International Gemological Institute Limited — Oct 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat & Guidance Upgrade **One-line:** IGI has transitioned from a steady "trust utility" to a high-growth "volume multiplier," as surging Lab-Grown Diamond (LGD) capacity and a defensive stance on grading standards (4Cs) allow it to capture disproportionate market share while competitors simplify their offerings.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 31% YoY (□398.0 Cr) and EBITDA grew 39%, significantly exceeding the prior 15%/20% annual guidance.	□
Earnings Quality	High (Core driven)	H1 CFO-to-PAT ratio at 1.18x; growth is volume-led (+26%) with robust cash conversion and working capital release (□66.2 Cr).	□
Guidance Confidence	Strong	Management explicitly upgraded full-year guidance to match H1 outperformance (~27% Rev / 34% EBITDA growth).	□
Management Credibility	Strong	Successfully integrated AGL (3% rev contribution) and held firm on grading standards despite competitor pivots.	□
Business Quality Signal	Improving	LGD jewelry certification grew 47%; the "essential utility" nature of the certificate is decoupled from diamond price deflation.	□
Key Q&A Exchange	Q#5 - Grading Standards	Mgmt refused to follow GIA's move toward simplified grading, reinforcing IGI's position as the "Gold Standard" for LGD.	□
The Street's Primary Anxiety	LGD Price Deflation	Fear that lower LGD prices would lead to "un-certified" sales; Mgmt proved certification remains a fixed ~2-3% retail cost floor.	□
Capital Cycle Stage	Harvesting / Expansion	Strong FCF allows for simultaneous dividend payouts (□2.55/ share) and new market entries (Italy, Saudi, Botswana).	□
Margin / Return Ratio Trajectory	Improving	Consol. EBITDA margins expanded 340 bps YoY to 61.4% due to operating leverage on volume.	□
Pricing Power	Stable/Improving	ARP up 4% YoY (□891) despite diamond price drops, driven by a higher LGD loose stone mix (54%).	□
FCF Conversion & Quality	Strong	H1 OCF at □415.7 Cr (118% of PAT); clean conversion with falling receivables.	□
Competitive Moat Signals	Widening	First-mover advantage in LGD and ISO-accreditation (18 years) acting as a barrier against AI-based low-cost entrants.	□
Balance Sheet Strength	Strong	Cash and bank balances at □1,074.9 Cr; zero debt mentioned.	□
Working Capital Efficiency	Improving	Receivables fell from □288.5 Cr to □240.2 Cr; 60-day credit cycle maintained.	□
Mgmt Guidance Track Record	Reliable	Consistently outperforming the "15/20" framework set at IPO/May 2026.	□
Key Vulnerability / Red Flag	India Concentration	77% of certification revenue still stems from India standalone operations.	□
Management Tone	Highly Confident	Labeled Q2 "the best quarter in IGI's history" with structural tailwinds in LGD capacity doubling.	□

Key Takeaways (Positives & Negatives): * **Positives:** IGI has effectively decoupled its revenue from diamond price volatility. Because they charge per report (volume) rather than value, the collapse in LGD prices has

triggered a volume explosion that IGI is perfectly positioned to capture. The integration of AGL is already contributing 3% to revenue, and the decision to maintain 4C grading standards while GIA simplified theirs creates a major competitive differentiator for trade professionals who require detailed clarity for pricing. * **Negatives:** India standalone margins saw a slight YoY contraction (69.5% vs 72.8%) due to proactive investments in leadership, marketing (IPL/Puja campaigns), and commissions. While consolidated margins are rising, the heavy lifting is being done by international subsidiaries catching up in profitability. * **The Street's Concern:** Analysts questioned if LGDs will eventually become too "cheap" to warrant a certificate. Management's rebuttal was definitive: a certificate is only 2-3% of retail cost but provides the "identity" required for a consumer to spend even $500-$1,000. * **Watchpoint:** Monitor the "Surat Capacity" trend—growers plan to double reactors in 3 years. If this holds, IGI's volume growth has a structural floor for the next 12-24 months.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT not available — all numbers sourced from concall transcript.*

Metric	Current Qtr (Q2 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Volume (Mn Reports)	4.35	↑ 26%	↑ 19.5%	↑	Volume driven by 37% growth in LGD loose stones and 47% in LGD jewelry.
Revenue (□Cr)	398.0	↑ 31%	↑ 7.3%	↑	Best quarter in history; H1 revenue at □768.8 Cr (+27% YoY).
Gross Margin (%)	Not in doc	-	-	-	Not explicitly disclosed in concall.
EBITDA (□Cr)	244.5	↑ 39%	↑ 9.2%	↑	Growth ahead of revenue due to operating leverage.
EBITDA Margin %	61.4%	↑ 340 bps	↑ 100 bps	↑	H1 Consol margin at 60.9% (+310 bps YoY).
PAT (□Cr)	185.8	↑ 43%	↑ 12.1%	↑	H1 PAT at □351.6 Cr (+37% YoY).
ROCE (%)	Not in doc	-	-	-	(Prior context was 45%; likely stable/up).
Cash Flow (OCF - H1)	415.7	↑	↑	↑	118% of PAT; helped by □66.2 Cr working capital release.
Net Debt / (Cash)	(1,074.9)	↑ Cash	↑ Cash	↑	Strong liquidity; □1,074.9 Cr (corrected from verbal error).
Interest Coverage	Not in doc	-	-	-	(Zero debt implied).
ARP (□/ Report)	891	↑ 4%	↓ 12%	□	YoY up on LGD mix; QoQ down on seasonal jewelry shift (lower realization).
Working Capital	□240.2 Cr	↓ 16.7%	↓	↑	Receivables falling from peak of □288.5 Cr.

2B. SEGMENT BREAKDOWN (Consolidated Q2 FY27)

Segment	Revenue (□Cr)*	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
LGD Loose Stones	~215.0	↑ 37%	High	↑	Outperformer	Large Indian growers doubling reactor capacity.
LGD Jewelry	~27.8	↑ 47%	Mid	↑	Outperformer	US bridal market >50% LGD; India retail chains expanding.
ND Loose Stones	~59.3	↑ 8%	High	→	Underperformer	Growing share in a flat market; India up 8%.
ND Jewelry	~57.3	↑ 3%	Mid	↓	Laggard	Impacted by high/volatile gold prices; buyers hesitant.
Gemstones / AGL	~14.3	↑ 331%	High	↑	Outperformer	Integration of AGL; 3% contribution to total growth.
**Segment revenue estimated based on growth rates and prior mix percentages.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Upgrade to ~27% for FY27	Needs □770 Cr in H2 (Inline with H1); highly feasible given October festive traction.	Beat (Initial 15% was smashed).	Low
Guidance	EBITDA	Upgrade to ~34% for FY27	Needs □460 Cr in H2; high feasibility due to operating leverage.	Beat (Initial 20% was smashed).	Low
Guidance	Capacity	Double reactor capacity in 3 yrs	Requires ~25% CAGR in LGD volumes; H1 volume was +22%.	On track.	Low
Strategy	Expansion	Italy operational; Saudi/ Botswana preparing	Minimal immediate revenue but critical for global footprint.	New (Italy operational).	Low
Strategy	Brand	20M unique audience/ quarter	Targeted B2B2C marketing to make consumers "ask for IGI."	Delivered 150M+ views YTD.	Low
Macro	Gold Prices	Normalizing impact on ND	H2 recovery dependent on gold price stability.	ND jewelry grew only 3% in Q2.	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	Harit Kapoor (Investec)	Festive Timing	Business Overview	"Is LGD growth a function of preordering for festive, and should we expect a Q3 tapering?"	Management stated that growth is structural due to capacity addition at the grower end and that October festive demand remains rock solid. This implies the growth is not just a seasonal pull-forward but a sustainable volume shift.	None	4.0	Clear and quantified
2	4.0	Harit Kapoor (Investec)	LGD Jewelry	Business Overview	"Are you seeing a more broad-based global growth beyond the US?"	Management confirmed markets are opening in Europe, Latin America, and Australia, with LGD jewelry growing 47% this quarter. This reduces geographic risk and diversification reliance on the US bridal market.	None	4.5	Directiona
3	5.0	Harish Advani (Axis Cap)	Guidance Revision	Mgmt Outlook	"Since we're overshooting 15%/20% significantly, can we relook the guidance?"	Management explicitly upgraded the guidance to match H1's growth trajectory (~27% revenue / 34% EBITDA). This sets a new, higher floor for valuation multiples and earnings expectations.	None	5.0	Specific upgrade
4	4.5	Riddhesh Gandhi (Discovery)	LGD Price vs Cert	Financials	"As LGD prices go down, is there a pushback	Management argued that certificates cost only 2-3% of	None	5.0	Firm stance

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					on the need for certification?"	retail and are the primary reason consumers buy with confidence. This confirms the "Utility Moat" where the cert is essential regardless of the stone's wholesale price.			
5	5.0	Rajesh Jain (RK Capital)	Grading Standards	Business Overview	"GIA moved away from 4Cs for LGD; does IGI see a market preference for simplified reports?"	Management reiterated that the 4Cs establish commercial value across the value chain and they will not compromise on detailed grading. This positioning wins favor with the trade (Surat) who need precision to price their inventory.	None	5.0	Thesis critical
6	4.0	Saania Jain (Care PMS)	AI/Tech Moat	Business Overview	"Can smaller labs use AI to enter the field easily and offer similar testing at lower cost?"	Management claimed their moat is the proprietary image data of millions of stones used for machine learning, which new entrants lack. This highlights a significant data-entry barrier that prevents AI-based commoditization.	None	4.0	Logical
7	3.5	Rohan (Dexter Cap)	ARP Sequential	Financials	"Why did average realization fall 12% QoQ?"	Management explained this is a seasonal mix shift toward jewelry (lower	None	4.5	Fact-based

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						ARP) ahead of the festive season. This clarifies that the decline is not a pricing war but a standard product-cycle fluctuation.			
8	4.0	Jinal Sheth (Awriga)	Governance/ Trust	Governance	"Have we given rights to top 5 Surat manufacturers to print their own certificates?"	Management gave a definitive "No," stating all certificates are issued through their ISO-accredited process with multiple layers of check. This squashes rumors of "private labeling" that would destroy IGI's trust-based business model.	None	5.0	High integrity
9	4.5	Aliasgar Shakir (Motilal)	Guidance Run-rate	Mgmt Outlook	"If you hold your guidance, then H2 can be significantly lower—or is it upgraded?"	Management confirmed the guidance is being upgraded to align with the H1 run-rate. This removes the "conservative management" overhang and aligns expectations with the actual growth pace.	None	5.0	Verified upgrade

PATTERN FLAGS & SENTIMENT * **The "Defensive Moat" Pattern:** A recurring theme was the threat of commoditization—either through cheaper LGD prices (Q#4), simplified grading by GIA (Q#5), or AI entrants (Q#6). Management's posture was notably aggressive and confident: they view their 4C standard and ISO-accredited process as a "Premium Moat" that competitors are voluntarily vacating. * **Surat Logic:** The call revealed that IGI's growth is a direct derivative of Surat's massive reactor expansion. Analysts were satisfied that as long as the "Growers" add capacity, IGI's volume is guaranteed, regardless of the final retail price of the diamond. * **Analyst Sentiment Verdict:**convincingly positive. The friction points (grading inconsistency rumors and AI threats) were handled with technical specifics. Management's credibility significantly improved by raising guidance mid-year, signaling high visibility into the H2 festive season and global expansion.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Annual Growth | 15% Revenue / 20% EBITDA | Upgraded to ~27% / 34% | **Positive Gap:** Significant outperformance vs. IPO targets. | Low (Execution risk only). | | Realization (ARP) | Stable | 12% QoQ Decline | **Seasonal Variance:** Realization is highly sensitive to seasonal mix shifts. | Low (Product mix issue). |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Growth Guidance	15% Revenue / 20% EBITDA	~27% Revenue / 34% EBITDA	↑ Significant Upgrade
Volume Growth	16% YoY (Q4 FY26)	26% YoY (Q2 FY27)	↑ Accelerating
EBITDA Margin	64.0% (Q4 FY26)	61.4% (Q2 FY27)	↓ Seasonal/Invest. dip
LGD Loose Growth	35% YoY	37% YoY	↑ Improving
LGD Jewelry Growth	29% YoY	47% YoY	↑ Accelerating
Cash Position	□330.6 Cr	□1,074.9 Cr	↑ Massive Accretion
Receivables (Net)	□288.5 Cr	□240.2 Cr	↑ Improving Efficiency
Strategy Focus	AGL Integration	Global AGL Expansion + 4C Defense	↑ Strategic Maturity
Thesis Status	Strong	**Accelerating**	IGI is now the "Trust Utility" for a doubling market.

- **Thesis Reinforcement:** The investment case for IGI has strengthened. The company is successfully navigating the LGD price crash by capturing massive volume increases, maintaining its premium grading status while competitors retreat, and generating enough cash to fund global expansion while paying dividends.
- **Quality Watch:** While consolidated margins are strong, the standalone India EBITDA margin dip (340 bps) requires monitoring to ensure marketing and leadership costs don't outpace the benefits of volume leverage in the long term.
- **Forensic Note:** The CFO-to-PAT ratio of 1.18x in H1 confirms that the reported profits are backed by cold hard cash, largely due to excellent receivable management in the Surat grower cluster.