Goldiam International Ltd

MANUFACTURERS & EXPORTERS OF DIAMONDS & JEWELLERY

CIN:L36912MH1986PLC041203

August 19, 2024

To, BSE Limited PhirozeJeejeebhoy Towers, Dalal Street, Mumbai- 400 001. **Scrip Code: 526729**	To, National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Mumbai- 400 051. **Scrip Code: GOLDIAM EQ**

Dear Sir/Madam,

Sub: Transcript of Earnings/Conference call on Unaudited Financial Results (Consolidated and Standalone) for the quarter ended June 30, 2024 held on August 13, 2024 at 3.00 pm.

In continuation to our intimation dated August 13, 2024, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a transcript of the Earnings/Conference Call held on August 13, 2024 on Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter ended June 30, 2024.

Kindly take the above on record and oblige.

Yours faithfully,
For **Goldiam International Limited**

PANKAJ PARKHIYA

Digitally signed by PANKAJ PARKHIYA
Date: 2024.08.19 09:31:48 +05'30'

Pankaj Parkhiya
Company Secretary & Compliance Officer (ACS 30395)

"Goldiam International Limited

Q1 FY'25 Earnings Conference Call"

August 13, 2024

MANAGEMENT: **MR. RASHESH BHANSALI – EXECUTIVE CHAIRMAN – GOLDIAM INTERNATIONAL LIMITED**
MR. ANMOL BHANSALI – MANAGING DIRECTOR – GOLDIAM INTERNATIONAL LIMITED

MODERATOR: **MR. RAHUL DANI – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Goldiam International Q1 FY25 Earnings Conference Call, hosted by Monarch Network Capital. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Dani from Monarch Networth Capital. Thank you and over to you, sir.

Rahul Dani: Thank you, Sejal. Good afternoon, everyone. On behalf of Monarch Networth Capital, we're delighted to host the Senior Management of Goldiam International. We have with us Mr. Rashesh Bansali, Executive Chairman, and Anmol Bansali, Managing Director of the company. We will start the call with opening remarks from Rashesh, sir, and then move to Q&A. Thank you and over to you, sir.

Rashesh Bhansali: Thank you, Rahul. Hello, everyone. Warm welcome to our call and welcome to the Q1 FY25 Earnings Call for Goldiam International Limited. We are pleased to report that we have continued the momentum from last year's strong finish, achieving a 40% growth in top-line revenue year over year and a solid 12% growth quarter over quarter. This accomplishment is a testament to the hard work and strategic initiatives our team has undertaken to drive both growth and profitability.

For this quarter, our total income increased by 40% YOY to INR1,697 million. Our EBITDA margin stood at 20.1%, with EBITDA for the quarter growing by 43% YoY to INR342 million. Net profit for the quarter was INR220 million, reflecting a growth of 27.4% YoY. Over the years, our focus has been on expanding our lab-grown diamond segment. I am pleased to share that this segment now contributes to 68% of our revenue, a significant increase from 33% in Q1 FY24 and 54% in Q4 FY24.

Goldiam's strong performance this quarter underscores our ability to deepen our wallet share among our large US retail customers. The consistent quarter-on-quarter growth in lab-grown diamond jewelry sales highlights the ongoing shift in consumer preferences in the United States of America.

Our innovative designs, timely deliveries, superior customer service are solidifying Goldiam's position as a preferred supplier of diamond jewelry. While there has been significant discussion about the declining prices of lab-grown `diamonds, we believe the market has now largely stabilized. The oversupply issue is correcting itself, as seen by the shutdown of several production operations.

Although there are numerous articles circulating in the media about falling lab-grown diamond prices, many of these reports are out-dated. The current market price remains stable. FY25 is poised to be an exciting year for Goldiam as we prepare to launch our India B2C operations with our new brand, ORIGEM Lab Diamonds.

We plan to open three to five stores in Q3 FY25, with a blueprint in place for rapid scaling post that. Our goal is to become the largest organized retailer of lab-grown diamonds in India. The ambitious venture has been spearheaded by our MD Anmol Bansali, who along with Abhinav Kumar, a professional with a strong pedigree and a stellar team from other marquee organizations, has worked tirelessly to bring this vision to life.

In the U.S., consumers at our target price points are clearly favoring lab-grown diamond jewelry, which offers a distinct price advantage. We believe Indian consumers will follow a similar trend. With our India retail venture, ORIGEM, we believe to bridge the gap by making lab-grown diamond jewelry more accessible and acceptable across the country.

Regarding our order book, Goldiam has secured orders worth INR1,400 million for the export of gold-studded diamond jewelry, with the majority being lab-grown diamond jewelry. Notably, we have received a single purchase order worth INR50 crores from a large U.S. retailer. These orders are slated for fulfillment by October 24. As of June 30, 2024, our order book stands at approximately INR1,800 million.

In conclusion, FY25 promises to be a landmark year for Goldiam as we launch our India operations and continue to see robust growth in our export business. We are confident that we will close this year with record-breaking numbers. Thank you. We are happy to answer all your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dixit Joshi from Whitestone Financial Advisors Pvt. Ltd. Please go ahead.

Dixit Joshi: Thanks for the opportunity. Firstly, one clarification. In the result press release, we have mentioned that 30th June order book is around INR150 crores. You just mentioned INR180 crores. Regarding that, how much was that actually? INR150 or INR180?

Rashesh Bhansali: As of today, the order book is INR180 crores. As of 30th June, it was INR150 crores.

Dixit Joshi: Okay. Now, as of today, when you say INR180 crores, as of June end, it was INR150 crores. Then we have given one notice of INR60 crores in July and INR50 crores in August.

Rashesh Bhansali: Correct.

Dixit Joshi: So, that comes to INR150 crores plus INR110 crores becomes INR260 crores. And you are saying that you must have executed some of the orders in July and August till now.

Rashesh Bhansali: Absolutely.

Dixit Joshi: So, as of today, it is INR180 crores.

Rashesh Bhansali: Correct.

Dixit Joshi: Okay. Understood. Thank you, Dixit.

Moderator: Thank you. The next question is from the line of Amarnath Bhagat from Ministry of Finance of Oman. Please go ahead.

Amarnath Bhagat: Okay. So, I have two, three questions. First of all, with respect to this retail launch. Since it is a one-of-its-kind launch, first time in India, where exactly you guys are trying to launch? Which city or which area, first of all?

Anmol Bhansali: So, I can take that, Mr. Amarnath. Thanks for the question. We are planning to launch in Mumbai, Bangalore, and NCR region, which is Delhi, Noida, Gurgaon. In Q3 FY25, it will most likely start with Mumbai. And very quickly, we should, within six to eight months, have stores opened in all these three regions.

Amarnath Bhagat: And this will be all your COCO model, means company-on-company operated, or it will be front-side-demand?

Anmol Bhansali: That's correct. No, it will be completely COCO model for this first phase of store launches.

Amarnath Bhagat: Okay. And since it is a new launch and as you always say this lab-grown diamond having a more market in international rather than in India because till now Indian market has not accepted fully that lab-grown market. So, is there any plan to open that kind of a showroom outside India as well especially in your specialized market in US or somewhere?

Anmol Bhansali: No. So, there is no plan to open stores and go directly to retail anywhere outside of India. We believe India offers the best opportunities from a long-term perspective given the trends of the country the growing income within the country.

And the reason, personally, that I believe or we as management at Goldiam believe that lab-grown has not really taken off in some sense in India is because there is no really large national organized retailer who has placed lab-grown diamond jewellery within their own shelves. So, that's a primary difference between America and India, where when lab-grown started in the US all our retailers, which are large national organized retailers embraced this new material and were happy to place it in their shelves. That really boosted the demand.

Here, we don't see our largest retail channel, retail jewellers doing the same. So, we believe that in fact gives us the opportunity to go and test the market as a retailer ourselves within the lab-grown diamond jewellery space.

Amarnath Bhagat: Okay, sir. Thanks. Just a little more detail to understand this retail first time Goldiam has come in. So, are we planning to do the lab-grown diamond-based jewellery? Or it will look like other jewellery companies but instead of gold and real diamond, you may have certain other combinations. How does retail look like, actually from your side?

Anmol Bhansali: Sure. So, I'll give a quick brief that I hope covers and answers this question as well as some others. ORIGEM our retail brand the brand strategy is to introduce lab-grown diamond jewellery to the Indian public. It is going to be centered as modern-day fine jewellery.

So, everything will be started in fine metal, which is effectively 18-carat or 14-carat gold. We will be predominantly selling lab-grown diamond studded jewellery. So, almost 100% of our inventory will be studded jewellery, grown diamond studded jewellery.

And the price point, store look and feel the store sizes and locations will be very similar and benchmarked to India's few largest omni-channel modern-day jewellers. So, in terms of even design language, we are not targeting wedding day and that bridal jewellery customer but the more modern-day customer who is shopping for occasion and shopping for your a.m. to p.m. diamond jewellery pieces. This will be backed, of course by a robust website and omni-channel capabilities.

Amarnath Bhagat: So, this will be launched on a physical model on your stores as well as it will be launched on the e-commerce side as well?

Anmol Bhansali: That's correct.

Amarnath Bhagat: And both the launches will be simultaneously happening, right?

Anmol Bhansali: Yes, more or less within a period of within the same month.

Amarnath Bhagat: Okay. Just to take it a little forward now at the moment you are thinking for three or four stores for the current year, 2025-2026. If you can really highlight your long-term plan relating to this retailing part of it the value unlocking for Goldiam lies there actually rather than the B2B. You have seen how the Indian market is flourishing with respect to the quality jewellery retailers. So, I'm just trying to understand how far or how long you are thinking in terms of the long-term side of this particular business.

Anmol Bhansali: Sure. So, it's a great question. I'll just correct some factual statements that were made there. We are planning three to five stores in Q3, FY '25 itself not the full financial year but just in the Q3 quarter. Overall, we have currently decided we are going to open in the range of 15 to 18 or 15 to 20 stores within these three metro plus regions. Beyond that, we will evaluate how our merchandise performs and calibrate changes needed on things like price point, category mix.

How deep do we want to be in certain categories? Do we see a surprise category winning in lab grown that is not the same in natural jewellery? So, we'll understand trends for some time for a short period of time and then take those learnings and create a blueprint that allows us to of course expand faster as long as the financials also make sense to us as management and the board of directors of the company.

The vision is intact to definitely scale far and fast. However, there are no numbers as such that we would like to put on the table right now. We do see our competitors in this omnichannel, modern day jewellery retail space in the range of across 200 to 300 stores.

And I think down the road, if you had to ask me personally in four or five years is that something that a lab grown retailer should achieve? I believe that answer is yes. And we hope that Goldiam, we can execute in order to create something like that in the future. However, at the moment, I said what we are internally already have put into put into the work.

Amarnath Bhagat: Okay. So, my second question was recently not recently even just two days back there's an announcement came from ministry relating to the expiration of the Diamond Impress license for gems and jewellery sector, which can export or can import diamond up to 5% of their average turnover from the past three years with a requirement to add around 10% of the value. This one of this new circular, how is it going to help you?

Anmol Bhansali: I'm not certain about that. So maybe our chairman, Mr. Rashesh Bhansali has some words or is aware of this. I'll ask him if he has any comments to add. If not, we will be happy to get back to you in a week or so.

Rashesh Bhansali: So, let me explain to you. I still have to read the fine prints of that thing. But nevertheless, it will be increasing our supply base. So, we will get more suppliers whom we can buy from. Right now, we are currently sourcing from our own homegrown growing plant, as well as other growers.

Right now, if we can import lab-grown diamonds and buy from all over the world, I think the competitive advantage of Goldiam even in wholesale business and retail business will increase dramatically because our cost of raw material supply will intend to be further down and probably create a couple of points more profit for the company.

Amarnath Bhagat: But, sir, this is not only for the lab-grown diamonds. This is even for the real diamonds.

Rashesh Bhansali: Yes, but for real diamonds, it won't really affect us because real diamonds are now 25% of our business. 75% of our current business is moved to lab-grown. So, we are actually more excited and going forward looking at growing our lab-grown business, which gives us a stronger profitability and a stronger presence with all our large customers in America.

Amarnath Bhagat: Okay. I will come back in the queue. Thank you very much.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi: Yes, hi. Thanks for the opportunity and congratulations on the set of numbers. Couple of questions from my end. I just wanted to understand was there any inventory hit in Q1 or Q2? Are we expecting any inventory because of the price arrest in natural as well as lab-grown?

Rashesh Bhansali: So, Bhavya, let me take this question. So, if you really see most of the articles that are coming out, and I am surprised they are coming out so late. All these articles are of the past. So, if you currently feel that in the last one quarter, I don't see any inventory prices gone down.

These are all old articles which are just surfacing again and people are talking about it now. So, as on today, Goldiam does not see in the type of diamond quality, lab-grown diamond quality that we are in. We don't envisage any new inventory hit, nor have we taken any inventory hit in Q1 numbers. But last year, we had taken an inventory hit and we have repriced our inventory accordingly.

Bhavya Gandhi: Okay. This is similar for our consignment sales as well and it's true for natural diamonds also?

Rashesh Bhansali: Yes, for both.

Bhavya Gandhi: For both?

Rashesh Bhansali: In natural diamonds, Bhavya, we are in much smaller stones. We were never in the larger stones. The inventory hit in natural diamonds where Rapaport Report reduced prices by 10% to 15% two or three weeks back does not really affect the company because that's for larger stones, 1 carat and up for natural diamonds. For the smaller diamonds, there has been no inventory hit in natural diamonds as well. Now, in lab-grown already the hits have happened and we are at a price where I don't believe further reductions are possible.

Bhavya Gandhi: Okay. Is it possible to quantify what would be the 1 carat price wholesale rate for lab-grown diamonds? Approx.

Rashesh Bhansali: What would be the one carat wholesale rate for lab-grown diamonds? Anywhere between 20,000-25,000 rupees.

Bhavya Gandhi: Till 20-25,000. And at retail level?

Rashesh Bhansali: 60 margin on that.

Bhavya Gandhi: 60% gross margin?

Rashesh Bhansali: Yes.

Bhavya Gandhi: Okay. Got it. And also with respect to…

Rashesh Bhansali: Plus gold labour. The retail will be plus gold labour, so that will be added on also.

Bhavya Gandhi: Okay. Got it. And with respect to your corporate expenses with respect to the new B2C business, what would be the estimate corporate expenditure for the year?

Rashesh Bhansali: I'll have to get back to you but currently the expenditure will be in tunes of the people whom we've taken in the team, as well as growing, I mean, making the development of the website and creating the stores and the store design and rents for the couple of years. But if you want the exact number, I will get back to you.

Bhavya Gandhi: Sure. And our volume and value degrowth the total numbers don't amount tantamount whether it's LGD or natural diamonds they don't equal to the total revenue growth that we see. So, I mean, is there any numerical error if you can just get it checked with respect to volume and value? If you add up the growth and degrowth numbers they don't add up.

Rashesh Bhansali: You are seeing this from the presentation?

Bhavya Gandhi: No. I mean, yes, you can even look at presentation as well, yes.

Rashesh Bhansali: So, we will get back to you, but Anmol, if you have that answer on you right now maybe you can take this.

Anmol Bhansali: So, Bhavya, if you could share where you pulled that up from later and we will get back with further details.

Bhavya Gandhi: So, for the quarter, we have sold closer to 19,000 units, 19,000 units for lab-grown diamonds. That is 242% increase. And our value degrowth was around 17 odd percent.

Anmol Bhansali: Sorry, could you clarify where you picked up that number from and we will have that checked and get back to you.

Bhavya Gandhi: Sure. Okay. And just one thing with respect to the EBITDA margins for lab-grown diamonds, are we seeing any pressure, margin pressure on lab-grown diamond margins? Because, I mean, in the Indian retail space also, we will see increased competition. Unlike US where the margins are hefty in India, I mean the competition would be at a higher level. So, in the longer run will we have to narrow down our margins in the LGD business, B2C?

Anmol Bhansali: So, B2C we are planning and we are setting up gross margins that are higher than our B2B business. However, of course there will be significant operating expenses related to effectively the head office costs and the marketing and brand building expenditure. I believe that with scale the margins should be sustainable.

However, as we expand and as we create stores and create distribution, we can fine-tune our understanding of where we are sitting. Rest assured, we have benchmarks to all competition both within the natural diamond jewellery space and the lab-grown diamond space. A few retailers who have propped up in each of these three cities.

We believe that we will be higher than every natural diamond competitor at the moment as well as simultaneously being extremely competitive with the lab-grown diamond players that have propped up in each of these cities.

Bhavya Gandhi: Fair enough. Yes. That helps, really. I'll get back in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Yes, hi. Good afternoon. So, first, on the margins, it's been highlighted. Usually, how is it that we price our products between natural and lab-grown, which is usually a cost-plus or on a per-piece basis? How would this margin derive that?

Anmol Bhansali: Sure. Thank you, Mr. Kothari. So, I'll take that answer. Most of our production and most of our jewellery sales are done on a sort of a cost-plus model. We have a deep understanding of the -- There are effectively three buckets of cost, one which is metal, which is primarily gold, one which is stone, which is either natural diamond or lab-grown diamond and the third, which is labor, which, again is the same whether you're selling a natural diamond jewellery or a lab-grown diamond jewellery.

That includes setting costs, polishing costs, as well as head office operational and service costs. So, that's for our current B2B business. With lab-grown, retailers, we find out more open and are okay paying a slightly higher premium compared to natural diamond jewellery especially because it's more readily available with Goldiam and the entire style bank and design bank is available including dot-com service capability.

Pratik Kothari: Correct. But currently, the end retailer in the U.S. is the same, right? Who's selling you a natural diamond and a lab-grown diamond.

Anmol Bhansali: Yes, that's correct.

Pratik Kothari: Why should this margin not converge at some point of time?

Anmol Bhansali: So, we see it's already over the past two years come lower in terms of the lab-grown state but we believe that at this point given the service capability that we offer also the back-end manufacturing of diamonds being grown in-house, which gives a little bit kicker as well, we will be able to in the long term sustain a higher margin profile for lab-grown diamond jewellery than natural diamond jewellery.

Pratik Kothari: Correct. Okay, sure. And on the Europe and U.S. side, again it's been highlighted have we added any new customers or in Europe I believe we were trying there are no large-scale retailers and we're trying to enter via some other route. So, any highlights on that?

Anmol Bhansali: Yes. So, Europe and Middle East, we do have some new customers. Smaller scale, as you rightly mentioned there is no large retailer as such but we have started working with a couple of people there, a couple of retailers there.

And in the U.S. side, for us the real crux is about increasing dollars per store. We believe we have a great distribution and, of course, we would love to build it further, but even in our existing distribution, our game plan is on how we can increase square footage and our footprint with our retail partners bigger than it is currently today. So, I think a great testament to that is some of our largest retailers in the US in the past few quarters have had a sales degrowth, whereas the opposite has happened on our end at Goldiam, because we were able to take up significant market share from some of our competitors.

Pratik Kothari: Great. Okay. And last, on B2C again, you did mention that the acceptability in the US was much quicker because those large players came in early and they adapted to this.

Anmol Bhansali: Retailers, yes.

Pratik Kothari: Retailers, sorry. And that has not happened in India. So, one, on your side, what would it take for you to, one, I mean, first, people need to be aware that this exists, and second, they need to accept. So, in absence of a larger player in India, how do we tend to take this head-on?

Anmol Bhansali: Thank you, Mr. Kothari. It's a great question. So, you know, multi-fold answer. One, I think a certain element of scale will help because there are a lot of people still outside of Mumbai, Bangalore, Metro, who may want lab-grown diamonds but don't have a reliable source to go buy lab-grown diamond jewelry from, right? They don't have a national, trusted, organized retailer available to even go purchase this sort of jewelry from. So, number one is to capture demand from those people that have a high purchase intent to begin with.

Number two, to convert and to teach people that lab-grown, and educate them about category in general. So, we do believe we have a certain role that we will have to play in terms of category creation, category awareness, and our marketing team will lean on initiatives both digitally and as well as in-store that will help sort of educate the customer that, yes, there is this new category of lab-grown. It is effectively a real diamond.

It has the exact same chemical, physical, and optical properties. Its only difference is the origin. One has come from digging the earth hundreds, many, many miles, and one comes from being created via technology in a laboratory, right? So, these are a lot of education that we will have to do, and our marketing teams are well aware that this will be an important part of our role to play.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Sequent Investments. Please go ahead.

Hiten Boricha: Yes. The question is on the cash and cash equivalents, sir. So, we have a cash of around INR300 crores in the books. So, just wanted to understand across what instruments we have invested this cash and apart from this, are we planning to reward anything to shareholders?

Rashesh Bhansali: So, let me take that answer. We have, majority liquid funds that are housing this part. Liquid funds and debt funds is what we have invested in. And yes, the company has a standard, we have done a board resolution a few years back that 50% of the profit of the standalone company will be distributed either as buybacks or as dividends, right, by the company. We just announced INR1 dividend share at the moment and interim, and we hope to improve and increase in time to come. Understood.

Hiten Boricha: Understood. And my second question is on the order book outlook about US markets, sir. So, what kind of sense we are getting for order book from big players like Signet, etcetera.? Any sense to that?

Rashesh Bhansali: I think we are very positive that most of the designs and the hard work our design team along with our managing director has put in in getting fresh and new designs and new concepts across to our customers and large retailers. So, we are getting to be the supplier of choice, the production house of choice by these retailers. So, we are very hopeful and we are very confident that we will be able to improve our assortments and we will be able to improve our revenues in, the coming quarters as well.

Hiten Boricha: Okay. So, just to understand, the order inquiry is good as of now from you guys?

Rashesh Bhansali: Yes, it's very robust.

Moderator: Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial Limited. Please go ahead.

Shikhar Mundra: Hi, sir. Just want to understand, like, what is exactly the entry barrier in manufacturing lab-grown diamonds? I mean, why can't more unorganized players get into this space and at what level do you feel, you know, the prices will bottom out?

Anmol Bhansali: Sure. Let me start with that question. So, Mr. Mundra, we have always maintained that distribution is the only differentiating factor and distribution is where the difference lies between companies in this industry. So, people that can grow diamonds, grow diamond sell drafts, grow diamonds, polish themselves can only go to a certain level in terms of distribution and capturing share from the value chain.

As a design-oriented jewellery company, we have that next level closer to the customer where we are able to effectively capture an even more enhanced part of the value chain of the entire jewellery supply chain of the industry. And as we move into ORIGEM, we will be going direct to customers. So, I think things like this is the differentiating factor.

And, being able to create, go closer to the customer and create deep distribution ties. That is, that's a huge differentiator that will separate people from ones that can derive margin from this business and ones that cannot. In terms of raw material prices, lab-grown prices, as mentioned by our chairman in the opening remarks, we believe that they're -- we know that they have stopped falling.

So, effectively, at the moment, we are already sitting on a base across all sizes, which are usable at Goldiam. So, given the retail industry that we service, given who we are targeting within ORIGEM as well, we sort of are looking at diamonds up to three or three, four carats of size, right? In this size range, we believe the price fall is something, is a discussion of the past.

And, we are at a very, very stable pace as we, as buyers of this material, have seen in the last few months as well.

Shikhar Mundra: And how have the prices behaved in the last, let's say, two years? I mean, what has been the price? What was the price divergence between natural and lab-grown two years back? And what is it right now?

Anmol Bhansali: So, I can't comment historically. Of course, the prices have fallen from two years ago's price to today. Today, to give an example, a two-carat natural diamond could be anywhere between

INR12 lakhs to INR20 lakhs, INR12 lakhs to INR15 lakhs, more or less. And in lab-grown, that would be available around INR1 lakh rupees.

Shikhar Mundra: Right. All right. Thank you. That answers my question. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Money Control Pro. Please go ahead.

Bharat Gianani: Yes, sir. Thank you for the opportunity.

Moderator: Sorry to interrupt you, sir. May I request you to please use your handset?

Bharat Gianani: Yes. Congratulations on a great set of numbers and thanks for providing an opportunity. Two questions from my side. One, given that you alluded that the customer inquiries from the United States, which is the largest market for you, have been very good. And we have seen very good growth in quarter one of about close to 40%. So, what is the revenue guidance, if any, you would like to give for FY25?

And given that we have, you know, LGD retail business also starting from quarter three, we will have some stores. So, overall, what is the revenue guidance you would like to give for FY25? That was my first question.

Rashesh Bhansali: So, Mr. Bharat, I think our first quarter we have done remarkably well by closing at 40% higher revenue. I believe that for quarter two and quarter three, the visibility is very sound. And hopefully, Goldiam will be able to beat its best performance historically for the entire year in terms of revenue as well as profitability. We are looking at growth and we are looking at growing close to 15% to 20% for the entire year or more.

Bharat Gianani: And, sir, my second question is that now LGD is, as you pointed out in quarter one, it is closing 70% of our revenue contribution. So, I just want to understand that if you are able to provide, what is the carat-wise distribution in our revenue for LGD? So, LGD is majorly one carat, two carat, three carat. So, it can provide a revenue breakup for LGD?

Rashesh Bhansali: We will have to get back to you on that. But, more or less, most of the LGDs that we export is two carat and below.

Bharat Gianani: Okay, sir. Thanks and all the best.

Rashesh Bhansali: Thank you Mr. Bharat.

Moderator: Thank you. The next question is from the line of Rajesh Jain from RK Capital. Please go ahead.

RK Jain: Hello. Good afternoon, sir. I just wanted to understand your business in a bit more detail. So, I just wanted to start out by understanding what are the factors which are driving the price decrease? I mean, you said that it is a thing of the past and the reports have been coming quite late. That's all right. But, what are the factors which drove the prices down sharply on a continuous basis? And, what can lead to price increase in future, if at all?

Anmol Bhansali: Sure. Thank you, Mr. Rajesh Jain. So, to give a quick summary to understand our business, you have to know that we are a design-led jewellery manufacturer and exporter at the moment. All of our designs are created in-house and we showcase our designs to our customers, to large retailers, organized retailers in the US and other regions, but primarily in the US. And based on that, we are able to deliver designed, in-house created jewellery, both for their stores as well as their online websites. The prices that have fallen are our raw material, which is diamond, lab-grown diamonds particularly, but also natural diamonds.

Within the lab-grown diamond space, the reason for the decrease in the price over the last two years has been the surge and the growth of supplies that is come in into the industry from large growers who have set up capacity in regions like Surat and Jaipur, etcetera. So a lot of this capacity came into the market without a distribution output.

Now at Goldiam, being a distribution-focused, design-oriented jewellery company, we are able to today take advantage of the lower prices by creating and offering a distribution channel for some of these goods that were produced because of the excess supply. So we actually find it, in some sense, favorable from the long-term standpoint. We have deep relationships with vendors and supply chains in Surat and other markets as such. And, yes, I hope that answers the question.

Rajesh Jain: Yes. So you mentioned about the supplies coming up in Surat and other areas in India. So who are your competitors in the lab-grown manufacturing in India, especially in the listed as well as unlisted space?

Anmol Bhansali: So there are no real listed competitors of ours. And, again, I'd like to highlight that please see us as a design-oriented jewellery company. We are a value-add on top of lab-grown manufacturing. So lab-grown manufacturers predominantly today are part of the supply chain and to Goldiam become our raw material suppliers and our vendors rather than competition. We have direct relationships and access to U.S. retail. They become the vendors that we are able to rely on for diamond sourcing and then create the design, the jewellery, everything in-house, produce the jewellery and export to U.S. retail.

Rajesh Jain: Okay. So the large U.S. retailers to whom we supply the LGDs, do we have any long-term contracts with them?

Anmol Bhansali: Great question. So the way the industry works is that once you have a SKU or a style design set up with a retailer, as long as that style performs well, all reorders of that style get locked to you. So our focus is always on creating designs which can be both new as well as appreciated, long-lasting and sort of timeless in that sense.

Because as they sell, if they sell well, we get all those reorders from U.S. retailers. So there are no long-term contracts as such, but the entire business is built around improving your designs and creating deeper and deeper penetration into your retail customers' channels by providing best-in-class designs that are able to last very, very long.

Rajesh Jain: Okay. On your B2C…

Moderator: Sorry to interrupt you, sir. May I request you to rejoin the queue for your follow-up question?

Rajesh Jain: Okay, sure.

Moderator: The next question is from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna: I was wondering, what is the capex per store for this [origin 0:41:05] venture? On average, how much would it cost to set up one store?

Anmol Bhansali: Sure. So I'll share some overall numbers with you on an approx basis. Of course, it changes store to store, but approximately what we are budgeting for is about INR2.7 crores to INR3.2 crores of inventory per store. A portion of this will be financed through gold metal financing as well. About INR50 lakhs for store deposits. It could be between INR40 lakhs to INR60 lakhs depending on store size, location, etcetera, for the rental deposit that needs to be paid to the landlord. And about similar amount, INR40 lakhs to INR50 lakhs for store build-out and fit-out costs. So in total, that is about a total capex of INR3.7 crores to INR4 crores per store with a portion of it that will be financed with gold metal financing.

Kaustav Bubna: Okay. And could you speak a little, I don't know, it may be too early, but I'm sure you guys have done some numbers. Could you speak about what you all are internally expecting in terms of, obviously, deferrals, it's more of a generalized question, deferrals from where your store is and geographical area, etcetera. But could you kind of give some sense on what is the revenue potential for store and how many of the [inaudible 0:42:44] could be achieved, etcetera?

Anmol Bhansali: So great question. In terms of what we believe we should achieve, our breakeven on a per store level, given that our gross margins will be on the higher side compared to natural diamond jewellery players, will be somewhere, give or take, in the range of INR30 lakhs, maybe slightly under, slightly more. We believe we should target INR40 lakhs of monthly sales per store. That gives us a good indicator whether the customers' appreciating lab-grown diamond jewellery is open to purchasing lab-grown diamond jewellery.

And that number, over time, I certainly see possibility. Even today, on a very well-performing store could be INR1 crores or north of INR1 crores per month per store sale. So there is significant operating leverage available if we can create the right brand, the right distribution. Of course, what I believe is very important, the right design to attract the customer to come spend their income with us.

Kaustav Bubna: And, obviously, apart from that part of the amount which is going to be financed per store, the rest is through internal accruals, right? The use of our cash that's sitting on our balance sheet?

Anmol Bhansali: That's correct.

Kaustav Bubna: So no real debt. Basically, we're using our cash on the balance sheet to expand retail in India.

Anmol Bhansali: Absolutely. That's correct.

Moderator: The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi: Just wanted to know, I mean, we say that the realizations have stopped falling, right? But on a Y-o-Y basis, LGD jewellery prices are down by 17-odd percent realizations. So if you can throw some light, I mean, if it has already hit near bottom, then are we still seeing any price correction?

Anmol Bhansali: Great question, Bhavya. We're seeing actually -- so year-on-year, of course, there was a price decrease that a year ago is a long time. But from today, we will not see price correction. What we are seeing on the demand side in the U.S. with our retailers is that they have -- the end customer has wholeheartedly accepted lab-grown. Now even the entry level categories, which were earlier still kept predominantly to natural diamond jewellery.

So when I mean entry level, I mean a retail price in the U.S. of $1,000 and under, even though they want to start testing some lab-grown jewellery, naturally, given that we are becoming a vendor of choice, they are looking to us to introduce new designing in these entry level price points in lab-grown jewellery as well.

Bhavya Gandhi: Okay. And with respect to top customers, if you can share our percentage, I mean, in their share of procurement, what would be our percentage be? Say, for example, Signet, are we contributing closer to 1% of their total procurement? How has that been moving over the years or over the quarters?

Anmol Bhansali: Sure. So without naming names, our largest -- the largest specialty jeweller in the U.S., they have a revenue of over $6 billion-$7 billion. I think we would be somewhere in the range of 1% to 2% of their annual buying. So significant headroom for us to be able to grow. Leveraging that is effectively predominantly the reason that we have been able to grow with such strong top line numbers, despite the industry and this customer in question, having a revenue decline as well. Some of our other largest retailers, large department stores, some large wholesale channels, we would be north of 20% to 25% of their annual purchasing. So it depends customer to customer, but rest assured there is significant headroom available for us to further increase our penetration in terms of sales per store.

Bhavya Gandhi: And is it possible to quantify the number of professionals that you have hired including the marketing professionals because just wanted to understand the on-ground feel or press for the store openings?

Anmol Bhansali: Sure. So at the moment, we have head office teammates and executives hired for ORIGEM the retail brand. We have about 9-10 people who have joined us and have been helping us build the brand. Very soon, we will be looking to onboard stores, sales people as well, as well as further slightly more increase the strength of the head office.

Bhavya Gandhi: Okay. And just last thing with respect to forex hedging policy because I mean the dollar is -- rupees depreciating for now. But what if rupees strengthens next year. Will we take a hit on our books or what is the forex hedging policy?

Rashesh Bhansali: So let me take that. The board along with me have done a policy for forex hedging and we follow this policy for the last seven years. The policy is a minimum. See, we also import gold, we import some diamonds. And we have a natural hedge from our export. So if we import INR1, we export INR1.25 paisa. So we have a natural hedge. So whatever is the open, which is not hedged 25% of it needs to be forwarded.

So that's been our policy. And with that policy, we've been successful in showing profits in terms of exchange gains over the years. And we actually are very comfortable covering this policy. And if we believe that rupee will go strong then we will take advice from proper sources of foreign exchange and probably increase from 25% to 50%. But currently, with 25% hedge policy, we are doing very well.

Bhavya Gandhi: Okay, fair enough. Yes, that's it from my end. Thank you.

Rashesh Bhansali: Thank you, Bhavya.

Moderator: Thank you. The next question is from the line of Nisarg from NV Alpha Fund Management, LLP. Please go ahead.

Nisarg: Yes, hello, everyone. Congrats on the successful execution of the lab-grown diamond business. I had two questions. I think earlier we had mentioned that when the lab-grown diamond business will become larger, we will do higher margins. Traditionally, we used to do 25% to 20% EBITDA margins. This quarter the large chunk is lab-grown diamonds. So why are the EBITDA margins at 20%? I don't know if you answered this question earlier.

Anmol Bhansali: Sure. So I'll start that and then I'll let our chairman add some comments as well. So thank you for the question, Mr. Nisarg. From our perspective as management, we are realigning and believing that keeping intact a broader margin guidance, which we had given that we are going to stick to of that 18% to 22% bandwidth.

At keeping this intact over the long term, we want to now realign our focus towards top-line growth. This quarter is the first example of that, where we have shown significant top-line growth keeping intact broadly our broad margin guidance. So internally now as management and as we speak to our customers, our priority is on focusing on creating value through not just keeping our margins intact or more or less keeping them, growing them slightly but furthering the overall absolute number by focusing on top-line growth.

With that, there might be a little bit of margin sort of salient quarter-to-quarter but we believe that, okay, given the long-term trajectory of the company. I'll let our chairman, Mr. Rashesh Bhansali also add on any comments if needed.

Rashesh Bhansali: Hello, Mr. Nisarg. So besides what Mr. Anmol has pointed out, I would like to point out also that another reason besides us being aggressive in revenue and going forward that aggression is expected to continue from our side, we also must point out that the high cost of gold is another issue, small issue where just to get aggressive and get more SKUs accepted by the retailers, we had to do what we needed to do. So that going forward the margins can remain stable and that is really the reason why you see that. But even on a consolidated basis, 20.1% margin is pretty good and it's higher than anyone closest comparable in our industry by leaps and bounds.

Nisarg: Absolutely. Sir, two questions. One is that after growing 40% also traditionally a business which is working capital intensive there is not a single year where you've not made free cash flow. Like even in this quarter so it's a compliment but if you could explain us how is it possible that we make such high free cash flow where so many jewellery players are always struggling to make cash flow and are sitting on debt and high inventory.

Rashesh Bhansali: Sure. Let me answer that with three reasons. Number one, dot-com. Dot-com is now 30% of our business and because of dot-com, we work with a negative working capital. I'm sure when we had met you earlier, you were informed and you were well aware of our dot-com business, Mr. Nisarg. So 30% of our business works on negative working capital.

Second thing, we predominantly we've been very good with designs and analysis of what part of jewellery is selling in which retail stores in America. And because of the team that Mr. Anmol, our MD has set up, we are able to actually give to the customer a better targeted price point and a targeted retail look, which helps our jewelry sell faster. Right.

So that's another very strong feeling. And the shift from and such a dramatic and a strong shift from mine to lab-grown and in such a short period of time has also helped our free cash flow get better. So I think these are the three main reasons why we have the ability in an industry where there are a lot of issues, as you well know, that Goldiam is probably the only shining star out there in terms of profitability, being still debt free. Growing the business and consistently rewarding stakeholders and consistently giving you free cash flow.

Nisarg: Great. A last question for Anmol. In the domestic retail business, we have traditionally seen everybody mess up with very high inventory and then the inventory is not sold for various reasons. The fact that we are venturing only into lab-grown, does it mean that the economics of our inventory holding will be slightly different from traditional jewelry players? Will it be just in time? Will the customer see the design and order and then you will manufacture it? Could you explain some details on this?

Anmol Bhansali: Absolutely. Thank you, Mr. Nisarg. So yes, short answer is yes. The way to look at our inventory, the economics of it are very different. Inherently, because of lab-grown, there are two changes. Number one, if the sort of designs we have planned and the look, the sizes of diamonds were to be done in natural diamonds and this sort of inventory was to be held by a single store, the inventory holding value would be potentially seven to ten times the value we are looking to actually expend.

Number two, because of again being within the lab-grown diamond jewelry space and our internal targets to achieve a higher gross margin than our modern day Omni-channel jewelry competitors, even the cycle and tone of inventory will have a larger than otherwise impact on our inventory carrying costs and our reorder capability of inventories.

And number three, similar to, I wouldn't say this is too much of a difference, but similar to Omni-channel retailers, these modern day Omni-channel retailers, we will build a very, very robust website from day one. With full custom capability itself. So this will also allow ideally end customers to be able to visualize and create jewelry that they like, customize it to their particular sizes without us having to hold size-wise inventory or color-wise inventory. So there are certainly nuances because of being in lab-grown that allow us to take benefit as a retailer as we enter B2C and we are going to try our best to utilize that to our advantage.

Nisarg: Thank you and all the very best to everyone. Thank you.

Moderator: Thank you. The next question is from the line of Ajinkya, who is an Individual Investor. Please go ahead.

Ajinkya: Hello everyone. Congratulations for Stellar performance. I have very few questions. It may be one-liners, but maybe it may help to understand. Any tentative date for the opening in Mumbai? Is it pre-Diwali or post-Diwali?

Anmol Bhansali: We are targeting the first couple of stores pre-Diwali, so in the month of October, but plus-minus a few days here and there.

Ajinkya: Alright. Now the other question is, as I understand, is it wedding rings only that we are planning to do or is it any customized jewelry kind of thing?

Anmol Bhansali: So the category mix is very, very similar to Omni-channel mask retailers today. We will be doing rings, earrings, pendants, necklaces, bracelets and bangles. The full category.

Ajinkya: Any endorsements which are planned?

Anmol Bhansali: We are working on it with our marketing team, Mr. Ajinkya, so no comments in particular right now on that. Perhaps in the Q2 call, we may be able to share more color.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Rashesh Bhansali: Yes, thank you everyone. We look forward to your patronage and we look forward to doing very well in the coming course of time as well and have a good day and be safe.

Moderator: On behalf of Monarch Networth Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.