

Gemstone and jewellery group steps up strategic acquisitions, organic expansion

By Marie Feliciano

K GK Group is reinforcing its core business through organic expansion and strategic acquisitions in a time of slower economic growth. The group, which has a presence in virtually every aspect of the gemstone and jewellery sector, believes that its investments will leave it well-positioned to accelerate as markets improve.

Recently, the company announced it has extended its reach to Australia with the acquisition of diamond and jewellery company, Ausdiam Pty Ltd. The acquisition – the Australian company's name has since been changed to KGK Ausdiam Pty Ltd – has expanded KGK's global presence to 16 countries in six continents.

Established in 1905 by the Kothari family of Jaipur, India, KGK Group is a global corporation with fully integrated operations in the gemstone and jewellery industry. A pioneer in the world of precious stones, the group has been sourcing, manufacturing and distributing diamonds, coloured gemstones and jewellery for decades. It is a De Beers sightholder, an Arosa Alliance partner and a Rio Tinto Select Diamantaire, with diamond manufacturing units in India, South Africa, Botswana and Russia. The group has gemstone manufacturing operations in India and Thailand, and jewellery production in China, Hong Kong and India.

In 1997, the company established its presence in China, opening a jewellery factory in Panyu, followed by diamond cutting and polishing in Shenzhen, diamond trading in Shanghai and Shenzhen, and



Entice diamond ring in white and rose gold



Three-row necklace with diamonds and Mozambique rubies by Entice



A pair of diamond chandelier earrings by Entice



KGK Group Vice Chairman Sanjay Kothari

diamond and jewellery wholesaling in Beijing. In 2013, KGK formed a gemstone polishing and trading unit in Shenzhen and a production unit to manufacture jewellery for the Chinese domestic market. Today, KGK has six companies, modern offices and production facilities in China, with a total of 60,000 square feet of factory space and 1,500 staff.

"China is the biggest market in the world. How can one ignore a market of 1.3 billion consumers? Consumption may have slowed down a bit but this isn't going to last forever. So this economic slowdown isn't bothering us at all," KGK Group Vice Chairman Sanjay Kothari said. "Eventually, demand will pick up, and when that happens, we're ready to do business."

KGK has also acquired tourmaline, emerald and ruby mining concessions in South America and Africa, giving it a clear competitive mine-to-market advantage in the industry.

More recently, the group has commenced building its stable of international jewellery brands including Martin Flyer, Gregg Ruth, Judith Ripka and Kiros. Twelve years ago, it entered the retail sector with its fine jewellery brand, Entice, with boutiques in India and Hong Kong, and points of sale in the Middle East including Oman, Kuwait and Saudi Arabia.



Ring with a Mozambique ruby centre stone with diamond accents by Entice

Seizing opportunities

In an interview with JNA, Kothari said downturns can be ideal times to invest in one's core strengths.

"We have been in this business for a long time and we will remain in this sector for many, many more years to come. The investments we have been making prove that we

believe in the future of the jewellery industry," Kothari said. "Yes, the market now is in a slow-growth mode, but I think this is the best time to invest in our business either by expanding capacity or acting on acquisition opportunities that will further beef up our core competencies. Hence, when the market gets better, we can move forward more strongly."

The company official anticipates a muted recovery starting from 2017. "I think we will see more dynamism from 2017 to 2019," Kothari said.

It takes courage to invest in times of uncertainty but the KGK executive said his team is in the business for the long haul.

"We have looked at ways to increase capacity in manufacturing and distribution. Late last year, we opened a factory in Thailand," said Kothari. The 2,100-square-metre facility in Bangkok manufactures diamond and coloured gemstone silver jewellery. The factory, which is under the management of KGK's Trinity Creations Co Ltd, occupies six floors and employs 300 workers. Equipped with the latest casting and laser machinery, it produces 10,000 pieces of jewellery each month.

KGK plans to expand its production capacity to 50,000 pieces per month.

The group is also investing in e-commerce and e-marketing, he continued.



Ear climbers set with fancy-cut diamonds in white and rose gold by Entice



Entice white and fancy yellow diamond and emerald necklace



Top: Three-row bracelet with diamonds and Mozambique rubies by Entice. Left: A pair of chandelier earrings with rose-cut white and yellow diamonds by Entice



"We have acquired an e-commerce company in the US. Right now, we have a smaller e-commerce platform but this will expand in the next couple of years," said Kothari. "The first two years will be focused on e-marketing, after which, the group will aggressively pursue the e-commerce route. We are doing it very systematically."

KGK is also growing its coloured gemstone mining and diamond manufacturing businesses. "We are negotiating for more mines in Africa," he said. "With regards to diamond manufacturing, we opened a diamond cutting facility in Botswana last year."

KGK is also looking into acquiring two more European jewellery brands, Kothari added.

Areas of growth

Sharing his insights on the coloured gemstone market, Kothari said demand for ruby and emerald remains solid. Mozambique ruby, he added, likewise possesses a "texture" that Chinese buyers favour, he continued.

"The NGTC (China's National Gemstone Testing Center) rejects glass-filled or semi-glass-filled rubies. Since most Mozambique rubies don't have fillers, Chinese buyers prefer those. They are now well-acquainted with Mozambique rubies," he said. "And since one cannot export Burmese rubies to the US, the one good alternative is ruby from Mozambique. We have been negotiating with some buyers and they are opening up to this gemstone."

Soft pink gemstones have also been consistently among the fastest-moving goods in the market, said the company executive. "Gemstones in the pink family like morganite, kunzite and pink tourmaline are doing very well," Kothari said.

The diamond market remains relatively slow although stones between 30 points and 2 carats are selling steadily, he said. "Diamonds between 3 and 5 carats are seeing sluggish sales. However, goods above 5 carats are the toughest to move," said Kothari.

Entry-level diamond and coloured gemstone jewellery collections, and big-ticket items are still faring well despite slower economic growth. Bridal jewellery also remains the bread-and-butter business of jewellers, he continued.

"We are recording strong growth in the fashion and coloured gemstone product category. We are also performing quite well in the diamond fashion jewellery segment," Kothari said. "It's the mid-range goods that are not doing so well now."

KGK's Entice has carved out niches in the Middle East's high-end jewellery market and the US' fashion jewellery space, he added.

Nurturing partnerships

Kothari attributed KGK's longevity and success to its strong customer relationships. "We have a long history with our clients," he said. "We always add value to our offering, be it first-class facilities or after-sales services. If clients have problems of overstocking, we either swap the goods or help them move the goods. Our extensive sales and distribution network makes this possible. Today, the market is not just about supplying the stones and then getting out after closing the sale; it's about partnerships."

Companies also need to evolve to thrive in today's fast-changing business environment.

"You have to react quickly to shifts in market demand. If customers prefer lower-end products, you have to give them that and more in terms of quality and service. If they prefer smaller-sized diamonds, you have to be ready to move such goods right away," Kothari said. "You must also have the infrastructure to support your business needs. This is an investment that will undoubtedly pay off." **JNA**



A pair of diamond earrings with emerald drops by Entice

