Goldiam International Ltd

MANUFACTURERS & EXPORTERS OF DIAMONDS & JEWELLERY

CIN:L36912MH1986PLC041203

November 11, 2024

To, BSE Limited PhirozeJeejeebhoy Towers, Dalal Street, Mumbai- 400 001. **Scrip Code: 526729**	To, National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Mumbai- 400 051. **Scrip Code: GOLDIAM EQ**

Dear Sir/Madam,

Sub: <u>Transcript of Earnings call on Unaudited Financial Results (Consolidated and Standalone) for the quarter and half year ended September 30, 2024 held on November 7, 2024 at 4.00 pm.</u>

In continuation to our intimation dated October 31, 2024, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a transcript of the Earnings Call held on November 7, 2024 on unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter and half year ended September 30, 2024.

Please take note that during Earnings Call held on November 7, 2024 at 4.00 pm, in replying to one of the question of investor on inventory valuation/appreciation (on page no. 4,16 & 19 of Transcript attached herewith), our Executive Chairman Mr. Rashesh Manhar Bhansali, erroneously read that appreciation of inventory of Rs.15 Crore instead of Rs.15 Million.

Kindly take the above on record and oblige.

Yours faithfully,
For **Goldiam International Limited**

PANKAJ PARKHIYA

Digitally signed by PANKAJ PARKHIYA
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"Goldiam International Limited

Q2 FY '25 Earnings Conference Call"

November 07, 2024

MANAGEMENT: **MR. RASHESH BHANSALI – EXECUTIVE CHAIRMAN -- GOLDIAM INTERNATIONAL LIMITED**
MR. ANMOL BHANSALI – MANAGING DIRECTOR -- GOLDIAM INTERNATIONAL LIMITED

MODERATOR: **MR. RAHUL DANI -- MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY25 Earnings Conference Call of Goldiam International hosted by Monarch Networth Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Dani from Monarch Networth Capital. Thank you and over to you, sir.

Rahul Dani: Thank you, Rituja. Good afternoon, everyone. On behalf of Monarch Networth Capital, we are delighted to host the senior management of Goldiam International.

We have with us Mr. Rashesh Bhansali, Executive Chairman, and Anmol Bhansali, Managing Director of the company. We will start the call with opening remarks from Rashesh, sir, and then move to Q&A. Thank you and over to you, sir.

Rashesh Bhansali: Thank you, Rahul. Good evening and a very happy new year to all our valued participants today. Hope all of you had a wonderful Diwali. Welcome to Goldiam's Q2 and H1 FY25 earnings call. I would like to thank Monarch team for hosting this call. Let me start by sharing our excitement of launching our first ORIGEM store, our retail initiative of lab-grown diamond jewellery in India.

We opened our first store in Borivali on LT Road on the auspicious day of Dhanteras to a great response. In its first 10 days of operations, the store achieved approximately Rs. 25 lakhs in sales. We are on track to expand further with two additional stores in Khargar and Bandra, which is Turner Road, and plan to roll out additional 10 to 12 new stores across key locations in the next six months to strengthen our market presence in retail.

Coming to our Q2 and H1 performance, Goldiam reported a consolidated revenue increase of 19% for H1 FY25 with an EBITDA growth of 21%, reflecting a stable EBITDA margin at 22.1%. The first half also saw an 8% increase in PAT. Consolidated revenue for Q2 saw only a marginal increase due to shipment delays caused by flight alterations and cancellations to the US, impacting our consolidated sales.

These sales have since been recorded subsequently in October 2024. Excluding the shipment delays, the company would have posted a significant 38% revenue growth for Q2 as well. Despite such shipment delays to the US impacting our Q2 revenue, we posted a 34% standalone revenue growth and a 74% rise in standalone PAT.

Lab-grown diamond jewellery has become a dominant part of our revenue, contributing 77% of Q2 revenue, with 21% generated from online channels. Our order book at the end of Q2 stands at approximately INR270 crores, expected to be fulfilled in the next few coming months, which bodes well with our growth outlook. Our cash-and-cash equivalent position, including investment, stands at INR276 crores as on September 30, and I think this remains quite robust.

On the outlook front, we remain very optimistic about the future. With the onset of the festive season in the US, looking ahead, we are confident that the upcoming quarter will be Goldiam's best to date, underscoring our belief in the sustained demand for lab-grown diamonds among our US retail partners. Concerns regarding decline in lab-grown diamond prices, in our view, appear to be largely overstated.

Finally, I would like to congratulate our team on setting up its first retail store, ORIGEM, marking Goldiam's entry into our own country into retail. The team is committed and geared for a rapid expansion of stores at key locations to make ORIGEM a significant player in lab-grown diamond studded gold jewellery retail space in India. With that overview, I am pleased to open the floor for questions. Thank you all.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Khush Gosrani from Incred Asset Management. Please go ahead.

Khush Gosrani: Hi, sir. Thank you for the opportunity. Sir, could you help us to understand why your LGD realisations have come down in this quarter?

Rashesh Bhansali: Sorry, I didn't hear you. Can you say that again?

Khush Gosrani: Yes. Hi, sir. Can you let us know why have your LGD realisations come down in this quarter? So, lab-grown diamond realisations have come down from $821 in last year to $660 in this quarter.

Rashesh Bhansali: So, lab-grown diamond realisations have gone down is because our biggest exports this quarter has been of more half-carat centres and one-carat centres, right, because we are doing a special promotion with the world's largest retailer and so for that the LGD realisations have gone down. So, these realisations are not as the revenue per item.

Khush Gosrani: Okay. Sir, could you also highlight how is the demand situation right now in the US because we are seeing a lot of consumers feeling the pinch and delinquencies have increased. So, how is the demand environment over there?

Rashesh Bhansali: So, honestly, the demand for lab-grown diamond has increased multifold and consumers in America are buying lab-grown diamond because that is their choice of diamond today over natural diamonds. So, two things. One, it is far more better for their pocket to go out and buy lab-grown diamonds and second, it's exactly the same thing physically, chemically, optically, which is known to everybody in the world today. So, these are the reasons why I think even with any issue with recession or if at all anything such things happen, lab-grown will still continue to be the diamond of choice.

Khush Gosrani: Got it, sir. And in India, how do you see the competition? You are now opening up new stores as well, the origami store.

Rashesh Bhansali: I will ask our Managing Director to take this.

Anmol Bhansali: Sure. Thank you for the question, Kush. So, in India, we see competition slowly coming up. We believe we have a very good platform at ORIGEM because we are tying and marrying together the expertise of Goldiam which has decades of experience in jewellery manufacturing along with financial capital with a very strong professional team's experience in the retailing space.

The investments we have made to get a really top-of-the-line team together and empower them to take decisions and step-by-step slowly and steadily gain traction in this space gives us strong belief that we will be able to give a better offering and a stronger retail presence compared to competition with time. So, at the moment, yes, there are players entering in the retail space, but I think it's just a scratch on the surface.

There is such a huge market left to explore and there is so much growth coming ahead with retail of lab-grown diamond jewellery in India that we more than welcome competition. It makes the cost of educating customers far lower and amortizes it over all of our outlets.

Khush Gosrani: And one clarification, the sales -- the store sale was INR25 lakhs, right?

Anmol Bhansali: Yes, that's correct. In the first 10, 12 days, Yes.

Khush Gosrani: Got it. Thank you. I'll get back in queue.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi: Yes. Hi. Thanks for the opportunity. Sir, my first question is regarding the absolute number that we would have missed out in the quarter in terms of revenue, if you can just help, would it be in the range of INR40 crores to INR45 crores?

Rashesh Bhansali: Yes, absolutely.

Bhavya Gandhi: Right. And also I just wanted to understand what has led to better gross margins, if you can just help us understand.

Rashesh Bhansali: Sure. So there are two things that has actually led to improve our gross margins by 8 percentage is the reasons are because we have bought a lot of discounted diamonds from people who could not sell their inventory. So we were able to buy our inventory, raw material much, much cheaper, so we could pay cash immediately and buy that cheaper and we got much better realization. So, that is one strong reason for our percentage to go up.

And the second thing, everything under 2 carat in lab grown, right, have stopped falling and have started rising in price. So even when we recalculate, as you are all well aware that we revalue our inventory every quarter, right. So we have revalued our inventory by an additional INR15 crores because this is what we are exactly paying today to buy these diamonds. And they are still below cost. So it is absolutely perfect for us to do it.

Bhavya Gandhi: Okay. Fair enough. And sir, just if you can throw some light on the natural diamond side, how is it panning? Because over there also we see some realization drop from $423 to $387.

Rashesh Bhansali: Right. So when in the natural diamonds, they have -- we have personally sold -- whatever we sold, 20% of our business, 21% of our business continues to be natural diamonds, as you have seen, as 77%, 78% is lab grown. So even there the realization has gone down a little bit because we have sold more smaller diamond qualities, smaller diamond rings with smaller diamonds. So, that is the reason that has happened.

Anmol Bhansali: If I can just add on here. What we are seeing in terms of consumer behavior is that natural diamonds is, because the price difference as you go smaller and smaller in diamond sizes becomes less and less between lab grown and natural diamonds. So with the more middle income and affordable US customer in America, natural diamonds seems to have some hold in the smaller diamond sizes and the extremely low lightweight jewellery and even in terms of diamond carats. So this I think reflects that trend. As you go higher on price point, the customer has made it his or her decision to move into lab grown diamonds.

Bhavya Gandhi: Fair enough. And also, one large retailer, Trent, has entered the LGD space with its brand POME, where they are selling -- average invoice value is closer to INR20,000, whereas our invoice value is expected to be around INR50,000. So they are silver-based jewellery. If you can throw some light, how will we sustain competition going forward? I understand it's a different format in which they are selling, but still if you can throw some light on that.

Anmol Bhansali: Sure, Bhavya. To address that, so to start with, ORIGEM is benchmarked against gold -- diamond studded gold jewellery. So everything that we will be offering, whether that's online or in-store, will be in 14KT or 18KT. We are currently not launching any products in silver. That immediately gives, I think, a much better proposition and value proposition to the customers because it puts you in the same realm as not fashion jewellery, but in the same realm as fine jewellery, which is where we really want to play, build our business and create a strong distribution in this segment.

In that sense, we don't see an immediate real crossover between the strategy of doing silver-based lab diamonds as compared to gold-based lab grown diamonds. However, yes, we are keeping an eye. And as and when we see anything disruptive to which we need to react, we will create some strategies to address that.

Bhavya Gandhi: Sure. Also on the other expenses, if you can throw some light, that is risen by 58%. I understand that would be tantamounting to the retail upfront cost. But if you can just throw what is the corporate expenditure that was there for the quarter and how much was the retail spending, upfront retail spending, if you can throw the bifurcation between the two?

Rashesh Bhansali: I mean, for exact numbers, Bhavya, we'll have to get back to you. I'll be very happy to send these numbers tomorrow to you. But just to give you often why expenses were up is number one, as you rightly said, retail expenses, right? For the team of retail, those expenses have started kicking in, number one.

Number two, our CEO in USA, right, his salary has increased. So that's another thing that the reason why that has gone up. And third thing, since business has gone up, we had to hire a lot of contract manufacturing workers to take up for the demand. And an additional funds have gone to these contractors who have met with our jewellery demand for timely dispatches of jewellery.

Bhavya Gandhi: Okay, fair enough. Just one last thing, if I can squeeze in, with respect to Signet Group, if you can help us understand, have we increased our penetration within Signet Group, which is the largest jewellery whom we provide jewellery, if you can provide some Y-o-Y data.

Anmol Bhansali: Absolutely, Bhavya. Our intention and plan was always to, without addressing any one retailer in particular. But yes, you're correct. We have -- our idea and our plan and strategy was to increase penetration and increase dollars per store that with our current retailer presence. So in that light, yes, we have increased the distribution depth with not just the retailer you mentioned, but a few of our other marquee retailers as well.

Y-on-Y, I can share the data, but it matches our overall top line growth. And I think further illustration of that will come in, in the forward quarters as well where you will be able to see the sort of market share growth that we have gained. This is, again, in light of an industry and in an industry where revenue has fallen for some of our largest customers. So we believe it's not just -- our revenue growth doesn't showcase our true market share growth, because we've even taken up even more as overall industry top line has fallen slightly.

Bhavya Gandhi: Right. And just one last thing with respect to Trump coming in as the US President, do we envisage any increased duty on diamond exports to US?

Rashesh Bhansali: You see, at the moment we don't because India and US share some very bilateral and good relations with Mr. Modi, our Prime Minister as well as Mr. Trump. So I think more or less we will see China having more issues than I don't think we'll have those issues with that. But even in case if there is a duty increase, it gets passed on to the retailer and they pay for the duty.

Bhavya Gandhi: Okay, fair enough. Yes, thank you. That's it from mine. I'll get back to queue.

Rashesh Bhansali: Thank you, Bhavya.

Moderator: Thank you. The next question is from the line of Riken from Capri Global. Please go ahead.

Riken: Hi, sir. Thank you so much for the opportunity. I just wanted to first understand this comment regarding the business which was impacted during the quarter because of shipping delays. If you can elaborate a little bit more as to what has really caused those delays. And given that we supply directly to the retail stores, how did that impact the overall sales and the market relationship with the client? And basically, is this a lost sale or do you see that the overall annual sales will still be maintained and it just got shifted? If you can help understand a little more.

Rashesh Bhansali: I will take this answer. So now, Goldiam at the end of the quarter exported goods between INR40 crores to INR45 crores, right, to our subsidiaries, Goldiam USA, which is our 100% owned subsidiary. Now, when we exported the Air India delayed shipping because of all these Air India flight cancellations. So, we lost two days, right, in getting the goods to America. Now, when the goods did reach America, right, there are certain amount of days where our subsidiary, Goldiam USA, can ship to these retailers, right, in their warehouse.

So, there's only a certain day where the warehouses are open to receive shipments from an international supplier. So, clearly, because of those two days flight delays, we had to delay that shipment by an additional week for getting it to the warehouse. And that's when 30th September date came in and got out. And we could not book that sale, right, for that date. And it got booked subsequently in the next seven to eight days, right. There is no order cancellation.

The customers have accepted the goods. We were well before time, right? The only difference was that it reached USA two days later and one day prior to our warehouse shipping dates to the large retailers. And then we had to ship it a week later. And a week later, we missed the 30th September reporting date as per India.

Riken: Understood, sir. So, does that basically imply that, of course, now that you've done that in the first week of October and inherently there is that growth, which you have any which way is guided. So, that full year growth basically will still be maintained or actually it could even be better because in the second quarter, effectively, you need to say about a 38% growth. It is better than what you get for the full year. So, what do you expect for the full year in terms of growth, sir?

Rashesh Bhansali: No, we expect a very good because this this is only a transfer of business is just transferred from Q2 to Q3, right? But nevertheless, the business is very strong. The order book is very robust and we expect to do pretty well in the next quarter as well. In fact, in my statement opening remarks, I already said that this could be one of the best quarters our company has ever seen.

Riken: Understood, sir. And just another, follow up on that same point. So, given that there was this, improvement in gross margins, but given that some sales got moved to the next quarter, when you report these sales in the next quarter, you would see there is a potential for even further improvement in operating margins.

Rashesh Bhansali: You see, we have retail expenses being kicked in by now, right? We have a full-fledged team that works for us. So, some expenses will kick in because I'm sure we would have opened a couple of more stores, minimum three more stores by the, hopeful to open at least three more stores by the end of my next reporting to you all, right?

And so those expenses will kick in and the rest of the business is doing pretty well. We are not seeing margins impacted. We've been very happy with that 22% EBITDA, though we always maintain that the company strives to work anywhere between 18% to 22% EBITDA and we hope to maintain that.

Riken: Got it. Maybe just if you can clarify on this one point, that basically this gross margin improvement, which you saw in the second quarter, is this a more sustainable trend?

Rashesh Bhansali: The gross margin improvement that you saw in this quarter, yes, I do believe it could be more sustainable if the diamond prices stay where we are and where it is valued at. Absolutely.

Riken: Got it. That is very helpful. And sorry, I joined the call a bit late, so I might have missed if you have given any flavour about the store opening…

Rashesh Bhansali: We will ask the Managing Director to talk about ORIGEM and the store opening. Anmol.

Anmol Bhansali: Sure. Thank you, Mr. Riken. We've opened our first store in Borivali in a very good location. We are absolutely right next to Tanishq and in a great shopping location on LT Road. In the first 10 to 12 days, the store is registered about 25 lakhs of sales, which we think is a very, very good and fantastic number. Of course, this includes the uptick that we saw in Dhanteras when we opened just prior to that day.

And we are very excited given the response and we look forward to testing more concepts, particularly in Kharghar, which is opening up in this month, where we will be testing a more lower priced, lower ASP concept. And then Turner Road, Bandra, where we'll be testing a higher priced, higher ASP concept. So we have all these in work along with our website launching in this month in November as well.

So, all good to go. And our team is working hard to get data in and start, seeing and understanding where our country is and where our customers are accepting lab-grown.

Riken: Great to hear that and all the best to the team. Thank you so much.

Anmol Bhansali: Thank you, Mr. Riken.

Moderator: The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Yes, thanks for the opportunity and first of all, congratulations for the India operations. My first question is just a clarification. So you mentioned that INR40 crores to INR45 crores revenue shifted to third quarter. So when we give this INR270 crores order book as of 30th September, does that include this INR45 crores or this is excluding that INR45 crores?

Rashesh Bhansali: It excludes because it has already been shipped out of India. This is the Indian order book. So because it has been shipped out of India, it has been removed from the order book.

Dixit Doshi: Okay, thanks. And my second question is regarding the first store that we have opened. If you can broadly mention the size of the store and the cost matrix, I mean, what kind of rent and other running expense we are looking at annualize?

Rashesh Bhansali: Anmol.

Anmol Bhansali: Sure, I can take that. It's about a 950 to 1000 square feet store. So the details of it, we've taken a very good location, which is about INR800 per square foot rent. So that's our current rental at Borivali. And regarding the fixed expenses, we can get back to you later on tomorrow.

Dixit Doshi: Okay, and just one wanted to understand your thoughts. So, we have seen almost all the LGD brands are present in Borivali. So, I mean, any particular reason of opening a store where almost I mean, there are lanes where almost everyone is next to each other.

Anmol Bhansali: So, thanks, Mr. Doshi. Borivali is a great shopping market for jewellery. The entire LT Road and Gulmohar Road sort of intersection has got fantastic traction for jewellery shoppers. And it includes a lot of high intent shoppers, as well as people who already know about the LGD category. So we believed it would be a good location to start and to test our concept. And from there, of course, take it take it further on to other concepts in different locations. So that's really the main idea.

Dixit Doshi: Ok that’s it. Thank you.

Moderator: Thank you. The next question is from the line of Vinamra Hirawat from JM Financial. Please go ahead.

Vinamra Hirawat: So, with the expenses associated in your B2C business, you know, you should be running at a negative EBITDA margin in the B2C business for at least a couple of years. While substantially increasing your sales. So, my question is, where do you see consolidated EBITDA margin a year from now since the B2C business will have a negative EBITDA margin for some time?

Rashesh Bhansali: Sure, I'll take that. So, what we are looking at, we are seeing growth in our businesses that we are doing for export of labyrinth diamond jewellery. And we are seeing a strong take on all those and a good margin expansion that we've done at 22%. But even with the retail business and taking all those expenses, we do believe that we should be close to around 18%, taking all of that on EBITDA levels.

Vinamra Hirawat: Ok, you don't see it going below 18% even in a couple of years?

Rashesh Bhansali: Not for the next year. And post that, we all have to work very hard to ensure that we do well.

Vinamra Hirawat: Got it. So, can we have a breakdown of your overhead? You had stated 30 lakhs per month per store. Can we have the portion in rent, employees, incidentals or any others? Is that possible?

Anmol Bhansali: Yes, Vinamra, that number is incorrect. I don't know where you got INR30 lakhs per month per store. Breakeven level of revenue is around INR30 lakhs to INR35 lakhs per month per store. So, the expenses are far lower, of course. This doesn't include head office costs and marketing costs, which are, of course, below the store level breakeven financials.

Vinamra Hirawat: Ok, so is it possible to have the breakdown?

Anmol Bhansali: Sure, we can connect offline and I'll be happy to share the same.

Vinamra Hirawat: Sounds good. Just one last question with regards to store openings. You've dialled for 13 stores to 15 stores this year. Is there a ballpark number of stores you have, for opening in FY26 and annually in the longer term?

Rashesh Bhansali: Not at the moment, Vinamra, but I think post in our Q3 or Q4 ending call, we'll be able to, more likely in our Q4 end call, we'll be able to put a number to what we're expecting in FY26 and FY27.

Vinamra Hirawat: Ok, I'll get back in the queue for a couple more questions.

Moderator: Thank you. The next question is from the line of Palash Kawale from Nuvama Wealth. Please go ahead.

Palash Kawale: Hi, sir. Thank you for the opportunity. So, my question is, sir, what would be the capex per store requirement for you and working capital requirements on per store basis?

Rashesh Bhansali: Sure. Thanks for the question, Palash. So, the way we are modelling it, I'll give you the break up on our approx. store levels. High street stores will be slightly higher than these and mall stores will be slightly lower. Capex in terms of fit out costs per store will be around INR55 lakhs to INR65 lakhs. Rental deposit will be around INR35 lakhs to INR45 lakhs in that range. So about INR1 crores between capex and fit out costs and rental deposit.

And then about INR2.2 crores to INR2.6 crores of inventory per store at cost level. That includes gold, diamond, labour, everything. And we will be financing some portion of the gold investment through GMLs. We've already started using gold metal loans through our partner bank, which is Kotak. So that will help us bring down the working capital requirement for a per store opening.

Palash Kawale: Yes, thank you for that. And in terms of size of opportunity in India, could you explain the size of opportunity in some detail? That would be really helpful.

Rashesh Bhansali: Sure. Thank you, Palash. It's a huge opportunity. We are targeting and catering to effectively that everyday fine jewellery purchaser. It is in that range of INR40,000 to INR60,000 of ESP. I think even today on the natural diamond side, companies like Carrot Lane, Bluestone have crossed 200 and 300 stores respectively and have built a wonderful omnichannel distribution nationally with presence across all cities in India.

I think this can even today just have huge opportunity in terms of the distribution available at this price point. We believe lab grown diamonds will work very well because given where gold prices are at INR40,000-INR50,000 ESP. Currently, you can buy very little or very small natural diamonds if you want your jewellery piece set in 18 carat gold. Lab grown offers the chance with the same gold metal, gold value and carat of gold, get a much, much bigger diamond.

And I think as people buy for everyday fine fashion, which is not wedding day and not a high emotion purchase, people will gravitate over time towards lab grown diamond jewellery as and when consumer adoption takes place. So we believe there's huge opportunity even today, not including, of course, very strong growth of the customer base in general and growing affluence within the Indian premium and affordable to premium income groups.

Palash Kawale: And how do you plan to open the social like is this a franchisee model of company, totally company owned?

Rashesh Bhansali: It's totally company owned, company operated. For the foreseeable future, until we share disclosures, all our stores will be company owned, company operated.

Palash Kawale: Ok, so that's it from my side. Thank you for the answers and all the best to the team.

Moderator: Thank you. We move to the next question from the line of Swechha Jain from Whitestone Financial Advisors. Please go ahead.

Swechha Jain: Hi, sir. Thanks for giving this opportunity. Sir, I just wanted to understand. Am I audible sir?

Anmol Bhansali: Yes. Please carry on.

Swechha Jain: Yes. So thanks for giving this opportunity, sir. So most of the questions have been answered. I just wanted to understand could you share some color on the two new stores that they're opening up in Kharghar and Turner Road in terms of how big the stores would be and any color that you would like to share at this point in time on these two stores?

Anmol Bhansali: Sure. Thank you, Ms. Jain. So anecdotally, I'll just share what the reason for going with these two stores. Kharghar is around 700 to 800 square feet as a store size. We are going to test that market with lab grown diamond jewellery at a more at a lower price point than Borivali. So slightly smaller stones, small mele jewellery rather than very large single piece jewellery. On the flip side, Turner Road is a 1300 or 1400 square foot store, beautiful location, right in the midst of the market in Turner Road.

Both are, in fact, are right in the middle of their respective jewellery markets. At Turner Road, we'll be testing on the flip side a much higher ASP closer towards INR85,000 to INR95,000 with larger diamond sizes. We'll be offering. This truly will be a flagship store with offerings that are expanded in the two, three, four, five carat center range. So the idea is to basically get a flavor and a test of understanding how to operate across the spectrum.

Again, as I mentioned on I think to Mr. Palash as well, the opportunity size and the scale of distribution present is so massive that we would love to learn and understand how to operate across that spectrum because the model is built for scale in terms of number of stores that we can open. So that's the idea. We'll be testing these two price points, these kind of product categories. We look forward to gaining an understanding and gaining learning from there before we take next steps into other stores as well.

That's not stopping us. I think we will look at a few other stores in Mumbai before and then garner our learnings, fix our systems, fix our merchandising and then take next steps into future cities and more distribution.

Swechha Jain: Sir just to follow up, the additional 12 stores to 15 stores that we plan to open, we plan to open by this year end?

Anmol Bhansali: So it will be from now, I think, in the next within the – as our Chairman mentioned in his remarks within the next 6 months, 6 months to 7 months.

Swechha Jain: And so that would be primarily Mumbai or what are the other locations that we are planning to explore in terms of these 12 to 15 stores?

Anmol Bhansali: So in total the plan is to just introduce the concept and introduce the brand in Mumbai, NCR and Bangalore, three metro regions.

Swechha Jain: Okay. Thank you so much, sir. And congratulations for entering into the retail category in India. Sir congratulations and all the best.

Anmol Bhansali: Thank you.

Moderator: Thank you. The next question is from the line of Saania Jain from Care PMS. Please go ahead.

Saania Jain: Hello, sir. Thank you for the opportunity. Actually, I just had one question on the store front. Just wanted to understand that about the volume growth because if we take an ASP of 50,000, we sold approximately 50 jewellers. And if this was the best expectation during Diwali, that would be the peak period. What were the actual expectations and what should we expect going further from this store?

Anmol Bhansali: Sure. Thank you Ms. Saania. I think it's a little too early for us to share to put on paper what our expectations are. You can be rest assured that we were not expecting to reach near breakeven or breakeven for our first store in the first month itself. So we're extremely happy about the sales we've seen so far in the last 10 days, 12 days. Moving forward. I think let our stores season for a few months and then we'll be able to share this on our next concall, most certainly.

Saania Jain: Okay. That's it. Thank you.

Anmol Bhansali: Thank you Ms. Saania.

Moderator: Thank you. The next question is from the line of Amish Kanani from [inaudible 36:31]. Please go ahead.

Amish Kanani: Yes, I'm sure part of the question is answered, but you have to get some better granularity of the profitability. So as we said order book is INR270 crores, which I understand over and above the lost sale which is INR45 crores to INR50 crores. So next quarter, the one which is going on looks very strong.

The question is if I take that INR270 crores to be executed over the next 3 months to 4 months and our online sale, which is also very, very heavy this quarter, it looks like we'll do more than INR250 crores this quarter. And if I take a very normal growth for the fourth quarter, it looks like we'll do more like 20% sales growth next year. So any thoughts on the rewriting guidance which was more in the band of 50% to 20%?

Rashesh Bhansali: So I think this year we have done very well and will continue to do well. And rest assured that the entire team and the marketing team of Goldiam is working very strong to ensure that we do better. And as per industry averages and where the industry will grow, Goldiam will grow much better than that. I mean, that is all I can tell you for the guidance, but current year we see a very strong position for the company.

Amish Kanani: Sir at this point in time, it looks like we'll be more nearer 20 than 15. Is that your assessment, sir?

Rashesh Bhansali: I cannot give forward looking numbers, but I'm sure we'll do pretty well.

Amish Kanani: And then sir moving to the gross margin and how it falls on the EBITDA margin side. So this quarter we saw a much better gross margin when you said there's an inventory impact, which you expected to continue. But there is these store level costs which are getting elevated. So the question here is, is it fair to assume that despite the elevated store level cost, we will be because of a slightly better gross margin will be able to maintain that 22% margin for the full year?

Rashesh Bhansali: Well, I said earlier that we will all work hard towards maintaining margins, but we are looking at more after the expenses of a few stores that coming in and their expenditure, we I think we'll still be above 18%. The company's always maintained that we will maintain EBITDA between 18% to 22%.

Amish Kanani: Sure, sir. Then one last request, sir, if you can share the separate B2C India the losses, if at all or whatever that we're spending?

Anmol Bhansali: So I think let me take that, Mr. Amish, we'll start sharing data on that in terms of revenue and expenditure from next quarter in our corporate decks.

Moderator: The person has left the queue. We'll move to the next question, which is from the line of Bhavya Gandhi from Dalal & Broacha. Please go ahead.

Bhavya Gandhi: Yes. Hi. Thanks for the second opportunity. Just wanted to understand, is the is there any margin differential when we say that we had supplied 0.5 carats to large retailer in USA or is there any margin differential between 0.5 carat, 1 carat pieces, 2 carat pieces and 3 carat pieces, gross margin differential, if you can provide something on that?

Rashesh Bhansali: Bhavya excellent question. Yes, there will be a little higher gross margins when you're supplying lower caratage pieces.

Bhavya Gandhi: By how many basis points, if you can help us explain?

Rashesh Bhansali: It will be by a couple of basis points, not much more. Minimum 3% to 4%.

Bhavya Gandhi: Okay, smaller the piece, higher is the margin…

Rashesh Bhansali: That is because there's a certain making charge that you get. Right. On a virtual every piece and a design charge, a making charge differential on diamonds, a profit on diamonds and exactly all that stuff. So when I divide it by a smaller revenue. Right. You'll get a higher percentage.

Bhavya Gandhi: Fair enough. Got it. And with respect to origin design acceptance, if you can throw some light, how has been the initial design acceptance? Are young youngster people entering our stores? If you can give some understanding on design acceptability and the footfalls?

Anmol Bhansali: So just to answer that, Bhavya, it's been I mean, so far it's been 12 days. It's been, you know, great success in our eyes. We're very excited by the initial traction and acceptance of the customers. We believe this was also led by a great location chosen by our team. The designs are absolutely spot on. We've had some great feedback from the customers who've entered and we look forward to more.

I think it's early to comment, but we'll see a lot more data coming in once our website launches, as well as further on a couple more stores. These distribution locations start getting seasoned over two, three, four months.

Bhavya Gandhi: Got it. And if you can throw some light, are we planning to hire any brand ambassador for our origin brand and what will be the marketing spend for the current year and the next year broad budget, if you would have created any?

Anmol Bhansali: Thank you, Bhavya. It's about we are looking to spend about INR5 crores to INR6 crores from now until the next six months post that we will re-evaluate and look at our budgeting for FY '26. In terms of our brand ambassador, at the moment, there are no plans.

The team is focused on opening these few stores that we've signed and getting our website, live and operating well with all the bells and whistles that you see with our top, top end website, omnichannel jewelry retail website today, like from the competition I mentioned post that we will have a review and understand if that is needed and take a call at that point of time. Perfect.

Bhavya Gandhi: And just one question on the B2B front with respect to Cygnet Group or any large retailer, has the penetration in the US market reached its peak level? Because already the transition that was happening was largely done. I mean, or do we see a steady growth? If you can throw some lights on the retailer growth over there in US markets.

Anmol Bhansali: So I think we have at least another two to three years of growth available to us without even an introduction of any new retail clients. There is a lot of scope still left to increase our distribution with our existing retail clients. We are still among the newer, younger vendor with certain divisions of large retailers like the one you have mentioned. So, we believe that there is strong growth available and we are not concerned on that front.

Bhavya Gandhi: Assuming even if we don't add any specific retailer, what could be the normalized growth if we were to do the penetration led or increasing our wallet share within the same retailers?

Anmol Bhansali: So we know over the long term, it of course will be bumpy because our sales cycle, as we mentioned in previous calls, is usually a two year sales cycle. But over the longer term, we see there are no reason why we can't do a double-digit sales growth from our B2B business in the range of 10 to 12%. I'll let our Chairman add comments also here if necessary.

Rashesh Bhansali: Yes, so I think what Anmol is saying is completely bang on and there is space for Goldiam to increase its wallet share within the same retail groups. Lab-grown Diamond is happening or is already become the diamond of choice right with consumers in America. So, we are looking for a higher wallet share. And we are poised at a wonderful space for retailers, for the retailer you spoke about and a couple of more retailers to take us and to make us the vendor of choice for Lab-grown Diamonds.

Bhavya Gandhi: Also, just one more thing, if you can add on the B2B, we were trying to add newer geographies and newer retailers. Have we made any breakthrough on that? You were trying Australia…

Rashesh Bhansali: We were trying to be done in Australia. We've already shipped two shipments in Australia, one by one. And we're looking forward for the customer to see how that happens in their Christmas and Thanksgiving sales. And hopefully from January, we'll get fresh reorders from Australia. We've already done two shipments. We've crossed, I think, what a million dollars of sales in Australia with the two shipments.

Bhavya Gandhi: Okay, well, they're also there that…

Moderator: Sorry to interrupt Mr. Bhavya Gandhi may request you to please rejoint the queue. Thank you. We move to the next question, which is from the line of Vinamra Hirawat from JM Financial. Please go ahead.

Vinamra Hirawat: And so just two last questions. You know, you spoke about buying cheaper diamonds from some distressed sale which increases our gross margins. Just want to know how long will this inventory last of cheaper diamonds? And are you still able to purchase lab-grown diamonds at a cheaper price?

Rashesh Bhansali: You see, currently what has happened is we've become very large buyers for India market in terms of lab-grown. So, anybody who grows well today has no choice but to come to Goldiam to sell diamonds. So and we have the ability to discount it and pay immediately.

So with the larger orders that these people can get from Goldiam and the ability to discount, I think we should do well with getting diamonds at a better cost, cheaper cost. And we should be the preferred diamond customer for a lot of diamond growers and cutters and manufacturers.

Vinamra Hirawat: So at least for this year, your gross margins that have been, you know, reported in Q2 should last?

Rashesh Bhansali: Well, we are hopeful if the diamond inventory pricing stays to the way we've priced it at, then, yes, it should last.

Vinamra Hirawat: Got it. Got it. Just a question on the tax rates, you know, your tax rates have increased notably when comparing the first half of FY 24 and 25, could we know the reason for this? And where do we see them going forward?

Rashesh Bhansali: Well, the corporate tax is 25%, so that continues to be at that price. Rest, we have to see the consolidated tax that happens from Goldiam USA, the US office as well. So I think in the next quarter, you'll get a probably nine month working and you'll be able to get figures more accurate towards the entire working.

Vinamra Hirawat: Okay, should we expect tax rates normalized towards the 25%, which we would like to we would like to, but then it also depends on what are the tax slabs in Goldiam USA and, you know, the reasons why these tax rates are the way it is.

Vinamra Hirawat: Got it. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Riken from Capri Global, please go ahead.

Riken: Yes. Thank you so much, sir, for the follow up opportunity. I wanted to just clarify a few things. Firstly, is there a sort of if you look at the gross margin, is there a sort of inventory gain because of the pricing in the quarter? If you can help understand which is sort of more one time in nature.

Rashesh Bhansali: I have already addressed this earlier with Mr. Bhavya Gandhi, but I'm happy to do it again, Riken. Yes, there has been a INR15 crores inventory appreciation right over what we've depreciated in the past. And this is more in two carat and on smaller diamonds, which is two carat and below. The diamonds, the price fall in lab-grown diamonds is completely halted. There is no further price fall.

And what is happening is that in two carat and lower and in the smaller diamonds, which is stars and melee, which is $0.01, $0.02, $0.03, $0.04, $0.05. There has been a strong price increase. So when we look at the price we are buying today, we have revalued our inventory towards that and added INR15 crores, which we had taken off earlier from our cost of inventory or market price, whichever is lower.

Riken: Understood, sir. Now it's clear. Sorry, maybe I joined late, so I missed that comment. Second, I mean, again, maybe the realisation on a Y-o-Y basis for the LGD segment is lower compared to last year. Is there any specific reason for that?

Rashesh Bhansali: Well, I'd address that also, but I'm happy to do it again. So there has been a lot of half carat and one carat total weight rings, especially the half carat centre total weight rings, which Goldiam has shipped to its retailers, to one of the larger retail clients. And we've done a special programme with, a large retailer. So because of that, the realisation may have dropped, but margins are very strong.

Anmol Bhansali: To add to that statement also, I'd like to say that we are seeing a more broad basing of demand for lab-grown diamond jewellery. So earlier our retailers and top customers wanted to just add lab-grown where natural would not play, which is large centres, one carat, two carat, three carat, etc.

However, as demand has shifted to lab, even the entry level price points are getting products introduced in lab-grown diamond jewellery. So our customers have all started introducing programmes in the more entry level price points with lab-grown as well. So that would address your question at hand.

Riken: Understood. And just one last point. So I do understand, I was just trying to also search online that there are further cancellation plans that Air India has for even the current quarter. But now that since you have a better ability to plan it, these cancellations of flights wouldn't have any impact. Would that be a correct way of thinking about this?

Rashesh Bhansali: Going forward, we will ensure that we will take these two days' flight alterations or cancellations ahead and plan our shipments accordingly.

Riken: Okay, perfect. Thank you so much, sir, for all these answers. Thank you. And all the best.

Rashesh Bhansali: Thank you, Rick.

Moderator: Thank you. The next question is from the line of Vinay Rokadia, an Individual Investor. Please go ahead.

Vinay Rokadia: Yes, this is just a continuation to the earlier participant who has said that we have opened a store in Borivali and there are even quite a few other players in the same location. So the same case may be even in the Bandra location or the Kharghar location also. So can you just throw some light to what marketing or branding strategy we are doing to pull the customers to the store?

Anmol Bhansali: Sure. Thank you. So, it's a whole package of branding and marketing strategies. I'll start with some offline activation. We have taken bus stops and buses, advertisement holdings that we've taken on board in that particular location. So currently for the Borivali store, our locations in bus stop and buses that travel around Borivali, Kandivali, Magathane, these locations, we have put our branding in all these offline areas.

We have launched specific launch month discounts and schemes in order to attract more value-based consumer and shopper. Once we have our online, we'll be targeting Instagram and Facebook Meta ads as well for people in this particular region. We've been looking at and we have done one activation for inserts into newspapers as well.

And I think moving forward, we'll be looking to also activate further store lead generation by inviting key shoppers from those particular micro markets as well as their friends to come host a small event or a get together within our stores. So the whole gamut of things that we are going to be doing and we have started with the Borivali store, but of course, we'll continue learning and keep being on this path to add more such activation strategies.

Moderator: Thank you. The next question is from the line of [Akshay J from Exponent Pride 53:00]. Please go ahead.

Akshay J: Thank you for the opportunity. Coming back to the inventory gain point, A, we don't expect it to be a recurring event, right? Because we have a set of inventory that we do gain on. So ideally, going forward, the inventory gain wouldn't aid the margins. Is that correct?

Rashesh Bhansali: Can you repeat that question again, so I can answer it accurately?

Akshay J: Yes, sure. So what I was asking is that the inventory gain that we have INR15 crores this quarter, that would be a revaluation of the whole inventory on the balance sheet, right?

Rashesh Bhansali: That would be a revaluation of inventory that we had reduced earlier.

Akshay J: Yes, fair point, but all of it, right? In the sense that whatever...

Rashesh Bhansali: All of it under two carat.

Akshay J: Yes, right. So that shouldn't be a recurring -- that shouldn't be recurring on a quarterly basis. It's a one-time activity, right?

Rashesh Bhansali: This is a one-time activity, but if diamonds are strong and if they do go up, then yes, it will recur going forward as well. But that is only if when we revalue inventory, right, we revalue towards current buying cost. And then whatever we have in inventory which is lying in India, right, will be revalued as per that.

Akshay J: So just sort of trying to understand is that our PBT on a consolidated basis was say about INR33 crores, of which INr15 crores came from a gain in inventory. Is that correct?

Rashesh Bhansali: The INR15 crores came from gain in inventory. Yes, the INR15 crores did come from gain in inventory.

Akshay J: Yes, so on a like-for-like basis, a margin is actually contracted but not expanded, right? Because that is a one-off activity. Like in the past, it was one-off for us that we took a loss on the inventory.

Rashesh Bhansali: No, that's not true, but I will get back to you tomorrow on this.

Akshay J: Sure. So the second question was that -- okay, so basically you're saying that margins didn't actually contract. I mean, the math is not adding up, but I'm happy to sort of get on a call and hear this side of it from you. Thank you.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Yes, thanks for the opportunity again. So, Yes, so my question is also related to this inventory gain. So basically, it will be very helpful if you can clarify that that this INR15 crores, when we say we revalued the inventory, so we revalued the inventory which is sold or we revalued the entire inventory which is even lying on the balance sheet. Because I think if it's lying on the balance sheet and not yet sold, then the gain must have been booked in balance sheet only and not in the P&L? So if you can.

Rashesh Bhansali: Sure, Mr. Dixit, I'll have to get back to you on this tomorrow.

Dixit Doshi: Okay, Yes, sure.

Rashesh Bhansali: I've taken a note and you will hear back from us.

Dixit Doshi: Yes, thanks.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Rashesh Bhansali: So I want to thank you all the participants for joining us today. If you have any further questions or need any additional information, please feel free to contact [Dalerio Consulting 56:34], our Investor Relations team. Thank you all and have a good evening.

Moderator: Thank you. On behalf of Monarch Networth Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.