

CUT AND POLISHED DIAMONDS

ICRA expects share of lab-grown diamonds to rise to 10-12% of total polished diamond exports over the next 2-3 years

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1 Introduction to lab grown diamonds



2 Manufacturing process



3 Major producing and consuming nations



4 Key factors driving growth in LGD



5 Trend in LGD exports from India



6 Key challenges





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Indian LGD exports have grown six-fold from \$225 million in FY2019 to \$1,207 million in FY2025.

Despite the challenging demand conditions for polished diamonds, given the attractive price proposition of LGDs, their share in overall CPD exports has risen to 8.5% in 10M FY2026 from 0.9% in FY2019.



- A lab-grown diamond (LGD) is produced inside a laboratory using technology replicating the formation of a natural diamond. It is optically similar to a natural diamond but priced at a significant (up to 90%) discount to natural diamonds.



- Besides attractive prices, the LGDs have a lower carbon footprint than natural diamonds and are less prone to supply disruptions. There is also greater control over the supply chain, and the diamonds can be produced in different varieties with a high degree of customisation.



- China is the leading producer of LGDs currently with an estimated 45-50% share in terms of volume, followed by India with 25-30% share. India's share in LGD production has increased over the years led by declining cost of production (supported by greater adoption of the chemical vapour deposition (CVD) manufacturing process) and a growing gap between LGD and natural diamond prices.



- The discount in LGD prices (vis-à-vis natural diamonds) has increased from 15% in FY2016 to 90% in FY2025 owing to oversupply and rapid technological advancements. Further, the higher the caratage of LGDs, the larger are the discounts vis-à-vis natural diamonds.



- LGDs have their fair share of challenges as they do not possess any major resale value and are not perceived as 'real' diamonds. Profits of LGD companies depend on their ability to generate high sales volumes.



- ICRA expects LGDs to emerge as a separate category within the fashion and jewellery segment, driven by their attractive price positioning. Their share in total cut and polished diamond (CPD) exports is projected to increase to 10-12% (over 8.5% in 10M FY2026) over the next 2-3 years.



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