International Gemological Institute Limited — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investable. Exceptional operational cash generation and a zero-leverage net cash position comfortably offset minor internal control weaknesses and recent receivable collection delays.

Key findings

Key findings

- The company maintains global market leadership with a **33%** share in overall gemstone certification and a dominant 65% share in the laboratory-grown diamond segment, driving rapid structural revenue expansion.
- International Gemological Institute generated an exceptional return on capital employed of **69%** in FY2026 and 158% in Dec 2024, significantly outperforming the 6.5% risk-free benchmark.
- Operational cash generation remains highly robust, with annual cash from operations rising to a window-high □**624 Cr** in FY2026 and cumulative period cash flows reaching □1,514 Cr.
- Gross revenue faces structural pricing pressure as customer rebates, discounts, and price adjustments surged to □**149.22 Cr**, increasing to 8.58% of contracted values in FY2026.
- Trade receivables collection velocity has slowed down, with debtor days worsening to a window-worst **66 days** in FY2026 while gross trade receivables expanded to □293.87 Cr.
- Goodwill assets valued at □**153.13 Cr** face immediate impairment risks if future revenue growth projections drop by 25% to 30% or if discount rates adversely shift by 5% to 7%.
- The auditor flagged a material internal control exception because primary accounting software database-level logs were completely absent and application-level edit logs were disabled prior to **June 20, 2025**.
- Management reduced its expected credit loss allowance to □**5.35 Cr**, boosting pre-tax profits via expense credits despite a 172.68% spike in older overdue balances aged between 1 and 2 years.
- Capital allocation remains highly conservative with cumulative capital expenditure absorbing just **12.4%** of operating cash flow, leaving the core business completely free of institutional debt.
- The company completed the 100% acquisition of AGL Holdco Inc. for □**118.49 Cr**, creating long-term upside through brand expansion and deeper integration within elite gemstone certification networks.
- The promoter group received a massive historical cash outflow of □**1,345.82 Cr** in FY2024 to fund overseas affiliate buyouts, which severely depressed capital reserves prior to listing.

What to watch

What to watch

Monitorable	Where it stands now	Level that would change the view
Debtor collection cycle	**66 days**	Above **75 days**
Customer rebates and discounts	**8.58%** of contracted value	Above **12.0%** of contracted value
Expected credit loss allowance	□**5.35 Cr**	Below □**3.0 Cr** while older receivables rise
Revenue projection drop for goodwill impairment	**25%** to **30%** headroom	Growth drop exceeding **25%
Outstanding capital project commitments	□**89.18 Cr**	Above □**150 Cr**

1. Business overview

International Gemological Institute Limited (IGI) is a leading global provider of independent certification and grading services for diamonds, color gemstones, and jewelry. The company's core offering is the issuance of authoritative certification reports that verify the quality, authenticity, and key characteristics of precious stones based on the globally recognized "4C's—Color, Clarity, Cut and Carat Weight". IGI serves a diverse client base across the global luxury ecosystem, including gemstone growers, manufacturers, wholesalers, traders, elite luxury maisons, auction houses, and retail consumers. The company operates a genuine competitive position at a massive scale, holding a dominant 33% global market share in diamond, jewelry, and gemstone certification, and acting as the pioneer and undisputed global market leader in laboratory-grown diamond (LGD) certification with a 65% global market share. Its institutional infrastructure spans a network of 36 laboratories across 10 countries alongside 21 educational schools across 6 countries, issuing a staggering 16.45 million certification reports during the current 15-month reporting period.

Segment	Revenue (□Cr)	Share of total	YoY	What drove it
Within India	1209.38	75.7%	+55.19%	Driven by a transition to a 15-month reporting period, resilient domestic consumption of fine jewelry, increasing retail adoption and expanding distribution networks of lab-grown diamonds, and the active expansion of operational footprints including a second laboratory in Sitapura, Jaipur.
Outside India	388.28	24.3%	+41.78%	Driven by a transition to a 15-month reporting period, expanded partnership volumes across lab-grown diamond and jewelry segments in China, strategic pearl hub collaboration in Zhuji, and infrastructure investments in the Dubai Gold Souk trading hub.

Cost base

- IGI utilizes an asset-light business model that supports low capital requirements and deep operational flexibility across international borders.
- The company's cost base is primarily concentrated in specialized human capital and advanced gemological technology infrastructure.
- Operational expenses are heavily moved by its technical workforce, which includes 1,306 employees on the company's payroll and a total global manpower strength exceeding 1,700 people.
- Cost inputs are driven by continuous gemologist upskilling, rigorous calibration to uniform global criteria, and substantial investments in cutting-edge laboratory instruments.
- Real technology inputs concentrated across its 36 laboratories include Photoluminescence (PL) spectrometers, UV imaging systems for growth structure analysis, UV-Visible and Near-Infrared (UV-VIS-NIR) absorption spectroscopy tools, Energy Dispersive X-Ray Fluorescence (EDXRF) spectroscopy equipment, Fourier Transform Infrared (FTIR) spectrometers, and laser-based Raman spectroscopy systems.
- Data management, cybersecurity, and report protection expenses are driven by global technology infrastructure consolidation, which includes upgrading enterprise storage platforms to Solaris 11.4 and running hyperconverged data center models in BKC and Antwerp.

Capacity

- Physical and operational capacity does not act as a constraint on growth, as IGI's infrastructure is built for rapid throughput and scalable bulk processing.

- To handle massive volumes efficiently without compromising accuracy, the company embeds automated technology such as the "IGI Origin" system, an advanced AI-powered diamond origin analyzer specifically engineered for high-throughput settings.
- Operational turnaround times and commercial efficiencies are optimized by establishing in-factory grading laboratories directly at high-volume production and manufacturing sites.
- IGI aggressively expands its physical footprint ahead of market demand, recently commissioning a second laboratory facility in Sitapura, Jaipur (a hub for colored gemstones), expanding into Lucknow, opening a state-of-the-art laboratory in the pearl hub of Zhuji, China, and establishing an infrastructure presence in the Deira Gold Souk, Dubai.
- The scalability of its capacity is demonstrated by the execution of large-scale commercial screening programs, such as screening more than 100,000 jewelry pieces for one of the largest jewelry retailers in the United States to support supply chain integrity.

Forward visibility

- A formal forward order book figure is not disclosed in the report, which reflects the point-of-time transactional nature of testing and grading services.
- This point-of-time structure is detailed in the financial notes, which show that □1,561.04 Cr of revenue from contract with customers was transferred at a point in time, compared to □28.99 Cr transferred over time.
- However, management notes that their "deep integration across the value chain, longstanding relationships with leading growers and manufacturers, and in-factory grading capabilities provide strong visibility into rising certification volumes."
- Baseline forward visibility is supported by recorded customer contract balances; as of March 31, 2026, trade receivables stood at □288.52 Cr, contract liabilities were at □29.68 Cr, advances from customers were □15.15 Cr, and unbilled revenue was at □3.25 Cr.
- Long-term commercial visibility is reinforced by a continuous funnel of industry professionals trained across its 21 educational schools, which cements brand equity and generates a sustained commercial "pull" effect for IGI-certified products.

What must stay true

For IGI to maintain its long-term commercial trajectory and compound value over years, several structural realities must stay true: - Third-party independent certification must remain the vital trust infrastructure of the gemstone industry, with buyers continuing to rely on objective criteria to build confidence in luxury purchases. - The global jewelry market must sustain its structural transition from unorganized local trading to organized branded retail, which increases the penetration of independent verification to distinguish higher value from commodity-grade stones. - Laboratory-grown diamonds (LGDs) must continue to coexist alongside natural diamonds as a mainstream category, broadening the total market by making diamond ownership an affordable option for everyday fine jewelry and self-purchase luxury. - IGI must protect its unblemished global reputation for impartiality and accuracy, as "Integrity is the foundation of trust in the gem and jewelry industry, and we are committed to maintaining that trust with every report we issue." - The company must maintain its scientific lead over industry learning curves, utilizing its proprietary AI engines to stay ahead of advanced synthetic coatings and emerging treatments designed to bypass modern detection tools. - Strategic expansions must continue to deliver synergies, such as combining its global infrastructure with newly acquired assets, given that "A definitive strategic milestone of the past year was our successful acquisition of AGL Holdco Inc. (American Gemological Laboratories)."

2. Management commentary & outlook

What did management actually say, and can they be believed?

| Topic | What they claimed | Their

The operational disclosures outline a business with a genuine competitive position. Holding a dominant 50% market share in India and a 65% global market share in the rapidly expanding lab-grown diamond category establishes a robust market position. Furthermore, securing exclusive relationships with nine out of ten top jewelry chains demonstrates excellent enterprise brand equity and deep commercial integration across major retail corridors.

Outlook

- **Demand:** Management merely described the expanding structural transformation of the luxury gemstone market and rising long-term certification adoption without committing to a future number or date.
- **Capacity:** Management merely described its ongoing global laboratory network footprint expansion and international infrastructure consolidation without committing to a future number or date.
- **Costs:** Management merely described its continuous investments in advanced AI-supported grading technologies and human capital programs without committing to a future number or date.
- **Balance sheet:** Management merely described its operational resilience under an asset-light, zero-leverage, and cash-positive business model without committing to a future number or date.

Tone

The management commentary is highly specific and falsifiable regarding its historical operational volumes, laboratory network metrics, and workforce statistics. However, the forward-looking narrative leans heavily on broad macroeconomic tailwinds, rising luxury affluence, and qualitative industry trends. The overall communication provides a clear and objective review of current structural market leadership while remaining purely descriptive regarding future corporate milestones.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Dec 2024	Dec 2023
Sales	1,053	898
Sales Growth %	17	83
Expenses	453	401
Material Cost %	0.36	0.37
Raw material cost	3.66	3.91
Change in inventory	0.10	-0.61
Manufacturing Cost %	0.86	0.94
Employee Cost %	25.17	26.18
Other Cost %	16.61	17.20
Operating Profit	600	497
OPM %	57	55
Other Income	35	11
Exceptional items	0	0
Other income normal	35	12
Interest	9	11
Depreciation	41	42
Profit before tax	585	455
Tax %	27	27
Net Profit	427	331
Exceptional items AT	0	0
Profit excl Excep	427	331
Profit for PE	427	331
Profit for EPS	427	331
Profit Growth %	29	37
EPS (□)	9.89	0
Dividend Payout %	25	0

Balance sheet (□Cr)

Line item	Dec 2024	Dec 2023
Equity Capital	86	0.40
Reserves	976	-605
Borrowings	145	151
Long term Borrowings	0	0
Lease Liabilities	145	151
Other Borrowings	0	0
Other Liabilities	296	1,484
Trade Payables	59	19
Advance from Customers	22	27
Other liability items	215	1,437
Total Liabilities	1,504	1,031
Fixed Assets	384	384
Land	13	13
Building	303	291
Plant Machinery	48	41
Equipments	39	35
Computers	10	9
Furniture n fittings	38	33
Vehicles	4	3
Intangible Assets	101	101
Other fixed assets	14	12
Gross Block	569	538
Accumulated Depreciation	185	154
CWIP	36	20
Investments	0	0
Other Assets	1,084	627
Inventories	1	1
Trade receivables	164	126
Receivables over 6m	10	10
Receivables under 6m	167	131
Prov for Doubtful	-13	-15
Cash Equivalents	388	321
Loans n Advances	12	14
Other asset items	520	165
Total Assets	1,504	1,031

Cash flow statement (□Cr)

Line item	Dec 2024	Dec 2023
Cash from Operating Activity	393	303
Profit from operations	601	506
Receivables	-36	-87
Inventory	0	-1
Payables	45	1
Other WC items	-62	27
Working capital changes	-53	-60
Direct taxes	-155	-144
Cash from Investing Activity	-1,634	-85
Fixed assets purchased	-40	-55
Fixed assets sold	1	0
Interest received	15	6
Invest in subsidiaries	-1,346	0
Other investing items	-264	-36
Cash from Financing Activity	1,188	-162
Proceeds from shares	1,410	0
Repayment of borrowings	0	0
Interest paid fin	-8	-2
Dividends paid	-190	-140
Financial liabilities	-23	-20
Net Cash Flow	-52	55
Free Cash Flow	355	248
CFO/OP	91	90

Key ratios

Line item	Dec 2024	Dec 2023
Debtor Days	57	51
Inventory Days	—	—
Days Payable	—	—
Cash Conversion Cycle	—	—
Working Capital Days	—	—
ROCE %	158	0

3.2 Financial analysis summary

Is this business actually making money? Yes, the business is highly profitable, delivering rapid revenue growth and maintaining excellent operational margins across its dominant gemstone and jewelry certification

network. Total revenue from operations reached □1,597.66 Cr during the 15-month FY2026 transition period, compared to □1,053 Cr in the 12-month Dec 2024. Over the trend window, revenue expanded at a CAGR of 46.44% and profit after tax (PAT) grew at a CAGR of 32.83%. Net profit stood at □711.20 Cr in FY2026 and □427 Cr in Dec 2024, supported by an operating profit margin of 57% and a PAT margin of 40.5% in Dec 2024. Capital efficiency is exceptional, with a Return on Capital Employed (ROCE) of 69% in FY2026 and 158% in Dec 2024 (`0 158`), substantially beating the 6.5% risk-free benchmark. Plant productivity is high, with profit before tax (PBT) at 152.3% of net fixed assets in Dec 2024.

Earnings quality is protected by conservative capitalization methods that insulate the P&L from routine charges. Precious stones and laboratory master sets valued at □18.05 Cr are held at cost on the balance sheet without depreciation. Additionally, □37.66 Cr of purchase value from business combinations was allocated to brand value under an indefinite useful life classification, exempting it from regular amortization. In FY2026, profit metrics were further enhanced by management reducing its expected credit loss allowance by 59.04%, which released a net credit back to the P&L of □5.35 Cr. However, gross revenue growth faced structural pricing pressure, as rebates, discounts, and price adjustments expanded by 327.54% to □149.22 Cr, jumping from 3.24% of contracted prices in FY2024 to 8.58% in FY2026.

Is that money arriving as cash? Yes, the company's profits translate efficiently into cash, confirmed by strong operational cash generation that aligns with its tax obligations, though collection cycles have slowed down recently. Cumulative cash from operations (CFO) reached □890 Cr over three years, converting at a healthy rate of 0.62x against cumulative EBITDA and 0.89x against cumulative PAT. Annual cash flow from operations rose to its highest level in the window at □624 Cr in FY2026 (`194 393`), up from □393 Cr in Dec 2024 and □303 Cr in Dec 2023. The validity of these profits is confirmed by direct tax payments, with cash taxes paid (□396 Cr) closely matching the tax charged in the P&L (□370 Cr) at a ratio of 1.07x over three profitable years.

Cash inflows were also boosted by a 449.57% expansion in current contract liabilities (deferred revenue), which rose to □29.68 Cr in FY2026 from □5.40 Cr in FY2024, representing advance payments for certification work where final reports are pending issuance. However, collection velocity has softened, with debtor days climbing to a window-worst 66 days in FY2026 from 57 days in Dec 2024 and 51 days in Dec 2023 (`47 57`). Gross trade receivables rose by 66.42% to □293.87 Cr in FY2026, outrunning net operational revenue gains of 51.7%. Long-term overdue buckets are filling up, with receivables aged between 1 and 2 years expanding by 172.68% to □6.36 Cr.

Where is the cash going, and who is getting it? The company's robust cash flows are primarily deployed into substantial dividend distributions to its promoter entity and large low-risk liquid bank deposits, as its asset-light model requires minimal capital expenditures. The primary recipient of cash is the promoter group through massive dividend distributions. Cumulative dividends over the window totaled □797 Cr, consuming 51.4% of operating cash flow in FY2026, 48.3% in Dec 2024, and 46.2% in Dec 2023. In FY2026, total dividend payouts to parent entity BCP Asia II Topco Pte. Ltd. grew to □246.14 Cr from □189.77 Cr in FY2024. Historically, cash was heavily directed toward related-party restructurings; in FY2024, the group paid □1,345.82 Cr to its promoter to acquire IGI Belgium (□593.46 Cr) and IGI Netherlands (□752.36 Cr), downsizing capital reserves by □1,345.32 Cr.

A significant portion of cash is being accumulated into liquid bank instruments. Non-current bank deposits with maturities over 12 months rose sharply to □201.30 Cr in FY2026 from □3.47 Cr in FY2024, while short-term bank deposits (3–12 months) held □326.44 Cr. Net debt remains highly favorable at -□130 Cr in FY2026. The core business is highly asset-light, with a net fixed asset turnover of 2.74 in Dec 2024.

Consequently, cumulative capex absorbed just 12.4% of operating cash flow (□188 Cr over the window), yielding free cash flow of □542 Cr in FY2026. Outstanding capital project commitments for lab network expansion stand at □89.18 Cr. Strategic cash outflows also include external M&A and executive remuneration. In FY2026, the company acquired 100% of AGL Holdco Inc. for a total purchase price of □118.49 Cr, paying □82.67 Cr in cash

and leaving a ₹35.82 Cr contingent consideration payable, which added a ₹36.71 Cr non-current contingent liability to the balance sheet.

Meanwhile, total short-term key management personnel benefits decreased by 53.51% to ₹16.33 Cr in FY2026 from ₹35.12 Cr in FY2024 due to lower post-IPO variable bonuses. Remuneration for Managing Director Tehmasp Nariman Printer declined to ₹12.66 Cr in FY2026 from ₹26.75 Cr in FY2024.

3.3 Contingent liabilities & commitments

Unresolved litigation risks, tax exposures, and capital purchase obligations show potential claims against the group that have not been acknowledged as debt.

3.9 Earnings quality & forensic checks

Is the growth real?

Watch · 4 of 7 signals flagged · confidence high · 6/6 checked

Signal	FY25	FY26	Status	What it means
Receivables ageing / ECL provisioning	13.06 Cr	5.35 Cr (-59.0%)	Flag · low impact	Management reduced total ECL allowances by 59.04% from 13.06 Cr to 5.35 Cr, which released a net credit of 5.35 Cr back to the P&L, despite a 172.68% spike in older 1-2 years overdue balances to 6.36 Cr. Note that narrative text mistakenly states these figures as Crores instead of millions.
Receivables growth vs sales growth	176.58 Cr	293.87 Cr (+66.4%)	Watch · medium impact	Gross trade receivables expanded by 66.42% from 176.58 Cr to 293.87 Cr, outpacing net revenue growth of 51.70%, suggesting potential relaxation of credit terms to push sales.
Sizable expansion of revenue discounts and adjustments	34.90 Cr	149.22 Cr (+327.6%)	Watch · medium impact	Rebates and discounts surged by 327.54% to 149.22 Cr, shifting from 3.24% of contracted prices to 8.58%, indicating heavy price concessions to retain high-volume clients.
Unbilled revenue, contract assets, deferred revenue	5.40 Cr	29.68 Cr (+449.6%)	Watch · low impact	Contract liabilities jumped by 449.57% to 29.68 Cr, representing cash collected up-front for grading work where reports remain unissued.
Customer concentration	—	Not disclosed	Unresolved	Specific customer concentration metrics for general commercial counterparties are not detailed in the text.
Revenue from related parties as % of revenue	0 Cr	0.03 Cr	Clean	Certification income from related parties was nominal at 0.03 Cr, contributing negligible top-line risk.
Advances from customers trend	21.83 Cr	15.15 Cr (-30.6%)	Clean	Customer advances fell by 30.60% to 15.15 Cr, showing normal operational utilization.

Does profit become cash?

Watch · 1 of 5 signals flagged · confidence high · 5/5 checked

Signal	FY25	FY26	Status	What it means
Working-capital movement	-52.60 Cr	-57.71 Cr	Watch · medium impact	Working capital changes drained 57.71 Cr of cash, primarily driven by the 118.68 Cr expansion in trade receivables outflow.
CFO vs clean EBITDA (cash conversion)	0.66x	0.64x (-3.0%)	Clean	Cash from operations grew to 624.10 Cr, representing 64.16% of Clean EBITDA (972.65 Cr), demonstrating fundamentally healthy conversion.
Pre-tax operating conversion (CFO + tax paid) / EBITDA	0.91x	0.94x (+3.3%)	Clean	Pre-tax cash conversion remains stellar at 94.34% of EBITDA, proving that operational asset efficiency before tax drag is highly optimized.
Cash tax paid vs book tax	0.98x	1.14x (+16.3%)	Clean	Cash tax paid rose to 293.51 Cr, outstripping book tax provisions of 257.51 Cr, validating the authenticity of earnings figures.
Inventory absorption of operating cash	0.10 Cr	-0.60 Cr (-700.0%)	Clean	Inventory changes led to a nominal cash outflow of 0.60 Cr, reflecting an asset-light certification model with low stock requirements.

Is the P&L being manufactured?

Clean · 1 of 7 signals flagged · confidence high · 6/6 checked

Signal	FY25	FY26	Status	What it means
Indefinite useful life brand asset insulation	0 Cr	37.66 Cr	Watch · low impact	Allocation of 37.66 Cr of acquisition price to brand value under indefinite-life classification protects future income faces from ongoing amortization hits.
Non-operating / other income as % of PBT	6.04%	6.63%	Clean	Other income grew to 64.22 Cr (6.63% of PBT), driven predictably by interest returns of 59.81 Cr earned on expanding fixed deposit liquid pools.
Exceptional items and their effect on PBT	0 Cr	0 Cr	Clean	No exceptional write-offs or adjustments modified book profitability figures.
Deferred tax movement and cash-vs-book tax	3.19 Cr	-0.08 Cr (-102.5%)	Clean	Deferred tax credits had an insulated, non-material impact of 0.08 Cr on reported net earnings.
Provision reversals credited to income	7.53 Cr	5.35 Cr (-29.0%)	Clean	ECL provision reversals added 5.35 Cr to profits via expense credits, down from prior non-operating provision reversals of 7.53 Cr.
Depreciation policy / useful-life change	41.46 Cr	55.78 Cr (+34.5%)	Clean	No formal shift in policy occurred; laboratory master sets of 18.05 Cr remain systematically excluded from depreciation charges.
Valuation-method or accounting-policy change	0 Cr	5.55 Cr	Clean	Adjustments for prospective Indian Labour Code guidelines cost 5.55 Cr across internal gratuity and absence provisions. Note that narrative text mistakenly denotes these as Crores rather than millions.

Is value leaving to insiders?

Watch · 2 of 8 signals flagged · confidence high · 8/8 checked

Signal	FY25	FY26	Status	What it means
Related-party transaction quantum and trend	189.77 Cr	246.14 Cr (+29.7%)	Watch · high impact	The largest transaction flow consists of 246.14 Cr in dividend distributions sent out to promoter group BCP Asia II Topco Pte. Ltd.
New related-party counterparties this year	0 Cr	1.76 Cr	Watch · low impact	New control-driven connections led to rent outlays of 0.59 Cr to Bharat Diamond Bourse and exhibition outlays of 1.17 Cr to the Gems & Jewelry Council.
Promoter pledge / encumbrance	—	Not disclosed	Unresolved	Promoter share encumbrance data is not detailed inside the text blocks.
KMP / director remuneration vs EBITDA	35.49 Cr	20.14 Cr (-43.3%)	Clean	Total KMP remuneration plus share option costs fell by 43.25% to 20.14 Cr, dropping to 2.07% of Clean EBITDA, following post-listing bonus normalizations.
Loans, advances or guarantees to group entities	0 Cr	0 Cr	Clean	No un-specified or demand loans were channeled to insider entities during the period.
Interest earned on loans/ advances to related parties, against the company's own cost of debt	0 Cr	0 Cr	Clean	Nil balances create zero related interest income flows.
Interest paid on loans taken FROM promoters or directors, against the company's own cost of debt	0 Cr	0 Cr	Clean	The group does not borrow from its promoters, keeping interest leakage at zero.
CSR spend and shortfall	6.80 Cr	9.11 Cr (+34.0%)	Clean	The statutory requirement of 9.11 Cr was fully discharged with zero balance shortfalls.

Can the balance sheet take a hit?

Flag · 3 of 7 signals flagged · confidence high · 5/5 checked

Signal	FY25	FY26	Status	What it means
Gaps in accounting software audit trail logs	0 Cr	0 Cr	Flag · medium impact	Auditors issued a material internal control exception: application edit logs for one platform were disabled prior to June 20, 2025, database logging was completely absent, and missing SOC reports compromised audit trails.
CWIP ageing and stalled projects	36.09 Cr	61.87 Cr (+71.4%)	Watch · medium impact	Capital work-in-progress accumulated up to 61.87 Cr, with 35.92 Cr sitting in the 1-3 years overdue categories, though management specifies zero project suspensions.
Short-term lease expense surge avoiding capitalization	2.10 Cr	13.44 Cr (+540.0%)	Watch · low impact	Short-term rental expenses rose by 539.44% to 13.44 Cr, shifting liabilities into flexible arrangements that bypass Ind AS 116 debt capitalization rules.
Encumbered assets / title deeds not in company name	—	Not disclosed	Unresolved	No adverse remark was recorded in CARO filings, but granular title asset registries are absent.
Dividend vs free cash flow	190 Cr	321.46 Cr (+69.2%)	Clean	Dividends paid of 321.46 Cr are comfortably covered by organic free cash flow generation of 542.32 Cr, presenting no balance sheet strain.
Contingent liabilities vs net worth	138.59 Cr	91.49 Cr (-34.0%)	Clean	Total tracked exposure fell to 91.49 Cr, presenting nominal structural risk relative to a solid 1,488 Cr net worth cushion.
Borrowing terms, security, covenants	0 Cr	0 Cr	Clean	The company continues to run with zero interest-bearing institutional borrowings or leverage covenants.

4. Management & governance

Governance check matrix

Check	Status	Detail
Audit opinion (type)	Clean	Unmodified opinion
Fraud reported by the auditor	Clean	None reported
Audit trail (edit log) in the accounting software	Flag	Gaps at database level and delayed implementation
Statutory dues unpaid	Clean	No adverse remarks reported under CARO
Promoter pledge (% of promoter holding)	Clean	0%
Independent directors (% of board)	Watch	42.86% of the board
Woman director	Clean	1 independent director present
KMP pay against the statutory ceiling	Clean	Within prescribed statutory limits
Related-party transactions (% of revenue)	Watch	15.41% of revenue including dividend payouts

A. Auditor report & key audit matters

Beyond the basic matrix disclosures, the independent auditor's report highlights three Key Audit Matters (KAMs) reflecting accounting complexities during the 15-month transition period:

- **Revenue Recognition:** Deemed a significant risk area due to the volume of grading and certification transactions across laboratories. Management maintains automated systems that log take-ins and track performance obligations. The auditor verified the design and operating effectiveness of these controls and confirmed cut-off accuracy.

- **Goodwill Impairment Assessment:** The group holds goodwill of ₹153.13 Cr, concentrated heavily in the USA and Israel cash-generating units. Valuation headroom is highly sensitive; auditor testing revealed that a 25% to 30% drop in revenue growth projections or an adverse shift of 5% to 7% in discount rates would trigger immediate impairment. Management responded by utilizing independent valuation specialists and discounted cash flow models, which the auditor validated through internal specialists.
- **Business Combination:** The acquisition of AGL HoldCo Inc. for ₹118.49 Cr involved significant judgment regarding fair value splits. Management allocated ₹37.66 Cr to indefinite-life brand value and ₹23.88 Cr to customer relationships, resulting in ₹41.46 Cr of new goodwill. The auditor deployed internal valuation experts to challenge these models and asset useful lives.

Control Weaknesses: The auditor issued a major internal control exception regarding Rule 11(g) compliance. One primary accounting software lacked active database-level audit logs to capture back-end changes, and its application-level edit log was only turned on halfway through the period on June 20, 2025. A secondary software system also lacked verification for database-level logs due to gaps in the available Service Organization Control (SOC) reports.

Defaults and Fees: There were no defaults to lenders during the period. Total auditor remuneration stood at ₹1.74 Cr, split between audit fees of ₹1.53 Cr (including quarterly reviews and special purpose subsidiary audits) and non-audit fees of ₹0.21 Cr for tax compliance and transfer pricing certifications.

B. Related party transactions

Commercial and financial interactions with related parties are detailed below:

Counterparty	Relationship	Nature	FY26 (₹ Cr)	FY24 (₹ Cr)	Assessment
BCP Asia II Topco Pte. Ltd.	Holding Company	Dividend Payouts	246.14	189.77	Routine
BCP Asia II Topco Pte. Ltd.	Holding Company	Acquisition of Affiliates	0	1,345.82	Common control buyout
Mr. Tehmasp Nariman Printer	Key Management Personnel	Remuneration	12.66	26.75	Approved contract terms
Ms. Deborah Morgane T Grosman	Key Management Personnel	Remuneration	0.50	6.57	Routine
Mr. Eashwar Iyer	Key Management Personnel	Remuneration	3.19	1.58	Routine
Mr. Hardik Desai	Key Management Personnel	Remuneration	0.48	0.22	Routine
Mr. Varaz Printer	Close family member of KMP	Remuneration	0.35	0.23	Routine
Bharat Diamond Bourse	Connected Entity	Rent & Sponsorship	0.71	0	Arm's length
Gems & Jewelry Export Promotion Council	Connected Entity	Exhibition & Seminars	1.17	0	Routine
Assaying & Authenticity Alliance Pvt. Ltd.	Connected Entity	Rental Expenses	0	0.20	Routine
Gajvrat Realty Pvt. Ltd.	Connected Entity	Rental Expenses	0	0.18	Routine
Non-Executive Directors	Independent Board Members	Sitting Fees & Commission	0.93	0.24	Statutory limits
Total	—	—	**266.13**	**1,571.56**	—

The table cannot show soft pricing arrangements, unrecorded operational dependencies, or long-term strategic alignments outside explicit financial report definitions. No write-offs, provisions, or impairments were recorded against promoter entities during the year, and no funds were loaned to related parties below the company's borrowing cost. However, minority shareholders should recognize that just prior to listing in FY24, a massive sum of □1,345.82 Cr was shifted to the promoter entity to purchase overseas corporate blocks, severely depressing capital reserves.

C. Shareholding

The exact ownership category percentage shifts are not fully tabulated in the corporate governance disclosures; however, post-IPO share distributions reflect a high concentration of institutional blockholders:

Category	FY26 (%)	FY24 (%)	Change (pp)
Large Blockholders (>100,000 shares)	92.60	Not disclosed	Not disclosed
Retail Shareholders (1-5,000 shares)	5.01	Not disclosed	Not disclosed
Mid-tier Holders (5,000-100,000 shares)	2.39	Not disclosed	Not disclosed
Total	**100.00**	**100.00**	**0.00**

There are no promoter pledges or encumbrances recorded on the share capital, meaning the promoter's holding does not secure personal borrowings or create forced-liquidation risks for the company.

D. Board composition

The board consists of seven members, led by Mr. Anoop Mehta, who was appointed as Additional Non-Executive Independent Director and Chairperson of the Board effective June 6, 2025. There are no inter-se family relationships between any directors on the board, protecting minority holders from nested family control structures. No sudden or late-year director resignations occurred during the 15-month transition period, indicating stable board dynamics post-IPO.

E. KMP compensation

The remuneration profiles of executive leaders and key managers are tracked below:

Name	Role	FY26 (□Cr)	FY24 (□Cr)	Change
Mr. Tehmasp Printer	Managing Director & CEO	12.66	26.75	-52.67%
Ms. Deborah Morgane T Grosman	Key Management Personnel	0.50	6.57	-92.39%
Mr. Eashwar Iyer	Chief Financial Officer	3.19	1.58	101.90%
Mr. Hardik Desai	Company Secretary	0.48	0.22	118.18%
Total	—	**16.83**	**35.12**	**-52.08%**
Pay as % of EBITDA	—	**1.73%**	**5.86%**	—

Total KMP compensation for the period was □16.83 Cr against an operating profit (EBITDA) of □972.65 Cr, representing 1.73% of the operational profit base. This level of compensation sits comfortably below the 5% threshold and remains highly proportionate to the corporate scale. Crucially, the direction of change is positive for minority holders: aggregate manager pay dropped by 52.08% even as EBITDA grew by 62.19%, reflecting a steep reduction in pre-IPO variable performance bonuses.

F. Capital allocation & capex

Over the analysis window, the company generated cumulative cash flow from operations (CFO) of ₹1,514 Cr, with capital expenditure absorbing ₹188 Cr, resulting in a substantial cumulative free cash flow of ₹1,326 Cr. Capex initiatives were funded entirely from internal operating cash flow without relying on high-cost debt or dilutive share issuances. Shareholders received ₹797 Cr via dividend payments, reflecting a comfortable dividend cover from free cash flow of 1.66x that left no funding gaps.

Lenders received zero net payments because institutional financial debt remained at zero, and the overall share count did not grow since no new equity was raised during the cycle. The business expanded its laboratory asset base exclusively using its own organic cash generation while sustaining phenomenal returns on capital, illustrating top-tier capital allocation execution that treats minority capital remarkably well.

G. Revenue recognition policy

Revenue from grading and certification services is recognized at a specific point in time when the final certificate or laboratory report is generated and placed in a status ready to be officially issued to the client. This operational policy minimizes management timing judgment because no significant intermediate activities occur between report generation and ownership transfer.

However, management retains considerable judgment regarding transaction price adjustments. Gross contracted revenues are heavily customized via discretionary rebates, discounts, and pricing allowances, which escalated by 327.54% to reach ₹1,492.17 Cr during the period (jumping from 3.24% of contracted values up to 8.58%). This trend signals that management actively uses price reductions to maintain high-volume institutional customer retention.

5. Scorecard

Dimension	Rating	Vs last year	What decided it
Business quality	4	Up	Pre-tax return on net fixed assets reached 152.3% and ROCE was 69% in the latest period, reflecting top-tier profitability across active years despite an incomplete five-year history.
Financial health	5	Same	Net debt remains highly favorable at negative ₹130 Cr and interest coverage stands at a robust 62.11x with zero institutional borrowing.
Earnings quality	3	Up	Cumulative operational cash flow covers 151% of profit after tax, but reported earnings were impacted by two forensic flags concerning accounting software log gaps and provision reductions.
Management & governance	4	Up	Executive pay is low at 1.73% of EBITDA and promoter pledges are at zero, though database-level audit trail log gaps created internal control exceptions.
Capital allocation	5	Same	Cumulative capital expenditure absorbed only 12.4% of operating cash flow, leaving dividend distributions fully covered by organic free cash flow with zero equity dilution.

6. How it has been doing

6.1 The multi-year picture

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
ROCE %	52.67	158	69	0 `[---o#------]` 158	**Better than trend**	Normalization of the capital base following recent corporate combinations and the acquisition of AGL Holdco Inc. for □118.49 Cr	—
Debtor days	51.67	57	66	47 `[--o--]` # 57	**Worse than trend** (worst in window)	Relaxation of credit terms to retain high-volume institutional clients, with gross trade receivables expanding to □293.87 Cr	Too early
Cash conversion cycle (days)	51.67	57	66	47 `[--o--]` # 57	**Worse than trend** (worst in window)	Elongation of the trade receivables collection timeline outrunning net operational revenue gains	Too early
Cash from operations	296.67	393	624	194 `[--o--]` # 393	**Better than trend** (best in window)	Expanded operational profitability and an upfront cash collections surge, with current contract liabilities increasing to □29.68 Cr	Not explained

6.2 Management: said versus delivered

What they said last year	What happened	Verdict
Industry certification penetration target of "80-85% by 2028"	Management noted expanding structural transformations and rising certification adoption but provided no updated penetration figure in the current report.	Not addressed
Global retail diamond jewelry market size target of "USD 140 billion by 2028"	Management described general luxury market trends and long-term industry growth drivers without referencing specific external research updates.	Not addressed

What has not changed

- Material costs have remained pinned at a stable 0.4% of revenue (amounting to □3.66 Cr in the latest period) for the fourth consecutive year, reflecting the structural persistence of the company's service-based testing model.
- Exceptional items have registered at exactly □0 Cr (0.0% of profit before tax) for the fourth consecutive year, demonstrating a long-standing pattern of clean operational reporting without non-operational adjustments.
- Non-core corporate investments have remained at □0 Cr (0.0% of total assets) for the fourth consecutive year, highlighting management's consistent multi-year strategy of avoiding non-operational asset accumulation.