

International Gemological Institute Limited — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** Strong volume growth (+26%) and domestic market resilience offset mix-led ARP compression, confirming IGI's dominant position in both Natural and Lab-Grown Diamond (LGD) certification.

Dimension	This Quarter	Signal / Evidence
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Volumes (+26%) and Revenues (+21%) tracking ahead of 15% FY guidance.
Earnings Quality	High (Core driven)	Growth driven by volume expansion in India and China; minimal one-off impacts.
Guidance Confidence	Strong	Management expects to "surpass" the 15% revenue and 20% EBITDA targets.
Management Credibility	Strong	Transparent handling of ARP declines and tariff concerns; consistent delivery.
Business Quality Signal	Improving	Market share gains in Natural Diamonds (+29% revenue) despite industry stress.
Key Q&A Exchange	Q#1 - ARP Decline	Mgmt clarified 5% ARP drop is pure mix (smaller carats), not pricing pressure.
The Street's Primary Anxiety	US Tariffs on LGD	Fear of export slowdown; Mgmt noted IGI's cross-border lab network mitigates this.
Capital Cycle Stage	Harvesting	High RoCE (48%) and strong cash generation (₹400 Cr+ cash balance).
Margin / Return Ratio Trajectory	Stable / Improving	9M EBITDA margins up 320 bps YoY due to operating leverage.
Pricing Power	Stable	Stable rate cards; realized price drops are driven by smaller diamond sizes.
FCF Conversion & Quality	Strong	Zero debt, negative net working capital, and significant cash reserves.
Competitive Moat Signals	Widening	Strong brand pull; 9/10 large retailers use IGI; expanding into Tier 2/3 India.
Balance Sheet Strength	Strong	₹400 Cr cash; no debt; high return ratios.
Working Capital Efficiency	Stable	Business remains lean with efficient receivable management.
Mgmt Guidance Track Record	Reliable	First entry under public tracking, but prior performance suggests reliability.
Key Vulnerability / Red Flag	Mix Shift	Increasing certification of lower-carat stones weighing on blended ARP.
Management Tone	Confident	Posture on LGD tailwinds and domestic demand remains very bullish.

Overall Thesis Verdict: IGI remains a high-quality "pick-and-shovel" play on the gem and jewelry industry, benefiting from the structural shift toward Lab-Grown Diamonds and deeper penetration in the Indian domestic market. The 9M CY25 performance suggests that management's conservative 15% revenue guidance is a floor, not a ceiling. Monitor the impact of sustained high gold prices on consumer demand for studded jewelry as the primary watchpoint for Q4.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary column. *Note: As this is a Gemmological Laboratory and not a Bank/NBFC, the specific banking metrics requested are not applicable/not in document. Standard operational metrics are used below.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Volume (Mn Reports)	3.45	↑ 26.4%	↑ 13.9%	↑	Volume-led growth driven by India domestic demand and China LGD.
Revenue (₹Cr)	303.7	↑ 21.1%	↑ 0.9%	↑	Growth driven by 29% surge in Natural Diamonds and 24% in LGD.
EBITDA (₹Cr)	176.3	↑ 20.3%	↑ 1.6%	↑	Absolute growth despite slight margin compression from World Cup spend.
EBITDA Margin %	58.0%	↓ 80 bps	↑ 30 bps	→	Margin stability maintained via operating leverage as volumes scale.
PAT (₹Cr)	129.8	↑ 18.0%	↑ 2.6%	↑	Growth slightly lagged EBITDA due to higher D&A from lab expansions.
ROCE (%)	48.0%	↓ 400 bps	Not in doc	↓	Decline due to fresh equity issuance/higher capital base post-IPO.
ROE (%)	47.0%	↓ 400 bps	Not in doc	↓	Consistent with ROCE trend; remains best-in-class.
Cash Balance (₹Cr)	400.0	Not in doc	Not in doc	→	Strong liquidity position for dividends or potential acquisitions.
ARP (₹/Report)	854.0	↓ 4.9%	↓ 11.3%	↓	Decline driven by a higher mix of smaller-carat stones/LGD jewelry.
Employee Costs (₹Cr)	71.0	↑ 7.1%	→ 0.0%	↑	Controlled hiring despite significant volume ramp-up.

2B. SEGMENT BREAKDOWN (9M CY25 - Consolidated)

Segment	Revenue (₹Cr)	YoY Growth	Rev Mix	Trend	vs Company Avg	Key Development
LGD	481.4	↑ 18.0%	55%	→	In-line	Sustained adoption in US/India; core volume driver.
Natural Diamond	145.0	↑ 14.0%	16%	↑	Laggard	Gained market share despite weak global ND trade.
LGD Jewelry	61.2*	↑ 32.0%	7%	↑	Outperformer	Rapid growth in domestic Indian retail chains.
ND Jewelry	175.3	↑ 12.0%	20%	↓	Laggard	Impacted by high gold prices shifting consumer mix.

*Calculated based on 9M Segment Mix percentages provided in PPT.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery (Did they do what they promised last Q?)	Risk Flag
Guidance	Revenue	>15% growth for CY25	Needs ₹302 Cr in Q4; currently at ₹303.7 Cr run rate. Highly feasible.	First entry.	Low
Guidance	Margins	~20% EBITDA growth	Needs ₹175 Cr in Q4; Q3 achieved ₹176.3 Cr. Highly feasible.	First entry.	Low
Guidance	Volume / Capacity	Sustained double-digit	Current 9M growth is 25%; run rate exceeds guidance.	First entry.	Low
Strategy	Capital Allocation	Dividends & Acquisitions	Cash balance ₹400 Cr + ~₹500 Cr annual PAT; high capacity.	First entry.	Low
Strategy	Competitive Positioning	Gain ND market share	ND revenue grew 29% in Q3 vs industry decline.	Delivered this quarter.	Low
Macro	Industry Headwinds	US Tariffs minimal impact	Certification is cross-geographical; IGI can shift to Dubai.	First entry.	Moderate
Balance	Debt / Leverage Target	Remain Zero Debt	Self-funding all expansions through internal accruals.	Consistent delivery.	Low

4. ANALYST Q&A

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
1	5.0	Harit Kapoor, Investec	Realization (ARP)	Financials	"I just wanted to understand whether there is a like-to-like pricing decline also in the quarter, and if so, how much that is?"	Management confirmed there is no pricing decline and rates are stable; the 5% drop is entirely due to a higher volume of smaller carat sizes in the mix. This suggests pricing power remains intact despite the optical drop in realizations.	None	5.0	Clear and quantified
2	4.5	Harit Kapoor, Investec	Macro (Tariffs)	Outlook	Assessment of US tariff impact on growth lumpiness.	Management stated that volumes have been consistent (3.1m to 3.4m) and they have the flexibility to shift certification to Dubai/ Turkey if needed. This mitigates the risk of an India-specific trade barrier impacting global LGD certification flows.	None	4.0	Directional with evidence
3	4.0	Harish Advani, Axis Capital	International Business	Business Overview	Which international markets are seeing stress vs. doing better?	Netherlands (Dubai/ China) is growing at 20% while Europe and US remain soft. This highlights	Specific revenue split for US lab.	3.5	Directional

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						that IGI's growth is increasingly decoupled from Western consumer weakness due to Middle East/China strength.			
4	3.5	Smith Gala, RSPN Ventures	Regional ARP	Financials	Why has there been a significant fall in operations outside India?	The drop is a geographical mix shift; US/ Europe have higher realizations, so their lower relative volume contribution drags down the consolidated ARP. This confirms that the ARP decline is not a competitive issue but a geographic one.	None	4.0	Clear explanation
5	3.5	Rajesh Jain, RK Capital	Customer Profile	Business Overview	Is demand coming from large chains or smaller independent stores?	Management clarified they cater to the entire supply chain and see strong demand from both large chains (9/10) and local leaders in Tier 2/3 cities. This broad-based adoption reduces client concentration risk.	None	4.5	Specific details
6	4.5						None	4.0	Directional

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
		Sheela Rathi, Morgan Stanley	Market Share	Business Overview	How has market share changed given the company is outgrowing industry growth of 5-10%?	Management noted 29% growth in Natural Diamonds suggests significant market share gains, even as overall penetration remains around 65-70%. This indicates IGI is winning in the "Natural" category, which was previously a GIA stronghold.			
7	3.0	Smith Gala, RSPN Ventures	Cash Allocation	Capex and Allocation	Plans to utilize the ₹400 Cr cash reserves.	A portion will be for dividends, but they are actively scouting for acquisition opportunities. This signals a move toward inorganic growth to consolidate the global lab market.	Specific acquisition targets.	3.0	Vague but consistent
8	4.0	Angad, Sameeksha Capital	Governance	Governance	Is the pledge on promoter shares still active?	Management provided a sharp clarification that there is absolutely no pledge on IGI shares by the parent entity (Blackstone). This removes a significant governance overhang	None	5.0	Specific and verified

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						that had bothered the street.			
9	3.0	Jayesh Shah, OHM Portfolio	Consumer Behavior	Outlook	Is jewelry demand shifting to gold/silver due to high prices?	Management sees no significant shift away from studded jewelry, claiming demand for diamonds remains "equally strong." This suggests the "value" proposition of LGDs is helping maintain diamond volume despite high gold prices.	None	3.0	Vague
10	3.5	Chetan Singh	Expenses	Financials	What caused the sharp increase in D&A and other expenses?	D&A increased due to fixed assets added for capacity expansion; other expenses remained stable at ₹50-56 Cr. The expense growth is productive, directly linked to revenue-generating capacity.	None	4.5	Quantified

PATTERN FLAGS & SENTIMENT

The primary anxiety among analysts centered on two themes: (1) The structural decline in Average Realized Price (ARP) and (2) The potential fallout from US tariffs on Indian Lab-Grown Diamonds. Management was highly proactive in debunking the pricing erosion myth, repeatedly steering the conversation back to "product mix" (smaller carats) and "geographic mix" rather than competitive price-cutting. Their posture was confident,

supported by 9M margins that actually expanded by 320 bps YoY, proving that volume growth is more than compensating for realization dips.

Analyst sentiment was generally positive, turning particularly favorable after the clarification on the "zero-pledge" status of promoter shares. The friction point remains the US/Europe softness, but the strong outperformance in the Indian domestic market (75% of revenue) appears to have satisfied most long-term investors. Management credibility improved this quarter as they showed the ability to maintain 70%+ India standalone margins despite brand-building spends (World Cup sponsorship).

GUIDANCE GAPS REVEALED IN Q&A *No walk-backs were identified. Management actually upgraded the "tone" of their guidance, suggesting they would "surpass" the 15% revenue target rather than just meeting it.*

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
First entry	N/A	N/A	N/A