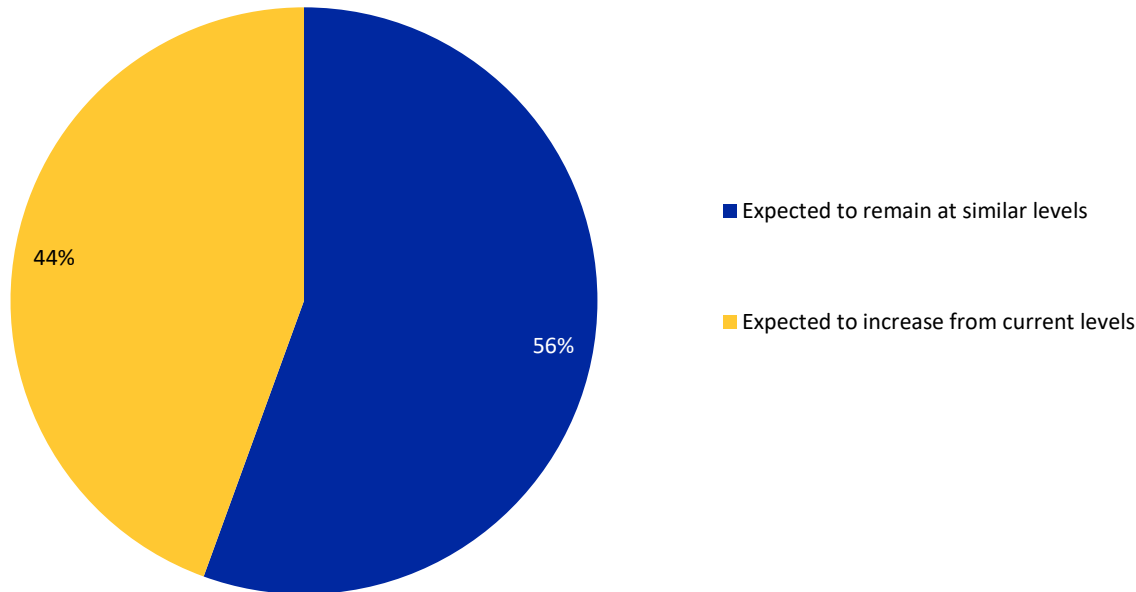


There is an expectation of stable polished prices in the current year

Source: ICRA Research; Survey comprises aggregate of 10 CPD entities; channel check conducted during June 2025

# Pulse check – ICRA's channel check findings on the impact of US tariffs on the CPD Industry

What is the expectation for rough diamond prices in FY2026?



56% respondents expect rough diamond prices to remain steady.

Source: ICRA Research; Survey comprises aggregate of 10 CPD entities; channel check conducted during June 2025

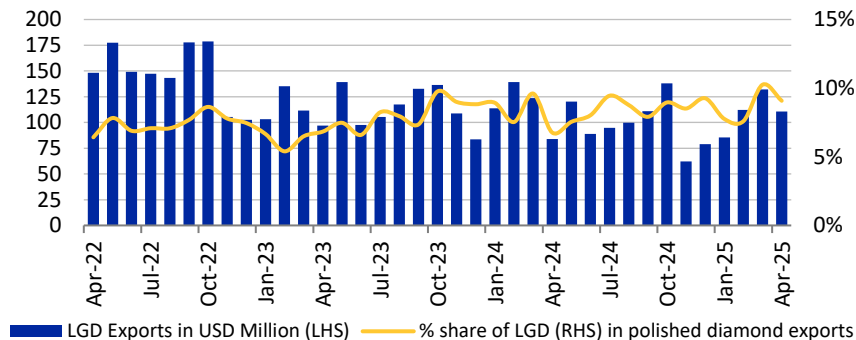


**Increasing competition from LGDs and FCDs**

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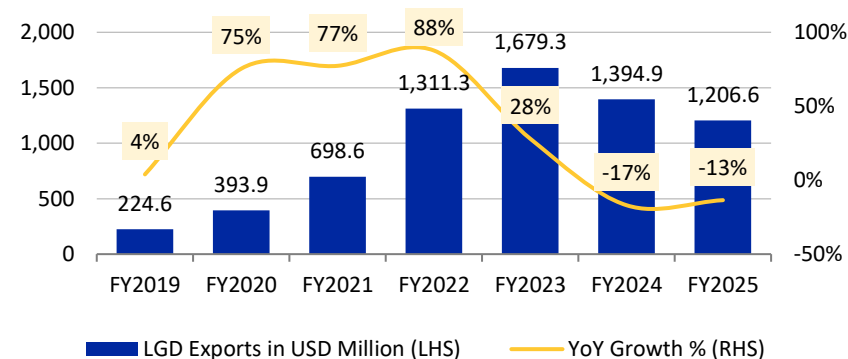
# LGDs continue to gain market share

Exhibit: Trend in monthly LGD exports from India



Source: GJEPC; ICRA Research; % share of LGD is calculated as  $[LGD \text{ exports} / (LGD + CPD \text{ exports})]$

Exhibit: Yearly LGD export trend from India

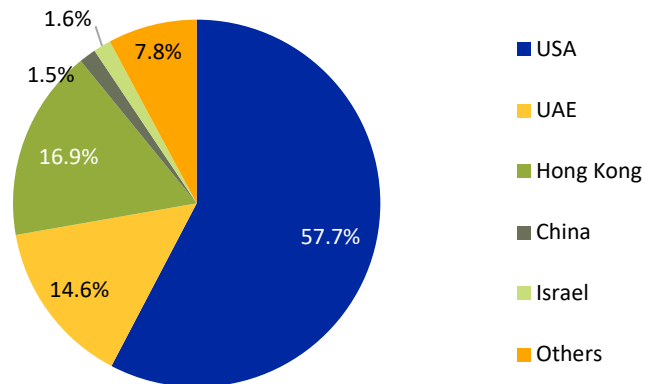


Source: GJEPC; ICRA Research

- Indian LGD exports grew at a healthy compounded annual growth rate (CAGR) of ~65% between FY2019 and FY2023. However, they witnessed a decline of 17% in FY2024 and a further fall of 13% in FY2025 amid significant correction in LGD prices. The prices have now bottomed out with 80% decline over FY2024 and FY2025 led by technological innovation and increased competition from new players entering the market. The price correction, however, supported healthy volume offtake during the period (volume sales have nearly doubled in the same period).
- The LGD accounted for ~8% of the total polished diamond exports from India in FY2025 (up from 1% in FY2019). The share of LGD within total CPD exports from India continues to rise.
- Given the large cost differential (LGDs are priced at 85-90% discount to natural diamonds), ICRA expects these to continue to hinder the demand for natural diamonds in the near to medium term, especially in large sized carat sizes (1-3 carats).

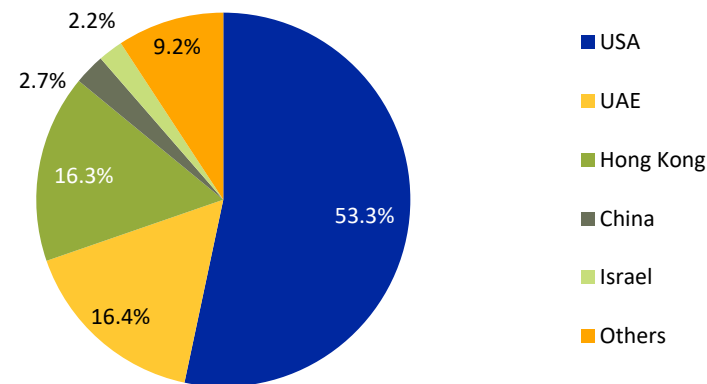
# US and UAE are the key destinations for Indian LGD exports

Exhibit: Country-wise exports of LGD from India (FY2024)



Source: Gems and Jewellery Export Promotion Council (GJEPC), ICRA Research

Exhibit: Country-wise exports of LGD from India (FY2025)



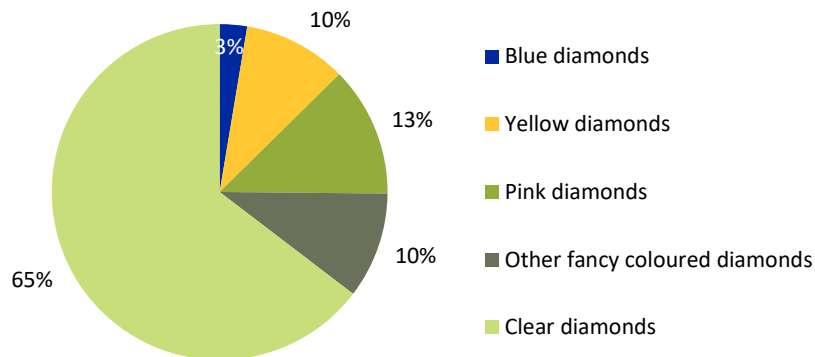
Source: GJEPC, ICRA Research

- The US and the UAE remain the largest consuming markets for India's polished LGD exports.
- The demand for LGDs has accelerated over the last four-five years, driven by a shift in consumer preference for comparatively inexpensive diamonds and their perception of LGD's ethical sourcing. Moreover, persisting inflationary pressures in USA and China further paved the way for increased adoption of the LGDs.
- ICRA expects demand for LGDs to continue to grow at a healthy pace across geographies.



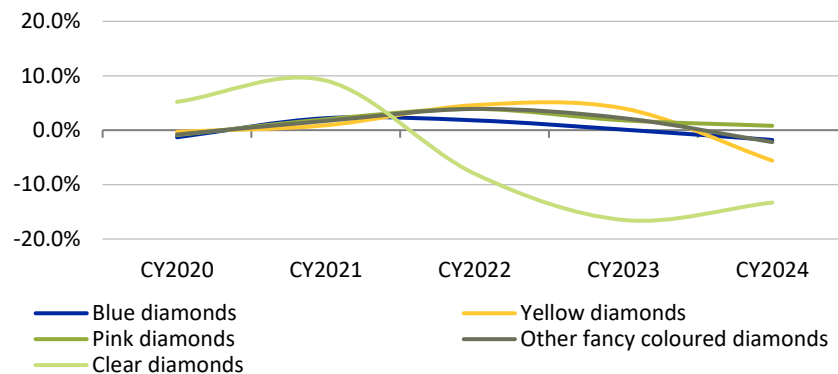
# FCDs display relatively stable demand

Exhibit: Production (by value) of FCDs in CY2023



Source: Kimberley Process; ICRA Research, CY2024 data is not available

Exhibit: Trend in various fancy coloured diamond (FCD) price



Source: Rapaport; ICRA Research

- Given the rare production of natural FCDs, the overall production is dominated by clear diamonds.
- While the prices of clear diamonds have been sequentially declining from March 2022 onwards due to global demand slowdown, healthy demand of FCDs particularly among the youth, has resulted in relatively stable prices in the last five years, despite inflationary pressures. Thus, the CPD entities with higher share of polished FCDs are expected to report better performance in comparison to other CPD players.
- The difference in prices of FCDs vis-à-vis natural diamonds( NCDs) depends upon the color grading scale\*, wherein at higher color quality (such as between L&O), FCDs are able to command premium of 10-15% vis-a-vis NCDs, however in case of lower colour quality, NCDs enjoy better pricing over FCDs by around 30-35%.

\*The scale begins with the letter D, representing colourless, and continues with increasing presence of colour to the letter Z

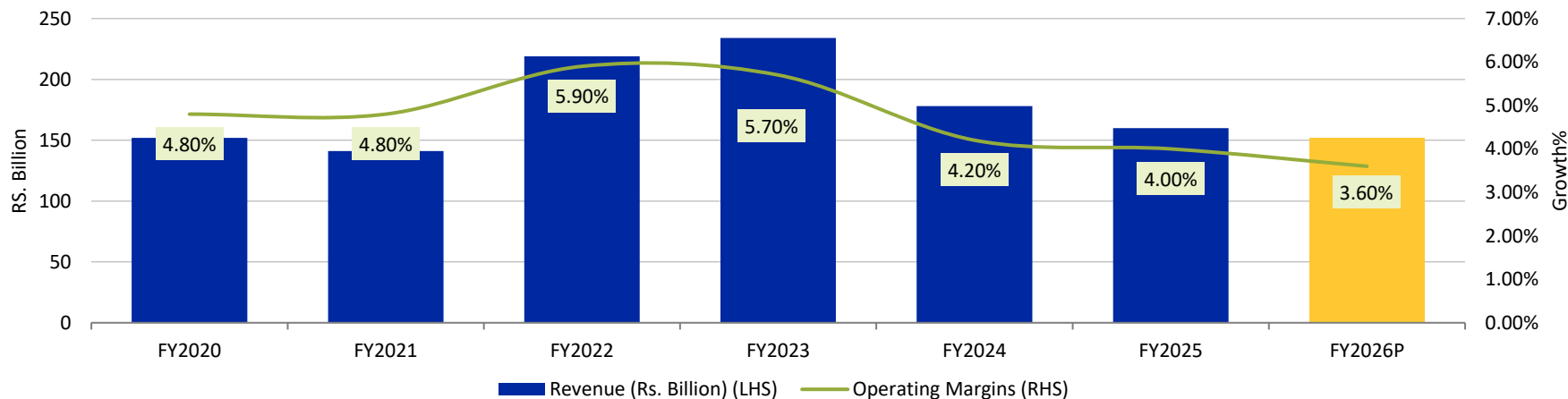


## Financial performance of the Indian CPD industry

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# Earnings to be impacted further

Exhibit: Trends in industry revenues and OPM



Source: Company financials; ICRA Research; Based on aggregate of ICRA-rated 11 players

- ICRA expects a revenue decline of 5-6% in FY2026 for its sample set of companies, given the expected decline in overall CPD exports from India partly offset by the domestic demand.
- ICRA expects the OPM for entities in its sample set companies to marginally decline to ~3.6-3.8% in FY2026 led by expectation of further decline in scale of operations and limited ability to pass on price increases led by US tariff imposition in the backdrop of restrained demand.

# Credit metrics to remain subdued in FY2026

Exhibit: Trends in industry interest coverage ratio

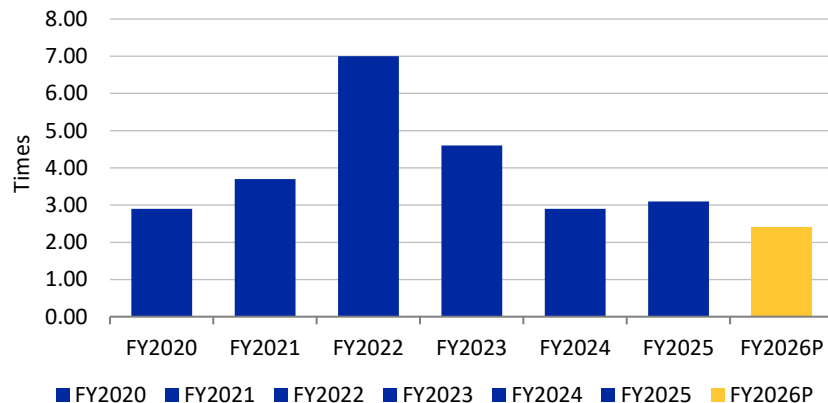
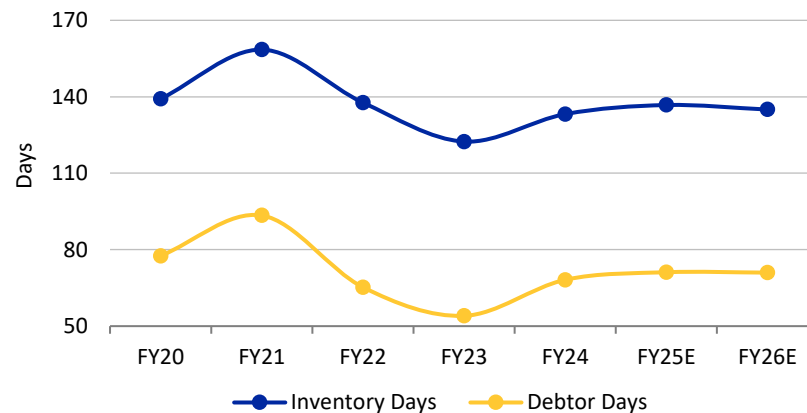


Exhibit: Trends in debtor and inventory days



Source: Company financials; ICRA Research; Based on aggregate of ICRA-rated 11 players

- In FY2025, the working capital cycle for Indian CPD companies remained stretched due to high inventory led by muted demand, though players have tried to offset this through reduced rough purchases. Nonetheless, given the slowdown in sales, overall inventory holding period has increased. Given the moderation in demand, ICRA expects the same to remain elevated in FY2026 as well.
- The credit profile of Indian CPD entities is expected to remain weak in FY2026, characterised by modest earnings and continued stretched working cycle.



**ICRA ratings in the CPD industry**

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# ICRA's rating distribution for Indian CPD companies

Exhibit: Rating distribution of ICRA-rated CPD entities (live ratings)

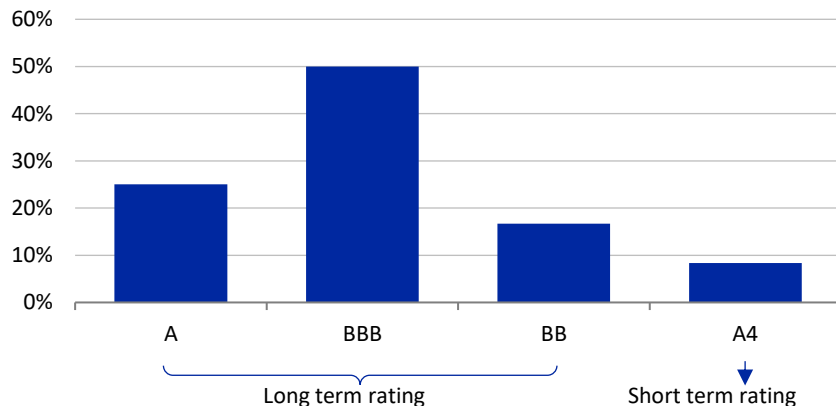
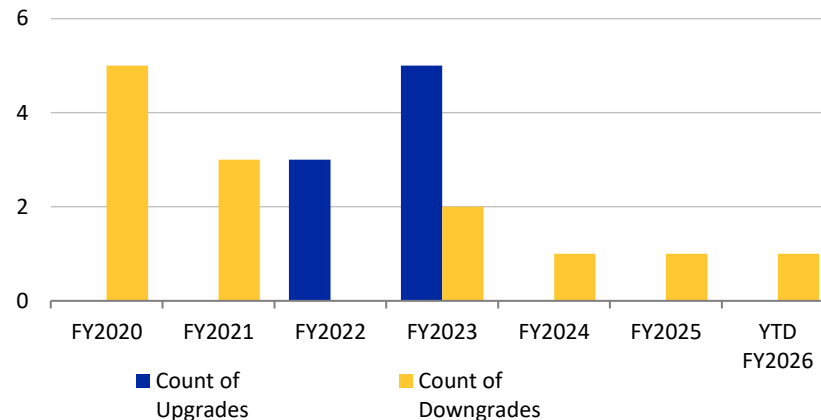


Exhibit: Count of upgrades and downgrades for ICRA-rated CPD entities



Source: ICRA Research; As on May 23, 2025, excluding those in the Issuer non-cooperation category (INC).

- The ICRA-rated universe witnessed one rating downgrade in FY2025, led by expectation of moderated credit profile amid significant decline in revenues by global subdued demand conditions and high working capital intensity of operations, resulting in increased dependence on external debt.
- In YTD FY2026, the rating of one entity has been downgraded given the decline in its earnings and inventory losses in the overseas subsidiaries in the last two years, translating to subdued debt coverage indicators. Additionally, the rating of one entity remained on negative outlook.



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# Thank You!