



Press release

For immediate dissemination

The Gems and Jewellery Export Promotion Council dialogue session with the banking industry

Aims to mitigate concerns, Regain Trust for the sector

Mumbai: The Gems & Jewellery Export Promotion Council (GJEPC), an organisation set up by the Ministry of Commerce and Industry will collaborate with leading banks and release a white paper in a Banking Summit on May 11 in Mumbai. The paper will aim to address critical banking issues like Assessment of credit limit, collateral security, related party transactions, inventory Valuation , subsidiary financing guidelines, and is aimed at mitigating the concerns of the key stakeholders of the industry that has been hit by the recent fraud.

The white paper titled “**Diamond Financing 2018 New Challenges**”, compiled by GJEPC in consultation with Gems & Jewellery industry and top banking lenders offering solutions to mitigate the fallout post-scam, to ensure we embark as an industry on the journey towards self regulation and ensure good promoters continue to get credit.

In light of the present scenario, the white paper focuses on key challenges faced by the bankers in financing the gems and jewellery industry and how to address them. It has put across GJEPC and trade members views on critical issues like reduction of credit limit, collateral security, related party transactions and valuation of stock and that this be noted and informed to the government, Reserve Bank of India (RBI), Export Credit Guarantee Corporation of India (ECGC) and other concerned authorities.

Mr. Pramod Agrawal, Chairman, GJEPC said, “The banking seminar gives us a joint forum to regain trust and ensure all bankers have a profitable experience in lending this trade. Under the aegis of Hon’ble Commerce and Industry Minister, we expect a large participation from both the banking fraternity and Gem & Jewellery industry. The White paper will be historic for any industry and will play a critical role in creating an enabling environment for this labour intensive sector going forward.”

The gems and Jewellery industry in its journey towards self-regulation has an underlying responsibility to earn back the trust of the banking industry.

“In that journey a joint seminar with the government, banking fraternity and the industry is the ideal platform to help mitigate the risks of our lenders. GJEPC has worked on a white paper that would address and find solutions to specific issues like assessing working capital limits, collateral security, related party transactions and the valuation of stock, said GJEPC Vice Chairman, Colin Shah.

The white paper has requested bankers not to reduce their current credit limits as this would further hamper and erode the exports of the country and hamper employment.

“Downgrading of the trade will further lead to spiking up costs such as interest, processing fee, which is financially not viable as gems and jewellery is a LABOR AND WORKING CAPITAL INTENSIVE INDUSTRY with low margins. The banks should look at the performance of the company and its business model. Besides, a credit risk investigation team should be set-up to track and provide intelligent information from the trade members, which can then be used by the bankers to take informed credit decision,” the white paper states

In order to facilitate exporters and insulate against foreign exchange fluctuation, the Council has proposed working capital limit to be assessed in dollar terms in line with RBI circular of September 2013.

The Council has also proposed to provide critical data analysis and meeting between Council, bankers and trade members once in a quarter. It also intends to take up advance remittance and its likely misuse with the RBI, mandatory registration of all members to register under My KYC BANK, which will help banks establish genuineness of the members. Bankers will be given access to this GJEPC PORTAL, the white paper says.

The council has proposed Collateral Security based on a company's credit rating. Besides banks can find a fair resolution as successfully done recently in case of a recent insolvency and form A regulated arbitration body consisting of GJEPC, Bharat Diamond Bourse (Mumbai-based world's largest diamond bourse, BDB) and bankers for dispute resolution.

On Related Part Transactions, the Council has proposed to send goods directly and documents come later through the bank for acceptance. Banks have been requested to consider waiver for certain companies based on their creditworthiness and performance.

Similarly, and most importantly on stock evaluation, Council proposes for at least one valuation in a financial year by external independent valuers besides adoption of IFRS or accounting standards and system audit be encouraged.

About GJEPC: The Gem & Jewellery Export Promotion Council (GJEPC) was set up by the Ministry of Commerce and industry, Government of India (GoI) in 1966. It was one of several Export Promotion Councils (EPCs) launched by the Indian Government, to boost the country's export thrust, when India's post-Independence economy began making forays in the international markets. Since 1998, the GJEPC has been granted autonomous status. The GJEPC is the apex body of the gems & jewellery industry and today it represents over 6,500 exporters in the sector. With headquarters in Mumbai, the GJEPC has Regional Offices in New Delhi, Kolkata, Chennai, Surat and Jaipur, all of which are major centres for the industry. It thus has a wide reach and is able to have a closer interaction with members to serve them in a direct and more meaningful manner. Over the past decades, the GJEPC has emerged as one of the most active EPCs, and has continuously strived to expand its reach and depth in its promotional activities as well as widen and increase services to its members.

For more information on the release contact:

Dolly Choudhary, Director, Promotions & Marketing, GJEPC +919987753823 dolly@gjepcindia.com