

# Gold Spot Exchange - Hangover of Union Budget Over the Years

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Over the recent years, the Govt and various stake holders have been discussing that India shall become a global price maker for gold, rather than a price taker, which shall change the business dynamics of the gold ecosystem in India. Setting a transparent gold pricing across India at the spot exchanges, has the immediate potential of unlocking several hundred tonnes of gold into recirculation. Such a monetisation of the idle gold holdings offers excellent avenues for all the stake holders such as the gold refineries, bullion traders, jewellery shops, manufacturers, exporters, consumers etc. The Govt shall be the biggest beneficiary, with reduction in imports and resultant savings in precious foreign exchange and CAD, in addition to the considerable earnings in GST revenue from old gold coming into recirculation.

Globally gold trading is happening 24 hours across various commodity exchanges located at different time zones. London metal exchange - LME starting from noon in India, New York/ Comex in Indian evening hours, Shanghai in midnight and Tokyo in the morning. Still London is the dominant price maker, due to Europe's predominance in bullion and currency trading. India, the largest gold consumer (BIS portal indicate 1200 tonnes of jewellery being hallmarked per annum) is no where in the picture and the Indian gold business is still dependent on the daily London spot pricing, that starts in the noon of Indian standard time. China is considered to be the largest producer and consumer of gold. The Shanghai gold exchange (SGE) has become a dominant price maker, with their gold trading volumes of 40,000 tonnes per annum at the exchange. Over the years, China's domestic consumption is gradually coming down due to their ageing population, lower marriages, child births, festivities etc, but SGE is still a dominant price maker of gold globally



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In the Union budget of Feb 2018, the then Finance minister Shri Arun Jaitely announced the launch of gold spot exchanges at multiple locations and SEBI granted permission to the commodity exchanges to open spot exchanges at 11 locations, but except for Mumbai and Ahmedabad, the remaining 9 locations are now kept under suspension, for want of business volumes. Also it is understood that there are operational hiccups for rolling out these spot exchanges, with no refund mechanism of GST for the EGRs traded at the gold spot exchanges at various locations. In the 2022 union budget, Hon Finance minister Smt Nirmala Sitharaman announced GST refund facility for EGRs traded at the spot exchanges. However it appears that the GST council is yet to work out the modalities of GST refund for EGRs sold. The proposed gold spot exchanges are still continuing in limbo, for want of a GST refund mechanism for the seller, whenever his physical gold is sold to the exchange, which in turn is sold in EGR format to another buyer, who shall be paying only the GST excluded price of gold to the exchange.

**Gold price disparities across india:** The absence of a single transparent pricing mechanism and seamless transfer of gold across multiple locations has resulted in huge price disparities across India, depending on logistics issues or excess supply in one locality or supply constraint in another locality, as seen below:

**Illustrative /indicative gold prices based on locations of india, as on 13.10.25**

	Location	Price per gm- Rs
1	Chandigarh	12400
2	Ahmedabad	12930
3	Jaipur	13100
4	New delhi	1300
5	Kolkata	12800
6	Mumbai	12850
7	Kolhapur	12400
8	Hyderabad	13050
9	Chennai	13000
10	Coimbatore	13000
11	Cochin	12900
12	Bangalore	13000

Gold price is the lowest in Cochin, probably due to the abundant supply of old gold from various sources, including auction of defaulted gold loans. Whereas at Coimbatore, (a jewellery manufacturing centre) in the nearby state of Tamilnadu, there is more demand for gold, whereas supply is limited, leading to higher prices. Consequently everyday Gold from kerala is smuggled to Coimbatore avoiding official logistic channels, to fetch better prices and the money too is smuggled back to kerala.



**Benefits of transparent gold price across India, as and when reflected in gold spot exchanges:**

- a. Bullion traders earn better profit margins while sourcing from low cost supply centres. Eg the bullion dealer in Hyderabad can take delivery of low cost bullion from the Hyderabad exchange vault, as and when it is purchased from the lowest cost source in Cochin. Normally the profit margin in bullion is 0.1% ie, around Rs 10 per gm of gold. Whereas presently there are interstate price differences of Rs 100 per gm, as seen in the above chart. As of now the bullion dealers are deprived of sourcing gold from low cost supply bases, due to logistics issues and delivery delays, but in a gold spot exchange, the delivery is OTC - over the counter from the vault.
- b. As and when there is transparent pricing available for selling their old gold, customers shall be coming forward to monetize their old gold, bringing more of idle gold into recirculation. They get better price realisations, when their old gold is sold to BIS licensed gold refineries, who sell their refined gold bullion - good delivery bars to the spot exchanges at better spot prices .

- c. The spot exchanges cater to the investment segment of gold demand, diverting the physical demand to demat format, which will ultimately help in reducing import of bullion for investment purposes. China's physical demand for gold is 1000 tonnes, whereas in Shanghai Gold Exchange, the trading volumes are 40,000 tonnes of gold per annum
- d. Supply of locally refined gold to the spot exchanges, for monetization purposes, that too in demat form, will increase the physical supply of gold in the vaults, enabling the banks to buy local bullion for GML - gold metal loan purposes, replacing the import of bullion used for GML purposes. Availing GML from domestic gold is more economical for the jewelers, because they save on the hedging expenses connected with imported gold to safeguard against fluctuations in gold ounce rate and the Rupee dollar exchange rates.
- e. Better business revenue for stake holders: Bringing more of old gold into recirculation offers immense business revenue /processing charges for the stake holders such as jewellery shops, assaying centres and gold refineries .Presently most of the bullion bars sold in the market are in 1 kg form, which is beyond the reach of small jewellery shops. However in a spot exchange, small jewelers can buy quality certified bullion, with Gst input credit, at transparent spot prices, in quantities as low as 30 gms, against their daily jewellery sales, taking away their risk of gold price fluctuations, if and when their purchases are delayed for want of sourcing in small quantities.
- f. The potential of increased supply of old gold, getting converted to refined bullion bars, shall cut down the country's gold imports, thereby saving billions of precious foreign exchange and CAD.
- g. The Govt shall be getting more GST revenue from the sale of old gold happening at registered dealers, for its further conversion to refined bullion, with a near term target of additional 300 tonnes of recycled gold per annum, ie 1% of the estimated 30,000 tonnes of idle gold holdings lying with house holds and institutions (presently 3000 tonnes ie 10% of the same is under mortgage for gold loans and it often gets diverted to the grey market for monetization).

***In the coming Union budget, the industry is looking forward to the Govt for supportive policies :***

- 1. Waiver of capital gains tax on sale of old gold to GST registered gold dealers, upto a limit of 500gms per family.***
- 2. Early roll out of GST refund mechanism for EGRs sold at the gold spot exchanges***

