****

9B18M069

RAJESH EXPORTS: GOLD TRADER TO INTERNATIONAL JEWELLERY RETAILER[[1]](#endnote-1)

Arpita Agnihotri and Saurabh Bhattacharya wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*;* [*www.iveycases.com*](http://www.iveycases.com)*.*

Copyright © 2018, Ivey Business School Foundation Version: 2018-04-20

In 2017, Rajesh Mehta, founder and chairman of Rajesh Exports Limited (REL), set long-term strategic goals for his widely successful business, especially in the retail segment. Incorporated in 1989 and headquartered in the southern Indian city of Bengaluru, REL was the world’s largest gold jewellery manufacturer in 2016–2017. It had previously introduced several new quality control practices to the retail segment, such as basing prices on the real rate per gram[[2]](#endnote-2) and producing jewellery to the required standard, to earn the Bureau of India Standards (BIS) quality hallmark. Additionally, the firm offered the lowest priced jewellery in India. Through REL, Mehta intended to open 2,500 jewellery retail stores across India by 2030; his goal was to increase the company’s retail portion of revenues from 10 per cent in 2017 to 90 per cent in 2030. He also intended to establish a retail presence for REL internationally, thus capturing the global retail market. However, critics were skeptical about REL’s potential in the jewellery retail market to achieve its revenue goal because there were already established brands both globally and within India. Also, REL had expertise only in gold jewellery, but international jewellery retailers such as Tiffany & Co. and Signet Jewelers Limited had expertise in all types of stones and metals.

Was Mehta’s vision to establish REL’s presence in the retail segment, rather than focusing on the export of gold jewellery, appropriate? Could REL, which traditionally had competency in the manufacturing and export of jewellery products, prove critics wrong in their predictions about REL’s retail performance? Further, from a global perspective, Indian products were perceived to be poor in quality. Could REL break this barrier and establish its identity in the international retail jewellery market?

Rajesh Exports

Mehta ventured into the business of selling semi-precious stones in 1982, along with his brother Prashant Mehta, managing director of REL. Soon, they realized that there was less growth potential and lower margins in scaling a semi-precious stone business. As a result, they started trading silver jewellery with a loan of US$19[[3]](#endnote-3) from family members. They decided to buy silver from Chennai (the capital of the southern state of Tamil Nadu, India) and sell it to their relatives based in Gujarat. Mehta revealed, “It was like idlis [savoury cakes eaten at breakfast, popular in southern states of India] being sold in Gujarat; they may not become a staple diet, but they will become a fancy food item, which will be had once in a while.”[[4]](#endnote-4)

Because the brothers intended to trade jewellery designs of different ethnic classes in India, they also purchased jewellery from Gujarat and sold it in Bengaluru (the capital of the southern state of Karnataka). Gradually, the brothers shifted from selling jewellery to their relatives to selling to jewellery wholesalers. Soon, they formed an entity called Rajesh Art Jewellers, whose main business was to trade ethnic designer jewellery from one Indian state to another. For every trade cycle, their capital base increased by 50 per cent.[[5]](#endnote-5) Nonetheless, Mehta wanted to further expand the business by venturing into gold product manufacturing.

In the 1980s, Indian companies, limited by the Gold (Control) Act of 1968, were banned from buying, storing, and manufacturing gold for consumption within India. However, under the Gold Act, an Indian manufacturer could obtain gold from the Reserve Bank of India for the purpose of manufacturing gold products such as jewellery for exports. In 1989, Mehta seized the opportunity and started manufacturing gold-based products with 10 employees in his home garage.[[6]](#endnote-6) By 1992, REL was exporting gold products to the United Kingdom, Dubai, Kuwait, the United States, and various European countries. In 1995, REL was listed on the stock exchange, and raised $1.55 million through its initial public offering. Mehta’s family consistently held 54 per cent of REL’s shares after it went public.[[7]](#endnote-7)

In 2002, REL expanded the capacity of its gold jewellery manufacturing plant in Bengaluru to 250 tonnes. In 2007–2008, REL opened another manufacturing facility in Kochi (a city in the southern Indian state of Kerala). In 2015, REL opened a third manufacturing plant in Dubai, in the United Arab Emirates. The combined capacity of these three gold jewellery manufacturing plants was 400 tonnes per year. In 2013, REL set up India’s largest gold refining facility in the state of Uttarakhand (a northern state of India).[[8]](#endnote-8) REL’s revenue during these years continuously increased. From total sales of $5.44 million in 1995, REL’s sales had reached an astounding $5.83 billion by 2016 and further to $6.76 billion by 2017.

In addition to these advancements, REL set up a retail outlet in 1990, called Rajesh Jewels, which later became Shubh (Auspicious) Jewellers. The company expanded into the retail jewellery segment because the segment offered a higher margin than the export of gold products, with a gross margin of 7 to 8 per cent, compared to 2 per cent for the export of raw gold.[[9]](#endnote-9) Also, the Gold Act had been repealed, allowing REL to sell within India, which was a major consumer of gold and gold jewellery (see Exhibits 1 and 2).

REL derived more than 90 per cent of its total revenues from exports of gold jewellery to more than 60 countries. Middle Eastern countries, such as the United Arab Emirates, Oman, and Kuwait, contributed approximately 35 per cent; the U.S. market contributed approximately 25 per cent; and the Far East countries, such as China, contributed a further 25 per cent of the total revenue.[[10]](#endnote-10)

REL had been the leading gold exporter in India since 2008, making its chairman, Mehta, one of the richest businessmen in India and earning him a place on *Forbes*’ India Rich List 2017.[[11]](#endnote-11) When REL acquired the Switzerland-based Valcambi SA’s (Valcambi’s) gold refinery in 2015, REL also became the world’s largest vertically integrated gold business, owning its own refinery and engaging in its own manufacturing; research and development (R&D); and consumer retailing.[[12]](#endnote-12) REL was, in fact, the world’s only completely integrated gold company.[[13]](#endnote-13)

VERTICAL INTEGRATION THROUGH ACQUISITION

The acquisition provided REL with several advantages. Significantly, REL was able to integrate backward and buy raw gold from Valcambi at a much cheaper rate than competitors in India could purchase from Valcambi.”

The acquisition also allowed REL to increase its precious stone refining capacity from 400 tonnes per year, done at REL’s Uttarakhand plant, to 2,400 tonnes per year.[[14]](#endnote-14) In addition, Valcambi provided REL with the highest quality gold, accredited by the London Bullion Market Association and purchased by central banks in many countries.[[15]](#endnote-15) The acquisition also allowed REL to leverage Valcambi’s distribution channels and sell its jewellery across all major high-end stores in Europe and North America.[[16]](#endnote-16) Commenting on the acquisition, Mehta said, “The coming together of REL and Valcambi would expand the global gold business and prove very productive for the future global plans of REL group. The acquisition is also of national importance for India, as India is the largest consumer of gold in the world.”[[17]](#endnote-17)

The acquisition of Valcambi gave REL access to raw materials at a very low cost. REL already had efficient manufacturing capabilities, resulting in zero wastage costs. The acquisition further helped REL reduce the overall cost of operations by 25 per cent, granting REL the potential to disrupt the gold market.[[18]](#endnote-18) This backward integration was expected to increase REL’s profit margin by 0.5 per cent from approximately 1.6 per cent. Other synergies for REL included sharing gold sources and labour with Valcambi, which had the potential to improve REL’s margin and efficiency. After the acquisition was announced, the share price of REL increased by more than 70 per cent within a month.[[19]](#endnote-19) By 2016, REL was processing 35 per cent of the total raw gold produced globally.[[20]](#endnote-20)

Structurally, REL decided to keep Valcambi as a stand-alone unit to avoid cultural clashes, with integration taking place at the top management level only. Mehta further decided to keep the structure of Valcambi unchanged for three years from the time of the acquisition so that Valcambi could develop new policies and ensure a smooth transition in management.[[21]](#endnote-21) Mehta explained, “We will seamlessly integrate Valcambi into REL group and would continue with the professional and globally acclaimed management of Valcambi.”[[22]](#endnote-22)

INDIAN RETAIL JEWELLERY SECTOR

India had the largest gold jewellery market in the world, according to the Indian Brand Equity Foundation.[[23]](#endnote-23) The Indian retail jewellery sector was highly export-oriented, with a total of 500,000 organized and unorganized players contributing 6–7 per cent of India’s gross domestic product.[[24]](#endnote-24) The share of the organized jewellery retail sector in India, which was only 3 per cent of the gross domestic product in 2013, was expected to grow to 35–40 per cent by 2020 as a consequence of the rising brand consciousness among Indian consumers.[[25]](#endnote-25) However, due to macro environmental factors such as the demonetization policy introduced by the government of India in 2016, followed by nationwide strikes by gold jewellers and a severe liquidity crunch in the Indian economy, demand for gold in India in 2016 decreased sharply by 22 per cent according to the World Gold Council.[[26]](#endnote-26) Nevertheless, credit rating agencies such as ICRA Limited in India predicted that, given the general consumer sentiments about gold, demand for gold jewellery would increase in the immediate future (see Exhibit 3).[[27]](#endnote-27)

REL’s OPERATIONS AND R&D

REL’s production facilities in India manufactured the different styles of jewellery required by retail customers, such as handmade plain or studded gold jewellery, cast or hollow jewellery, pipe jewellery, and antique jewellery. These facilities also manufactured different types of jewellery, such as bangles, necklaces, chains, earrings, hand rings, and bracelets.[[28]](#endnote-28)

Apart from manufacturing, an equally critical component of REL’s business model was its R&D. The R&D team consisted of the finest designers, chemists, metallurgists, and senior craftsmen.[[29]](#endnote-29) By 2016, REL had a collection of 29,000 jewellery designs.[[30]](#endnote-30) To improve designs, the marketing division closely monitored the demand and supply pattern of products through advanced software and tracking systems. This helped REL streamline its product range and develop new products based on the market trends.[[31]](#endnote-31)

The R&D laboratories were also involved in developing new jewellery designs as well as technologies and processes to refine and manufacture gold.[[32]](#endnote-32) For instance, the laboratories helped develop improved waste reduction methods. As a consequence, REL’s waste associated with fabricating, soldering, cleaning, and polishing gold was reduced to just 0.4 per cent of the total cost, whereas the industry standard was 2.5 per cent.[[33]](#endnote-33)

REL also used state of the art technology to recover gold from water, air, and other materials in REL’s manufacturing units, which further reduced waste. Similarly, vertical integration of the value chain helped REL keep costs under control. Thus, whereas other competitors incurred 10–12 per cent as the cost of operations, REL’s costs were in the range of only 2.5–3 per cent. In addition, inventory cost was kept low by processing jewellery only upon receipt of an order.[[34]](#endnote-34) Vertical integration and efficient operations resulted in REL’s jewellery prices being 5 to 6 per cent lower than the prices of other jewellers.[[35]](#endnote-35)

QUALITY AND PROCESSING OF JEWELLERY AT SHUBH RETAIL

Business transparency remained of central importance for REL since unfair trade practices were prevalent in India during the 1990s continuing to the early 2000s. The BIS, working under the Ministry of Consumer Affairs, conducted raids on jewellery shops—including branded retailers—and found that consumers were being duped, particularly with respect to the purity and weight of purchased jewellery. During the raids, BIS observed that retailers were marking their jewellery as 22 karat gold, but when tested, the jewellery was of a purity lower than 18 karats.[[36]](#endnote-36) As a result, BIS introduced the concept of jewellery hallmarking. The BIS hallmark was considered a guarantee of gold purity and weight. REL became the first organization in the jewellery business to introduce 100-per-cent BIS hallmarked jewellery, indicating that all of its jewellery reflected the true karat value.[[37]](#endnote-37)

REL also introduced the practice of selling gold at the real rate per gram, which experts termed a gold revolution in India.[[38]](#endnote-38) Typically, when purchasing gold, customers had to pay for making charges and for wastage.[[39]](#endnote-39) Consequently, customers paid up to 40 per cent more than the rate per gram charges quoted by the retailer. Yet despite these higher prices, 97 per cent of jewellers fell short on their commitment to gold purity and its weight.[[40]](#endnote-40) REL’s retail outlets eliminated these practices. Buyers in REL retail outlets could simply multiply the weight of gold by the displayed rate on a digitized board to estimate the total price of the jewellery. This practice was expected to increase transparency in the gold market.[[41]](#endnote-41) Within 15 months of launching REL’s first set of retail outlets in the southern state of Karnataka, REL emerged as the largest gold jewellery retailer in the state.[[42]](#endnote-42)

RETAIL GROWTH STRATEGY

REL earned the majority of its revenues through exports, with just 8 per cent coming from retail through Shubh Jewellers, its retail outlet.[[43]](#endnote-43) Nevertheless, the contribution of the retail business to total revenues was expected to increase to 40 per cent by 2020.[[44]](#endnote-44)

Given the demand in the Indian jewellery retail sector, REL decided to expand through the inorganic route of franchising in India. The company acquired existing small jewellery retailers as franchisees, leveraging the stores these retailers already had. These small retailers were provided with REL’s jewellery and earned commissions for running the stores under the brand name Shubh,[[45]](#endnote-45) which was mutually beneficial for both REL and the smaller retailers. With globalization and increasing consumer purchase power, consumer preferences had shifted toward branded Indian gold jewellers such as Tanishq (a division of Titan Company, which was associated with the Tata Group); or Malabar Gold & Diamonds (part of the Malabar Group). This development threatened the survival of small jewellery retailers, which had previously relied on their traditional, trustworthy appeal to consumers. By franchising under Shubh, the smaller jewellers had a higher chance of survival.

ROAD AHEAD AND CHALLENGES

Mehta envisioned establishing REL as a global leader in the gold business. He intended to establish REL as the global leader in the value chain of gold. Overall, REL aimed to own a 30-per-cent global market share in the gold business to become the largest and least expensive jewellery manufacturer in the world.[[46]](#endnote-46) Commenting on REL’s expected reputation, Mehta explained, “I want to make Rajesh Exports one of the most respected companies in the world with our products, systems, work culture, and institution.”[[47]](#endnote-47)

As part of its growth strategy, REL also ventured into e-commerce platforms with the objective of selling gold bars and jewellery globally (see Exhibit 4). The firm further planned to establish duty free shops at international airports with the intent of making gold bars available through vending machines.[[48]](#endnote-48) REL also planned to introduce a gold financing business through its existing retail networks across India,[[49]](#endnote-49) since, like jewellery retail, gold financing was a high margin business, dominated in India by companies such as Muthoot Finance Ltd. and Manappuram Finance Ltd.[[50]](#endnote-50)

One of REL’s major growth objectives was a significant reversal of the business model, with a switch from 90 per cent of the revenue coming from exporting (gold trading) to 90 per cent coming from retail by 2030. To achieve this goal, REL aimed to open approximately 2,500 stores across India.[[51]](#endnote-51) Mehta also wanted to raise the company’s net profit margin from a value of 1.3 per cent in 2015 to 10.5 per cent in 2030, reflecting a tenfold increase.[[52]](#endnote-52)

The media responded both favourably and unfavourably to Mehta’s intentions for REL. According to one group, because the firm was vertically integrated, its operational efficiency was likely to be the highest in the industry. REL was already the lowest cost gold jewellery manufacturer in the world. With access to a raw gold ore supply and an ability to refine it at virtually no additional cost, REL was already in a position to charge the lowest price in the industry and emerge as a cost leader globally, thus disrupting the market.[[53]](#endnote-53) However, according to another group of experts, REL was too late in entering the Indian retail jewellery market. Its perceived brand image was that of a mom-and-pop store, and it could be difficult for REL to compete against established Indian branded players such as Tanishq or PC Jeweller Ltd. (see Exhibits 5 and 6).[[54]](#endnote-54)

REL also faced challenges at the global level. First, India experienced severe competition from China and Vietnam in several export product categories, jewellery being one of them. Between 2011 and 2016, the contribution of jewellery to Indian exports decreased from 22 to 14 per cent.[[55]](#endnote-55) Second, challenges had emerged with the image of poor product quality associated with Indian products sold in developed markets like the United States and the United Kingdom. Edelman’s 2017 Trust Barometer indicated that global consumers perceived Indian brands to be of poor quality. As a result, trust in Indian brands was steadily declining, dropping from 40 per cent in 2011 to only 32 per cent in 2017.[[56]](#endnote-56) Third, REL needed to contend with the existing competition among leading global jewellers, who had expertise in all types of stones and gems, not just gold.

REL did have an advantage in the global jewellery sector: it had been dominated by national players in their respective countries rather than by global players. For instance, the two largest jewellery groups, Tiffany & Co. and Société Cartier, held merely 12 per cent of the global market jointly,[[57]](#endnote-57) thus providing REL with an opportunity to become a dominant global player.

REL also had its problems. It had a healthy sales revenue in comparison to its competitors, yet its profit margin and market capitalization were much lower compared to its global competitors, raising concerns about REL’s operational efficiency and future expansion prospects (see Exhibit 7). Also, major players like Tiffany—which were primarily in different types of jewellery, such as fashion, designer, and solitaire—were fast expanding in the global market. In FY 2016-17, 51 per cent of Tiffany’s total sales of $4 billion were derived from markets in its Asia–Pacific, Japan, and Europe segments.[[58]](#endnote-58)

Mehta was nevertheless confident about his goals for REL. Its jewellery, featuring the BIS hallmark quality assurance, low prices, and variants in design, could easily provide REL an edge over its competitors. As Mehta remarked, “There are three areas in gold for businesses to compete. First is quality and purity. While there are brands that sell pure gold, our products are of pure hallmarked gold. Second, the design and workmanship of our craftsmen and customers’ comfort of wearing our products is ahead of our competitors. Third is the competitive pricing: our products are priced significantly lower than other brands across the globe.”[[59]](#endnote-59)

However, BIS was planning to make jewellery hallmarking compulsory in the Indian retail jewellery sector to completely eradicate the misconduct associated with gold purity in India.[[60]](#endnote-60) With this innovation, REL could lose the advantage it had gained by voluntarily using the BIS hallmark.

Amid these challenges, could REL establish a leading gold jewellery retailer image in the national market, or were critics likely to be proved correct? Could REL break through the barrier of perceived poor quality associated with Indian products and establish its identity in the international retail jewellery market? Was Mehta’s strategic goal of becoming a global leader appropriate for a firm like REL, based in an emerging market with a negative country image?

EXHIBIT 1: CONSUMER DEMAND for GOLD, by region (IN TONNES) (2013–2016)

Note: ex CIS = Exclusive of the Commonwealth of Independent States

Source: Developed by the authors based on “Gold Supply and Demand Data,” World Gold Council, November 9, 2017, accessed November 22, 2017, https://www.gold.org/data/gold-supply-and-demand.

EXHIBIT 2: Demand for JEWELLERY, by region (IN TONNES) (2013–2016)

Note: ex CIS: Exclusive of the Commonwealth of Independent States

Source: Developed by the authors based on “Gold Supply and Demand Data,” World Gold Council, November 9, 2017, accessed November 22, 2017, https://www.gold.org/data/gold-supply-and-demand.

EXHIBIT 3: FORECASTed SALES OF different types of JEWELlERY IN INDIA (2017–2022)

Source: Developed by the authors based on information available at “Jewellery in India,” Passport, July 2017, accessed October 23, 2017, www.portal.euromonitor.com.

EXHIBIT 4: DISTRIBUTION OF JEWELERY IN INDIA, BY FORMAT (%) (2012–2017)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Format** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** |
| Store-Based Retailing | 99.2 | 99.1 | 98.7 | 98.6 | 98.4 | 98.4 |
| Internet Retailing | 0.8 | 0.9 | 1.3 | 1.4 | 1.6 | 1.6 |

Source: Developed by the authors based on “Jewellery in India,” Passport, July 2017, accessed October 23, 2017, www.portal.euromonitor.com.

EXHIBIT 5: FINANCIAL PERFORMANCE OF COMPETITORS (as on March 31, 2017)

|  |  |  |  |
| --- | --- | --- | --- |
| **Financials** | **Rajesh Exports Ltd.** | **PC**  **Jeweller Ltd.** | **Titan Company Ltd.** |
| Market Capitalization\* (US$ Billion) | 3.90 | 3.67 | 12.74 |
| Total Revenue (US$ Billion) | 6.76 | 1.29 | 2.00 |
| Inventory Turnover Ratio | 84.53 | 1.97 | 2.62 |
| Return on Capital Employed (%) | 12.29 | 12.54 | 17.23 |
| 3 Year CAGR Sales (%) | 5.83 | 8.61 | 1.93 |

Note: \*Market Capitalization is the total market value of a company’s outstanding shares of stock; CAGR = compound annual growth rate

Source: Developed by the authors based on “Rajesh Exports—Ratios,” Money Control.com, accessed January 16, 2018, www.moneycontrol.com/financials/rajeshexports/ratiosVI/RE07#RE07; “Rajesh Exports—Profit and Loss Account,” Money Control, accessed January 16, 2018, www.moneycontrol.com/financials/rajeshexports/profit-lossVI/RE07#RE07; “Rajesh Exports Limited,” Yahoo! Finance, accessed January 16, 2018, https://uk.finance.yahoo.com/quote/RAJESHEXPO.NS?p=RAJESHEXPO.NS; “PC Jeweller—Ratios,” Money Control, accessed January 16, 2018, www.moneycontrol.com/financials/pcjeweller/ratiosVI/PJ#PJ; “PC Jeweller—Profit and Loss Account,” Money Control, accessed January 16, 2018, www.moneycontrol.com/financials/pcjeweller/profit-lossVI/PJ#PJ; “PC Jeweller Limited,” Yahoo! Finance, accessed January 16, 2018, https://uk.finance.yahoo.com/quote/PCJEWELLER.NS?p=PCJEWELLER.NS; “Titan Company—Ratios,” Money Control, accessed January 16, 2018, www.moneycontrol.com/financials/titancompany/ratiosVI/TI01#TI01; “Titan Company—Profit and Loss Account,” Money Control, accessed January 16, 2018, www.moneycontrol.com/financials/titancompany/profit-lossVI/TI01#TI01; “Titan Company Limited,” Yahoo! Finance, accessed January 16, 2018, https://uk.finance.yahoo.com/quote/TITAN.BO?p=TITAN.BO.

EXHIBIT 6: REL AND COMPETITORS’ BRAND SHARE IN THE INDIAN GOLD RETAIL MARKET (2013–2016)

Source: Developed by the authors based on “Jewellery in India,” Passport, July 2017, accessed October 23, 2017, www.portal.euromonitor.com.

EXHIBIT 7: FINANCIAL PERFORMANCE OF REL AND GLOBAL PEERS

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Net Sales**  **(US$ Billion)** | | **Profit After Tax**  **(US$ Billion)** | | **Market Capitalization**  **(US$ Billion)** | **Profit Margin (%)** |
| **Competition** | **2016** | **2017** | **2016** | **2017** | **(As of February 20, 2018)** | **2017** |
| **Tiffany & Co. (U.S.)** | 4.11 | 4.00 | 0.46 | 0.44 | 12.58 | 11.46 |
| **Signet Jewelers Limited (Bermuda)** | 6.55 | 6.41 | 0.47 | 0.54 | 3.08 | 7.14 |
| **Richemont (Société Cartier, France)** | 13.68 | 13.15 | 2.09 | 1.49 | 49.13 | 14.72 |
| **Pandora (Denmark)** | 3.36 | 3.78 | 1.00 | 0.96 | 11.30 | 25.32 |
| **Rajesh Exports Limited** | 5.81 | 6.76 | 0.07 | 0.07 | 3.90 | 1.02 |

Source: Developed by the authors based on “Rajesh Exports—Ratios,” Money Control, accessed February 20, 2018, www.moneycontrol.com/financials/rajeshexports/ratiosVI/RE07#RE07; “Rajesh Exports—Profit & Loss,” Money Control, accessed February 20, 2018, www.moneycontrol.com/financials/rajeshexports/profit-lossVI/RE07#RE07; “Tiffany & Co.—Income Statement,” Yahoo! Finance, accessed February 20, 2018, https://uk.finance.yahoo.com/quote/TIF/financials?p=TIF; “Tiffany & Co.—Staistics,” Yahoo! Finance, accessed February 20, 2018, https://uk.finance.yahoo.com/quote/TIF/key-statistics?p=TIF; “Signet Jewelers Limited—Income Statement,” Yahoo! Finance, accessed February 20, 2018, https://uk.finance.yahoo.com/quote/SIG/financials?p=SIG; “Signet Jewelers Limited—Staistics,” Yahoo! Finance, accessed February 20, 2018, https://uk.finance.yahoo.com/quote/SIG/key-statistics?p=SIG.

ENDNOTES

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Rajesh Exports Limited or any of its employees. [↑](#endnote-ref-1)
2. Typically, the final price of gold ornament in India was calculated as follows: Final Price of the Jewellery = ([Price of Gold × Weight in Grams] + Making Charges) + 3% GST. The price of gold varied depending on the purity of the gold; the GST (Goods and Services Tax) was charged on the price of the jewellery and the making charge. Some retailers also added wastage charges to the price and some retailers substituted marking charges with wastage charges. A wastage charge represented the cost of gold a retailer claimed was lost in melting, cutting, and shaping the gold. Wastage charges ranged from 10 to 18 per cent of the total price of gold. Shubh Jewelers, the retail arm of REL, did not apply any marking or wastage charges in the final price of gold jewellery, explaining its costing structure of “real rate per gram.” Preeti Motiani, “How Jewellers Calculate the Price of Gold Jewellery You Buy,” *Economic Times*, October 10, 2017, accessed October 31, 2017, https://economictimes.indiatimes.com/wealth/spend/how-jewellers-calculate-the-price-of-gold-jewellery-you-buy/articleshow/61016003.cms; and “Shubh Jewellers,” Rajesh Exports, accessed October 3, 2017, http://www.rajeshindia.com/shubh-jewellers. [↑](#endnote-ref-2)
3. All currency amounts are in U.S. dollars unless otherwise specified. [↑](#endnote-ref-3)
4. Anshul Dhamija, “The Gold Rush: How Rajesh Mehta’s Out of the Box Ideas Helped Him Build His Jewellery Empire,” *Forbes India*, December 14, 2016, accessed October 5, 2017, www.forbesindia.com/printcontent/45105. [↑](#endnote-ref-4)
5. Ibid. [↑](#endnote-ref-5)
6. Ibid. [↑](#endnote-ref-6)
7. Evaluate Research, *Rajesh Export—Initiation Report*, July 23, 2015, accessed October 7, 2017, http://evaluateresearch.com/all-reports. [↑](#endnote-ref-7)
8. Anshul Dhamija, op. cit. [↑](#endnote-ref-8)
9. Evaluate Research, op. cit. [↑](#endnote-ref-9)
10. “Export,” Rajesh Exports, accessed October 3, 2017, www.rajeshindia.com/export. [↑](#endnote-ref-10)
11. “India Rich List 2017,” *Forbes India*, April 10, 2017, accessed October 3, 2017, www.forbesindia.com/lists/india-rich-list-2017/1655/1. [↑](#endnote-ref-11)
12. Sangeetha Chengappa, “My Goal is to Make Rajesh Exports One of the Most Respected Companies in the World: Rajesh Mehta,” *Business Line*, July 24, 2016, accessed October 3, 2017, www.thehindubusinessline.com/companies/my-goal-is-to-make-rajesh-exports-one-of-the-most-respected-companies-in-the-world-rajesh-mehta/article8894120.ece. [↑](#endnote-ref-12)
13. Ramnath Subbu, “Rajesh Exports Buys Valcambi,” *Hindu*, July 27, 2015, accessed October 5, 2017, www.thehindu.com/business/Industry/rajesh-exports-buys-valcambi/article7470909.ece. [↑](#endnote-ref-13)
14. “Refining & Alloying,” Rajesh Exports, accessed October 3, 2017, www.rajeshindia.com/refining-&-alloying. [↑](#endnote-ref-14)
15. “Jewellery Firm Rajesh Exports Buys Valcambi for $400 Million in Cash,” *Business Standard*, July 28, 2015, accessed October 4, 2017, www.business-standard.com/article/companies/jewellery-firm-rajesh-exports-buys-valcambi-for-400-million-in-cash-115072700218\_1.html. [↑](#endnote-ref-15)
16. Ramnath Subbu, op. cit. [↑](#endnote-ref-16)
17. Ibid. [↑](#endnote-ref-17)
18. Dhamija, op. cit. [↑](#endnote-ref-18)
19. “Jewellery Firm Rajesh Exports Buys Valcambi for $400 Million in Cash,” *Economic Times*, July 28, 2015, accessed October 4, 2017, https://economictimes.indiatimes.com/industry/cons-products/fashion-/-cosmetics-/-jewellery/jewellery-firm-rajesh-exports-buys-valcambi-for-400-million-in-cash/articleshow/48232118.cms. [↑](#endnote-ref-19)
20. Sangeetha Chengappa, op. cit. [↑](#endnote-ref-20)
21. “Valcambi Will Stay Standalone after Acquisition by Rajesh Exports,” Bullion Bulletin, accessed October 8, 2017, www.bullionbulletin.in/more\_expert\_column.aspx?pageid=DtMichael091415. [↑](#endnote-ref-21)
22. “Rajesh Exports Acquires World’s Largest Gold Refinery Valcambi for Rs 2,560 Crore,” DNA India, July 27, 2015, accessed October 5, 2017, www.dnaindia.com/money/report-rajesh-exports-acquires-world-s-largest-gold-refinery-valcambi-for-rs-2560-crore-2108492. [↑](#endnote-ref-22)
23. “Gems and Jewellery Industry in India,” IBEF, September 2017, accessed October 7, 2017, https://www.ibef.org/industry/gems-jewellery-india.aspx. [↑](#endnote-ref-23)
24. Ibid. [↑](#endnote-ref-24)
25. Virendra S. Rawat, “Organized Retail Jewellery Sector Growing by 40%,” *Business Standard*, January 20, 2013, accessed October 9, 2017, www.business-standard.com/article/companies/organised-retail-jewellery-sector-growing-by-40-111041300065\_1.html. [↑](#endnote-ref-25)
26. Sobia Khan, “Organized Jewellery Retailers to Benefit from Regulator Changes: Ind-Ra,” *Economic Times*, March 3, 2017, accessed October 10, 2017, https://economictimes.indiatimes.com/markets/stocks/news/organised-jewellery-retailers-to-benefit-from-regulatory-changes-ind-ra/articleshow/57447776.cms. [↑](#endnote-ref-26)
27. Sarah Benali, “Indian Gold Jewelry Demand to Grow 8–10%—ICRA,” Kitco News, April 20, 2015, accessed October 10, 2017, www.kitco.com/news/2015-04-20/Indian-Jewelry-Demand-To-Grow-8-10-ICRA.html. [↑](#endnote-ref-27)
28. “Manufacturing,” Rajesh Exports, accessed October 3, 2017, www.rajeshindia.com/manufacturing. [↑](#endnote-ref-28)
29. Rajesh Exports Limited, *23rd Annual Report: 2016–2017*, accessed October 4, 2017, www.rajeshindia.com/annual-reports. [↑](#endnote-ref-29)
30. “Rajesh Exports (#Rajeshexpo)—A Good Long Term Investment,” Market Express, April 28, 2016, accessed October 12, 2017, www.marketexpress.in/2016/04/rajesh-exports-rajeshexpo-a-good-long-term-investment.html. [↑](#endnote-ref-30)
31. “Wholesale,” Rajesh Exports, accessed October 3, 2017, www.rajeshindia.com/wholesale. [↑](#endnote-ref-31)
32. Adam Bennett, “Rajesh Exports MD Polled as India’s Most Prominent Gold Controller,” Bdaily News, June 6, 2017, accessed October 13, 2017, https://bdaily.co.uk/articles/2017/06/06/rajesh-exports-md-polled-as-indias-most-prominent-gold-controller. [↑](#endnote-ref-32)
33. Parag Parikh Financial Advisory Services Ltd., *Rajesh Exports Limited: Scaling Indian Handicraft Industry to World Class Levels* (ACE Analyser, February 18, 2005), accessed October 13, 2017, www.aceanalyser.com/Analyst%20Meet/131500\_20050218.pdf. [↑](#endnote-ref-33)
34. Evaluate Research, op. cit. [↑](#endnote-ref-34)
35. Chengappa, op. cit. [↑](#endnote-ref-35)
36. Roli Srivastava, “Quality is not Most Jewellers’ Hallmark,” *Times of India*, October 8, 2001, accessed October 16, 2017, https://timesofindia.indiatimes.com/city/mumbai/Quality-is-not-most-jewellers-hallmark/articleshow/1978290903.cms. [↑](#endnote-ref-36)
37. Nidhi N. Srinivas and Sutanuka Ghosal, “Top 6 Jewellers Who Control India’s Gold,” *Economic Times*, May 2, 2013, accessed October 16, 2017, https://economictimes.indiatimes.com/slideshows/investments-markets/top-6-jewellers-who-control-indias-gold/slideshow/19827320.cms. [↑](#endnote-ref-37)
38. “Rajesh Exports to Emerge as the Largest Retailer in India,” IIFL [India Infoline], December 14, 2011, accessed October 17, 2017, https://www.indiainfoline.com/article/news/rajesh-exports-to-emerge-as-the-largest-retailer-in-india-4074074774\_1.html. [↑](#endnote-ref-38)
39. Preeti Motiani, op. cit. [↑](#endnote-ref-39)
40. “Rajesh Exports Un-Leashes the Retail ‘Gold Revolution’ with ‘Real Rate per Gram,’” Equity Bulls, May 12, 2010, accessed October 10, 2017, http://equitybulls.com/admin/news2006/news\_det.asp?id=73425. [↑](#endnote-ref-40)
41. “Gold Jewellery Buying Becomes Simplified,” *Times of India*, May 12, 2010, accessed December 10, 2017, http://epaper.timesofindia.com/Default/Layout/Includes/TOINEW/ArtWin.asp?From=Archive&Source=Page&Skin=TOINEW&BaseHref=TOIBG%2F2010%2F05%2F13&ViewMode=HTML&PageLabel=19&EntityId=Ar01900&AppName=1. [↑](#endnote-ref-41)
42. “Rajesh Exports to Emerge,” op. cit. [↑](#endnote-ref-42)
43. Chengappa, op. cit. [↑](#endnote-ref-43)
44. Evaluate Research, op. cit. [↑](#endnote-ref-44)
45. Parag Parikh Financial Advisory Services Ltd., op. cit. [↑](#endnote-ref-45)
46. Raghu Krishnana and Rajesh Bhayani, “With Valcambi, Rajesh Mehta Strikes Pure Gold,” *Business Standard*, August 12, 2015, accessed October 19, 2017, www.business-standard.com/article/companies/with-valcambi-rajesh-mehta-strikes-pure-gold-115081201715\_1.html. [↑](#endnote-ref-46)
47. Chengappa, op. cit. [↑](#endnote-ref-47)
48. Ibid. [↑](#endnote-ref-48)
49. Evaluate Research, op. cit. [↑](#endnote-ref-49)
50. “Rajesh Exports (#Rajeshexpo),” op. cit. [↑](#endnote-ref-50)
51. “Rajesh Exports to Emerge,” op. cit. [↑](#endnote-ref-51)
52. Dhamija, op. cit. [↑](#endnote-ref-52)
53. Ibid. [↑](#endnote-ref-53)
54. Ibid. [↑](#endnote-ref-54)
55. Kritika Suneja, “India Loses Global Market Share in 61 Export Items,” *Economic Times*, May 30, 2017, accessed October 21, 2017, https://economictimes.indiatimes.com/news/economy/foreign-trade/india-loses-global-market-share-in-61-export-items/articleshow/58901907.cms. [↑](#endnote-ref-55)
56. Matthew Hellman, “The 5 Biggest Global Challenges for Indian Brands,” *Marketing Journal*, October 26, 2017, accessed November 9, 2017, www.marketingjournal.org/the-5-biggest-global-challenges-for-indian-brands. [↑](#endnote-ref-56)
57. Linda Dauriz, Nathalie Remy, and Thomas Tochtermann, “A Multifaceted Future: The Jewelry Industry in 2020,” McKinsey & Company, February 2014, accessed October 21, 2017, https://www.mckinsey.com/industries/retail/our-insights/a-multifaceted-future-the-jewelry-industry-in-2020. [↑](#endnote-ref-57)
58. Tiffany & Co., *Annual Report on Form 10-K for the Year Ended January 31, 2017* [2016 Annual Report], accessed February 20, 2018, http://investor.tiffany.com/financial-information/annual-reports. [↑](#endnote-ref-58)
59. Sandeep Soni, “The $1.7 bn Star Indian Jeweller and What Got Him There,” *Entrepreneur India*, November 23, 2015, accessed October 21, 2017, https://www.entrepreneur.com/article/253167. [↑](#endnote-ref-59)
60. “Rajesh Exports (#Rajeshexpo),” op. cit. [↑](#endnote-ref-60)