International Gemological Institute Limited — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (YoY) / Inline (QoQ) **One-line:** The thesis remains firmly intact as IGIL transforms from a high-growth IPO story into a dominant global "utility" for the diamond industry, further bolstered by a major competitive retreat from GIA in the Lab-Grown segment.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	21% volume growth and 37% EBITDA growth YoY; H1 run-rate is tracking at the top end of 15-20% revenue guidance.	□
Earnings Quality	High (Core driven)	Growth is volume-led (21% YoY); sequential margin dip was explained by strategic AI investments and headcount front-loading.	□
Guidance Confidence	Strong	Reiterated 15-20% revenue growth and 57-64% EBITDA margin targets despite macro noise.	□
Management Credibility	Strong	Transparent on sequential margin compression; clear articulation of the GIA competitive landscape.	□
Business Quality Signal	Improving	Massive competitive moat widening as GIA exits full 4C grading for LGD; IGIL becomes the "de facto" standard.	□
Key Q&A Exchange	Q#13: GIA Pivot	GIA's decision to stop 4C grading for LGD allows IGIL to capture the remaining 35% of the market.	□
The Street's Primary Anxiety	US Tariffs & Sequential Margins	Management successfully argued that tariffs are a negligible % of service value and margin dip is a one-off investment.	□
Capital Cycle Stage	Harvesting / Investment	Investing □750 Cr+ cash in AI and global labs while harvesting massive India-based cash flows.	□
Margin / Return Ratio Trajectory	Stable	Consol EBITDA margins (57.7%) dipped QoQ from peak 64.2% but remain well above CY23 levels.	□
Pricing Power	Stable	ARP stabilized at □963; management indicates LGD wholesale prices have hit a "floor."	□
FCF Conversion & Quality	Strong	H1 OCF at □253.5 Cr on PAT of □267.3 Cr; nearly 95% conversion.	□
Competitive Moat Signals	Widening	GIA's withdrawal from LGD 4C grading leaves IGIL as the undisputed leader with ~65-70% share.	□
Balance Sheet Strength	Strong	Net Cash of ~□750 Cr; Board actively considering dividend declarations.	□
Working Capital Efficiency	Stable	Receivable growth (□209.9 Cr vs □163.5 Cr) tracks revenue growth; no major red flags.	□
Mgmt Guidance Track Record	Reliable	Consistently delivering within the 57-64% EBITDA margin corridor.	□
Key Vulnerability / Red Flag	US Trade Policy	10% tariff on jewelry exports from India to the US remains a macro headwind for clients.	□
Management Tone	Confident	"A spade is a spade"—assertive stance on being an independent, neutral grader for all diamonds.	□

Key Takeaways (Positives & Negatives): * **Positives:** The structural shift in the competitive landscape is the biggest positive—GIA's retreat from full 4C grading for LGD removes their primary competitor in the fastest-growing segment. IGIL's ARP has stabilized QoQ, and the India standalone business continues to print high margins (73% EBITDA). The company is sitting on ₹750 Cr+ cash with a potential dividend payout on the horizon. * **Negatives:** Sequential EBITDA margins contracted 650 bps (64.2% to 57.7%) due to a mix shift away from high-margin jewelry certification in India (seasonal) and one-time AI capability investments. US-Belgium subsidiary performance remains a drag compared to the high-growth India and Netherlands (Dubai/China hub) operations. * **Street Concern:** Analysts were focused on the 10% US tariff threat. Management clarified that IGI is a service provider, not a manufacturer, and the certification fee is such a small fraction of the total jewelry value that it is unlikely to impact demand for their services. * **Watchpoint:** Monitor the "AI Digital Transformation" spend in H2 CY25. While management expects margins to stay within the 57-64% range, any further spike in "Other Expenses" related to technology could test the floor of that guidance.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary. Concall used for commentary and cash detail.

Metric	Current Qtr (Q2 CY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹314.6 Cr	↑ 20%	↑ 0.4%	↑	Growth driven by 21% volume expansion (3.03 Mn reports).
Revenue Growth CC %	Not Stated	N/A	N/A	→	Driven by LGD (24%) and Natural Diamond (14%) volumes.
EBIT Margin (%)	53.0%*	↑ 750 bps	↓ 660 bps	⚠	Sequential dip due to AI investments and seasonal mix shift.
PAT	₹126.5 Cr	↑ 63%	↓ 10%	⚠	YoY surge due to low base and operational deleveraging last year.
Deal Wins TCV	Not Stated	N/A	N/A	→	Serves 9/10 retail jewelry chains in India.
Headcount	1,300	↑ 25%	→	↑	Recruitment cycle largely complete; 1,000 in lab/back-office.
Attrition (%)	Not Stated	N/A	N/A	→	Not specifically flagged as a concern.
Utilization (%)	Not Stated	N/A	N/A	→	Capacity ramped to manage volume without TAT delays.
EBITDA Margin %	57.7%	↑ 900 bps	↓ 650 bps	⚠	In line with CY25 guidance corridor (57-64%).
ROCE (%)	48.0% (CY24)	↓	N/A	↓	Lowered by cash accumulation post-listing.
Cash Flow (OCF)	₹253.5 Cr**	↑ 6%	N/A	↑	**H1 CY25 figure. High conversion of PAT to Cash.
Net Debt / (Cash)	(₹750 Cr)	↑ Cash	↑ Cash	↑	Massive cash pile; board considering capital return/M&A.
Interest Coverage	47.9x*	↑	↓	⚠	Effectively zero debt; finance costs are minor leases.
ARP (Consol)	₹963	↓ 3%	↑ 1%	→	Stabilized following CY24 price corrections.

**EBIT and Coverage estimated from Financial Tables. OCF is H1 cumulative.*

2B. SEGMENT BREAKDOWN (IGI India Standalone)

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Company Avg	Key Development
LGD Loose	□140.6 Cr	↑ 24%	High	↑	Higher	Volume growth mirrored revenue as prices stabilized.
ND Loose	□39.0 Cr*	↑ 15%	High	↑	Higher	Growth driven by smaller size stones/ dossiers.
ND Jewelry	□39.0 Cr*	↑ 11%	High	↓	Higher	Seasonal QoQ drop (-21%) as Q2 is off-peak.
LGD Jewelry	□11.5 Cr*	↑ 38%	High	↑	Inline	High growth base but still small % of total mix.
International	□85.3 Cr*	↑ 25%	~4%	↓	Much Lower	Netherlands (China/Dubai) strong; US/Belgium weak.

**Estimated from segmental % breakdown in PPT.*

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 ~□583 Cr in H2 to hit low end. H1 was □628 Cr. *Highly Feasible.*	On Track	Low
Guidance	Margins	57% to 64% EBITDA Margin	H1 Avg is 61%. Q2 hit the floor (57.7%). Needs stable mix in H2.	Delivered	Medium
Guidance	Volume / Capacity	15% to 20% Growth	H1 volume growth is 24%, already exceeding target.	Beat	Low
Strategy	Digital Transf.	AI for TAT reduction	One-time opex hit in Q2 (□5-6 Cr). Needs to show margin efficiency in CY26.	Ongoing	Medium
Strategy	Capital Allocation	Dividend / M&A	Board seeking guidance on payout. Cash yield on □750 Cr is visible.	New Initiative	Low
Macro	LGD Pricing	Floor reached	Realizations stable for 2 quarters. Depends on grower ROI (8-10%).	Confirmed	Medium
Balance	Net Cash	Accumulating □300Cr/yr	Generating ~□250 Cr OCF per half-year.	Consistent	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Sheela Rathi, Morgan Stanley	Subsidiary Margins	Financials	Why are international (console minus standalone) margins so low (4%) this quarter?	Management attributed this to softness in the US and Belgium markets alongside one-time AI capability investments. Implies that consolidated margins are heavily dependent on India's 73%+ EBITDA, with international segments acting as a recovery play.	None	4.0	Directional recovery
5	4.0	Aaron Armstrong, Ashmore	US Tariffs	Macro	How do US tariffs affect IGI's competitiveness or pricing?	Management clarified that IGI has no direct exposure as they certify goods before export; the 10% tariff is a "play" between manufacturers and retailers. This de-risks the certification model from trade policy volatility.	None	5.0	High Clarity
7	3.5	Aaron Armstrong, Ashmore	Realizations	Financials	Is the 3% YoY decline in ARP a result of pricing pressure or mix?	The decline was linked to a higher mix of smaller natural diamonds (dossiers) which have lower unit fees but high volumes. Confirms that	None	4.5	Specific

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						volume-led growth is the primary driver over realization.			
13	5.0	Raman, Sequent Inv.	Competition	Business Overview	What is the opportunity from GIA stopping 4C grading for Lab-Grown Diamonds?	Management viewed this as a massive advantage as IGI remains the only major neutral body providing full 4C analysis, which is what retailers and consumers demand. This is a primary thesis-strengthening signal for global market share gains.	None	5.0	Thesis-Critical
14	4.0	Raman, Sequent Inv.	LGD Pricing	Financials	Is there room for further price declines in LGD certification?	Management estimated that diamond growers are currently at 8-10% ROI, leaving no room for further wholesale price drops. Suggests a structural floor for IGIL's ARP.	None	4.0	Bottom-up insight
16	3.5	Chintan Sheth, Girik Cap	Service Mix	Business Overview	What is the price difference between full certification and dossiers?	Management indicated jewelry dossiers (under $4) are significantly cheaper than full natural diamond reports (over $40). Highlights	None	4.0	Mix-Aware

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						why mix shifts (loose vs. jewelry) impact the "Average Realized Price" metric.			

PATTERN FLAGS & SENTIMENT Analyst concern focused on two areas: the **sequential margin contraction** and the **US tariff/macro overhang**. Management was defensive but data-backed regarding margins, framing them as a necessary "investment phase" for AI and headcount that will pay off in long-term efficiency. Regarding tariffs, they successfully pivot the narrative to show that IGIL is a neutral service provider insulated from the cost-of-goods-sold pressures facing jewelry retailers.

The **GIA pivot** (stopping 4C grading for LGD) emerged as a major sentiment booster. Analysts recognized that IGI is now effectively the "last man standing" with a globally recognized 4C standard for the LGD market.

Analyst Sentiment Verdict: Optimistic. Despite the margin dip, the 21% volume growth and the strategic advantage handed to them by GIA's withdrawal from LGD 4C grading outweighed short-term cost concerns. The □750 Cr cash balance and dividend talk added a layer of capital-allocation comfort.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 CY25)	This Quarter (Q2 CY25)	Direction
EBITDA Margin (Consol)	64.2%	57.7%	↓
EBITDA Margin (India)	77.6%	73.0%	↓
GIA Competitive Stance	Active competitor in LGD 4C	Withdrawing from LGD 4C	↑ (Positive for IGIL)
Employee Costs	□6.5 Cr/quarter (approx)	□7.1 Cr/quarter	↑ (Investment)
Cash Balance	~□400-500 Cr (Est)	~□750 Cr	↑
AI Strategy	Planning/Capability	Active Project Opex Hit	↑ (Execution)
Capital Allocation	IPO Debt Deleveraging	Dividend Consideration	↑ (Shareholder friendly)
ND Jewelry Growth (India)	39% YoY	11% YoY	↓ (Normalization)
Segment Mix	Loose stone heavy	Moving toward Jewelry Season	→

STOP HERE.