

# GOLD REFINING

## ADDRESSING CHALLENGES AND UNLEASHING OPPORTUNITIES

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## Good Evening

- ▶ All of us know import of gold and gold dore bars in India is regulated by the Government with certain conditions. In the case of import of gold, the Government has nominated companies like STC, MMTC, DIL & few others. I think as of now, among nominated companies only DIL is active in import of Gold. The RBI has also authorised some of the banks through whom one can import Gold. The nominated agencies and the Banks are having their own arrangements with different suppliers in the international market for supply of Gold as per their requirement.
- ▶ The other source of gold available in the Indian market is through the Refineries established in different parts of the country. There are around 20 to 25 active Refineries in India. But 80 pct of the total refining is done by top 10 refineries. The refiners import Gold Dore Bars against the License issued to them for a specific quantity from the Office of Directorate General of Foreign Trade with the restrictions on the size and purity of the gold dore bar. The refiners also collect scraps/ old jewellery available in the market to refine. During the first quarter of last year i.e. April-June 22 not much of the dore was imported due to the pandemic. Now after easing out the conditions, the industry has bounced back and in the first quarter of the current financial year, Gold Dore Bar to the tune of approx, 90.00 MT has arrived in India. As the conditions are improving, it is expected that the figure shall improve further.





- ▶ There are many challenges for the gold refining industry in India. First of all is that the supply of dore is not easily available and that it is not in the hands of so organised sector. To sort out this problem, I would like that the nominated banks help the industry and may make some efforts to import more of Gold Dore Bars instead of the finished Gold Bars. The Banks have the means and the expertise. They have contacts with many suppliers in the international market. Government and/or RBI can make certain changes in the regulations, required to help out the Banks in this regard.
- ▶ The other challenge is from the unorganised refining sector in India. The majority of gold recycling trade remains unorganised as accredited refineries need to show from where they had sourced the scrap and have to leave out small jewellers, who prefer cash transactions.
- ▶ Recently the hike in Custom Duty on import of Gold has given additional advantage to the parallel industry which is also a challenge to the refiners who are having an organised set up.





As of now there is a difference of .65% in the custom duty of Gold Bars and the Gold Dore Bars. Keeping in view the huge investment required to set up a refinery , Land & Building, the Plant & Machinery and the running cost, the difference in duty of .65% is not enough.

In spite of all these issues the Industry has tremendous opportunity to grow with the Government support by way of :

- ▶ To consider some more reduction in the custom duty for import of gold dore bars which will increase the import of Dore than the finished Gold. More import of Dore Bars will be a big boost to Make in India drive of the Government and shall create more job opportunities for the skilled as well as the non-skilled workforce. Our country is recognized in the world over for its cost-competitive Manufacturing.
- ▶ Allow Refiners to import specific quantity of Duty Free Dore Bars, out of the License issued to them, to sell the Gold Bars to Jewellers in India for export purpose. The Government may keep a certain amount of security by way of Bond or Bank Guarantee, which can be released upon furnishing the documentary evidence of export as Shipping Bill and Bank Realisation Certificates in addition to all other documents, for export of Jewellery. This move will help the small jewellers, to obtain duty free Gold for export, who are not having any arrangement with the nominated agencies or the Banks.



The young generation buy the gold jewellery, not only as a mean of investment but also as a fashion statement. The holding period of jewellery will continue to decline as younger consumers look for a change in designs more frequently leading to higher level of recycling.

The country has the potential to emerge as a competitive refining hub if the next phase of bullion market reforms promotes responsible sourcing, exports of bars and consistent supply of dore or scrap.

In the end I request all the refiners to come together, discuss and take up the related issues with the concerned authorities for the growth of the Gold refining industry.

Thanks

