

International Gemological Institute Limited — May 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** IGI has successfully defended its high-margin "trust utility" status, delivering a significant revenue beat (+21% YoY) by pivoting to Lab-Grown Diamond (LGD) volume expansion and a strategic entry into gemstones via the AGL acquisition.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Delivered 18% revenue and 22% EBITDA growth for the 15M period, exceeding the "15/20%" annual guidance.	☐
Earnings Quality	High (Core driven)	Growth driven by volume (+16%) and mix-led ARP improvement (+4%); CFO-to-PAT ratio at 0.88x indicates clean cash flows.	☐
Guidance Confidence	Strong	Reiteration of 15% revenue / 20% EBITDA growth for FY27 despite macro softness in natural diamonds.	☐
Management Credibility	Strong	Successfully integrated AGL within one quarter and stabilized US leadership; transparency on segment mix remains high.	☐
Business Quality Signal	Improving	Pivot toward LGD jewelry and gemstones (AGL) offsets softness in Natural Diamond (ND) jewelry, proving business model resilience.	☐
Key Q&A Exchange	Q#4 - LGD Capacity	Mgmt confirmed Indian growers plan to double capacity over 3 years; IGI is the primary beneficiary of this volume surge.	☐
The Street's Primary Anxiety	ND Jewelry Softness	Fear that high gold prices and LGD cannibalization would crater ND jewelry; Mgmt proved LGD growth more than compensates.	☐
Capital Cycle Stage	Harvesting / M&A	Transitioning from pure organic growth to M&A-led diversification (AGL acquisition) using robust cash flows.	☐
Margin / Return Ratio Trajectory	Stable	Consol. EBITDA margins held at 64% (Q4) and 60.9% (15M), showcasing immense operating leverage.	☐
Pricing Power	Expanding	ARP grew 4% YoY (₹987 vs ₹950) due to a mix shift toward higher-value loose stones, defying diamond price deflation.	☐
FCF Conversion & Quality	Strong	₹440.5 Cr FCF on ₹736.7 Cr EBITDA (60% conversion) for 12M CY25; minimal working capital drag.	☐
Competitive Moat Signals	Widening	Becoming the "neutral" certifier for LGD (where GIA is less aggressive) and now a serious player in US gemstones.	☐
Balance Sheet Strength	Adequate	Cash and bank balances at ~₹330.6 Cr (Consolidated); liquidity remains strong despite ₹338.5 Cr investing outflow (AGL).	☐
Working Capital Efficiency	Stable	15M Receivables at ₹288.5 Cr; Mgmt maintains a 60-day credit cycle for large growers.	☐
Mgmt Guidance Track Record	Reliable	Consistently hitting or exceeding targets across the 15-month transition period.	☐
Key Vulnerability / Red Flag	US Sales Execution	The rebuild of the US sales organization is a "work in progress"; reliance on India for ~80% of EBITDA remains high.	☐
Management Tone	Confident	Bullish on LGD retail explosion in India and US-led gemstone synergies.	☐

Key Takeaways: * **Positives:** IGI has effectively decoupled from diamond price volatility; because they charge per report (volume-based) rather than ad-valorem, the collapse in LGD prices has actually increased certification intensity as volumes explode. The AGL acquisition adds a high-margin gemstone vertical and a strategic US beachhead. Margins remain world-class at ~61% (Consolidated) and ~73% (India), with ROCE at a healthy 45% despite IPO-related equity dilution. * **Negatives:** Natural Diamond (ND) jewelry saw a 19% revenue decline this quarter, driven by volatile gold/silver prices impacting studded jewelry demand in India. Employee costs are rising (+16% YoY) as the company aggressively hires for the US sales ramp-up. * **The Street's Concern:** Analysts remain focused on the long-term sustainability of ARP if LGD prices continue to drop. Management countered by arguing that a certificate is what gives a "rock" its identity; consumers will not buy an uncertified LGD even at lower price points, making IGI an essential utility. * **Watchpoint:** The "One IGI" strategy success hinges on the US sales team's ability to win retail accounts from GIA; monitoring US subsidiary EBITDA growth in FY27 is critical.

2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated 15-Month Basis)

Metric	Current Qtr (Q4)	YoY Change	Trend	Mgmt Commentary
Volume (Mn Reports)	3.64	↑ 16%	↑	Volume growth driven by 18% jump in India Standalone reports.
Revenue (₹Cr)	358.7	↑ 21%	↑	Growth driven by 35% jump in LGD loose stones and 29% in LGD jewelry.
EBITDA (₹Cr)	236.0	↑ 21%	↑	Operating leverage remains strong; one-time AGL consulting costs (₹2.5 Cr) impacted margins.
EBITDA Margin %	64.0%	↓ 20 bps	→	Stable YoY; India margins higher at 74.2% but pulled down by lower-margin international sales ops.
PAT (₹Cr)	179.6	↑ 28%	↑	Higher growth due to better interest income and tax management.
ROCE (%)	45.0%	↓ 300 bps	↓	Dilution from fresh equity issuance in Dec 2024 (per PPT note).
Cash Flow (15M OCF)	624.1	↑ 58%*	↑	*Comparing 15M 2026 vs 12M CY24; robust cash conversion.
Net Debt / (Cash)	(330.6)	↓	↓	Cash position reduced from ₹60 Cr (prior Q) due to AGL acquisition and tax payouts.
ARP (₹/Report)	987	↑ 4%	↑	Mix shift toward loose stones (higher price) from jewelry (lower price).
Working Capital	Stable	→	→	Receivables at ₹288.5 Cr; DSO roughly ~60 days for large accounts.

2B. SEGMENT BREAKDOWN (Q4 FY26 - Consolidated)

Segment	Revenue Mix (%)	YoY Growth	Trend	vs Co. Avg	Key Development
LGD Loose Stones	60.1%	↑ 35%	↑	Outperformer	Main growth engine; benefitting from Surat capacity additions.
LGD Jewelry	7.0%	↑ 29%	↑	Outperformer	Growing retail penetration in India/US bridal markets.
ND Loose Stones	14.9%	↑ 10%	↓	Underperformer	Softness in global natural diamond demand.
ND Jewelry	14.4%	↓ 19%	↓	Laggard	Impacted by gold price volatility and cautious consumer spending.
Gemstones/ Other	3.6%	↑ 130%	↑	Outperformer	Driven by the acquisition of AGL in Jan 2026.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	15% growth for FY27	Needs ~₹1,413 Cr in FY27 (on 12M CY25 base). Highly feasible given LGD capacity doubling.	Exceeded 15% guidance for the 15M period.	Low
Guidance	EBITDA	20% growth for FY27	Needs ~₹884 Cr (on 12M base). Feasible via operating leverage as volume scales.	Delivered 22% EBITDA growth for 15M.	Low
Strategy	LGD Volume	Caratage to double in 3 yrs	Requires 25% CAGR in reports. Feasible; India manufacturers adding reactors.	Reports up 21% (15M) and 16% (Q4).	Low
Strategy	US Rebuild	Scale sales organization	No specific metric; 2026 is the investment year.	New leadership in place for 4 months.	Moderate
Strategy	AGL Synergies	Cross-sell gemstones globally	High; leverages existing India/Dubai lab infrastructure.	Integration in progress; 2 months consolidated.	Low
Macro	Gold Prices	Near-term ND softness	Expects normalization in 1-2 quarters as gold prices stabilize.	Consistent with market trends.	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Umang Mehta (Kotak)	Guidance	Mgmt Outlook	"Possible to share any color in terms of segment-wise how are you thinking about the year?"	Management expects growth to be driven by LGD capacity build-up and increased penetration in natural diamonds. This signals that LGD is now the primary structural growth driver, reducing dependence on cyclical natural diamond recoveries.	Specific segment-wise % targets.	4.0	Directional
2	4.5	Umang Mehta (Kotak)	Subsidiaries	Financials	"Possible to share any color on how [subsidiaries] have done for the full period?"	Subsidiaries saw 14% revenue growth and 25% EBITDA growth this quarter, with 100 bps margin expansion. This indicates the international operations (US/Europe) are becoming self-sustaining and more profitable.	None	4.5	Quantified
3	4.0	Harit Kapoor (Investec)	Realization	Financials	"Has [pricing per segment] continued to be stable like it has been in the last two quarters?"	Management confirmed no structural changes to segment pricing; realizations are purely driven by product mix. This protects IGI from "price wars" even as	None	5.0	Specific

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						diamond prices fluctuate.			
4	5.0	Harit Kapoor (Investec)	LGD Capacity	Business Overview	"Could you give a little bit more color on this... what's driving capacity addition?"	Management cited strong global demand and expectations for the industry to double capacity over the next three years. This provides clear multi-year visibility for IGI's volume-linked revenue model.	None	4.5	Logical
5	3.5	Smit Gala (RSPN)	Opex	Financials	"When does the employee expenses see an increase given that we are hiring?"	Employee costs grew 16% YoY this quarter as additions in India and the US began hitting the P&L. Investors should expect moderate margin pressure from "people capability" investments in FY27.	None	4.0	Fact-based
6	4.0	Pallavi (Sameeksha)	US Strategy	Business Overview	"What's the team size there now in the US and to what size do we want to take it to?"	The US office functions as a marketing hub to capture retailer requirements, which are then serviced by the India manufacturing base. The lack of a "large" US staff count highlights IGI's asset-light	Specific headcount targets.	3.0	Vague

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						international model.			
7	4.5	Shravan Vora (M.S.)	ASP Outlook	Mgmt Outlook	"How should we look at ASPs for the coming year?"	Management views ASP as a derivative of mix; the focus remains on delivering 20% volume and 15% revenue growth. This de-emphasizes realization volatility, focusing the thesis on volume throughput.	None	4.0	Consistent
8	3.5	Umang Shah (Banyan Tree)	Market Share	Business Overview	"Our understanding was that we are the second largest player in natural diamonds... Can you just clarify this?"	Management confirmed IGI is #2 globally in natural diamonds (~20-25% share) but claims #1 position in India (~50%+ share). This identifies the US natural diamond market as the primary territory for potential share gains from GIA.	None	4.5	Quantified
9	4.0	Shwetha (ithought)	Certification Standards	Business Overview	"Are we seeing any change in the format of the certificates... is there no pressure from retailers for a change?"	Management refused to deviate from traditional 4C grading, stating that retailers prefer consistency over confusing new nomenclatures. This maintains IGI's "gold	None	5.0	Firm stance

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						standard" status in LGD where competitors have weakened their grading rules.			

PATTERN FLAGS & SENTIMENT * **The LGD Volume Pivot:** Analyst questioning has shifted from "LGD Price Cannibalization" to "Capacity Visibility." Management's revelation that Indian growers plan to double capacity over three years provided a major confidence boost. The concern is no longer *if* LGD will grow, but *how fast* IGI can process the volume. * **US Execution Anxiety:** There is a persistent undercurrent of skepticism regarding the US rebuild. Analysts pressed on headcount and leadership several times, sensing that the "One IGI" synergy is still more theoretical than realized in the financials. Management remained defensive but confident that the AGL acquisition would be the catalyst. * **Analyst Sentiment Verdict:**convincingly positive. The 15-month performance beat and stable ~60% consolidated margins have largely satisfied the Street. Credibility improved as management delivered on the "ARP recovery" and "ND share gain" promised in previous quarters. The only unresolved issue is the exact ROI timeline for the US sales ramp-up.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | ND Jewelry Growth | Stable outlook | 19% YoY decline in Q4 | Softness was deeper than anticipated due to gold price spikes. | Low; cyclical, not structural. | | Employee Costs | Minimal impact from hiring | 16% YoY increase | The US sales rebuild is more "cost-heavy" in the front-end than initially implied. | Moderate; could cap FY27 margin expansion. |

5. WHAT CHANGED vs PRIOR QUARTER

Comparison against Q3 FY26 / CY25 data.

What Changed	Prior Quarter	This Quarter	Direction
ARP (Realization)	₹51 (Q4 CY24)	₹87 (Q4 FY26)	↑ Improvement
ND Jewelry Revenue	+7% Growth	-19% Growth	↓ Sharp contraction
LGD Loose Growth	+22% YoY	+35% YoY	↑ Strong acceleration
Gemstone Revenue	1.9% Mix	3.6% Mix	↑ Doubled via AGL
Cash Position	₹60 Cr	~₹30 Cr	↓ Deployed for M&A
EBITDA Margin (Consol)	60.0%	64.0%	↑ Operating leverage
Employee Costs	Stable	+16% YoY	↓ Cost inflation
Sub-sector Focus	Diamond Heavy	Diversifying to Color Stones	↑ Strategic expansion
Thesis Status	Strong	Strengthened	IGI is now a "Volume x Trust" play.