

# Business Standard

## **With Valcambi, Rajesh Mehta strikes pure gold**

*The acquisition of Valcambi in Switzerland has made Bengaluru based Mehta's export company the largest integrated gold player in the world.*

Raghu Krishnan & Rajesh Bhayani | Bengaluru/Mumbai  
August 12, 2015

When Newmont Mining signed a deal with Rajesh Exports to sell Valcambi on July 27, it ended an 18-month global search to find a new owner. For Newmont, Bengaluru-based Rajesh Exports was a natural choice: it was an existing customer for Valcambi, sourcing gold for its consumers in India, the world's largest importer of the precious metal.

Rajesh Exports says the Valcambi acquisition has helped it become an integrated player: it's now the only one in Asia that has access to gold supplies, manufactures gold jewellery, exports the metal to global customers and also retails it in stores across India. "It is a rare acquisition by an Indian company," Rajesh Mehta, the 51-year-old chairman, says.

Valcambi has the capacity to refine 1,600 tonnes of gold in a year - around 40 per cent of the global gold requirement -, though it refined 945 tonnes of gold, equivalent to India's annual consumption, and 325 tonnes of silver last year. In all, it accounts for 10-15 per cent of the refined gold sold in India.

Since 2011, Forbes has listed Mehta among the 100 richest men in India. His journey from a trader to the owner of the world's largest integrated gold player took around three decades.

While Mumbai is the epicentre of India's jewellery industry, Bengaluru-born Mehta, who started out as a trader supplying designer jewellery from Mumbai and Ahmedabad to south India, set up a factory in his hometown in 1990 to manufacture mass-market jewellery for export. In 1995, he went public to raise funds to expand his facility, and in the next 10 years, made it the world's largest manufacturer of gold jewellery.

Since then, Rajesh Exports has ventured unsuccessfully into retailing premium jewellery with Oysterbay to compete with Tanishq, the jewellery brand of the Tatas. In 2011, Mehta returned to jewellery retail with Shubh Jewellers, a mass brand that is sold through franchisees and had a target of 500 stores by 2015. As of now, it has around 82 outlets, less than a fifth of its target.

Mehta's rise hasn't been without controversy. His company has been charged with tax evasion. The latest raid in February by Karnataka commercial taxes department charged it of using a shuttered unit to make jewellery. Mehta dismisses these charges. "There are no cases against us," he says. "We are 100 per cent above board and anyone can check our records".

### **Unlike a billionaire**

Mehta keeps a low profile. He does not own a smartphone, and uses three basic phones. He drives around in a Toyota Innova. Some of his employees, in fact, own more expensive cars. "I am aware of the latest in technology. (But) social media and smartphones are all irritants; they take away my focus," says Mehta, who rarely travels overseas and works 14 hours a day from his office. Decisions are centralised with him and members of his family.

Mehta Junior, Siddarth, the 24-year old chief strategist at Rajesh Exports, is already a six-year veteran in the company. Having graduated in business management from a college a few steps from his father's office, the jeans-clad Siddarth, who speaks six languages, is now charting the course for the company.

In his father's windowless office with deep dark leather upholstery and a table that has over a hundred small idols, mostly of Ganesha and a few of the Buddha, the smartphone-wielding Siddarth explains how the Valcambi acquisition will help Rajesh Exports expand its retail business. "Our cost of acquisition of gold is 5-6 per cent lower than anyone. We will pass this (benefit) on to our customers," he says.

The plan is to improve Valcambi's margins from the existing 0.01 per cent, expand into newer markets, upgrade the Uttarakhand refinery to the London Bullion Market Association standards - the same as Valcambi, which is accepted globally - and to go aggressive on the retail business with 500 outlets in three years in south India.

### **The challenges**

Analysts say though the acquisition of Valcambi is good for Rajesh Exports, there are challenges that need to be met. One of them would be utilising the Valcambi brand that is bigger than its parent; and two, deploying the existing \$190 million cash reserve with Valcambi. As interest rates in Switzerland are nearly zero, it may make sense for Mehta to deploy the cash in India.

"While we believe that acquiring a refinery of the stature of Valcambi will be a paradigm shift for Rajesh Exports, we believe that Rajesh Exports should be able to handle crucial issues and challenges of executing future plans in Valcambi," says Prajwal Gote, analyst at Singapore-based Evaluate Research.

Newmont, the exiting owner of Valcambi, has committed to use Valcambi to refine gold from its mines for five years. Yet, the refinery is being utilised at 60 per cent of its capacity. Rajesh Exports has some gold mines; it could start sending its find to the refinery and add more sources.

The cultural integration with the Valcambi staff would be another big challenge. "If existing Valcambi customers defect to other refiners (in Switzerland or elsewhere), this could impact Mehta's projections and assumptions about the Valcambi business, and maybe leave it with over capacity," says Ronan Manly, a research analyst at BullionStar, a Singapore-based bullion dealer.