



INDUSTRY CAPABILITY REPORT



SRI LANKAN DIAMONDS, GEMS AND JEWELLERY SECTOR

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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, wooed 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.

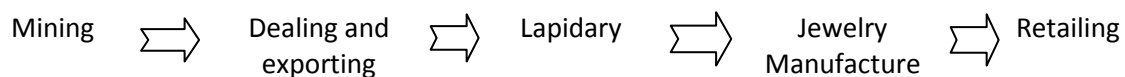
Sri Lanka is currently positioned in the global market as a source of supply of high quality Gems and is reputed to be a quality cutting & finishing centre in the world producing stones that meet the highest standard.

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



The entire industry employs 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*

Treasure (105 cts. Cat's Eye). The first three gemstones are on display at the Smithsonian Institute in Washington DC, USA.

The Gems and Jewellery Industry can be classified in to 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.

Gems	Diamond	Jewellery
Free size and investment gemstones Calibrated gemstones Rare gemstones Gem cutting services	cutting and polishing Diamonds	Manufactured in 9 K, 14 K, 18 K gold, Platinum Sterling Silver or combination of 2 or more metals.

5. SPECIALTIES ASSOCIATED WITH PRODUCTS

A unique feature of Sri Lanka's gem mines is that an assortment of gems such as Spinel, 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 is very efficient compared with 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 hall mark 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.

Description	2010		2011		2012	
	Weight (Cts.)	Value(Rs.)	Weight (Cts.)	Value(Rs.)	Weight (Cts.)	Value (Rs.)
Diamonds	537,205	36,030,098,828	573,032	45,381,084,714	478,668	52,893,493,251
Gems	7,380,126	7,488,557,602	16,989,313	10,384,822,909	21,890,476	14,756,980,159
Geuwda	5,469,548	136,543,331	15967718	147,312,692	24,569,345	224,580,382
Jewellery	4,066,195	1,812,021,822	2769256	2,108,061,340	3,163,601	2,768,649,059

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

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

Source: Sri Lanka Customs

9. KEY PLAYERS IN THE SECTOR (2011-2012)

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

Strengths	Weakness
<ul style="list-style-type: none"> • Capacity to build a highly comprehensive gem and jewellery industry • Inherent craftsmanship • High potential for employment generation • Ready access to technical assistance and business development services. • Long history of gem cutting – artisan culture which still sustains itself • An educated and trainable workforce • The availability of a wide variety of precious and semi-precious gem stones • A business friendly government, with the minimum of formalities providing a wide array of tax incentives • Duty free access to imports of raw materials 	<ul style="list-style-type: none"> • Lack of infrastructure facilities • Smallness of the enterprises • Lack of proper technology • High cost of raw materials • Lack of strategic focus for the sector • Limited access to credit. • Low participation of younger generation.

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