INDUSTRY CAPABILITY REPORT

SRI LANKAN DIAMONDS, GEMS AND JEWELLERY SECTOR

Prepared by:
Export Development Board (EDB), Sri Lanka
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1. INTRODUCTION

Sri Lanka has a long traditional association with the international Gem and Jewellery trade and has been known as the cradle of treasures for its precious, natural gemstones. The art of jewellery making and Sri Lanka’s gem industry have been widely acclaimed in literary works dating as far back as 250 B.C. Legend has it that King Solomon, wooded Queen Sheba with gifts of priceless Sri Lankan gems and that throughout the ages Sri Lankan gems have adorned Crowns and Thrones and bedecked royalty the world over, including more recently, Queen Victoria, Princess Diana of Britain and Duchess of Cambridge.

Sri Lanka is currently positioned in the global market as a source of supply of high quality Gems and is reputed to be a quality cutting & finishing centre in the world producing stones that meet the highest standard.

Since historic times, the jewellery industry has developed considerably and today Sri Lanka has both traditional jewellery industry and export oriented industry ready to supply to the international market. Sri Lanka is also well known for diamond cutting skills where quality is a pre-requisite. Sri Lanka’s specialty is in cutting of small diamonds with exceptionally high quality.

2. TYPES OF PLAYERS

There are around 300 exporters of gems, diamond and jewellery which fall under the categories of large, medium and small. Most of the exporters are SMEs and they are scattered across the country.

The business Value Chain of Sri Lanka’s Gem and Jewellery Industry

Mining  ➔  Dealing and exporting  ➔  Lapidary  ➔  Jewelry Manufacture  ➔  Retailing

The entire industry employees around 650,000 persons including Miners, cutters and polishers, dealers, jewellery designers and Craftsmen, machanists and sales people.

3. KEY PRODUCTS AND VARIETIES

Sri Lanka is blessed with over 70 varieties of coloured stones out of 200 found in the world and is among the five most important gem-bearing nations of the world.

Sri Lanka’s mineral rich soils have been yielding a seemingly never ending supply of high quality precious and semi precious gem stones such as sapphires in its shades of blue, pink, yellow, green colours, star sapphires, Rubies, Star Rubies, Alexandrites, Cat’s eyes, garnets, Zircons, Tourmalines, aquamarines topaz, Spinals, Moonstones, quartz and a large number of rare gemstones.

Amongst the outstanding gemstones that Sri Lanka has produced in the contemporary era are the Blue Giant of the Orient (466 cts), Logan Blue Sapphire (423 cts), Blue Belle of Asia (400 cts), Rossar Reeves Star Ruby (138.7 cts), Star of Lanka (393 cts. Star Sapphire) and Ray of...
The Gems and Jewellery Industry can be classified into various sub-segments like Diamonds, precious stones, gold and silver jewellery, fashion and ethnic jewellery etc. However, the three major segments in Sri Lanka are precious stones, gold and silver jewellery, and Diamonds.

4. **SEASONAL VARIATION**

There is no major variation in the gem and jewellery sector. However, during the months of May-July, there is an increased demand for bridal jewellery which is mainly white/yellow gold with Diamonds and Sapphire.

<table>
<thead>
<tr>
<th>Gems</th>
<th>Diamond</th>
<th>Jewellery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free size and investment gemstones</td>
<td>cutting and polishing Diamonds</td>
<td>Manufactured in 9 K, 14 K, 18 K gold, Platinum Sterling Silver or combination of 2 or more metals.</td>
</tr>
<tr>
<td>Calibrated gemstones</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rare gemstones</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gem cutting services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. **SPECIALTIES ASSOCIATED WITH PRODUCTS**

A unique feature of Sri Lanka's gem mines is that an assortment of gems such as Spinels, Corundums (Blue and Star Sapphires, Rubies) Cat's Eyes, Zircon and many others are found in a single gem pit. Gem mining in Sri Lanka is almost entirely confined to sedimentary deposits.

The techniques of mining and processing in Sri Lanka, though labour intensive, are very efficient compared to gem mining in other developing countries and the recovery of fine gems as small as one millimeter or less is assured. Protection of the environment is ensured by law.

Sri Lanka Blue Sapphire's have been well-known for many generations for its natural color and luster. And it is the Sri Lanka's Gem Supreme and the finest in the world. This precious gem has a high clarity transparency and saturation of color which is a hallmark of an excellent Blue Sapphire.

Sri Lanka's jewellery makers have refined their hereditary skills over centuries, to attain the highest standards in exquisite craftsmanship and sophisticated creativity with the modern touch. With the addition of the latest technology in design and manufacture, and a new focus on design excellence, Sri Lanka is emerging as a design centre offering high quality jewellery collections of Silver, Gold and Platinum.

6. **GEOGRAPHICAL DISTRIBUTION ACROSS THE COUNTRY AND KNOWN CLUSTERS IF ANY**

There are 5 major gem producing areas in Sri Lanka with Ratnapura (the "city of Gems") being the traditional gem mining area. The gem-bearing is approximately 80 miles in length and 20
miles wide, and lays south-west of the central hills. Apart from this main belt of production, there are also gem producing areas in several other parts of the country.

Jewellery making has been a traditional industry in Sri Lanka and there are a number of traditional craft villages spread around the country. The main villages are in the Southern province and the Western Province.

7. **SIZE IN TERMS OF PRODUCTION (VALUE/QUANTITY)**

Due to the highly diverse nature in this sector it is hard to determine the size of production. However the value and quantity of exported diamonds, gems and jewellery (during the last three years) are as follows.

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weight (Cts.)</td>
<td>Value (Rs.)</td>
<td>Weight (Cts.)</td>
</tr>
<tr>
<td>Diamonds</td>
<td>537,205</td>
<td>36,030,098,828</td>
<td>573,032</td>
</tr>
<tr>
<td>Gems</td>
<td>7,380,126</td>
<td>7,488,557,602</td>
<td>16,989,313</td>
</tr>
<tr>
<td>Gauwda</td>
<td>5,469,548</td>
<td>136,543,331</td>
<td>15967718</td>
</tr>
<tr>
<td>Jewellery</td>
<td>4,066,195</td>
<td>1,812,021,822</td>
<td>2769256</td>
</tr>
</tbody>
</table>

Source : National Gem and Jewellery Authority

8. **TOTAL GROWTH IN THE SECTOR IN LAST 5 YEARS**

The gems, diamond and jewellery sector has recorded an overall growth of 5.15% as at end of 2012, earning revenue of US $ 558.90 Mn.

Value in US $ Mn

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2009</th>
<th>% Growth</th>
<th>2010</th>
<th>% Growth</th>
<th>2011</th>
<th>% Growth</th>
<th>2012</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamonds</td>
<td>420.58</td>
<td>316.82</td>
<td>-24.67</td>
<td>321.52</td>
<td>1.48</td>
<td>414.33</td>
<td>28.87</td>
<td>416.73</td>
<td>0.58</td>
</tr>
<tr>
<td>Gems</td>
<td>101.01</td>
<td>68.92</td>
<td>-31.77</td>
<td>70.25</td>
<td>1.93</td>
<td>95.24</td>
<td>35.57</td>
<td>117.93</td>
<td>23.82</td>
</tr>
<tr>
<td>Jewellery</td>
<td>17.32</td>
<td>13.55</td>
<td>-21.77</td>
<td>13.49</td>
<td>-0.44</td>
<td>15.68</td>
<td>16.23</td>
<td>24.24</td>
<td>10.48</td>
</tr>
<tr>
<td>Total</td>
<td>538.91</td>
<td>399.29</td>
<td>-25.91</td>
<td>405.26</td>
<td>1.50</td>
<td>525.25</td>
<td>29.61</td>
<td>558.90</td>
<td>5.15</td>
</tr>
</tbody>
</table>

Source: Sri Lanka Customs


**DIAMONDS**

- Lanka Diamond Polishing Ltd
- Diamond Cutters Ltd
- Brooky Diamond Pvt Ltd
• Colandiam Pvt Ltd
• Nisol Diamonds Pvt Ltd

GEMS

• Ellawala Exports Pvt Ltd
• Gem Paradise
• Priyanta Gems
• Sapphirus Lanka Pvt Ltd
• Punsiri Gems

JEWELLERY

• Tropical Findings Pvt Ltd
• Wellawatta Nithyakalyani Jewellers
• Alankara S K R Pvt Ltd
• Blue Diamonds Jewellery Worldwide Plc
• Natural Sapphires Ceylon Pvt Ltd

10. NUMBER OF PEOPLE EMPLOYED IN THE SECTOR

Approximately 650,000

11. GOVERNMENT POLICY AND SUPPORT AVAILABLE IN THE SECTOR

All imports of precious metals and gems (including diamonds) have been exempted from Customs duty and Value Added Tax (VAT). Port and Airport Development Levy (PAL) have been removed on gems, diamonds and gold imports.

VAT rate on supply of jewellery has been reduced from 20% to 5%. Concessionary PAL rate of 2% for selected plant and machinery imported for high value added product has been introduced.

The laws in Sri Lanka guarantees copyright protection of designs. Simplified import-export procedure offers international buyers peace of mind and ease of operation when dealing with Sri Lanka. Sri Lanka’s membership of the Convention on the ATA Carnet, facilitates the smooth transportation of jewellery.

An Import Export Gem Office at the Cargo Village at the International Airport in Katunayake expedites the clearance of rough gemstones and export of cut & polished gems, jewellery and diamonds.

12. R&D AND PRODUCT DEVELOPMENT FACILITIES AVAILABLE

Gem and Jewellery Research and Training Institute, University of Moratuva, Vocational Training Institute, Technical College provides training and research facilities for the Gem and
jewellery industry. Further National Gem and Jewellery Authority, Export Development Board, Gemologists Association too organize product/design development programmes for the sector.

13. **AVAILABILITY OF TECHNOLOGY AND SKILLED LABOUR**

The industry uses advance technology in cutting of Gems and Diamonds as well as jewellery manufacturing. The industry consists of a highly skilled and trained work force.

14. **GROWTH IN LAST 5 YEARS IN EXPORTS AND MAIN IMPORTING COUNTRIES**

The average growth in last 5 year in export of Diamonds, Gems and Jewellery is 6.12%

- Belgium is the major importing country for Diamonds (US $ 301 Mn in 2012)
- Switzerland is the major importing country for Gems (US $ 110 Mn in 2012)
- United Kingdom is the major importing country for Jewellery (US $ 8 Mn in 2012)

15. **POTENTIAL FOR EXPANSION IN THE SECTOR**

- Availability of gem deposits in most parts of the country.
- Well employed lapidaries
- An educated and trainable workforce.
- A business friendly environment

16. **STRENGTHS AND WEAKNESSES OF THE SECTOR**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity to build a highly comprehensive gem and jewellery industry</td>
<td>Lack of infrastructure facilities</td>
</tr>
<tr>
<td>Inherent craftsmanship</td>
<td>Smallness of the enterprises</td>
</tr>
<tr>
<td>High potential for employment generation</td>
<td>Lack of proper technology</td>
</tr>
<tr>
<td>Ready access to technical assistance and business development services.</td>
<td>High cost of raw materials</td>
</tr>
<tr>
<td>Long history of gem cutting – artisan culture which still sustains itself</td>
<td>Lack of strategic focus for the sector</td>
</tr>
<tr>
<td>An educated and trainable workforce</td>
<td>Limited access to credit.</td>
</tr>
<tr>
<td>The availability of a wide variety of precious and semi-precious gem stones</td>
<td>Low participation of younger generation.</td>
</tr>
<tr>
<td>A business friendly government, with the minimum of formalities providing a wide array of tax incentives</td>
<td></td>
</tr>
<tr>
<td>Duty free access to imports of raw materials</td>
<td></td>
</tr>
</tbody>
</table>
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