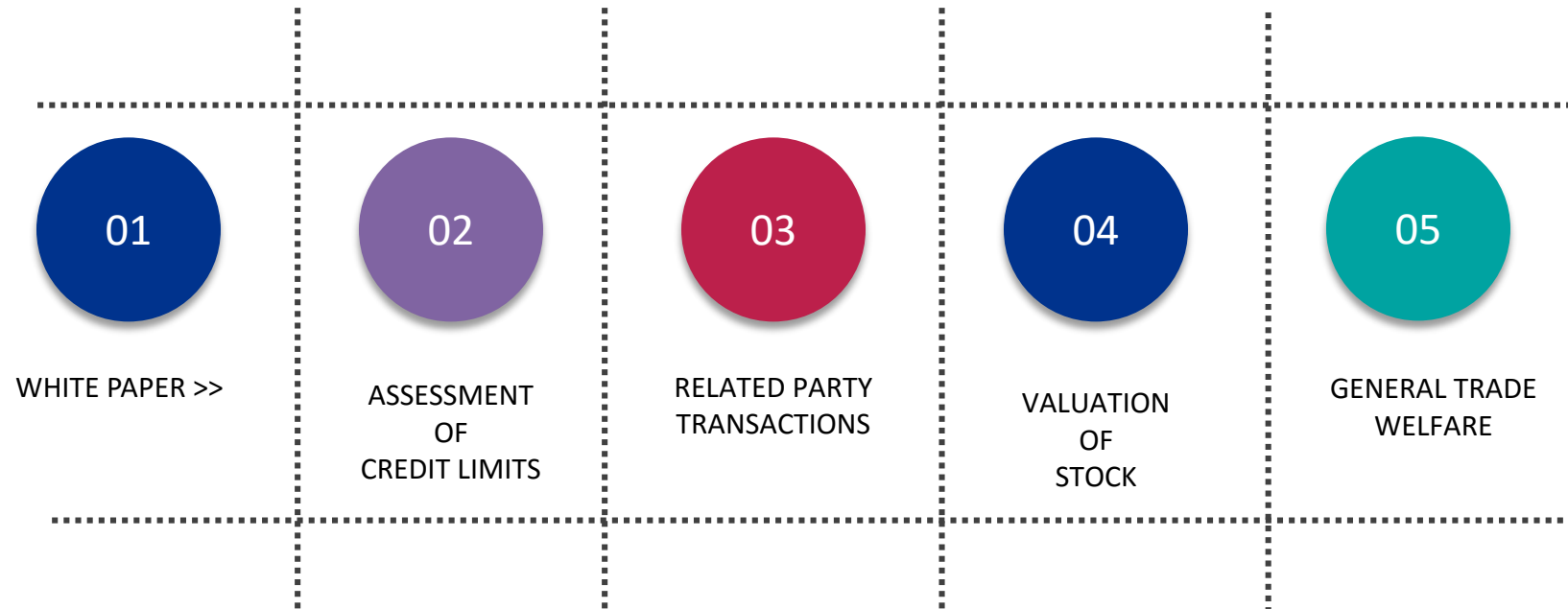


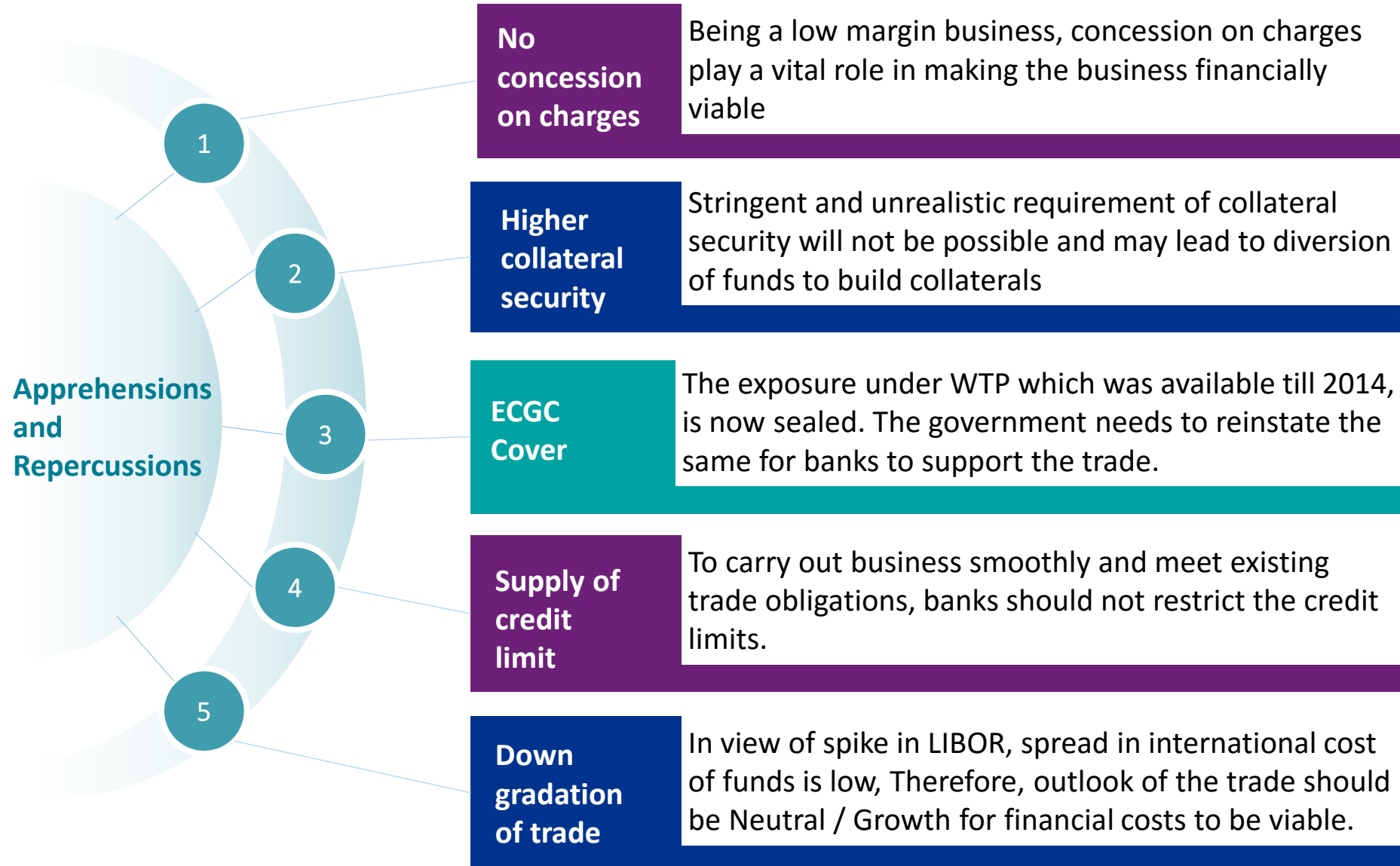
# **White Paper on Diamond & Jewellery Financing 2018**

**May 11, 2018**

# Content



# Assessment of credit limits - I



# Assessment of credit limits - II



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## Council's recommendation to banks and members

|                                    |  |
|------------------------------------|--|
| <b>Data Analysis</b>               | The council will provide critical data analysis at regular intervals, on key observations of the trade that will facilitate banks to assess industry scenario.               |
| <b>Mediation Body</b>              | Formation of an informal arbitration body consisting of bankers, GJEPC and BDB members to be formed to find fair resolutions for NPA management, recovery and disputes.      |
| <b>Fair collateral security</b>    | Quantum of collateral security and concessions should be based on the credit rating, performance, account operations, industry scenario and other external factors.          |
| <b>Credit Risk Mitigation Team</b> | Banks should set up a long term credit risk investigation team to track, monitor and provide intelligence information about trade members, to take informed credit decisions |
| <b>My KYC Bank</b>                 | Insist all members to register under My KYC Bank for better information facilitation and transparency for the banks.   |
| <b>AIDPMS</b>                      | The Government and RBI is recommended to implement an Advanced IDPMS code for banks, so that advance remittances can be tracked and multiple payments can be avoided.        |

# Related party transactions - I

## Necessity for Associate Party Transactions

### Transparency

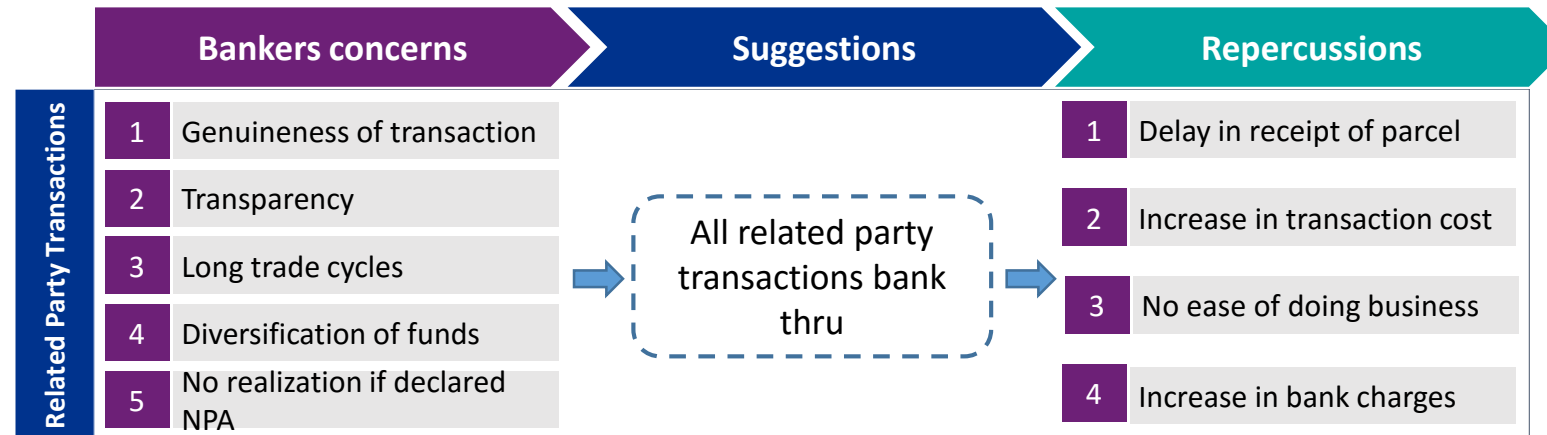
High level of trust and transparency is required to avoid any manipulation and safe keeping of inventory

### Better Reach

Companies in India are primarily looking after manufacturing, while their associates in other countries are looking after sales and marketing.

### Sustainability

Being a low margin business, Diamantaires aim at integrating processes right from sourcing of rough diamonds to marketing of polished stones, to maximize profits.



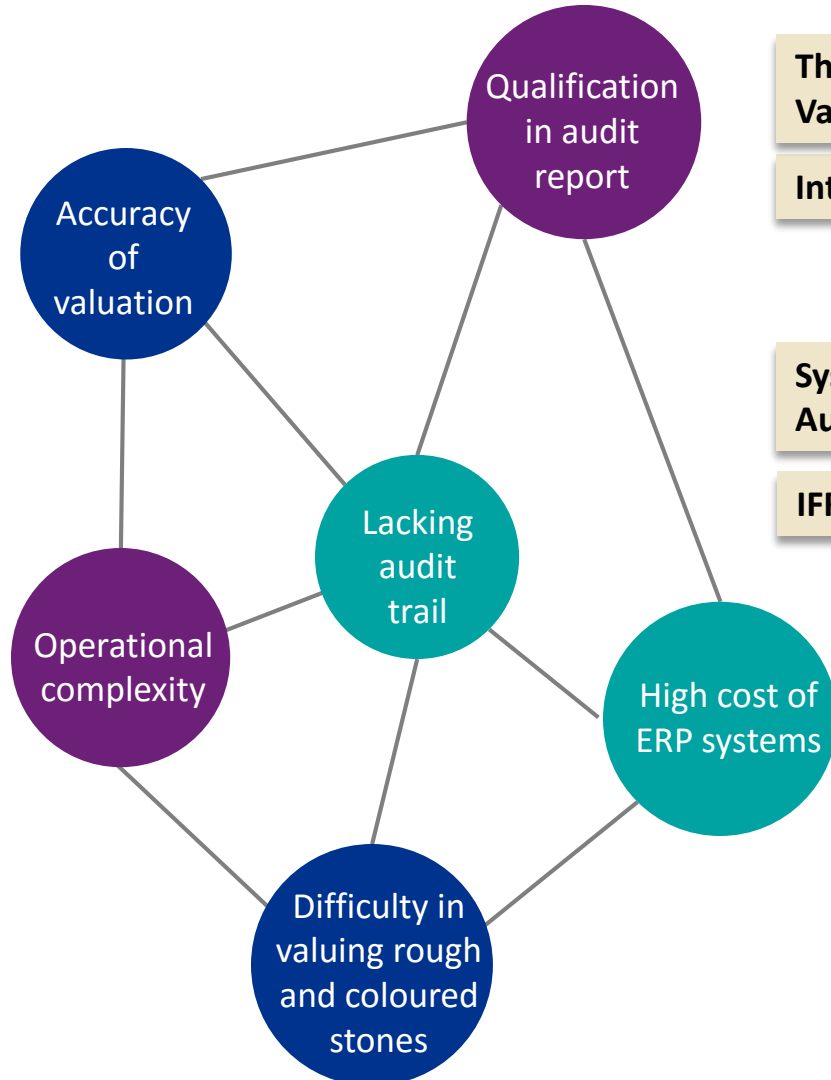
# Related party transactions - II

## Council's recommendation to banks and members

For related party transactions, it is proposed to send the goods directly to associates and allow 10 days time for the bank thru documents to be accepted / signed by the buyer. The bank should treat this as a bank thru transaction / document, which will also ease out the issue of delay in parcel.

# Valuation of stock

## Concerns in stock valuation



## Council's recommendation to banks and members

### Third Party Valuation

Council to engage a panel of independent valuers and also decide the cost of valuation

### Intervals

Depending on the size of the business, its performance and creditworthiness, an independent valuation to be carried out periodically, atleast once a year.

### Systems Audit

Council to encourage the use of ERP systems to track movement of stock

### IFRS / IndAS

Adoption of applicable accounting standards to meet all reporting compliances

## Factors to be considered

01 Cost of external stock audit

02 Time for completion of stock valuation

03 Skill and competency of the valuer

# Everyone has a role to play in mitigating risk - I



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## Trade

- To register themselves on MyKYCBank.
- Companies to timely and proactively approach lenders at an early stage to mitigate liquidity / credit risk.
- To ensure total transparency in exchange of information and business operations with the bankers.
- To adopt ERP / other stock maintaining tools for valuation of inventory.

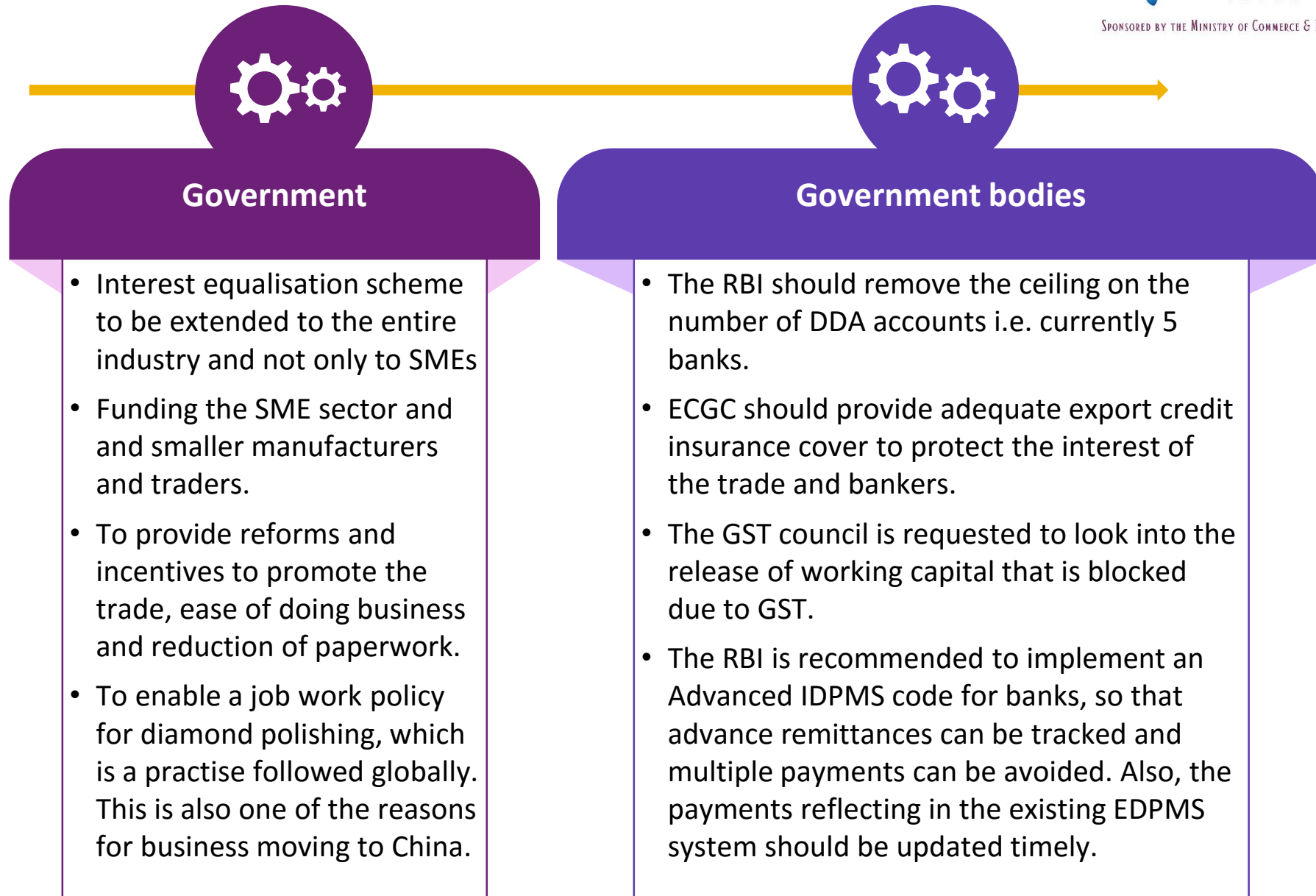


## Banks

- Since the recent defaults are not due to business failures and there is favourable growth and robust demand, banks should shift their outlook to “Neutral” or “Growth”
- Set up a long term credit risk investigation team to track, monitor and provide intelligence information about trade members, to take informed credit decisions
- Assessing limit in Dollar terms to insulate an exporter from exchange fluctuation in lines with the RBI circular.
- To inform GJEPC about defaulting members and share critical information periodically, so that necessary actions can be taken
- Provide gold card benefits to eligible entities



# Everyone has a role to play in mitigating risk - II



# General trade welfare

## Our approach – initiating positive change



### Data Analysis

- The council will prepare monthly / quarterly reports on key data points, observations and major developments in the industry, which will be available to all stakeholders especially the bankers.

### Eliminate fictitious companies

- The council will individually analyze data related to only exporters and importers in the trade, which will help eliminate entities not involved in the Gems and Jewellery trade.

### Seminars and workshops

- The council will organise webinars, conferences, open house discussions and actively participate through platforms like - Ted Talk, to give an insight of the trade to all stakeholders and help in solving trade related problems pertaining to Banking, GST, RBI guidelines, ECGC matters etc.

### Feedback mechanism

- An email address will be set-up, to which the members can send their opinions, suggestions, queries and complaints.
- To conduct half yearly meetings with bankers to exchange critical information, understand and address their issues.

**Thank you**

**For any feedback please contact**

Bankers:

**[bankershelpdesk@gjepcindia.com](mailto:bankershelpdesk@gjepcindia.com)**

Members:

**[membershelpdesk@gjepcindia.com](mailto:membershelpdesk@gjepcindia.com)**