International Gemological Institute Limited — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** IGI has successfully decoupled from global diamond industry weakness by leveraging a massive surge in Natural Diamond (ND) market share (+45% revenue) and LGD jewelry expansion, while reversing the prior quarter's realization (ARP) compression.

Dimension	This Quarter	Signal / Evidence
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	12M Revenue (+17%) and EBITDA (+23%) exceeded the "surpass 15/20%" guidance given in Q3.
Earnings Quality	High (Core driven)	FCF/EBITDA remains robust at 60%; CFO-to-PAT ratio at 0.94x indicates clean cash conversion.
Guidance Confidence	Strong	Management remains confident in repeating volume and revenue performance in FY26 despite macro headwinds.
Management Credibility	Strong	Delivered on the "beat" promised in Q3; addressed the "Reliance in-house cert" threat with a clear "Trust" counter-argument.
Business Quality Signal	Improving	Market share gains in Natural Diamonds (+45% YoY revenue) prove IGI is successfully challenging GIA's dominance.
Key Q&A Exchange	Q#7 - Competitive Moat	Mgmt emphasized that 50 years of "Trust" is an entry barrier that in-house retail certs cannot easily replicate.
The Street's Primary Anxiety	Organized Retail In-Sourcing	Fear that large players (Reliance) certifying in-house would hurt IGI; Mgmt argued third-party trust is essential.
Capital Cycle Stage	Harvesting	Massive cash flow generation (₹501.9 Cr OCF) with high ROCE (45%) and zero debt.
Margin / Return Ratio Trajectory	Stable	Consol. EBITDA margins maintained at ~60% (12M) despite high branding spends (World Cup).
Pricing Power	Expanding	ARP improved 11% QoQ (₹951 vs ₹854) as the mix shifted back toward high-value loose stones.
FCF Conversion & Quality	Strong	₹440.5 Cr FCF on ₹736.7 Cr EBITDA (60% conversion); no major working capital drags.
Competitive Moat Signals	Widening	Becoming the "neutral" certifier for both LGD and ND; dominant 55-90% share across key segments.
Balance Sheet Strength	Strong	₹860 Cr cash across the group; zero debt; net cash position significantly improved.
Working Capital Efficiency	Stable	Receivables grew but remain within the standard 60-day credit period for large lab growers.
Mgmt Guidance Track Record	Reliable	Consistent outperformance of conservative internal targets over the last 8 quarters.
Key Vulnerability / Red Flag	India Concentration	77% of revenue comes from India; US market remains a "reconstruction" zone for 2026.
Management Tone	Confident	Bullish on "modern luxury" (LGD) and the essential nature of origin certification.

Overall Thesis Verdict: The thesis is not only intact but strengthened. IGI has proven that it is a "volume-agnostic" winner that can pivot between Natural and Lab-Grown segments to maintain growth. The reversal of ARP compression (up 11% QoQ) and the successful defense of market share in the Natural segment (GIA's backyard) suggest IGI is the structural winner in gemological services. Watchpoint: The 15-month reporting transition (ending March 2026) may cause minor reporting volatility.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures are primary. Concall used for Cash balance and hiring details.

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Volume (Mn Reports)	3.21	↑ 11.4%	↓ 6.9%	→	Volume growth was "cycling a Diwali quarter" (Q4'24), leading to the optical YoY slowdown.
Revenue (□Cr)	319.7	↑ 20.6%	↑ 5.3%	↑	Growth driven by 45% surge in Natural Diamonds and 35% in LGD loose stones.
EBITDA (□Cr)	191.3	↑ 25.7%	↑ 8.6%	↑	Driven by strong revenue and operating leverage; margins hit 59.9%.
EBITDA Margin %	59.9%	↑ 250 bps	↑ 190 bps	↑	Expansion driven by mix shift toward higher-margin loose stone certification.
PAT (□Cr)	134.6	↑ 18.3%	↑ 3.7%	↑	Strong growth, slightly tempered by higher tax outgo and branding spends.
ROCE (%)	45.0%	↓ 300 bps	N/A	↓	Decline due to equity dilution/capital base expansion post-IPO (12M basis).
Cash Flow (OCF-12M)	501.9	↑ 27.6%	N/A	↑	Strong conversion; 12M OCF up from □393.4 Cr in CY24.
Net Debt / (Cash)	(860.0)	↑ 115%	↑ 115%	↑	Massive cash pile for M&A (□860 Cr per concall).
ARP (□/Report)	951	↑ 10.7%	↑ 11.3%	↑	Significant improvement as mix shifted from jewelry to loose stones.
Working Capital	1.9	↑	↓	→	Changes in WC were minimal (□1.9 Cr outflow in 12M).

2B. SEGMENT BREAKDOWN (Consolidated 12M CY25)

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
LGD Loose	640.3	↑ 22%	High	↑	Outperformer	India manufacturers planning to double capacity by Q1 CY26.
Natural Diamond	196.3	↑ 20%	Highest	↑	Outperformer	Gaining share as consumers demand "origin proof" vs LGDs.
LGD Jewelry	95.0*	↑ 22%	Lower	↑	In-line	1,000+ LGD retail showrooms now active in India.
ND Jewelry	235.5	↑ 7%	Lower	↓	Laggard	Softness due to high gold prices impacting studded demand.

**Derived from % mix provided in PPT.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Repeat '25 performance in '26	Needs ~₹330-350 Cr quarterly to maintain 18%+ growth. Feasible.	Exceeded '25 guidance.	Low
Guidance	Volumes	Double caratage in 3 yrs	Driven by grower capacity expansion; requires 25% CAGR. Feasible.	Delivered 21% volume growth.	Low
Guidance	Margins	Sustained ~60% EBITDA	High operating leverage makes this the floor as volumes scale.	Margins expanded 300bps YoY.	Low
Strategy	US Strategy	Rebuild sales org in US	No specific target, but 2026 is the "priority" year for US growth.	New leadership inducted.	Moderate
Strategy	Market Share	Deepen ND penetration	Aiming to leverage LGD leadership to win Natural Diamond share.	45% growth in ND (Q4) proves success.	Low
Strategy	M&A	Actively scouting	Cash balance (₹360 Cr) supports ~₹1,000 Cr+ deal capacity.	Holding cash, no deals yet.	Low
Macro	Industry	US Tariffs impact	Claimed "upside" as trade routes shift; no visible impact yet.	Consistent with Q3 claims.	Moderate

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	Sucrit Patil	Moat / Position	Business Overview	How is IGI staying relevant with increasing LGD adoption and complexity?	Mgmt argued certification is now "mandatory" because buyers need proof it's *not* a lab-grown when buying natural, and *not* glass when buying LGD. This positions IGI as an indispensable utility regardless of diamond type.	None	5.0	Clear and logic-driven
2	4.0	Harit Kapoor (Investec)	Growth Drivers	Financials	Why did Natural Diamond (ND) grow 45% YoY in Q4—is this festive pipeline or share gain?	Mgmt attributed growth to aggressive efforts to improve ND penetration and consumers' desire to ensure the "origin" of high-value purchases. This signals IGI is successfully taking market share from GIA in the natural segment.	None	4.5	Quantified & Strategic
3	4.0	Harit Kapoor (Investec)	Lab Grown	Business Overview	Are you seeing a shift from competitors who changed their grading structure?	Mgmt confirmed a shift because competitors stopped using "4C" grading for LGD, while IGI remains "neutral" and	None	4.0	Directional with evidence

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						gives full disclosure. This suggests a permanent competitive advantage in LGD through superior transparency.			
4	3.5	Harit Kapoor (Investec)	Opex	Financials	What drove the sharp EBITDA growth and opex reduction in international labs?	Mgmt explained they are rationalizing "wasteful" US expenses to redeploy resources into a stronger sales organization. This points to margin expansion in international subsidiaries during 2026 as the sales org kicks in.	Specific US opex savings.	3.5	Plausible
5	3.0	Arihant (Bowhead)	Balance Sheet	Financials	Why did debtors jump as a % of sales YoY?	Mgmt clarified they offer a 60-day credit period to large lab growers and current levels are within credit terms despite volume scaling. This alleviates fears of deteriorating working capital discipline.	None	4.0	Fact-based
6	4.0	Smith Gala	Operations	Management Commentary	If volume growth was	Mgmt explained the	None	4.5	Highly credible

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					only 11%, why did revenue grow 23%?	"mix shift"—Q4'24 was jewelry-heavy (low ASP), while Q4'25 was loose stone-heavy (high ASP). This proves IGI's revenue is resilient even when volume growth optically slows due to favorable mix.			
7	5.0	Angad (Sameeksha)	Competition	Business Overview	Large organized retailers (Reliance/ others) are launching LGD with *in-house* certs; is this a threat?	Mgmt insisted that "third-party independent certification" is the only thing that matters to the end consumer in the long run. If IGI wins this trust battle, retail in-sourcing will remain a peripheral testing phase rather than a thesis-breaker.	Direct impact on market share loss.	3.0	Critical Watchpoint
8	3.5	Aaditya Agrawal	Realization	Outlook	If LGD prices crash from □20k to □10k, will consumers still pay for certs?	Mgmt argued a certificate is what makes a "rock" a "diamond" in the consumer's mind; even if diamond prices fall, the cert is the floor for authenticity.	None	4.0	Logic-driven

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						This reinforces the "utility" nature of the service, protecting ARP from diamond price deflation.			

PATTERN FLAGS & SENTIMENT Analyst anxiety has shifted from "LGD Price Erosion" (Q3) to "Retail In-sourcing" (Q4). The launch of in-house certification by a major Indian retailer (implied Reliance/Akaas) is the new overhang. Management countered this by doubling down on the "Trust" and "Neutrality" argument, which has historically worked in the Natural Diamond space.

Analyst Sentiment Verdict: Generally positive, but cautious regarding the organized retail landscape. Analysts were impressed by the 45% growth in Natural Diamonds, which provides a high-margin cushion. Management's credibility was bolstered by the 11% QoQ ARP recovery, proving they are masters of the product mix lever.

GUIDANCE GAPS REVEALED IN Q&A * **Hiring:** Management revealed they are in a "large recruitment" phase for 200+ people, which was not explicitly detailed in the opening remarks but is necessary to hit the "double caratage" volume target.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
ARP Realization	□854 (Q3)	□951 (Q4)	↑ Strong Recovery
ND Growth	29% YoY	45% YoY	↑ Significant share gain
LGD Growth	24% YoY	35% YoY	↑ Acceleration
EBITDA Margin	58.0%	59.9%	↑ Operating Leverage
Cash Balance	~□400 Cr	□860 Cr	↑ M&A war chest
Volume Trend	26% Growth	11% Growth	↓ Seasonal/Mix normalization
Competitive Threat	General competition	Retailer In-house Certs	↓ New identified risk
Reporting Cycle	Jan-Dec	Transitioning to April-March	→ Structural