International Gemological Institute Limited — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** IGI demonstrates powerful operating leverage and a dominant grip on the high-growth Lab-Grown Diamond (LGD) certification market, with margins expanding even as revenue growth moderates in the final quarter.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	CY24 PAT grew 29% YoY; EBITDA margins expanded 170bps YoY to 56.9%.	□
Earnings Quality	High (Core driven)	Growth driven by a 27% increase in report volumes; healthy CFO/PAT ratio of 92%.	□
Guidance Confidence	Strong	Market leader in LGD (65% share) with 20% CAGR projected for India through 2028.	□
Management Credibility	Strong	Professional management with Blackstone backing; successful listing and debt reduction.	□
Business Quality Signal	Improving	Margin expansion (51.4% to 57.4% YoY in Q4) suggests significant pricing power/mix shift.	□
Key Q&A Exchange	Not applicable	Concall not available — commentary absent.	□
The Street's Primary Anxiety	LGD commoditization	IGI's 65% global LGD share and "in-factory" lab integration provide a high-barrier moat.	□
Capital Cycle Stage	Harvesting / Expansion	High ROCE (48%) being maintained while expanding lab network and brand spend.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins up 600bps YoY in Q4; PAT margins up 1,150bps YoY.	□
Pricing Power	Expanding	Revenue growth lagging volume growth slightly, but margin expansion suggests efficiency.	□
FCF Conversion & Quality	Strong	CFO of □393.38 Cr on PAT of □427.29 Cr; high conversion of earnings to cash.	□
Competitive Moat Signals	Widening	Only 2 players of global scale; IGI holds 95% share of India's polished diamond certification.	□
Balance Sheet Strength	Strong	Significant deleveraging; "Other financial liabilities" reduced by □1,217.68 Cr.	□
Working Capital Efficiency	Stable	Receivables grew 30% vs 17% revenue growth; needs monitoring but not critical.	□
Mgmt Guidance Track Record	First entry	Initial post-listing performance is robust.	□
Key Vulnerability / Red Flag	Receivables growth	Trade receivables growth (30%) outpacing revenue growth (17%) in CY24.	□
Management Tone	Confident	Based on presentation of aggressive expansion and innovation (Dcheck/AI).	□

Key Takeaways (Positives & Negatives): * **Positives:** IGI is the definitive winner in the LGD transition, holding a 65% global market share in a segment projected to grow at a 20% CAGR. The business model is exceptionally

profitable with consolidated EBITDA margins at 56.9% and an adjusted ROCE of 48%. The "in-factory" lab model creates high switching costs and operational stickiness with growers. * **Negatives:** Q4 revenue growth (+6%) was significantly slower than the full-year average (+17%), suggesting a potential short-term cooling in volume or realization. Trade receivables have increased faster than revenue, which could signal extended credit terms to capture market share. * **Street Concern:** Analysts are watching if the lower jewelry consumption per capita in the US/Global markets will hurt volumes; IGI counters this by highlighting the increasing "certification penetration" (trust) even in slower markets. * **Watchpoint:** Monitor the "Brand Salience" campaign spend in 2025; management is shifting toward B2B2C, which may increase Opex and temporarily cap the margin expansion seen this year.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Concall not available — Mgmt Commentary absent. All figures converted from □MM to □Cr (÷ 10).

Metric	Current Qtr (Q4 CY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue	□265.00 Cr	↑ 6.0%	↑ 5.9%	↑	Growth driven by India and global hubs.
Report Volume (Annual)	1.05 Cr (reports)	↑ 27.0%	N/A	↑	Strong volume growth in LGD and Studded jewelry.
EBITDA	□152.23 Cr	↑ 18.5%	↑ 3.4%	↑	Core profitability outperforming top-line growth.
EBITDA Margin %	57.44%	↑ 604 bps	↓ 146 bps	↑	YoY expansion remains highly impressive.
PAT	□113.78 Cr	↑ 45.1%	↑ 3.8%	↑	Enhanced by lower finance costs post-listing.
ROCE (%)	48.0%	↓ 400 bps	N/A	→	High returns; slight dip due to equity base increase.
Cash Flow (OCF-Annual)	□393.38 Cr	↑ 30.0%	N/A	↑	CFO-to-PAT at 92%; high quality of earnings.
Net Debt / (Cash)	(□388.27 Cr)*	↑ New	N/A	↑	Massive deleveraging post IPO/Equity infusion.
Interest Coverage (x)	149.8x	↑ 5.1x	↑ 2.5x	↑	Negligible debt servicing risk.
Working Capital (DSO)	57 Days	↑ 5 Days	N/A	↓	Based on CY24 average; slight deterioration.

**Calculated as Cash/Bank balances (388.27 Cr) minus minimal borrowings.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
India (Standalone)	□190.29 Cr	↑ 3.4%	74.6%	→	Higher	Heart of polishing; certified Ayodhya idol jewelry.
International	□74.71 Cr	↑ 13.3%	13.8%*	↑	Lower	Global expansion in Belgium, Turkey, Netherlands.
LGD Certification	Not Stated	High	High	↑	Above	65% Global Market Share; #1 globally.
Natural/Jewelry	Not Stated	Moderate	High	→	Inline	Dominant 50% market share in India.

**Estimated International Margin derived from Consolidated minus Standalone EBITDA.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	20% CAGR for India jewelry market (Redseer)	Needs ~□1,260 Cr in CY25 to maintain momentum.	Delivered 17% in CY24.	Low
Guidance	Margins	Maintain "High Profitability"	55-57% EBITDA range appears sustainable.	Improved YoY.	Low
Guidance	Volume	Leadership in LGD segment	Maintain 65% market share as LGD production doubles by 2028.	Met in CY24.	Medium
Guidance	Capex Plan	Expand Lab & School Network	Focus on "In-factory" labs and 18 Schools globally.	Consistent.	Low
Strategy	Brand Salience	Scale B2B2C campaign in 2025	Success depends on consumer pull vs retailer push.	Ongoing.	Medium
Strategy	Technology	AI/ML for grading efficiency	Integration of Dcheck and Raman Microscope systems.	Pioneering.	Low
Macro	Industry Growth	LGD production to hit 27-29M carats by 2028	Implies ~20% annual volume growth for 4 years.	On track.	Medium
Balance	Debt Target	Zero/Minimal Debt	Already achieved post-listing.	Exceeded.	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Listing Status	Unlisted	Listed (BSE/NSE)	↑
Debt Profile	□1,390.68 Cr (Current Liab)	□173.00 Cr (Current Liab)	↑
Equity Base	□0.39 Cr	□86.43 Cr	↑
LGD Mkt Share	Not stated	65% (Global Leader)	↑
Cash Position	□321.38 Cr (Cash/Bank)	□388.27 Cr (Cash/Bank)	↑

STOP HERE.