Shanti Gold International Ltd — Nov 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue, Miss on Core Margin **One-line:** The structural growth thesis remains intact as Shanti Gold scales its manufacturing platform, but the "margin reset" is now fully visible, transitioning from a high-margin designer-led model to a lower-margin, volume-heavy "ready-stock" utility.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline (Revenue)	H1 Revenue □1,462.33 Cr is ~43% of the mid-point FY27 target (□3,350 Cr); needs a strong festive H2.	□
Earnings Quality	Low (Working Capital/Inventory)	H1 PAT of □80.04 Cr is overshadowed by a ~□355 Cr increase in working capital (Inventory + Receivables) since March.	□
Guidance Confidence	Neutral	Management maintains □3,200–3,500 Cr revenue target but admits EBITDA will settle at 5–7%.	□
Management Credibility	Neutral	Successfully commissioned Marol; however, Jaipur facility is delayed again (pushed from Nov to Jan/Feb).	□
Business Quality Signal	Stable	Structural shift to organized retail B2B continues; volume up 25.4% YoY.	□
Key Q&A Exchange	Q21: Margin Comparison	Mgmt admits competitors have higher margins (8%) while Shanti sits at 5.7% due to "growth and investment phase."	□
The Street's Primary Anxiety	Margin Compression	Analysts pressed on the drop from 10% (Q1) to 5.7% (Q2) EBITDA; mgmt blames product mix and ramp-up costs.	□
Capital Cycle Stage	Investment	Rights Issue (□99.83 Cr) and Jaipur capex indicate heavy investment to capture market share.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margin collapsed from 8.55% (Q2FY26) to 5.70% (Q2FY27); ROCE likely to follow as asset base swells.	□
Pricing Power	Eroding	Moving toward machine-made plain gold and high-volume lines to compete, sacrificing making charges.	□
FCF Conversion & Quality	Weak	CFO/PAT is deeply negative; business remains a "working capital sponge" to maintain "ready-stock" moat.	□
Competitive Moat Signals	Widening (Scale)	6,700 kg current capacity + Jaipur expansion creates a scale barrier that unorganized players cannot match.	□
Balance Sheet Strength	Adequate	Rights Issue proceeds helped keep D/E at 0.5x, providing headroom for H2 working capital needs.	□
Working Capital Efficiency	Deteriorating	DIO and DSO both appear to be stretching to accommodate "ready-stock" and retail partner growth.	□
Mgmt Guidance Track Record	Reliable on Volume	Consistent volume growth (43% CAGR); less reliable on margin stability and capex timelines.	□
Key Vulnerability	Jaipur Delay	Further delays in the 1,200 kg Jaipur facility could lead to a revenue miss for the □3,500 Cr target.	□
Management Tone	Confident & Expansionary	Focused on "10x growth in 5 years" and "sky is the limit" for market share.	□

Key Takeaways: * **Positives:** The revenue growth trajectory (+73% YoY) confirms Shanti Gold is successfully capturing the B2B outsourcing trend of large retailers (Joyalukkas, Lalithaa). The Rights Issue has de-leveraged the balance sheet (D/E 0.5x) just in time for the high-demand H2 festive season. * **Negatives:** The "Margin Reset" is real—EBITDA margins dropped to 5.7% from 9.97% in Q1, as inventory windfalls vanished and lower-margin product lines grew. The business model is fundamentally cash-consumptive; OCF remains negative as the company builds "ready stock" to lure B2B clients. * **Street Concern:** Analysts are highly skeptical of the widening gap between top-line growth and bottom-line efficiency. Management's response—that this is a "transitional phase" due to new facility ramp-up—will be tested in Q3/Q4. * **Forward Watchpoint:** The Jaipur facility (machine-made plain gold) is the next growth lever; any further delay beyond Jan/Feb 2027 will severely impact the FY28 growth outlook and fixed-cost absorption.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures are primary. Concall used for Mgmt Commentary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	745.95	↑ 73.4%	↑ 4.1%	↑	Growth driven by 25% volume increase and expansion in West/North India markets.
Gross Margin (%)	6.50%	↓ 311 bps	↓ 439 bps	↓	Q1 (10.89%) was aided by inventory gains; Q2 reflects normalization to a volume-led mix.
EBITDA (□Cr)	42.52	↑ 15.6%	↓ 40.5%	↓	Absolute growth YoY, but sharp QoQ drop as one-off inventory gains from Q1 did not repeat.
EBITDA Margin %	5.70%	↓ 285 bps	↓ 427 bps	↓	Normalizing toward guided range of 5–7% as machine-made lines ramp up.
PAT (□Cr)	29.56	↑ 13.5%	↓ 41.4%	↓	Impacted by higher finance costs (□8.48 Cr) due to increased working capital debt.
EPS (□)	3.99	↓ 45.3%	↓ 43.0%	↓	Impacted by rights issue dilution (4.64 Mn shares) and lower quarterly PAT.
CFO/EBITDA (%)	Negative	First Entry	N/A	↓	OCF remains negative; Inventory grew □183 Cr and Receivables grew □172 Cr in H1.
Net Debt/Equity (x)	0.50	↑ 39%	→	↓	Rights issue proceeds (□99.83 Cr) kept D/E stable despite rising gross debt.
Volume (kg)	535.5	↑ 25.4%	↑ 2.6%	↑	Scaling manufacturing platform to meet organized retail demand.
Capacity Utilization	~75%	First Entry	N/A	→	Andheri facility near full; Marol facility currently in ramp-up phase.
International Rev (%)	7.0%	↑ 300 bps	First Entry	↑	Export revenue doubled in H1 (□82 Cr); Dubai office awaiting full operation.
Interest Coverage (x)	5.01	↓ 42.5%	↓ 60.2%	↓	Coverage dropping as company adds debt to fund inventory buildup.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Domestic	693.73	~70%	Standard	→	Inline	Aggressive expansion in North India hub.
International	52.22	~100%	Moderate	↑	Below	Dubai office to be the "gateway" for US/UAE corridors.
Designer/ Turkish	Not Stated	High	High	→	Above	Flagship line featuring authentic Turkish artisans at Marol.
Plain Gold	Not Stated	Rapid	Low	↑	Below	Machine-made lines focused on high-volume urban demand.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	FY27: □3,200–3,500 Cr	Needs □1,738–2,038 Cr in H2; requires ~□938 Cr/qtr (25% higher than Q2 run-rate).	Reliable	Medium
Guidance	Margins	EBITDA: 5–7%	Q2 at 5.7%; feasible if utilization and mix improve in festive H2.	Mixed	High
Guidance	Volume	25–30% Growth	H1 Actual: 41%; currently beating the required run-rate.	Strong	Low
Guidance	Capex Plan	Jaipur: Jan/Feb 2027	Facility was previously guided for earlier; interior work is the current bottleneck.	Delayed	High
Strategy	Capital Alloc.	1.0x D/E Ceiling	Currently at 0.5x; has headroom for ~□400 Cr additional borrowing for H2.	Consistent	Low
Strategy	Treasury	Ratsnaveer/Lalithaa Inv.	□18 Cr investment claimed as "treasury move," not strategic diversification.	One-off	Medium
Macro	Organized Shift	"Sky is the limit"	Targeting shift from unorganized (65%) to organized retail.	Consistent	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Hina Parekh, Starklume	Growth Drivers	Mgmt Outlook	"What were the key drivers behind [100% H1 growth] and is it sustainable?"	Mgmt credited customer acquisition, capacity expansion, and industry formalization for the growth. This confirms the top-line story is capacity-led; sustainability depends on H2 festive absorption.	None	4.0	Direct
2	4.5	Prisha Shah	Working Capital	Financials	"How do you anticipate the working capital cycle to evolve in coming quarters?"	Mgmt admitted the industry is working-capital intensive and they will use a mix of debt and gold metal loans (GML) to fuel growth. This implies CFO will likely remain negative in the near term as inventory builds.	None	3.5	Honest on intensity
3	4.0	Bhavya Aggarwal	Debt Levels	Financials	"Can you please elaborate on the key factors driving higher working capital... and expectation for borrowing levels?"	Mgmt noted that Marol ramp-up required higher debt but confirmed a 1.0x D/E ceiling. Investors should monitor if borrowings exceed ₹800 Cr, which would signal working capital stress.	None	4.0	Quantified ceiling
4	4.5	Lavita Lasrado	Margin Reset	Financials	"Considering the gold prices fall,	Mgmt guided for a sustainable	None	4.0	Margin reset

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					what would be our sustainable margins going forward?"	EBITDA range of 5-7% across the evolving product mix. This reset de-rates the stock from a "designer" multiple to a "manufacturing utility" valuation.			
5	3.5	Shruti Sharma	Demand Mix	Business Overview	"Have you noticed any shifts in customer ordering patterns... in response to recent fluctuations in gold prices?"	Mgmt claimed design-led value protects them from price fluctuations as retailers still need fresh inventory. This suggests high inventory turnover is more critical than price-speculation gains.	None	3.0	Qualitative
6	4.0	Divya Daga	Export Volume	Mgmt Outlook	"What is the expected revenue from exports in coming years?"	Mgmt expects international share to settle at 6-7% this year, with significant jumps next year once the Dubai office is fully operational. This adds a "valuation kicker" for next fiscal but remains a minor contributor today.	None	3.5	Aspirational
7	4.5	Preeyam Tolia	Inventory Cost	Financials	"What is the current average cost	Mgmt stated the average holding cost is approximately	None	5.0	Specific

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					of inventory as of now?"	₹13,500 per gram. This reveals a potential margin cushion if gold stays above ₹14,000/10g in H2.			
8	4.5	Mahek, KLM	Operating Leverage	Mgmt Outlook	"Do you expect the operating leverage... to support this margin recovery?"	Mgmt explained current margin compression is "transitional" due to upfront costs for Marol and Jaipur. Margin improvement in H2 is contingent on hitting 75-80% utilization across all facilities.	None	3.5	Plausible
9	4.5	Anshul Thakkar	Hedging Policy	Financials	"Do we do anything else except... with MCX?"	Mgmt clarified they rely on "natural hedging" and inventory discipline rather than aggressive derivatives. This increases P&L sensitivity to sudden gold price crashes compared to peers who use 100% GML.	None	3.0	Natural hedge
10	4.0	Varth Sanghavi	Related Party	Governance	"Why we have 2 promoter level company [Utssav]... do we have any product overlap?"	Mgmt claimed different management teams and product lines (Utssav = CZ/ Rose Gold) prevent overlap. Investors must	None	3.0	Defensive

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						remain vigilant for related-party transactions (RPTs) given the similar B2B operating spaces.			
11	4.5	Saurabh Gupta	Competition/ Utssav	Governance	"Why don't you merge into one company to have a basically better operating leverage?"	Mgmt is "not against merging" but currently maintains separate entities due to management differences. A future merger could be a significant rerating trigger by consolidating the B2B jewelry ecosystem.	None	3.0	Open-ended
12	4.0	Saurabh Gupta	Jaipur Margins	Capex	"Jaipur facility... that means that might decrease the margin further?"	Mgmt countered that Jaipur will have a varied product mix, not just low-margin chains. This suggests the 5-7% EBITDA guidance already factors in the Jaipur ramp-up.	None	3.0	Confident

PATTERN FLAGS & SENTIMENT * **The Margin Anxiety:** A recurring cluster of questions focused on why EBITDA margins dropped from ~10% (Q1) to 5.7% (Q2). Management was defensive but consistent, labeling the drop as "transitional" due to scaling and product-mix diversification. The resolution remains pending until Q3/Q4 results show if scale actually brings leverage. * **The Governance Shadow:** Analysts probed the existence of *Utssav CZ* (another promoter-held listed entity). Management’s refusal to rule out a merger while insisting on "different managements" suggests a potential future restructuring but leaves a current "conflict of interest" overhang. * **Working Capital Friction:** Analysts expressed concern over rising debt and negative cash flows. Management’s posture was firm: "More capital = More business." This confirms the company will continue to be a consumer of cash as long as it chases its □10,000 Cr long-term vision.

Analyst Sentiment Verdict: Skeptical but intrigued. Analysts were impressed by the 100% H1 revenue growth but deeply skeptical of the 300bps margin collapse and the Jaipur delays. Management's credibility on growth is high, but they have a "show me" status on margin recovery and cash flow generation.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Jaipur Timeline | Nov 2026 completion | Jan/Feb 2027 start | 2-3 month delay | Medium - could impact FY27 exit run-rate. | | EBITDA Margin | 7.5% - 8.0% (Guided Q1) | 5.0% - 7.0% (Revised Q2) | 200 bps reduction | High - impacts bottom-line growth. | | Hedging Strategy | Restarting GML | 15-20% Hedged | Lower hedge than peers (30%+) | High sensitivity to gold price. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY27)	This Quarter (Q2FY27)	Direction
EBITDA Margin	9.97%	5.70%	↓ Deteriorating
PAT Margin	7.05%	3.96%	↓ Deteriorating
Jaipur Timeline	Nov 2026	Jan/Feb 2027	↓ Deteriorating
Capital Structure	Pre-Rights Issue	Post-Rights Issue (₹100 Cr)	↑ Improving
Inventory Levels	₹481 Cr (June-26)	₹531 Cr (Sept-26)	↓ Deteriorating
Export Share	4.0%	7.0%	↑ Improving
Hedging Mix	FIFO-led (Natural)	Increasing GML (15-20%)	↑ Improving

Investor Notes: * **Thesis Integrity:** The growth engine is firing (volumes up 41% in H1), but the "quality" of growth has shifted. Shanti is no longer a high-margin niche player but a massive B2B utility. * **Cash Flow Trap:** H1 PAT of ₹80 Cr resulted in zero cash inflow as it was entirely absorbed by a ₹355 Cr swing in working capital. This business requires external equity/debt to grow; it does not currently self-fund. * **The "Utssav" Factor:** The existence of a parallel promoter entity in the same space remains a long-term governance watchpoint, though mgmt hinted at a possible eventual merger. * **Valuation Anchor:** With PAT margins settling at 4%, the company needs to hit its ₹3,500 Cr revenue target to justify current valuations. Any revenue miss in H2 will be doubly painful due to the lower margin base.