

Dignitaries on the dais, Friends and colleagues from the Bullion industry. A Very Good Evening to all of you. I am honored to get this opportunity to give this inaugural address in this very prestigious convention. I think Mr. Srivatsava was talking about some challenging times but I think overall in India we are living in an optimistic times and that optimism is giving way to some sort of policy action here. With hopefully the monsoon coming in slightly delayed but they are making their mark. Hopefully inflation will come down and it will put some downward pressure on interest rates. If that happens we could see some reasonably good corrections in the macro economics. However, I think when you talk about it with people and government and as you can read in the press the deficit continues to be an issue. Current Account Deficit, Trade deficit and one of the industries that faces the brunt of that is the Bullion Industry. And therefore we have unwanted restriction and we have unwanted higher Custom duty regimes and so on and so forth which all of you are well aware of. If we just take a step back and see what are the issues that plagued this industry and how do we resolve them, the penchant of Gold in India is insatiable as we all know it. If we have a quick look at the numbers. We have been putting away almost two and a half to three percent of the GDP into Gold year after year. We are a 2 trillion dollar economy, it is said that by 2025 we will be 5 trillion dollar economy. At 5 trillion economy if we continue to put away 3% of our GDP, we would require anywhere between 2000 to 2500 tons of Gold in India. Now how sustainable is that. Either we say, we will not put so much money in Gold and that you are talking to 1.2 or may 1.5 billion Indian people or we find ways of recycling or financing. This demand situation is unlikely to change dramatically. SO that only thing one can do is, change the supply situation. That doesn't mean digging up or finding new reserves of gold. If we try and dig a little deeper in this conundrum and when we talk of financialization, there are 2 things one should keep in mind. One is the habit and the mode and the reason why money goes into gold. Part of it is consumption for jewellery, wedding, marriages all kinds of cultural reasons and part of it is investments and part of it is savings. Increasingly the proportion of savings and investments has increased to almost 30-35% of all the Gold that is used, consumed, imported into this country. It's a reasonably large number. It could be 250 tons to 300 tons. Your estimate is as good as that of mine. But it is in that range. If we attack that part of problems first if the primary reason for making an investment in gold is either the appreciation, inflation hedge whatever you call it. There has to be ways of financializing that without actually buying the physical gold. Several attempts have been made. Some of them have met with some success including ETF which have gone to almost 10000 crs may be 25-30 tons of Gold. But we are not talking 25-30 tons, we are talking 200 tons and how do we get there? If you look at some of the issues and I think there are 4 primary reasons/areas where we could look at. One is distribution and reach. You have to reach a large number of people in order for them to be able to participate in any large initiative. Second is the entire supply chain at the backend. And there are several issues around those. The third is the right incentivisation for all participants in this exercise. And lastly I think not the least is the education and awareness of the whole class of people that holding financial instrument that allow you the upside of Gold is not only equivalent but also better than holding physical gold itself. Let look at Some of these issues a little more closely and I will only take a few minutes of you. ETF's have done well but they are a capital market instrument. Today, Capital Market instruments for you to hold an ETF you need to have a demat account. There are only around 20-25 million Demat accounts in this country. Compare that with 75 to 80 million people who have insurance policies. Compare that with almost 800 million Bank Accounts. These 800 million bank accounts are serviced by around 100 or 110 thousand bank branches

all over the country. Now compare that with 155 thousand post offices in the country. If we can mobilize these institutions whether they will be Banks or India Post type of institutions the reach that one can garner is far more significant than any capital market instrument will allow. And we have to start thinking out of the box if we have to find solutions 10 years down the line. We will find solutions which are temporary in nature there will be 80-20 scheme, there will be a customs duty hike, there will be an embargo, there will be a freeing up and all will go on depending on how our trade Account deficit and Current Account deficit goes up and down. But if you want to find a long term solution, we will have to find a structural answer and none of these will be implemented in 2 years or 3 years. These takes decades. The second part of this is looking at the supply chain. If you want to incentivize people to come in and buy a financial instrument that is linked to gold you also need to have fungibility, transferability, transparency.

Earlier we were discussing that 25-30 thousand tons of Gold in this country by some estimates. You can have your own estimates but I don't think the numbers will be too far away. How do we monetize into circulation. How do we incentivize these Banks. Today there is no incentive for Banks to come and take Gold deposits from you. Because they have to take that gold from you and have to pay interest on they can do pretty much nothing with it. Tax incentives are another means of pushing actions and behaviors in a certain manner. We have found that not only in India but in the world and they can go a long way in long term behavioral changes. Finally I think it is up to the industry to do 2 things. We need to push education and awareness.

We need to engage with the government, we need to engage with various agencies and come together on a platform if we want to see serious strides made going forward in the entire financialization and modernization of Gold which is probably the only solution if we want to continue to buy gold the way we are do as Indians. With that I leave you. Thank You very Much.