

## Shanti Gold International Ltd — Aug 2026 Quarterly Analysis

### 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Beat on Headline, Guidance Maintained (with Margin Reset) **One-line:** Shanti Gold continues its aggressive top-line expansion fueled by new capacity (Marol), yet the quality of earnings remains clouded by a guided 300bps margin normalization as one-off gold inventory gains dissipate.

| Dimension                    | This Quarter             | Signal / Evidence                                                                                                | Sentiment |
|------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------|-----------|
| Beat/Miss vs Guidance        | Strong Beat              | Q1 Revenue ₹16.38 Cr (+144.7% YoY) significantly ahead of the required run-rate for the ₹3,500 Cr FY27 target.   | ☐         |
| Earnings Quality             | Low (Inventory Timing)   | PAT margin of 7.05% includes a ~2.5% "spillover" gain from inventory; core EBITDA margin is ~7.5-8%.             | ☐         |
| Guidance Confidence          | Neutral                  | Management maintains ₹3,500 Cr revenue target but admits a steep drop in PAT margins to 4.0% is imminent.        | ☐         |
| Management Credibility       | Neutral                  | Delivered Marol facility on time; however, the "negative cash flow by design" model requires careful monitoring. | ☐         |
| Business Quality Signal      | Improving                | Structural shift toward organized retail B2B manufacturing is crystallizing with 3x capacity expansion.          | ☐         |
| Key Q&A Exchange             | Q6: EBITDA Reset         | Management explicitly quantified that 2-2.5% of current margins are temporary inventory gains.                   | ☐         |
| The Street's Primary Anxiety | Cash Flow/Working Cap    | Analysts questioned the persistent negative OCF; mgmt defended it as a "ready-stock" competitive advantage.      | ☐         |
| Capital Cycle Stage          | Investment               | Rights issue (₹100 Cr) and Jaipur facility (Nov '26) signal peak investment phase to capture market share.       | ☐         |
| Margin Trajectory            | Deteriorating            | EBITDA margins fell from 17.56% (Q1FY26) to 9.97% (Q1FY27) and are guided to settle at ~8.0%.                    | ☐         |
| Pricing Power                | Stable                   | B2B "making charge" model protects against gold volatility, but high-volume plain gold entry is margin-dilutive. | →         |
| FCF Conversion & Quality     | Weak                     | CFO remains deeply negative due to the "ready-stock" inventory model; PAT does not convert to cash.              | ☐         |
| Competitive Moat Signals     | Widening                 | 400+ new designs/month and the Turkish collection at Marol deepen the B2B value proposition.                     | ☐         |
| Balance Sheet Strength       | Strong                   | D/E currently at 0.50x; Rights Issue of ₹100 Cr will further deleverage to support working capital.              | ☐         |
| Working Capital Efficiency   | Deteriorating            | Inventory-heavy model is being doubled down on; capital is trapped in "ready stock" to lure retailers.           | ☐         |
| Mgmt Guidance Track Record   | Reliable                 | Successfully transitioned to Marol; hitting volume targets (522kg in Q1).                                        | ☐         |
| Key Vulnerability            | Gold Price Hedging       | Shift from Gold Metal Loans (GML) to outright purchases increases P&L sensitivity to gold corrections.           | ☐         |
| Management Tone              | Confident & Expansionary | Aggressive focus on "sky is the limit" market share gains over short-term margin protection.                     | ☐         |

**Key Takeaways:** \* **Positives:** The structural growth thesis remains intact as the Marol facility (4,000 kg capacity) became operational in June 2026, driving a 61.6% YoY volume surge. The entry into North India and the Dubai export hub (4% of revenue) provides new growth frontiers beyond the core South/West presence. \* **Negatives:** The "sugar high" from unhedged gold inventory gains is ending; management's guidance of 4.0% PAT margins (down from 7.05% this quarter) implies that absolute PAT may stagnate in FY27 despite revenue potentially doubling. The business model is fundamentally cash-consumptive, with negative OCF justified as a strategic choice to maintain "ready stock" for retailers. \* **Street Concern:** Analysts are focused on the "Inventory Gamble." Management admitted to holding large outright-purchased stocks and guided for higher gold prices (₹1.5L), suggesting the balance sheet is effectively a leveraged bet on gold prices rather than a pure-play manufacturing utility. \* **Forward Watchpoint:** Monitor the commissioning of the Jaipur facility (1,200 kg) in Nov/Dec 2026 and the utilization rate of Marol; any lag in volume ramp-up will lead to severe fixed-cost deleverage on a 4% PAT margin base.

## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS (Manufacturing - Consumer Goods)

| Metric                | Current Qtr (Q1FY27) | YoY Change | QoQ Change | Trend | Mgmt Commentary                                                                  |
|-----------------------|----------------------|------------|------------|-------|----------------------------------------------------------------------------------|
| Revenue (₹Cr)         | 716.38               | ↑ 144.7%   | ↑ 8.7%     | ↑     | Driven by 61.6% volume growth (522kg) and higher gold realizations.              |
| Gross Margin (%)      | 10.89%               | ↓ 984 bps  | →          | ↓     | Compression vs Q1FY26 (18.73%) as product mix shifted toward machine-made lines. |
| EBITDA (₹Cr)          | 71.45                | ↑ 39.0%    | ↑ 6.6%     | ↑     | Absolute growth driven by scale; includes ~₹15-18 Cr of one-off inventory gains. |
| EBITDA Margin %       | 9.97%                | ↓ 759 bps  | ↓ 20 bps   | ↓     | Normalizing; mgmt guides 7.5-8.0% as the sustainable long-term floor.            |
| PAT (₹Cr)             | 50.48                | ↑ 46.9%    | ↓ 2.8%     | →     | Impacted by higher finance costs (₹5.68 Cr) and depreciation from new facility.  |
| ROCE (%)              | 32.06%*              | ↑ 758 bps  | N/A        | ↑     | *FY26 figure used as proxy; Q1 annualized indicates maintenance of 30%+ levels.  |
| Cash Flow (OCF)       | Negative             | N/A        | N/A        | ↓     | Confirmed as negative due to deliberate inventory buildup of "ready stock."      |
| Net Debt / Equity (x) | 0.50                 | ↓ 71.8%    | ↑ 14 bps   | ↑     | Increased from 0.36x (Mar-26) to fund working capital for Marol ramp-up.         |
| Interest Coverage (x) | 12.58                | ↓ 3.2%     | ↓ 16.5%    | ↓     | Decreased due to higher interest expense (₹5.68 Cr) on working capital debt.     |
| Volume (kg)           | 522.1                | ↑ 61.6%    | ↑ 12.8%    | ↑     | Growth attributed to deeper wallet share from organized retailers.               |

### 2B. SEGMENT BREAKDOWN

| Segment            | Revenue Share | YoY Growth | Margin   | Trend | vs Company Avg | Key Development                                                                 |
|--------------------|---------------|------------|----------|-------|----------------|---------------------------------------------------------------------------------|
| Studded / Designer | 75%           | Strong     | High     | →     | Above          | Core focus; Turkish jewellery launched at Marol to drive premium B2B sales.     |
| Plain Gold         | 25%           | Rapid      | Low      | ↑     | Below          | Entry into high-volume machine-made lines; key for North India expansion.       |
| Domestic           | 96%           | 145%       | Standard | →     | Inline         | Aggressively targeting North India; new clients added post-IIJS exhibition.     |
| International      | 4%            | Emerging   | Moderate | ↑     | Below          | Dubai office awaiting RBI approval; seen as the "gateway" for global footprint. |

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category           | Management Target / Claim | Required Run-Rate / Feasibility                                                  | Historical Delivery            | Risk Flag              |
|-----------|--------------------|---------------------------|----------------------------------------------------------------------------------|--------------------------------|------------------------|
| Guidance  | Revenue            | FY27: ₹3,500 Cr           | Needs ₹28 Cr/qtr for next 3 quarters; Q1 (₹16 Cr) is 20% of target.              | Beat FY26 target easily.       | Medium (Festive heavy) |
| Guidance  | Margins            | PAT: ~4.0%                | Significant drop from current 7.05%; implies cost inflation or pricing pressure. | Margins were volatile in FY26. | High (Normalizing)     |
| Guidance  | Volume             | FY27: 30-40% Growth       | Target: 2,272 - 2,447 kg. Q1 (522kg) is 23% of low-end target.                   | Q1 growth (62%) is ahead.      | Low                    |
| Guidance  | Capex Plan         | Jaipur: ₹47 Cr            | Facility to be operational by Nov/Dec 2026.                                      | Marol delivered on time.       | Medium (Construction)  |
| Strategy  | Capital Allocation | Rights Issue: ₹100 Cr     | To fund inventory for Marol and Jaipur ramp-up.                                  | IPO proceeds fully deployed.   | Low                    |
| Strategy  | Exports            | International Footprint   | Establishing Dubai hub; waiting for RBI compliance.                              | Slow start (only 4%).          | Medium (Geo-political) |
| Balance   | Debt Target        | D/E < 1.0x                | Headroom to add ~₹300-400 Cr of debt post-rights issue.                          | Deleveraged significantly.     | Low                    |

## 4. ANALYST Q&A

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| Q# | Relevance | Analyst / Firm        | Theme Cluster   | Category     | Underlying Concern                                                             | Management Response & Investment Implication                                                                                                                                                                                  | Evaded | Credibility | Verdict           |
|----|-----------|-----------------------|-----------------|--------------|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|-------------------|
| 1  | 4.0       | Kavya Padia, Analayam | Margin Outlook  | Financials   | "What's the margin trajectory you are seeing going ahead?"                     | Management guided for a sustainable PAT margin of 4.0% and EBITDA of 7.5-8.0%. This confirms a sharp contraction from current levels as inventory windfalls normalize.                                                        | None   | 4.0         | Clear Guidance    |
| 6  | 5.0       | Preeyam, Choice       | Inventory Gains | Financials   | "10% EBITDA margin, is it sustainable... is there any unrealized gain?"        | Management admitted that 2.0-2.5% of the EBITDA margin was a one-off "spillover" gain from inventory valuation changes (FIFO to WAC). This reduces the "quality" of the Q1 beat and resets the core margin baseline to ~7.5%. | None   | 5.0         | Vital Admission   |
| 7  | 4.0       | Preeyam, Choice       | Guidance        | Mgmt Outlook | "Should we expect... the guidance... it will beat our guidance for this year?" | Management maintained the ₹3,500 Cr revenue target but suggested a revision is possible if Q3 demand is exceptionally strong. The firm is prioritizing volume (30-40% growth) over                                            | None   | 4.0         | Expansionary Tone |

| Q# | Relevance | Analyst / Firm      | Theme Cluster  | Category   | Underlying Concern                                                              | Management Response & Investment Implication                                                                                                                                                                  | Evaded | Credibility | Verdict                 |
|----|-----------|---------------------|----------------|------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|-------------------------|
|    |           |                     |                |            |                                                                                 | margin protection.                                                                                                                                                                                            |        |             |                         |
| 8  | 3.5       | Preeyam, Choice     | Other Expenses | Financials | "Other expenses has been increased by 132% YoY... any hedging losses?"          | Management clarified the increase is purely operational to support the 144% revenue growth and denied any hedging-related losses. Scalability of the B2B model appears intact without hidden financial costs. | None   | 4.0         | Operational explanation |
| 9  | 3.0       | Preeyam, Choice     | Share Capital  | Financials | "What will be the number of shares post the right issue?"                       | Post-rights issue, the share count will rise to 7.67 Cr shares from the current 7.21 Cr. This ~6% dilution is aimed at fueling a 50% + revenue growth engine.                                                 | None   | 5.0         | Quantified              |
| 11 | 4.5       | Bhagat, Share India | Marol Impact   | Capex      | "How do we see [Marol] supporting production efficiency... and revenue growth?" | Management described Marol as a "growth enabler" to cater to large-scale retailers who demand just-in-time inventory. Efficient utilization of this 4,000kg                                                   | None   | 4.0         | Strategic intent        |

| Q# | Relevance | Analyst / Firm      | Theme Cluster  | Category     | Underlying Concern                                                                     | Management Response & Investment Implication                                                                                                                                                                          | Evaded                  | Credibility | Verdict            |
|----|-----------|---------------------|----------------|--------------|----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------|--------------------|
|    |           |                     |                |              |                                                                                        | facility is the primary swing factor for FY27 profitability.                                                                                                                                                          |                         |             |                    |
| 13 | 4.0       | Bhagat, Share India | Exports        | Mgmt Outlook | "What potential do we see from our international business?"                            | Management sees "huge potential" via the Dubai gateway once RBI approvals and geopolitical stability are reached. Achieving the 10-20% export mix target remains a medium-term aspiration rather than a Q2 reality.   | None                    | 3.0         | Aspirational       |
| 15 | 4.0       | Ajit Sethi, Eiko    | Inventory Risk | Financials   | "Clarify what percentage of your gold inventory is fully backed by a gold metal loan?" | Management noted they have recently restarted GML due to price stability but previously moved to outright purchases during high volatility. The lack of a consistent 100% hedge remains a risk to earnings stability. | Hedging % not disclosed | 3.0         | Hedged response    |
| 16 | 3.5       | Rajesh Singhal, VTG | Capacity Util. | Capex        | "Existing facility is capable enough... what kind of                                   | Current Mumbai facility is at 75% utilization; Marol is just                                                                                                                                                          | Specific Marol %        | 3.0         | Vague on new plant |

| Q# | Relevance | Analyst / Firm | Theme Cluster    | Category     | Underlying Concern                                                                      | Management Response & Investment Implication                                                                                                                                                                                                | Evaded            | Credibility | Verdict          |
|----|-----------|----------------|------------------|--------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------|------------------|
|    |           |                |                  |              | utilization in Marol?"                                                                  | starting its ramp-up. Revenue growth is now capacity-led rather than demand-constrained.                                                                                                                                                    |                   |             |                  |
| 22 | 4.5       | Hemant Soni    | Cash Flow        | Financials   | "Cash flows are continuously bleeding... reason behind it and when can it be positive?" | Management admitted negative OCF is a byproduct of their business model which keeps "ready stock" to win B2B clients. OCF will only turn positive if they shift to a less competitive "order-to-order" model, which is not planned.         | Positive timeline | 3.0         | Tactical Evasion |
| 23 | 4.0       | Hemant Soni    | Group Structure  | Governance   | "Idea of listing a separate company [Utssav CZ] into the same trade?"                   | Management explained that Utssav CZ focuses on different segments (Diamonds, Rose Gold) and operates under different management. However, the B2B overlap remains a potential related-party/ conflict of interest watchpoint for investors. | None              | 3.0         | Defensive        |
| 24 | 4.0       | Vaibhav, CFM   | Long-term Vision | Mgmt Outlook | "For how long do you                                                                    | Management believes the                                                                                                                                                                                                                     | None              | 3.5         | Very Bullish     |

| Q# | Relevance | Analyst / Firm | Theme Cluster    | Category | Underlying Concern                                                     | Management Response & Investment Implication                                                                                                                                                         | Evaded | Credibility | Verdict  |
|----|-----------|----------------|------------------|----------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|----------|
|    |           |                |                  |          | think you can sustain 30-40% volume growth?"                           | shift from unorganized to organized retail provides a "sky is the limit" runway for several years. They view their current ₹2,000 Cr scale as "negligible" compared to the total addressable market. |        |             |          |
| 26 | 4.5       | Satyesh Bhatt  | Jaipur Expansion | Capex    | "Is it that there can be more opportunity to expand [Jaipur] further?" | The Jaipur facility sits on 3 acres; the current 50,000 sq. ft. is only "phase one." This reveals significant latent capacity that can be unlocked without further land acquisition.                 | None   | 5.0         | Specific |

**PATTERN FLAGS & SENTIMENT \* Theme 1: The Margin Reset (Anxiety: High).** Analysts repeatedly probed the sustainability of the 10% EBITDA margin. Management was remarkably candid, stripping out the 2.5% inventory gain and guiding down to 8% EBITDA. This suggests a transition from a "trading-boosted" manufacturer to a pure "volume-driven" OEM. \* **Theme 2: Cash Flow and Inventory (Anxiety: High).** The most friction occurred around negative OCF. Management's defense—that ready stock is their primary competitive moat—indicates that the business will remain a "working capital sponge" as long as it is in high-growth mode. \* **Theme 3: Capacity Ramp-up (Anxiety: Moderate).** Confidence in execution is high following the Marol commissioning, but investors are now watching for the utilization rates to justify the ₹47 Cr Jaipur capex.

**Analyst Sentiment Verdict:** Analysts were impressed by the top-line beat but skeptical of the "quality" of Q1 profits. The friction point remains the unhedged inventory risk and negative cash conversion. Credibility is neutral; while they delivered on capacity, the "4% PAT" guidance suggests that the massive revenue growth might not translate into equivalent wealth creation for shareholders in the near term.

## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed             | Prior Quarter (FY26/Q4)      | This Quarter (Q1FY27)             | Direction       |
|--------------------------|------------------------------|-----------------------------------|-----------------|
| Capacity Status          | 2,700 kg (Mumbai)            | 6,700 kg (Mumbai + Marol)         | ↑ Improving     |
| EBITDA Guidance          | Normalizing toward 10%       | Guided down to 7.5-8.0%           | ↓ Deteriorating |
| PAT Guidance             | ~7% (Reported)               | Guided to 4.0% (Sustainable)      | ↓ Deteriorating |
| Working Capital Strategy | IPO-funded outright purchase | Rights-issue funded buildup       | ↓ Deteriorating |
| Leverage (D/E)           | 0.36x                        | 0.50x (pre-Rights Issue)          | ↓ Deteriorating |
| Market Focus             | South/West India             | Aggressive entry into North India | ↑ Improving     |
| Product Portfolio        | Casting/Studded focus        | Launch of Turkish & Cuban lines   | ↑ Improving     |

**Investor Notes:**

- \* **Thesis Integrity:** The core thesis—that Shanti Gold is the primary beneficiary of the B2B outsourcing shift by organized retailers—is validated by the 62% volume growth.
- \* **The "4% Floor":** Investors must now value the company on a 4% PAT margin. At ₹3,500 Cr revenue, this implies ₹140 Cr PAT—flat versus FY26 reported PAT. The "growth" in FY27 is essentially replacing one-off gold gains with recurring manufacturing volumes.
- \* **Working Capital Divergence:** CFO/PAT ratio is significantly below 1.0 (estimated negative). The business is consuming cash to build "ready stock." If gold prices correct, this inventory will become a liability rather than a moat. Stop-loss on the thesis would be a failure of the Jaipur facility to hit 50% utilization within two quarters of launch.