



# The supply chain of gems

Dev Shetty, President and CEO, Fura Gems, holds forth on the challenges and shines a light on the logistics of the arcane and byzantine world of gems and coloured precious stones and how they are aiming to put the sparkle back on the gems logistics industry



**F**lawless diamonds when extracted from the bowels of the earth may be an extreme rarity, but 'conflict diamonds' are fairly ubiquitous. Much has been written and documented about 'blood diamonds'. Sadly, diamonds and gems have been at the centre of conflicts and the 'currency of war' as best exemplified in the celebrated Hollywood flick 'Blood Diamond'.

Dubai-headquartered Fura Gems sustainably sources gemstones from carefully selected mining sites around the world, using industry best practices. President and CEO Dev Shetty believes that the rightful route to the market is at the heart of the company's business and sourcing strategy. "There is no denying that ethical sourcing and transparency in the supply chain are foremost when it comes to the





end-to-end value chain of coloured precious stones,"he observes in an exclusive interview.

"Health and safety, environmental upkeep, adhering to local mining laws and fair trade practices are areas that we do not compromise on. When we set up Fura Gems, the one thing that we were very clear on was that as we grow, the country and the community that we operate in, should also prosper and that's something we are working on,"he continues.

A listed company on Canada's TSX Venture Exchange in Toronto, Fura Gems is a startup and rapidly putting internal and external processes in place. Relentless and uncompromising on adherence to regulations and business principles, Fura Gems has a very strong way of vetting its suppliers and clients, affirms Shetty. "These checks are very thorough and it takes us almost three to four weeks before we sign on with a new supplier. We work with suppliers who share our ethos,"he emphasises.

Coloured gem stones usually come from small scale artisanal mines, many of these in the unorganised and unregulated sectors. These present challenges to the supply chain continuum for the diamonds, gold or platinum sector. Shetty is mindful of the constraints confronting the industry. "In the case of diamonds almost 90 per cent of the supply chain is controlled by organised large players and established mining companies."

However, in case of colour gemstones, only 10 per cent of the industry is organised, 90 per cent is not. This is a constraint and an opportunity as well. "According to our best estimates, the overall size of the colour gemstone industry is about US\$ 2 billion, and US\$ 1.8 billion of that are small-scale miners, governments and illegal entities,"he notes.

#### Setting systems in place

Shetty wants to ensure that over the next few years, the colour gemstones industry

can take the organised 10 per cent of the sector to about 30 per cent. Since Fura Gems alone cannot take it to 90 per cent eventually he says that there is a need for other large players to come in and work in this segment, and hopes that over the next decade things will be much better.

The coloured gem stones supply chain is complicated and fraught with risks and hazards admits Shetty. This indeed has been a historic problem. Until the 1940s, diamonds and coloured gemstones were at par in terms of production. However, while large-scale investments were made in diamond sector, the coloured gemstones industry regressed. This is because there was no large-scale player like De Beers in the coloured gemstone sector.

The supply of coloured gemstone even now is very restricted and there is no certainty of regular goods coming to the market. Hence, even on the retail side jewelers were not

keen selling coloured gemstones. So, whilst diamonds progressed, coloured gemstones were laggards. "However, the last few years have seen a major shift. We are seeing mid to large sized companies now interested in coloured gemstone mining and marketing. We are confident that the future is very bright for the coloured gemstone sector and colour stones will regain its lost glory,"he assures.

By virtue of being a mining and marketing company, Fura Gems has endeavoured to establish ground rules for their partners to ensure the authenticity of the mine and secure the interests of all stakeholders involved. "This is still a work in progress. One thing that we insist on our business is complete disclosure. To give you an example, Rubies being a hard stone are sometimes heated to enhance the colour and clarity. Whenever we heat rubies, the disclosure about the same is made before the parcel is sold," comments Shetty.

Furthermore, he insists that Fura Gems clients also make complete disclosures about the product they are selling. Punitive action is also taken against violators. "In case we find out that if a client's company has sold without disclosures, it is banned from our future auctions,"he states.

#### Education is key

According to Shetty, it is also imperative to educate the market players, both trade and consumers, about the various treatments and manufacturing processes an accepted norm in the industry. This in his opinion can

instill confidence in both buyers and sellers, enabling them to know and understand what they are buying and can buy with confidence. "We are also working with a few international gem laboratories to come up with a consumer-friendly gradation system, which will inform the consumer about what quality of gemstones they are buying,"he assures.

Shetty explains the stages of the coloured gemstones supply chain from source to possession. "We are talking about precious stones that were created about 500 million years ago, even before the dinosaurs walked on this planet; a product that is truly a miracle of nature. We can't create natural products anymore, but we bring them out from the earth's surface,"he enthuses.

The way the process occurs is that Fura Gems mines for the product (emeralds in Colombia and rubies in Mozambique). Each gemstone that it mines is then graded at the first level at the respective mine site. The company has developed its own indigenous grading system. Once the stones are graded they are then shipped to its administrative headquarters in Dubai where they go through the final grading.

In certain cases, if required, the rubies might be heated. All the gemstones will then be sold to gem stone cutters from across the globe through an auction or tender process which will take place in Dubai.

These gem cutters will then cut and polish the gemstones and sell it to jewellery manufacturers, who will then set these stones

#### Profile

Fura Gems set up its Dubai office in July 2017. At present, it employs seven people in the office and the plan is to take it up to about 15 by June 2018. In Colombia, where it mines for emeralds, there are 20 employees currently and the plan is to ramp it up to about 150 by the end of 2018. In Mozambique there are 25 employees presently and plans to take it to about 200 by the close of 2018. It also has four employees in India.

in jewellery pieces and sell it to jewellery retailers. The retailers then sell it to the end consumer. The whole process from mining the gemstone to a consumer buying it could take anywhere between 12 to 24 months. "By streamlining and honing these processes and systems, we hope to put the spark back into the logistics and supply chain mechanisms," concludes Shetty. ■

