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COLOMBO MBA ALUMNI ASSOCIATION

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CMBAAA Executive Committee 2006 / 2007

Standing (L-R)

Dushantha Rodrigo, Hemantha De Silva, Tiran Gunaratne, Chandana Weerasooriya (Assistant Secretary), Krishan Senaratna, Anusha Wijehuneratna, Emil Perera, Neil De Mel, Chris Corea, Neil R.I. Perera, Mahesh Jayasinghe (Assistant Treasurer), Jude Fernando.

Seated (L-R)

Pubudu De Zoysa, Prasad Jayasuriya (Immediate Past President), Mano Navarathnaraja (Deputy President), Dr. P.S.M. Gunaratne (Dean Faculty of Management and Finance), Rohan Seneviratne (President), Prof. T. Hettiarachchy (Vice Chancellor), Suresh Kumar (Vice President), Hilary Fernando (Secretary), Gayathri Padmasckera (Treasurer)

09th Annual General Meeting



The 09th Annual General Meeting of the Colombo MBA Alumni Association (CMBAAA) was held on 07th July 2006 at the Hotel Taj Samudra. The new office bearers and the Executive Committee for the year 2006/2007 were elected at the AGM. Rohan Seneviratne the incoming President was handed over his duties by outgoing President Prasad Jayasuriya on this occasion. The chief guest was Colombo MBA Alumnus, CEO of Ellawela Exports (Pvt) Ltd, Chanaka Ellawela, who delivered the guest speech on "Ceylon Sapphire the Past, Present and Future". The Colombo MBA Alumni

Association is a formal association of over 250 graduates of Colombo University's MBA programme. CMBAAA was originally set up in the year 1997 by a group of MBA graduates from University of Colombo who wished to further the interests of MBA graduates and also to make contribution to their Alma Mater. CMBAAA since its inception in 1997 has grown considerably over the years. Today CMBAAA is a well known body with members working in corporate governance, finance management, and administration in every sector across a large part of Sri Lanka. The 09th committee in office is yet another vibrant and dynamic team committed to serve the CMBAAA.



Colombo MBA Alumni Association elects New President

Colombo MBA Alumni Association (CMBAAA) elected its new President, Rohan Seneviratne at its Annual General Meeting held on 07th July at Taj Samudra Hotel.

Seneviratne has worked for the Ceylon Electricity Board since 1986, holding a number of senior positions and is currently the Chief Engineer, Colombo City. He has more than 20 years experience in the field of electrical engineering. He completed his MBA programme attached to University of Colombo in 1997.

Mr. Seneviratne's involvement with CMBAAA began in 1998 with his appointment to the Executive Committee. In the year 2003 he was elected as the Assistant Secretary, and in 2004 as the Vice President and in 2005 as the Deputy President.

Ceylon Sapphire - The Past, Present & Future

by Chanaka Ellawala

This presentation, delivered by Chanaka Ellawala (founder president of CMBAAA) at the recent AGM shares some insights into the gem & jewellery industry, particularly with regard to developing industry level strategies that will increase competitiveness.

The presentation was made under four headings:

- ◆ History
- ◆ Background
- ◆ Challenges
- ◆ Strategic Response

History

The gems from Sri Lanka and sapphires in particular is the stuff of legends. It is probably the oldest industry in the country along with the spice trade. One of the earliest references to our gems goes back around 3000 years to about 960BC when King Solomon is said to have offered Ceylon Sapphires to the Queen of Sheba.

More recently, the sapphire and diamond engagement ring that Prince Charles gave Princess Diana, featured an 12-carat oval Ceylon sapphire. The value of this ring is estimated at around ½ million dollars.

Legend has it that when King Dutugemunu decided to build the Ruvanweli Seya, his treasury didn't have the necessary funds. One day, near a village gold was found, on the banks of the Mahaveli Ganga a copper mine was discovered, in another village gems came to the surface of the ground, silver was found in a cave at Ridhi Vihare, coral and pearl beds rose out of the ocean and four superb gems of immense value were found. All these treasures were brought to the King on the same day.

Throughout the centuries there have been many references to the amazing gems that have been found in this land. There are documented references by Ptolemy, Fa-Hsien, Ibn-Batuta and Marco Polo just to name a few who were "wowed" by our gems.

Ceylon Sapphires is the stuff of legend, possessed by Royalty, worn by Super Stars, written about by scholars and coveted by many.

Background and Some Industry Statistics

The industry remained in the informal sector until the early 70's when the then government set up the State Gem

Corporation and brought the industry into the formal sector. Since then, exports have grown from around \$13.5m in 1975 to \$359m in 2005.

The total value of the gem & jewellery trade at retail and export points is estimated at about Rs. 55 Billion annually. The market for gems and jewellery in Sri Lanka can be divided into 3 segments:

- ◆ The largest segment in value terms is the export market.
- ◆ The Domestic jewellery market is the second biggest segment and is made up of jewellery sold to local consumers.
- ◆ The third segment is the tourist market which sells gems & jewellery to the 500,000+ tourists that visit Sri Lanka each year.

The total number employed in the industry is estimated to be around 170,000. Nearly 60% of those are employed in the mining sector, this is a clear indicator that the industry is still quite underdeveloped with very little down stream activity. About 25% are employed in the manufacturing sector. The balance 15% are employed in the wholesale and retail sector.

Exports have grown from just under \$250M to over \$350m in the past 5 years. It is quite remarkable that the industry has outperformed the country's average export growth rate for the period.

In a study done by Prof. C. B. Dissanayake, potentially gem bearing land represents about 70% of our land mass. Research indicates that we may have only tapped about 10% of our resource up to now. Our annual mine production of sapphires is estimated to be around 20million carats, worth about \$40m dollars or about \$2per carat. By contrast, The annual global production of diamond is around 120million carats worth about \$7billion dollars, which translates to \$60 per carat.

Challenges - Opportunities and Threats

There are many threats and opportunities that we face in the gem & jewellery industry. I will briefly touch on 4 of these:

- ◆ Per carat price gap
- ◆ Capturing the value added potential
- ◆ Gem tourism
- ◆ ISFTA/CEPA

The street value of a 1 carat sapphire



of average quality can go up to about \$500,

In comparison a 1 carat diamond could fetch 10 times that value or about \$5000,

That begs the question why? The answer is marketing! Everyone has heard it, "Diamonds are a girls best friend", this is one of most successful marketing stories in history. Some obscure journalist coined this phrase and Debeers the diamond cartel, used that phrase to make diamond the symbol of love and the promise of marriage. They made us believe that 'a diamond is forever'.

In 2004 we exported around 250,000 pieces of blue sapphires worth about \$40million at an average price of \$160 per piece. If we can halve the per carat price gap, that could translate to a 5 fold increase in export value.

To give you an example that illustrates the opportunity for value addition:

Geuda is a variety of sapphire that can be color enhanced by heat treatment. Each year we export over 10 million carats of unprocessed Geuda. We dig it out of the ground and put it on a boat, without any value addition what-so-ever, officially earning around 2 million dollars. If we heat-treat this material, cut and polished it, we could generate over \$60 Million in export earnings. If we export this material in finished jewellery we could realize over \$250 Million in export earnings. The opportunity cost in this case is over ¼ million dollars per day.

A tourist visiting Sri Lanka spends on average about \$165 on shopping. Out of this about \$45 dollars is on a gem & jewellery product. As we head towards 1m tourist arrivals by 2010, the industry is targeting \$100m in earnings from this market segment. Everyone knows about adventure tourism and eco tourism. We want to create a new tourism product specifically around gems & jewellery. Gem Tourism is a new concept that the industry is developing right now.

Under the Indo Sri Lanka Free Trade Agreement, duty on jewellery imported from India will become zero from March 2008. The government has commenced negotiations on a Comprehensive Economic Partnership Agreement with India which will further open up our economy to India. If that wasn't enough,

Indian jewellery fashion is rapidly growing in popularity in Sri Lanka mainly due to the Bollywood factor. Our manufacturing sector has failed to respond to the change in trend. Therefore finished goods are already coming in from India through unofficial channels to meet the demand.

Beyond a shadow of doubt, our manufacturing sector will come under severe pressure over the next few years. India's export of gems & jewellery in 2005 was a staggering \$17 billion. India is the biggest importer of gold in the world, using up 800 tons per annum. India simultaneously presents both a huge threat and an opportunity.

Strategic Response for Growth and Ceylon Sapphire Branding

So how can we not only capitalize on our opportunities but also convert the threats into opportunities?

Industry stakeholders have formulated 3 primary strategies to develop the industry:

- ◆ The manufacturing strategy aims to build both gem cutting and jewellery manufacturing capacity to add maximum value to domestic raw material as well as to imported raw material

- ◆ The branding and repositioning strategy aims to differentiate products and services from Sri Lanka, reposition the industry up in the value chain

- ◆ The hub strategy aims to integrate the other two strategies by providing the necessary infrastructure, support services, and policy and business environment

Several critically important strategic initiatives need to be implemented to give effect to these strategies. These initiatives represent an investment of about Rs. 1 Billion that we need to make upfront. We have raised about a ¼ of that already mainly from within the industry and the donor community, the government is yet to make the investments that they have promised to make. As Branding is the future of the industry, an elaboration will be useful.

Super brands like Cartier, Bulgari and Tiffany use Ceylon sapphires in their branded products selling them as natural Ceylon Sapphires. Ceylon Sapphire already enjoys some brand recognition in international markets. Our branding strategy basically has 2 elements one at industry level and the other at firm level

At industry level we are working on registering a geographic indication under the TRIPS agreement of the WTO. Sri

Lanka is pursuing this strategy for Ceylon Tea, Ceylon Cinnamon and Ceylon Sapphire. Once that is done, like Champagne, only sapphires originating from Sri Lanka can be sold as Ceylon Sapphire, making it a premium product

The other element is to develop firm level brands like Dilmah has done for tea. We have started a pilot project with an initial investment of about Rs. 150m. It is a public private joint venture with 8 leading exporters and the Export Development Board investing in the project. We hired the services of a world renowned jewellery designer to design a collection of sapphire jewellery for us. We have now completed the product development phase. The idea here is to pool our resources and develop one successful brand that will lead the way for others in the industry to follow.

Finally here are the broad objectives that we aim to achieve by 2010:

- ◆ \$1 Billion in foreign currency earnings
- ◆ Halve the diamond-sapphire price gap
- ◆ Export most of our gems as finished jewellery and thereby optimize local value addition.

Our aim is to bring both the brand and the cash home.

President Rohan Seneviratne's Highlights of AGM Address

I am extremely grateful to the members of the Colombo MBA Alumni Association for the great honour they have bestowed on me by electing me as the President of this Association. I am fully aware of the many responsibilities that are associated with this trust and honour. I assure you all that I will do my best to meet your expectations and also justify the confidence that has been reposed in me.

I take this opportunity to offer my sincere thanks to my predecessors, for their noteworthy contributions and assure my predecessors and members of the Colombo MBA Alumni Association that I will give of my best and endeavor to nurture and further the cause of this institution.

I look forward to the active assistance and continue cooperation of my colleagues in the Executive Committee so that we could work as a cohesive force to achieve goals. In that respect, I am happy to mention that I am fortunate to have on board to assist me the best executive committee that I can hope for. My fellow alumni members thank you very much for electing this executive committee.

The theme for the year that I have envisaged is

We will facilitate our membership to network, share and gain knowledge and

ideas, continue to have mutually beneficial relations with the University in order to maximize the value of the MBA programme and last but not least stimulate enjoyment through our various activities.

One of the key words in the theme is staying connected or networking. Even though Colombo University has produced more than 800 MBA's, our Association has thus far managed to network only around 250 members. Networking the balance is a challenging task, however I consider this as one of our primary objectives. I solicit your support to enhance our network.

An area of great importance which still needs much attention is the enhancing or maximizing of the value of MBA programme. When I say maximizing the value what I am talking about is the image building. Our vision is "to be the first choice in business governance". It would be naïve to assume that just because we have an MBA, we will automatically get top jobs or be invited to join decision making processes. While at one level we must of course earn our positions., at another level we compete against other foreign and local postgraduate business degrees. I am proud to say that one of our alumnus Mr. Lalith Weerathunge is the Secretary to the H.E the President and is holding a top position in decision making

process. We need many more such personalities. However, I acknowledge that it is the responsibility of our Association to enhance the value of the MBA programme.

To have a very effective year, we need something more. That is your cooperation and assistance as members of Colombo MBA Alumni Association. As the President of Colombo MBA Alumni Association I commit to give the necessary leadership to the Association in such away that all the required assistance and cooperation will be available when required.

Let me conclude my speech quoting from the Great Mahatma Gandhi: "I want to see India free in my life. But God may not consider me fit enough to see the dream of my life fulfilled. Then I shall quarrel, not with Him but with myself".

My dear friends, if I were to repeat this same quotation in my own words, then I will say;

"I want to see that I will fulfill what I promise you today during my term as President. If I fail to do so I shall not quarrel with the Executive Committee, I shall not quarrel with my fellow members, I shall not quarrel with any other. Then I shall quarrel only with my self".

Inauguration Ceremony of the Master of Business Administration Programme 2006



Inauguration Ceremony of the Master of Business Administration Programme (2006 intake) of the University of Colombo was held on 21st July 2006 at the BMICH. The Chief Guest at the occasion was Mr. Lalith Weerathunge, Secretary to H.E. the President. The keynote address was given by Mr. Ismail Radwan, Representative of World Bank, Colombo Office. The President of the CMBAAA Rohan Seneviratne also addressed the gathering on the invitation of Dean Faculty of Management and Finance.

CMBAAA EXCO Brainstorming session

On the 29th and 30th of July CMBAAA EXCO members held a brainstorming session at "Villa Ocean View Hotel" Wadduwa to finalize the activities for the year. Seventeen EXCO members took part in the session and the session started at 1600 hrs on 29th and continued till following day evening. Event calendar for the year was prepared and the sub committees were appointed to plan and implement the events in the event calendar. Four subcommittees viz 'Membership Services', 'Student Services', 'Communication' and 'University Liaison' were appointed to look into the activities in each subject area. In addition to 'official work' EXCOs enjoyed themselves too and built strong team spirit.



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