International Gemological Institute Limited — Apr 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** IGI has entered a "harvesting" phase of significant operating leverage, where 27% volume growth is being serviced with superior margins (64.2%) despite cycling prior-year pricing corrections.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 15% QoQ while EBITDA surged 29%, significantly outstripping volume growth of 13%.	□
Earnings Quality	High (Core driven)	Growth driven by volume expansion in India and structural margin recovery in international subsidiaries.	□
Guidance Confidence	Strong	Reaffirmed 15-20% revenue growth for CY25; cycling of LGD price cuts starts in Q2/Q3.	□
Management Credibility	Strong	Professional management delivering on post-listing debt reduction and international restructuring.	□
Business Quality Signal	Improving	EBITDA margins at 64.2% (Consol) and 77.6% (India) demonstrate an extremely high-moat, low-capex "toll-booth" model.	□
Key Q&A Exchange	Q3: LGD Price Stability	Management confirmed floor in LGD wholesale prices, protecting certification realizations.	□
The Street's Primary Anxiety	US Tariffs / LGD Pricing	Management mitigated tariff fears citing domestic consumption and low service-value impact.	□
Capital Cycle Stage	Harvesting	Massive operating leverage; 130+ gemologists added to handle volume without diluting margins.	□
Margin / Return Ratio Trajectory	Improving	Consolidated EBITDA margins expanded 680 bps QoQ to 64.2%.	□
Pricing Power	Stable	Realizations (ARP) grew 7% QoQ as the mix shifted toward larger loose stones.	□
FCF Conversion & Quality	Strong	Historically 92% (CY24); Q1 trajectory remains robust given low incremental capex.	□
Competitive Moat Signals	Widening	65% global LGD share; in-factory lab model creating high switching costs for growers.	□
Balance Sheet Strength	Strong	Deleveraged post-IPO; interest coverage is effectively a non-issue.	□
Working Capital Efficiency	Stable	Inventory-light service model; receivables remain the primary watchpoint.	□
Mgmt Guidance Track Record	Reliable	Delivered first post-listing quarter with margin expansion ahead of internal targets.	□
Key Vulnerability / Red Flag	Policy Risk	Potential US tariffs on Chinese/Indian diamond exports remains a macro overhang.	□
Management Tone	Confident	Posture was assertive regarding leadership in LGD and the takeoff of LGD jewelry in India.	□

Key Takeaways (Positives & Negatives): * **Positives:** The thesis remains intact and strengthened: IGI is the definitive winner in the LGD transition. Q1 results prove that the "one-time" price correction in 2024 is now being digested, with QoQ realizations rising 17% in India. The scalability of the model is evident; India standalone margins reached a staggering 77.6%. Structural turnarounds in the Netherlands (China/Dubai hub) and Belgium are providing a "second engine" for growth beyond India. * **Negatives:** ARP is still down 12% YoY, reflecting the tail-end of the LGD price reset. While volume is up 27%, revenue is only up 10% YoY, indicating the pricing "drag" will persist for one more quarter before normalization. * **Street Concern:** Analysts are hyper-focused on the 10% US tariff threat. Management's rebuttal—that 50% of IGI's volume is for Indian domestic consumption and service costs are a minor portion of final jewelry prices—successfully de-risked the immediate narrative. * **Watchpoint:** Monitor the "Brand Salience" marketing spend in H2 CY25. Management indicated a ramp-up in B2B2C branding, which may cause a slight (though likely temporary) ceiling on EBITDA margins.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary. Concall for Commentary. All Mn converted to Cr (÷10).

Metric	Current Qtr (Q1 CY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	□304.8 Cr	↑ 10%	↑ 15%	↑	Driven by 27% volume growth; partially offset by YoY pricing reset.
EBITDA (Consol)	□195.7 Cr	↑ 13%	↑ 29%	↑	Massive operating leverage; core costs (Employee) grew only 9% YoY.
EBITDA Margin %	64.2%	↑ 180 bps	↑ 680 bps	↑	Expansion driven by high-margin India loose stone mix and Intl. turnaround.
PAT (Consol)	□140.7 Cr	↑ 12%	↑ 24%	↑	Benefited from higher other income and lower D&A.
ROCE (%)	48.0%	↓ (vs CY24)	N/A	→	Adjusted for fresh equity; remains best-in-class for global services.
Cash Flow (OCF)	Not in doc	N/A	N/A	→	Historical conversion ~92%; no reason for deviation this quarter.
Net Debt / (Cash)	(□388.3 Cr)*	↑ Cash	N/A	↑	Cash balance as of CY24-end; IPO proceeds used for deleveraging.
Interest Coverage	11.6x	↓	↑	↑	Finance costs rose 165% QoQ to □16.5 Cr (likely one-time/listing related).
Report Volume	3.12 Mn	↑ 27%	↑ 13%	↑	India volume (2.78 Mn) remains the dominant engine.
Avg Realized Price	□950	↓ 12%	↑ 7%	↑	YoY decline due to April '24 price reset; QoQ recovery on stone size.

**Net Cash based on CY24 balance sheet figures from prior context.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
India Standalone	□233.0 Cr	↑ 13%	77.6%	↑	Higher	105% growth in LGD jewelry; recruited 130 new gemologists.
International	□71.8 Cr	↑ 1.4%*	19.4%*	↑	Lower	Turnaround in China/Dubai hubs (Netherlands sub) offset Belgium lag.
LGD (Global)	Not stated	↑ 9%	High	→	Above	65% global market share maintained; pricing now stable.
ND Jewelry (Ind)	□46.8 Cr*	↑ 39%	High	↑	Inline	Orchestrated strategy to capture ND market share from competitors.

**Estimated based on Consol minus Standalone data.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	15% to 20% Growth (CY25)	Needs ~□240 Cr avg per quarter; Q1 (□305 Cr) is well ahead.	First post-listing guidance.	Low
Guidance	PAT Margin	57% to 64% (CY25)	Q1 (46.2% PAT margin) needs to expand in H2 via lower interest costs.	CY24 was 40.6%.	Medium
Guidance	EBITDA Margin	Improve on CY24 (56.9%)	Q1 (64.2%) provides a massive cushion for H2 marketing spend.	Consistently improving.	Low
Guidance	Volume	Leadership in LGD (65%)	Needs to maintain share as LGD jewelry penetrates India.	On track.	Medium
Strategy	Recruitment	Ramping infrastructure	Added 130 gemologists in Q1 (14% of workforce).	Delivered.	Low
Strategy	Digital Transf.	Reduce TAT via AI/ ML	Operationalizing "Dcheck" systems for faster screening.	Ongoing.	Low
Macro	US Tariffs	No immediate impact	Monitoring 90-day pause; India-US FTA is a key lever.	External risk.	High
Balance	Debt	Maintain low leverage	Zero net debt post-IPO usage.	Achieved.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Jay Doshi / Kotak	Guidance	Financials	What is the revenue and EBITDA margin outlook for CY25?	Management guided for 15-20% revenue growth and PAT margins between 57-64% for the full year. This implies significant operating leverage as they lap the 2024 price cuts; maintain Buy bias on margin expansion.	None	4.5	Clear guidance
2	4.0	Jay Doshi / Kotak	Realization Mix	Business	Does the shift to jewelry certification hurt margins given lower realizations?	Management explained that while jewelry ASP is lower, the massive uptake in LGD jewelry certification is a "mass potential" driver that has not diluted overall margins. Jewelry mix increased from 24% to 28% while EBITDA margins still hit 64%; scale absorbs the ASP hit.	None	4.0	Specific trend
3	4.5	Jay Doshi / Kotak	LGD Trends	Business	What are the trends in stone size and	Realizations are improving as the average stone size certified has	None	4.5	Data-backed

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					realizations for LGD?	moved from 30-pointers to 2-carat-plus stones. Higher unit weight per diamond directly increases certification fee revenue; volume is moving to "cluster" certification in jewelry.			
4	5.0	Anand Shah / Axis	US Tariffs	Macro	What is the impact of potential US tariffs and the "China angle"?	Management noted that 50% of certification volume is for domestic India consumption and 10% for China-to-China, insulating 60% of the business from US trade policy. Since IGI is a service organization, the 10% tariff on the underlying product has minimal impact on the certification fee as a percentage of value.	None	4.0	Reassuring
5	4.0	Anand Shah / Axis	International	Financials	What is the margin trajectory for Belgium and Netherlands?	Structural interventions in international hubs are yielding results, with	None	3.5	Directional

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						margins stabilizing in the 15-20% range. This removes the "drag" that international subsidiaries previously exerted on consolidated performance.			
6	4.0	Harit Kapoor / Investec	ND Growth	Business	Is the 39% growth in Natural Diamond (ND) jewelry sustainable?	Management indicated an orchestrated strategy to gain market share in the ND segment through aggressive resourcing. Growth isn't just a market recovery but a result of competing for share in the premium natural stone segment.	None	4.0	Strategic intent
7	3.5	Harit Kapoor / Investec	Seasonality	Financials	Should we expect Q1 to be the peak revenue quarter?	Management expects volume to be relatively flat across quarters, but mix shifts (festive jewelry in Q4 vs loose stones in Q1) will drive revenue variance. Q1 was loose-stone heavy, while Q4 will be jewelry heavy; revenue run-	None	3.5	Mix-driven

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						rate remains stable.			
8	4.0	Sheela Rathi / Morgan Stanley	Regional Mix	Business	Why is US LGD jewelry growing 88% while India LGD jewelry is down 19%?	The discrepancy is due to the high festive base in India during Q4 vs. the US, where LGD adoption is structurally more mature. India's LGD jewelry segment is still in early "take-off" and will see sequential volatility as brands enter.	None	3.5	Regional nuance
9	4.5	Gopal Nawandhar / SBI Life	LGD Pricing	Financials	Why did IGI take a price correction in 2024 and will it happen again?	The correction synchronized with a drop in LGD wholesale prices to ensure growers maintained an 8-10% ROI; current prices are now at "floor" levels. Management sees no further room for downside in LGD wholesale prices, protecting IGI's certification fees.	None	4.5	Structural floor
10	3.0	Aliasgar Shakir / Motilal	US Demand	Macro	Are you seeing US softness due	Management stated they have seen no	None	3.0	Status quo

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					to the stalemate on tariffs?	softness in the first three weeks of April; operations remain at normal run-rates. Performance in Q1 (1% ND jewelry growth in US) was stable despite the noise.			
11	4.0	Chintan Sheth / Girik Cap	Opex	Financials	How will the 130 new gemologists impact the cost structure?	The cost is purely operational and is being absorbed by the massive volume throughput; capex remains minimal. Higher headcount is required to maintain the "Five Star" customer turnaround time (TAT) which drives market share.	None	4.0	Margin protected

PATTERN FLAGS & SENTIMENT Analyst questioning centered on two structural fears: the sustainability of LGD pricing and the macro impact of US tariffs. Management was exceptionally prepared for both, providing a "bottom-up" ROI analysis of diamond growers to prove that pricing has bottomed, and a "segmentation" analysis to show that 60% of revenue is domestic/intra-country and thus tariff-insulated. The posture was one of high confidence, particularly regarding the operating leverage in the India business.

Analyst Sentiment Verdict: Highly Optimistic. Analysts were particularly impressed by the 64.2% consolidated EBITDA margin, which exceeded historical levels despite the 12% YoY decline in ARP. Friction was minimal; the primary focus was on confirming that the "worst is over" regarding the LGD price reset. The structural turnaround of international subsidiaries (Belgium/Netherlands) removed a key historical overhang on consolidated profitability.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 CY24)	This Quarter (Q1 CY25)	Direction
EBITDA Margin (Consol)	57.4%	64.2%	↑
ARP (India)	□718 (Est.)	□839	↑
LGD Jewelry Growth (Ind)	High (Festive)	105% YoY (Structural)	↑
International Margins	~13.8% (Est.)	~19.4% (Est.)	↑
Workforce Dynamics	Stable	+130 Gemologists (+14%)	↑
Realization Focus	Price protection	Stone-size expansion (2ct+)	↑
Debt Profile	Repayment phase	Net Cash (Deleveraged)	↑
Management Tone	Cautious on Pricing	Confident on Bottoming	↑

STOP HERE.