

# INDIAN CUT AND POLISHED DIAMOND (CPD) INDUSTRY

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**Indian CPD exports to contract to  
decadal low in FY2025; sector  
outlook remains Negative**

**SEPTEMBER 2024**



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## 1 Indian CPD volume and price trends



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ICRA's continued **Negative** outlook on the sector reflects the opinion that CPD exports are likely to contract to decadal lows in FY2025. The credit profile of Indian CPD players is expected to remain moderate due to a strained working capital cycle and further estimated weakening in OPM.



- ICRA expects Indian cut & polished diamonds (CPD) exports to decline by 18% in H2 FY2025 on a YoY basis despite some recovery in demand during the festive season, resulting in an overall decline of 18-19% in FY2025 to ~\$13 billion. This will mark the decadal low levels of CPD exports from India. ICRA has thus maintained its sector outlook at Negative.



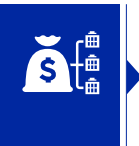
- In FY2024, CPD exports from India contracted by 28% led by worsened global macro-economic conditions and competition from lab-grown diamonds (LGD). With continued subdued demand conditions amid inflationary pressures in the US and changing consumer preferences in China (key consuming markets), the industry witnessed a decline in exports of around 19% in 4M FY2025.



- While the prices of rough diamonds declined by 14% in FY2024 and a further 17% in 4M FY2025, any considerable correction in rough prices in the near term is unlikely. Miners have curtailed their production output in YTD FY2025, and this is expected to continue, going forward. Controlled supply shall keep rough prices at their current level.



- The polished prices have reverted to low levels after some improvement in H1 CY2024. ICRA expects pressure on polished prices to continue, especially since miners are currently sitting on large inventory and will be looking to sell these at discounted prices, particularly in Q3 FY2025 (during US festivities).



- In FY2024, the operating profit margin (OPM) of ICRA's sample set of CPD companies declined by around 100 basis points to ~4.7%, given the unfavourable rough-polished price differential. With continued pressure on polished prices, ICRA expects the OPM of its sample set companies to moderate further by around 60 basis points to ~4.1% in FY2025.



- The credit profile of Indian CPD players is likely to remain subdued in FY2025 amid reduced scale of operations, lower profitability and stretched working capital cycle. Going forward, inventory management will remain critical from the credit perspective.



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