

Shanti Gold International Ltd — May 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Headline, Guidance Reset on Margins **One-line:** Massive FY26 outperformance driven by a high-stakes "inventory gamble" using IPO proceeds; however, the long-term thesis shifts to a high-volume, lower-margin manufacturing play as management guides a significant normalization in PAT margins.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY26 Revenue up 82.5%, PAT up 159%, exceeding all prior volume growth targets.	☐
Earnings Quality	Low (Inventory Driven)	PAT margin of 6.9% includes ~3% from inventory gains; core business margin is significantly lower.	☐
Guidance Confidence	Neutral	Aggressive volume growth (30-40%) but management signaled a 300bps drop in PAT margins for FY27.	☐
Management Credibility	Neutral	Successfully scaled capacity and hit IPO targets, but admitted to significant speculation on gold prices.	☐
Business Quality Signal	Improving	Transitioning to a scalable B2B partner for organized retail; 3x capacity expansion on track.	☐
Key Q&A Exchange	Q31 + Q34: Margin Reset	Mgmt admits the current 7% PAT margin is a "sugar high" from gold prices; guides 4% as core.	☐
The Street's Primary Anxiety	Absolute Profit Growth	Analysts concerned that doubling revenue to ₹4k Cr will yield almost no incremental absolute profit.	☐
Capital Cycle Stage	Investment	Massive expansion (Jaipur + Mumbai) taking capacity from 2.7k kg to 7.9k kg.	☐
Margin Trajectory	Deteriorating	PAT margins guided to contract from 6.9% in FY26 to 4.0% in FY27.	☐
Pricing Power	Stable	High-volume B2B model relies on "making charges" rather than gold price appreciation.	→
FCF Conversion & Quality	Weak	CFO is likely deeply negative due to massive inventory and receivable build-up.	☐
Competitive Moat Signals	Stable	Design-led manufacturing (400+ designs/month) and deep ties with Joyalukkas, Alukkas.	→
Balance Sheet Strength	Strong	D/E at 0.36x post-IPO; significant headspace for debt to fund working capital.	☐
Working Capital Efficiency	Deteriorating	Inventory days and debtor days both increased; 600kg inventory currently held.	☐
Mgmt Guidance Track Record	Reliable (Execution)	Delivered on Jaipur/Mumbai timelines and FY26 volume targets.	☐
Key Vulnerability	Gold Volatility	Significant unhedged inventory (600kg) makes earnings highly sensitive to gold price drops.	☐
Management Tone	Confident/ Speculative	Boldly predicting ₹1.5L gold price and aggressive capacity ramp-up.	☐

Key Takeaways: * **Positives:** Structural transition to organized retail outsourcing is accelerating; capacity is expanding 3x by Q3FY27; entry into machine-made plain gold and exports (Dubai) provides new growth levers. * **Negatives:** FY26 results were heavily inflated by inventory gains (one-off timing benefit); management guides a return to 4% PAT margins, implying absolute PAT growth will decouple from revenue growth; working capital is absorbing massive cash. * **Street Concern:** Analysts pressed hard on why PAT margins will drop to 4% despite massive scale. Management clarified that the "extra 3% margin" was purely from rising gold prices on outright-purchased stock, not manufacturing efficiency. * **Forward Watchpoint:** Monitor the ramp-up of the Marol (4,000 kg) facility; if utilization lags, the fixed cost overhead could squeeze the 4% guided PAT margin.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT available — figures sourced primarily from presentation. CFO calculated from Balance Sheet movements.*

Metric	Current Qtr (Q4FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	658.93	↑ 121.7%	↑ 3.5%	↑	Driven by onboarding new customers, volumes (+25%), and elevated gold prices.
Gross Margin (%)	11.25%	↑ 269 bps	↑ 359 bps	↑	Expansion due to higher contribution from bridal/studded jewellery and inventory gains.
EBITDA (₹Cr)	67.01	↑ 217.3%	↑ 53.0%	↑	Record quarterly EBITDA; scale benefits starting to show in operating leverage.
EBITDA Margin %	10.17%	↑ 307 bps	↑ 330 bps	↑	Support by better product mix; mgmt notes this is unsustainable without gold gains.
PAT (₹Cr)	51.93	↑ 465.3%	↑ 69.8%	↑	Massive jump due to inventory valuation (WAC) and rising gold prices.
ROCE (%)	30.20%	↑ 966 bps	N/A	↑	Improved due to higher EBIT and deleveraging post-IPO.
Volume (kg)	463.0	↑ 25.1%	N/A	↑	Growth driven by organized retail outsourcing demand.
Net Debt / Equity (x)	0.36	↓ 79.7%	N/A	↑	Deleveraged from 1.77x (FY25) due to IPO proceeds and high internal accruals.
Debtor Days	49	↓ 14.3%	N/A	↓	Slightly increased from 42 days (FY25) to support customers in volatile markets.
Inventory Days	63	↑ 43.1%	N/A	↓	Built-up stock (600kg total) to capitalize on rising gold prices and upcoming capacity.

2B. SEGMENT BREAKDOWN

Segment	Volume Share	Margin Profile	Trend	vs Avg	Key Development
Bridal/Casting (Studded)	70%	High	→	Above	Core focus for regional/national organized retailers.
Machine-made Plain Gold	30%	Low	↑	Below	New vertical (Mangalsutras, Turkish jewellery) to drive volumes.
International (Exports)	4%	Moderate	↑	Below	Dubai hub being established; targeting 10-20% share in 2 years.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	FY27: ₹3,000–3,500 Cr	Needs ~₹800 Cr/qtr; currently at ₹659 Cr.	FY26 beat (₹2,019 vs ~₹1.8k expected).	Medium (Gold price dependent)
Guidance	Margins	PAT Margin: ~4.0%	Consistent execution at lower margins.	FY26 actual (6.9%) significantly beat.	High (Margin contraction)
Guidance	Volume	FY27 Growth: 30–40%	Target ~2,300–2,450 kg for FY27.	FY26 Volume grew 15.2% YoY.	Low (Orders secured)
Guidance	Capacity	Total: 7,900 kg pa	Jaipur +1.2k (Oct), Marol +4k (June/July).	On track with IPO timelines.	Low
Strategy	Exports	10–20% of revenue	Requires ₹300-600 Cr in export sales.	Current share only 4%.	High (Geopolitical delay)
Balance	Debt/ Equity	Target max 1.0x	Can add ~₹400 Cr of debt for WC.	Currently very under-leveraged (0.36x).	Low

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Narayana, StepTrade	Volume vs Value	Business Overview	"Excluding the price inflation of gold, what would be the way moving forward?"	Management expects 30-40% volume growth and 60-70% value growth in FY27 based on current prices. This suggests a heavy reliance on realization gains to hit the ₹3.5k Cr revenue target.	None	4.0	Quantified target
3	4.5	Bharat, Moneycontrol	Capacity Timeline	Capex	Production start dates for Jaipur and Marol plants.	Marol (Mumbai) facility starts in ~1 month (June '26); Jaipur facility expected by Sep/Oct '26. Faster commissioning of the 4k kg Marol plant is a positive catalyst for FY27 volumes.	None	5.0	Specific timeline
4	5.0	Bharat, Moneycontrol	Sustainable Margin	Financials	"What is the sustainable net profit... that you foresee?"	Management admitted current 6.9% PAT margin is inflated; core PAT margin is guided at ~4%. This implies a significant earnings quality reset that the market may not have priced in.	None	4.0	Vital admission
12	3.5	Preesha, Shah FO	Capital Structure	Capex	Incremental borrowing requirements	Management is comfortable taking Debt/	None	4.0	Clear leverage cap

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					for expansion.	Equity up to 1.0x to fuel the 3x capacity expansion. High leverage on unhedged gold inventory could increase risk during price corrections.			
15	4.0	Anshul, Saigal Capital	Inventory Strategy	Strategy	"What is the model of sourcing for you?"	Management purchased gold outright with IPO proceeds due to geopolitical risks, avoiding gold metal loans (GML). This unhedged posture explains the "windfall" profits in FY26 but leaves them vulnerable if prices drop.	None	4.0	Strategy shift
17	3.5	Anshul, Saigal Capital	Client Acquisition	Business Overview	Why is Titan/Tanishq missing from the client list?	Management plans to approach Titan and other Tier-1 players only after the new large-scale factories (Marol) are operational. Lack of top-tier OEM status is a current limitation but a future opportunity.	None	3.0	Aspirational
22	4.0	Bharat, Moneycontrol	Working Capital	Financials	Maximum debt levels for working capital.	Management aims for a 1:1 D/E ratio to support the	None	4.0	Transparent

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						ramp-up; current D/E of 0.36x provides ₹350 Cr+ of borrowing headroom. WC intensive nature of the B2B model is the primary limit to growth.			
25	4.5	Subhanu, 3 Head Cap	Gold Speculation	Governance	Why guide 60% value growth vs 40% volume? (Are you speculating on gold?)	Management explicitly admitted they are expecting gold to reach ₹1.5L and have positioned inventory accordingly. High-risk "speculative" tone regarding commodity prices rather than just manufacturing.	None	2.5	Speculative posture
33	5.0	Achyut	PAT Growth Math	Financials	Why does doubling revenue only lead to 15% PAT growth?	Management confirmed that adding ₹2,000 Cr of new revenue at 4% margin yields only ₹80 Cr core PAT, while losing the ₹60 Cr "inventory gain" of FY26. Total absolute PAT growth in FY27 will be muted despite the top-line surge.	None	4.0	Critical math check
35	4.0	Chirayu	Inventory Position	Financials	"How much inventory in kilos are we left with now?"	Total inventory and debtors combined represent 600kg of gold.	None	5.0	Quantified

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						This massive "long" position is the primary driver of both potential gains and downside risk.			

PATTERN FLAGS & SENTIMENT Analyst questioning centered heavily on the **sustainability of margins** and the **speculative nature of gold inventory**. Analysts were quick to spot that while revenue is doubling, the guided PAT for FY27 (₹130-160 Cr) is barely higher than the FY26 PAT (₹140 Cr). Management's posture was confident but aggressive, leaning heavily on the view that gold prices will continue to rise to ₹1.5L.

Analyst Sentiment Verdict: Skeptical on earnings quality, but impressed by execution. The primary friction point was the "4% PAT" guidance which implies a low-margin B2B business model, contrasting with the stellar headline numbers. Credibility is mixed—execution is flawless, but the "unhedged inventory gamble" is a volatility risk that long-term investors may find uncomfortable.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior context provided. Baseline established this quarter.

What Changed	Prior Quarter	This Quarter	Direction
Inventory Accounting	N/A	Switched from FIFO to WAC	Neutral
Capacity Target	2,700 kg	7,900 kg (Upcoming)	↑ Improving
Sustainable PAT Margin	N/A	Guided at 4% (vs 7% reported)	↓ Deteriorating
Debt Profile	1.77x D/E	0.36x D/E	↑ Improving
Product Mix	Studded only	Added Machine-made & Turkish	↑ Improving

EARNINGS QUALITY CHECK: * PAT: ₹140.2 Cr. * Inventory Increase: ₹213.6 Cr. * Receivables Increase: ₹181.2 Cr. * Implied CFO: Deeply negative (~ -₹250 to -₹300 Cr). The business is consuming cash faster than it generates profits due to the inventory pile-up and debtor cycle expansion. This confirms the "Inventory Gamble" thesis.