

Nirav Modi Crisis Hits Gemfields



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Proceeds slumped at Gemfields' May auction of higher-quality rough emeralds as the Nirav Modi fraud case hurt Indian demand, the miner reported last week.

Most of the company's emerald clients are based in India, where the gemstone and jewelry sector is suffering from the repercussions of the Modi scandal, Gemfields CEO Sean Gilbertson explained in a statement last week.

"Given the ensuing losses sustained by Indian banks, access to finance has become challenging for many companies in the Indian gem and jewelry industry," he said. "With reduced funding available, our clients had to be much more selective about the auction lots they wished to secure. Given our confidence in the value and high quality of the gems we offered, we naturally held back auction lots that did not meet our reserve prices in order to aid market stability during the present period of turbulence."

As a result, the sale featured the smallest quantity of higher-quality emeralds out of any of Gemfields' auctions to date, Gemfields owner Pallinghurst noted.

The colored-gemstone producer sold only 10 out of 17 lots it offered at the sale in

Lusaka, Zambia, generating revenue of \$10.3 million — the lowest total out of five auctions it has held since September 2015.

Gemfields sold 170,000 carats out of 310,000 carats on offer, or 56% of goods by weight, and found buyers for 59% of the lots. The average price slipped to \$60 per carat, from \$66 per carat at the previous auction in October, with only 31 companies placing bids, down from 36 in October. The goods available at the sale — which took place from May 15 to 18 — originated from Gemfields' Kagem mine in Zambia.

Even as overall demand fell, H.C. Tank, a gemstone company based in Jaipur, India, bought three stones weighing a combined 37.50 carats for the highest per-carat price at any Gemfields emeralds auction, the miner said.

In addition, the sale featured new nanoparticle technology for tracking emeralds, which Swiss laboratory Gübelin developed. Each emerald received a tag confirming it came from the Kagem mine, enabling people to trace its origins at a later stage. Nine of the 17 lots Gemfields offered had the tags, with five of them finding a buyer, Gemfields reported.