

# India Gold Conference

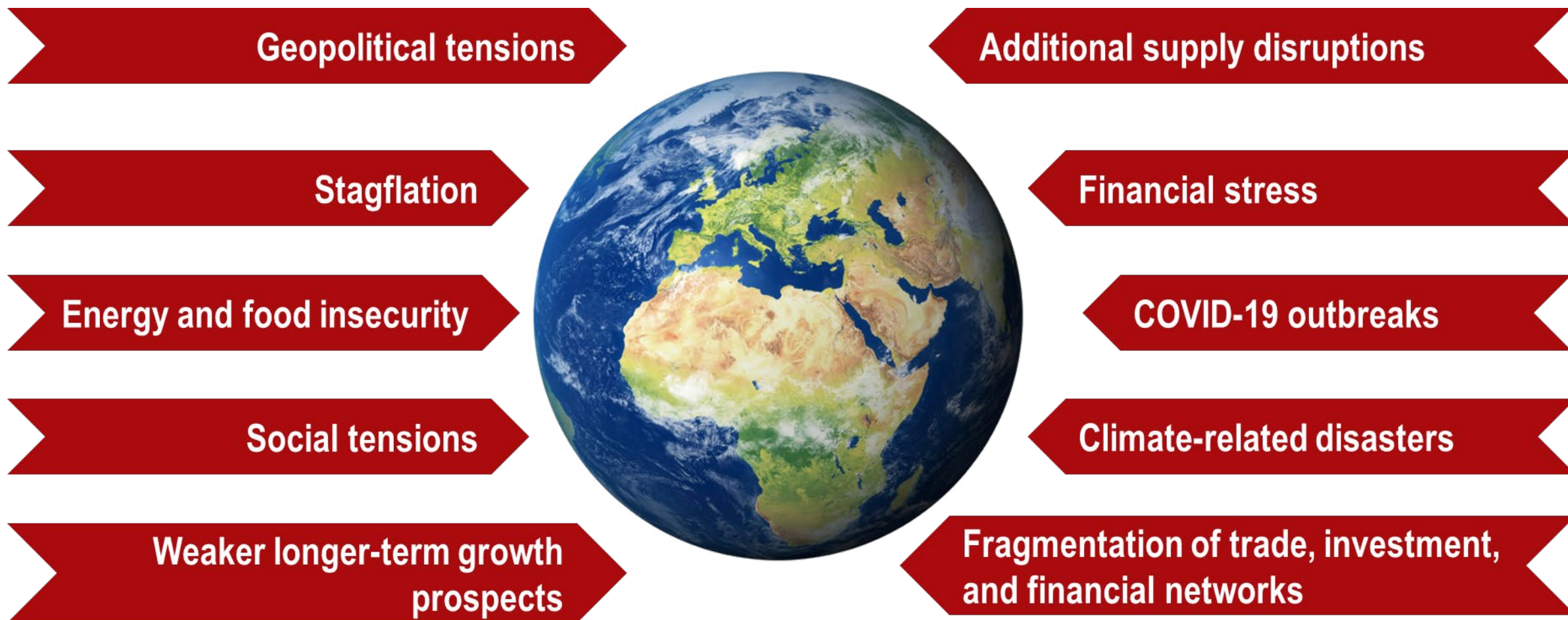
V S Sundaresan  
Executive Director  
July 30, 2022





# Risks

## Mutually Amplifying Downside Risks



# Gold prices in last 3 years



# Fundamentals

- Gold supply in India is primarily met through imports
  - less than 1% coming from local mining
  - about 11% from recycling
  - Imports consist of gold in refined and in doré form
- India is the second largest gold market accounting for 25% of world's gold demand
- Demand → jewellery, coins, industrial, ETFs and bullion
- An asset class that maintains its value and purchasing power during inflationary periods



• **Sukh Dukh ka Saathi**

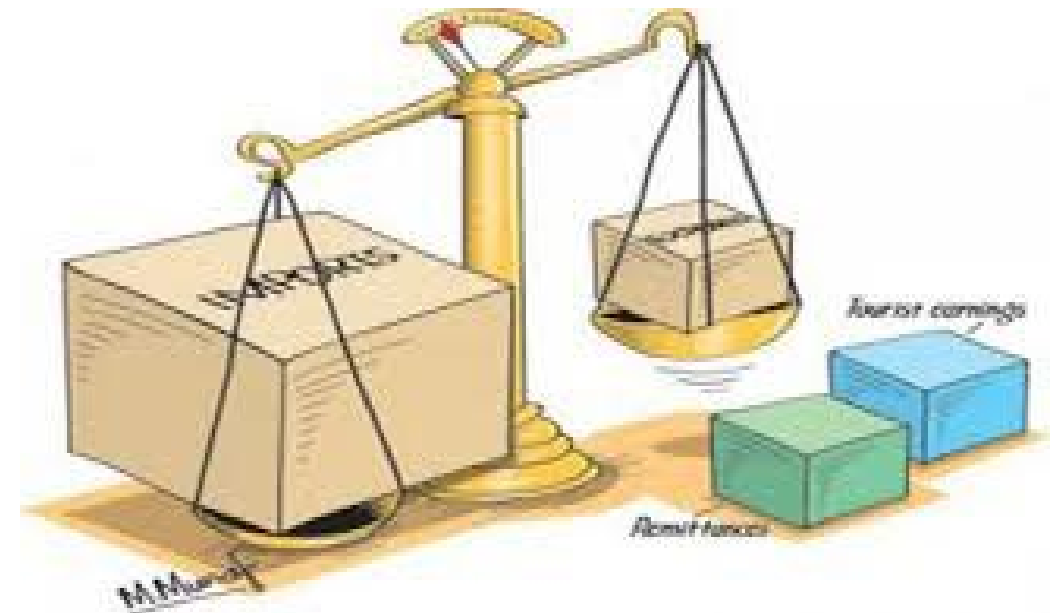
# Gold Imports



- Since domestic production of gold is minimal, demand is met largely through imports. This large demand on gold imports has an adverse impact on the CAD and further implications on the external sector stability.
- The recent trends in Gold imports have been on an uptrend

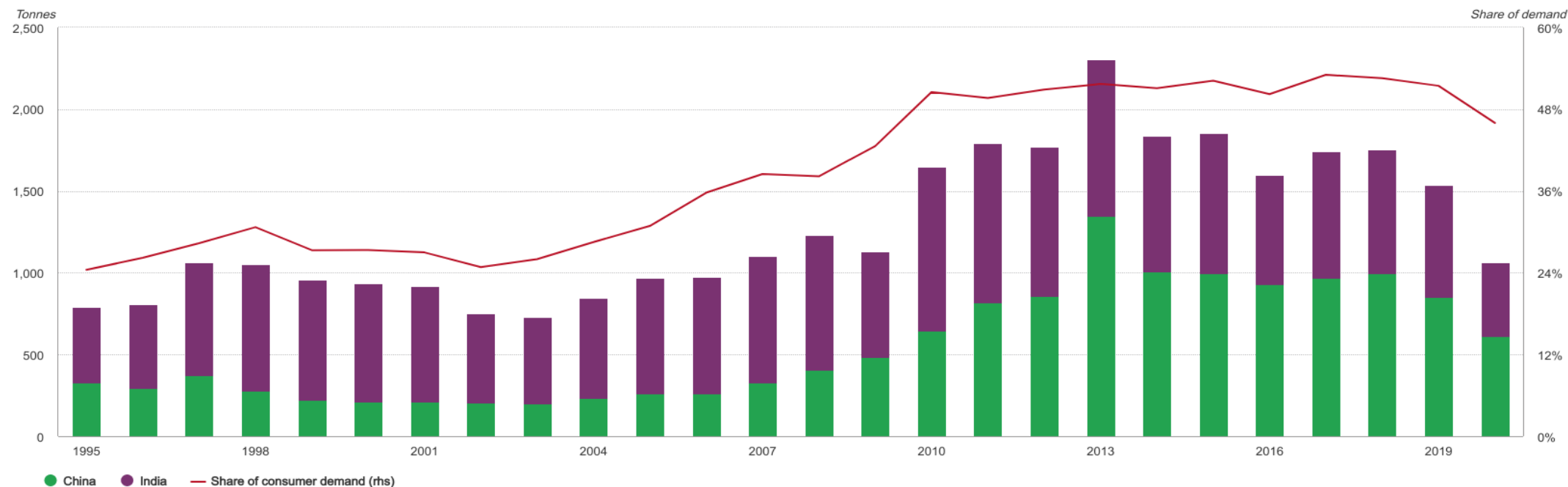
Trends in Gold Imports		
Gold Imports	INR crore	USD million
2019-20	1,99,250	28,230
2020-21	2,54,288	34,604
2021-22	3,44,094	46,166
2022-23 (upto June)	81,120	10,490

Source: Deptt. Of Commerce, Ministry of Commerce & Industry



# India and China have doubled their gold market share in less than two decades

Emerging market economic development has created consumer demand and increased market share in India and China\*



\*As of 31 December 2020. Consumer demand is defined as the sum of jewellery, bar and coin demand.

On Goldhub.com see: Gold Demand Trends.

Sources: Metals Focus, Refinitiv GFMS, World Gold Council; Disclaimer

# Comparison of returns



## India

	10y CAGR	1-year
MCX Gold	5.63%	9.02%
BBG 1-3Y Indian Tsy	7.44%	2.15%
S&P BSE Govt Bonds	8.24%	1.20%
MSCI EM	7.13%	-20.37%
S&P BSE Sensex	13.26%	2.22%
BBG Commodities (INR)	2.73%	31.93%

Chart notes: \* Indicates incomplete data set

Data based on INR. Data as of 30 Jun, 2022

Sources: Bloomberg, ICE Benchmark Administration, World Gold Council; [Disclaimer: https://www.gold.org/terms-and-conditions#proprietary-rights](https://www.gold.org/terms-and-conditions#proprietary-rights)



# Recent Developments



- The 3 largest NBFC offering gold loans saw their assets jump by 32%, 25% and 61% year on year, respectively, in 2020
- Gold's appeal as a safe haven is only rising:
  - as tensions escalated in Ukraine, its price approached records
  - savings stashed away, as idle gold could be put to more productive use elsewhere
  - Indian households hold 22,500 tonnes of the physical metal – five times the stock in American's bullion depository at Fort Knox and worth \$1.4trn at current prices. The average family has 11% of its wealth in gold (against 5% in financial assets)
- Gold demand increased by 43% to 171 tonnes in April – June 2022, compared to 120 tonnes in previous year



# Initiatives by Government of India

- Five Focus Areas as identified by Niti Aayog Report titled “Transforming India’s Gold Market”, 2018 are as follows:



- Revamped Gold monetization scheme
- W.e.f 1st July, 2022, India’s gold import duty increased by 4.25%, with consumers now paying 18.45% tax for refined gold compared to 14.07% previously.

# Looking forward



- Technology allowed the world to continue functioning uninterrupted during Covid-19
- Pandemic gave rise to webex / zoom calls and new platforms for selling online gold as well
- Launch of IIBX is historic step and will facilitate
  - efficient price discovery
  - responsible sourcing
  - assurance on quality
  - impetus to financialization of gold in India
  - enable greater integration with other segments of financial markets
  - establish India's position as a dominant trading hub in the World



# Electronic Gold Receipt - Transaction Flow

Gold Supply



Vault Manager



Depository

Electronic Gold Receipt created

Information flow

Gold Exchange



Trading of Electronic Gold Receipt

Clearing and settlement of EGR

Information flow

Gold Demand



Depository



Vault Manager

Delivery of physical gold by vaults

# Framework for EGR Segment

(1/3)



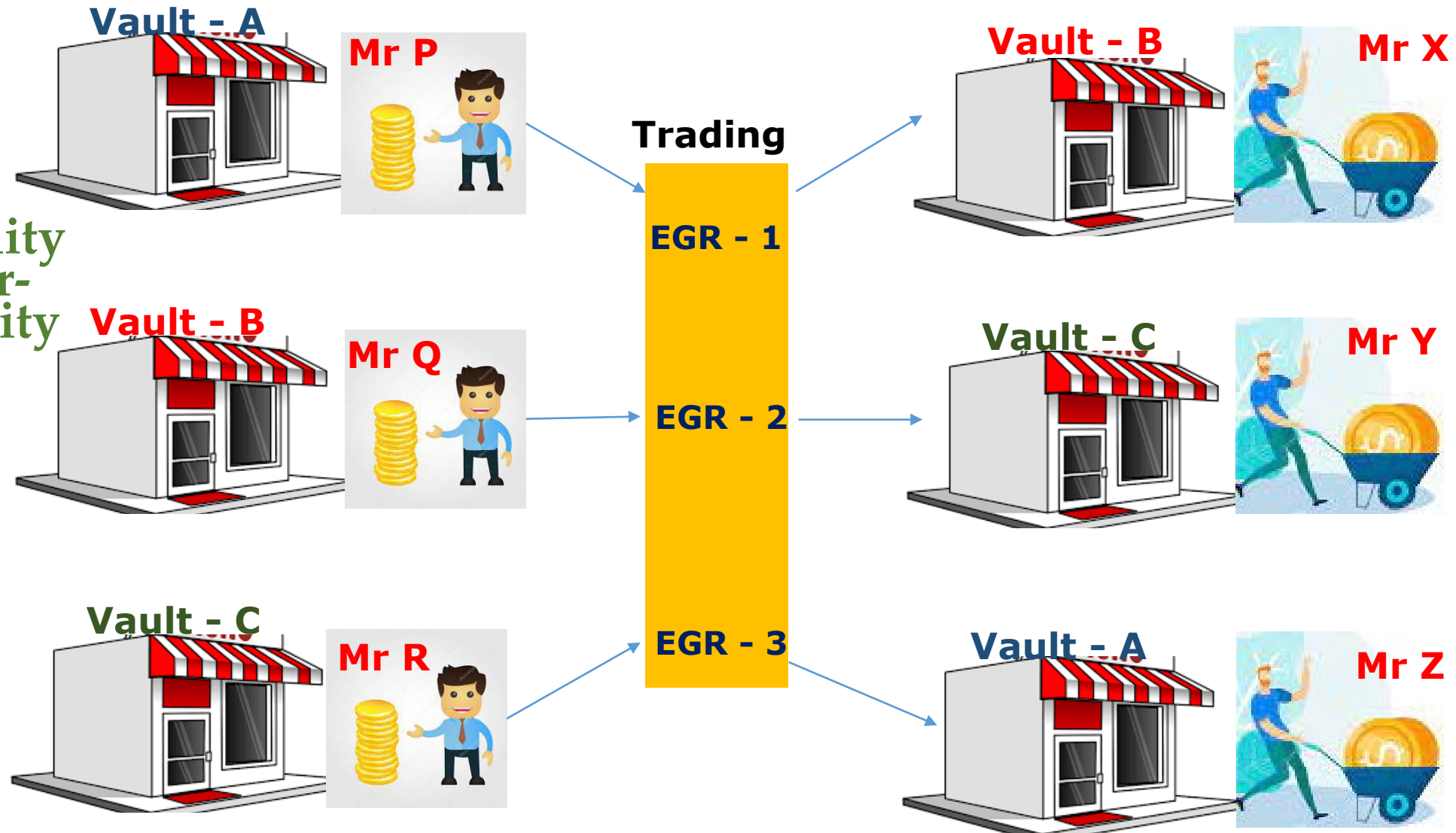
- **Who can launch** → New and existing recognized stock exchanges may launch and deal in EGRs, in a new segment
- **Structure of the transactions:**
  - First Tranche: Creation of EGR
  - Second Tranche: Trading of EGR on stock exchange/s
  - Third Tranche: Conversion of EGR into Physical Gold
- **Product denomination:** Different denomination allowed for trading and / or conversion of EGR into gold



# Framework for EGR Segment

(2/3)

Fungibility  
and inter-  
operability

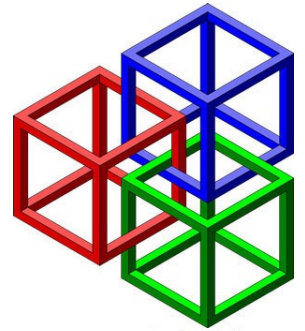


# Framework for EGR Segment

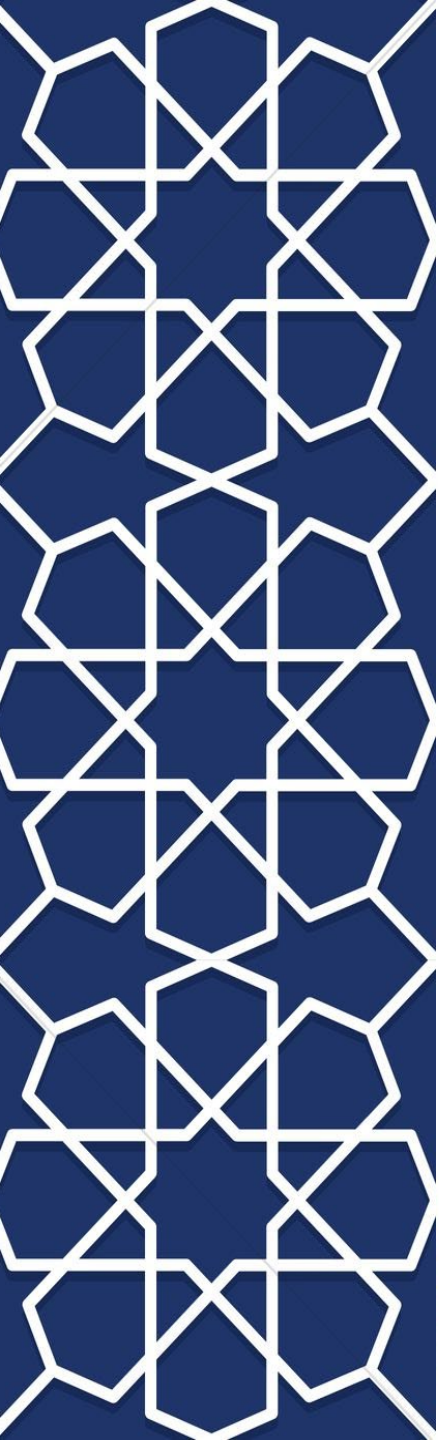
(3/3)



- **Withdrawal Center** → All existing branches of vault managers are allowed
- **Storage (vaulting) and Withdrawal Charges** → To be levied by the vault managers and be collected by the depository
- **Empanelment of assaying agencies:** Clearing Corporations to empanel
- **Logistic service providers:** Investors encouraged to utilize their own trusted means of transportation for movement of gold from vaults to their preferred location







*Thank  
You*

