



CUT AND POLISHED DIAMONDS

Sparkling rise of lab-grown diamonds

*ICRA expects share of lab-grown diamonds
to increase to 10% of the total polished
exports over the next three years*

FEBRUARY 2023



1 Introduction to lab grown diamonds



2 Manufacturing process



3 Major producing and consuming nations



4 Key factors driving growth in LGD



5 Trend in LGD exports from India



6 Key challenges



Indian LGD exports have grown six-fold from USD 225 million in FY2019 to USD 1,311 million in FY2022 reflecting a CAGR of 70%.

Healthy growth momentum in LGD exports continued in 9M FY2023 with 44% YoY growth and is likely to continue in the near-to-medium term, given its affordability, lower carbon footprint and increasing acceptance by consumers in the fashion and jewellery segment.



- A lab-grown diamond (LGD) is produced inside a laboratory using specific technology replicating the formation of a natural diamond. It is optically similar to a natural diamond but priced at a significant (up to 90%) discount to natural diamonds.
- Besides attractive prices, the LGDs have a lower carbon footprint compared to natural diamonds and are less prone to supply disruptions. There is also greater control over the supply chain and the diamonds can be produced in different varieties with a high degree of customisation.
- China is the leading producer of LGDs currently with an estimated ~50% share in terms of volume, followed by India with 20-25% volume share. India's share in LGD production has been increasing YoY supported by strong demand from the US, which accounts for a major portion of the global LGD demand.
- ICRA's channel checks suggest that prices of LGDs have declined by ~50% over the last two years, due to increased competition. Nonetheless, increasing sales volumes have helped offset the impact of the declining prices so far.
- The LGDs have their fair share of challenges as they do not possess any major resale value and are not perceived as 'real' diamonds. Profits critically depend on the ability of the players to generate high sales volumes. Bank funding has also remained constrained so far.
- ICRA expects the LGDs to emerge as a separate category within the fashion and jewellery segment, driven by its attractive price positioning. Its share within the total polished diamond exports is expected to increase to ~10% (~7.5% in 9M FY2023) over the next two to three years.



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