INTERNATIONAL GEMMOLOGICAL INSTITUTE (INDIA) LIMITED

TC - 6078

Responsible Jewellery Council
Certified Member 0000 1013

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March 06, 2025

To,

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 **BSE Scrip Code:** 544311	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra (East), Mumbai - 400 051 **NSE Symbol:** IGIL

Subject: Transcript of the Earnings Call held for the quarter and year ended December 31, 2024

Dear Sir/ Madam,

With reference to our letter dated February 24, 2025 and February 27, 2025, informing you about the Earnings Conference Call for the quarter and year ended December 31, 2024, of International Gemmological Institute (India) Limited, held on February 28, 2025, please find attached the transcript of the aforesaid call.

This intimation will be made available on the Company's website at www.igi.org

This is for your information and record.

Thanking you,
Yours faithfully,
For International Gemmological Institute (India) Limited

HARDIK JITENDRA DESAI
Digitally signed by HARDIK JITENDRA DESAI
Date: 2025.03.06 20:36:07 +05'30'

Hardik Desai
Company Secretary and Compliance Officer
Membership No.: A35491

Encl: a/a

"International Gemmological Institute India Limited Q4 and CY '24 Earnings Conference Call"

February 28, 2025

MANAGEMENT: **MR. TEHMASP PRINTER – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. EASHWAR IYER – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. BHAVYA SHAH – MUFG INTIME**

Moderator: Ladies and gentlemen, good day and welcome to the International Gemmological Institute India Limited Q4 and CY '24 Earnings Conference Call.

As a reminder, all participant lines will be in 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 "*" and "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavya Shah from MUFG Intime. You and over to you, sir.

Bhavya Shah: Good evening, ladies and gentlemen. From the Management Team we have Mr. Tehmasp Printer, MD and CEO, and Mr. Eashwar Iyer, CFO.

This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations as of today. The actual results may differ materially. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Our detailed safe harbor statement is given on Page 2 of investor presentation of the Company, which has been uploaded on the stock exchange.

Now, I would like to hand over the call to the management for Opening Remarks. Thank you and over to you, sir.

Tehmasp Printer: Thank you, Bhavya. Good evening, ladies and gentlemen. I would like to welcome all of you to the 4th Quarter and Full Year 2024 maiden Earnings Call.

I trust that every one of you have had a chance to review our Financial Results and Investor Presentations, which have been made available on both, the Stock Exchanges as well as our Company website. It's a pleasure to connect with all of you and share insights into our business, strategies and outlook.

Let me first start by saying that we are indeed grateful to have all our shareholders for making our IPO such a grand success. Thank you very much for that. We thank all of our shareholders for retaining their faith in us, just as our customers have done over the last five decades.

At IGI India, we take great pride in being a trusted name in the gem and jewelry certification industry, backed by the able guidance of Blackstone, the world's largest alternate investment manager, we have carved a niche and dominant marketing position in the jewelry certification market.

As the world's most trusted brand in jewelry certification, our mission is to ensure integrity, accuracy, and consistency in grading, empowering the jewelry ecosystem with confidence and transparency. We are the largest independent accreditation and certification service provider in India with over 50% of the market share, globally we have 33% of the market in the diamond certification. And we are the leaders in certification of lab grown diamonds with over 65% of the global market share.

We serve in India nine out of the 10 top jewelry chains in India, and we service them, we certify for them. And we expect to continue this leverage to leverage this position, expand our global presence and establish IGI as the laboratory of choice to the large retailers and brands globally. We are present across 10 countries. We have 31 laboratories, 12 in-factory lab setups, 18 gemological schools, and we serve over 7,500 customers globally. And are present across the entire jewelry value chain.

Our multiple services are in delivery formats such as the IGI laboratories, in-factory laboratories, mobile labs, strengthening our customer relationships and driving a distinct advantage for the Company. Our IGI School of Gemology provides us with distinct advantages that help us drive brand awareness, expand market opportunities and acquire new customers.

Let me now give you a brief understanding of the industry to help you comprehend the immense growth opportunities which lie ahead of us. The global diamond and jewelry gemstone industry is undergoing a significant transformation, driven by ever evolving customer preferences, technological advancements, and increasing demands for certification. The retail diamond jewelry market is poised for a steady growth fueled by rising disposable incomes, expanding middle class consumers, and the growing appeal of diamonds as an investment and luxury purchase.

One of the most prominent shifts in the industry is the rapid adoption of lab grown diamonds. Consumers today are more open to the alternatives that offer them accessibility, affordability, while maintaining their aspirational values. Lab growns have seen increasing acceptance worldwide and their share in the overall diamond market is expected to rise substantially in the coming years. Advancing in production technology and changing perceptions around sustainability and ethical sourcing are further accelerating this trend.

At the same time, certification is becoming an indispensable part of the jewelry ecosystem. As buyers become more informed and conscious of the authenticity and the role of an independent certification body, has never been more critical than now. The demand for certified diamonds and gemstones and jewelry is expanding beyond the traditional markets, reinforcing the need for transparency and trust in industry. Beyond diamonds, the market is also witnessing a greater interest in colored stones and contemporary jewelry styles. This is opening up new opportunities for certification and grading services.

The gems and jewelry certification market has a very high entry barrier, with only a select few operating at a scale. IGI has built a strong reputation through its technical expertise, highly skilled gemologists, deep rooted industry relationships. India continues to play a dominant role in the global diamond industry with a significant share in diamond processing, certification and lab grown diamond production.

With the industry evolving at a rapid pace and certification becoming a keen key enabler for consumer trust, IGI is focused on strengthening its leadership position by expanding its presence, embracing innovations, and enhancing the overall customer experience. As demand for both natural and lab grown diamonds continue to grow, IGI is strategically positioned to capture this immense growth opportunity ahead.

As we step into the 50th year of the IGI operations, I am very excited to lead the Company into its next phase of growth. We look forward to a long-term fruitful relationship with our investors and shareholders as we forge ahead in our goal of value creation in a responsible and sustainable manner. We believe that this objective will be achieved only through credibility and trust, both are the hallmark traits of IGI.

With these thoughts, I will conclude my discussion and hand over to call to IGI's CFO, Mr. Eashwar Iyer to discuss about the 2024 results. Thank you.

Eashwar Iyer: Thank you, Tehmasp. And good evening, everybody. Thanks for taking the call, and also taking the time out on a busy Friday evening. We are pleased to have this call making our first discussion on the financial results since the Company went public. As you may know, our company operates on a Jan to December reporting cycle, and we are excited to present the financial results for the calendar year 2024.

In line with what was disclosed in the RHP, we are pleased to inform that IGI India has completed the acquisition of both the legal entities that was mentioned in the document, the IGI Belgium and the IGI Netherland entities have now become subsidiaries of the India entity for a consideration of Rs. 1,345 crores in December 2024. This is in line with the conditions in the RHP on the utilization of the Rs. 1,300 crores of the primary proceeds towards this acquisition. We are, therefore, pleased to place on record that, for the first time, the Company will be placing the financial performance of the consolidated entity along with the standalone financials for India. We are happy to inform you that the Company is making significant progress towards meeting its strategic objectives of being the best in class certifying body for the gems and jewellery industry.

Coming to the consolidated performance, I am pleased to share some very exciting updates regarding our group's performance. On a consolidated basis, we have achieved a significant milestone of surpassing the Rs. 1, 000 crores barrier or Rs. 1,000 crores hurdle in revenues for the year. Specifically, the group reported revenue from operations of Rs. 1,053 crores and a total income of Rs. 1,088 crores, reflecting a robust 20% growth in revenues.

In alignment with our revenue performance and our commitment to efficient cost management, we are proud to announce a profit before tax of Rs. 585 crores, which marks an impressive 29% increase over the previous year. This has also led to notable improvements in our PBT margins which have risen from Rs. 55.6 in 2024, up from Rs. 50.7 crores in 2023, representing a 500 basis points improvement.

Furthermore, our profit after tax for the year stands at Rs. 427 crores, also reflecting a 29% improvement over the same period last year. Our PAT margins have reached 40.6% compared to 36.8%, an improvement of nearly 400 basis points.

Finally, I am proud to report that the group has delivered extremely strong returns on capital employed, which stands at 48%, and a return on equity at 47% for the calendar year 2024, further solidifying our position in the market.

Our EPS stands at Rs. 10.74 as we end December 2024 versus Rs. 8.34 at the same time last year, an improvement of 29%.

Coming to standalone performance:

The India business has delivered remarkable results this year. We achieved revenues from operations of Rs. 785 crores, with the total income amounting to Rs. 817 crores, which is a significant jump of around 26% over the previous year.

Our PBT for the India business stood at Rs. 587 crores, representing a 31% increase over the same time last year. This has resulted in the PBT margins improving significantly, we stand at 74.7% PBT margins, which is a 400 basis point improvement over 2023.

Our PAT stood at Rs. 439 crores, which is again a significant 33% growth over the PAT that we reported in 2023, representing a 55.9% margin, which again is a close to 400 basis points improvement from a PAT standpoint.

Finally, I am proud to report that India has delivered strong returns on capital employed at around 70% for India and a return on equity at 68% for the calendar year 2024. We are thankful to all our partners who have enabled the Company to deliver such strong results. And we continue to be optimistic for the future.

Thanks for taking the time and we are now open for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Kunal Sharma from SK Capital. Please go ahead.

Kunal Sharma: Yes, hi. I hope I am audible. So, first of all, congrats on a good set of numbers. So, sir, I wanted to ask on your acquisitions that how is the performance of these two entities, Belgium and Netherland? And what synergies are we getting in our consol basis? And if we add both these acquisitions, then what it would be going forward be it in the FY '26 and beyond that?

Eashwar Iyer: So, Belgium and Netherlands, both of them put together contribute to close to 25% of our group revenues, okay. One of the important aspects is in terms of building a One IGI business, which is basically leveraging the strength of the India manufacturing and policing strength, coupled with the retail strength that IGI processes because of its presence is some of the key markets of China, US., **o**r for that matter, in the Middle East. So put together, both these businesses have been delivering exceptional results over the course of the last two years. The Netherlands business has actually delivered 20% revenue growth. Again, and profit after tax, again, we have seen some close to 100% growth in the Netherlands business. We have had some headwinds in the Belgium business, again, that's driven by the war that we are seeing in Europe, coupled with a little bit of macroeconomic slowdown. We are optimistic about both these businesses. We are hoping that the war settles down quickly enough for these businesses to bounce back.

Kunal Sharma: Okay. So, when it comes to lab grown diamond, so I just wanted to understand, in India how it's an emerging entity, so how is that performing out in India as well as in the opportunity that are we seeing in this export market as well?

Tehmasp Printer: Well, as far as lab grown diamonds is concerned, this is a new disruptor, and it's an emerging segment. And we have harnessed, IGI actually has today's 65% of the global market share of lab grown, okay. And India is also the center of polishing, 90%, nine out of 10 diamonds are cut and polished in India. So, India is the polishing center. So, India, for the many last decades, have been doing 9 out of 10 or now 9.5 out of 10 polished and cut diamonds in India itself. So, we have taken a stronghold. And what lab ground offers today is a very affordability scale of diamonds. Both are diamonds and both are complementary and supplementary to each other. And lab grown gives you more affordability. So, diamonds are becoming more affordable, so the consumer base is fast expanding and new consumers are coming into the business. And depending on their economical conditions, they will go in for different diamonds.

Kunal Sharma: Okay. So, sir, just a follow-up on the lab grown side. See, anyways, this entity is now emerging, but going forward, once it becomes mature, would you really think the people who require the certification when it comes to a lab grown become a volume-oriented product, I would say? So, would that be a threat to our business as well?

Tehmasp Printer: No. Good question. But in fact, certification becomes more important because the laboratory like IGI, identifies the origin of the diamond. It gives you the basic origin, which means whether it is earth mined or lab grown or man-made. So that is the most important factor that is gaining grounds today. And if you see, around 1.5% to 2% of the Earth's population buy diamonds and that is all natural. With the affordability and the sustainability factors of lab grown, this percentage over the next few years is expected to grow to 5%, even 10%. So, what's happening is, the consumer pie is fast, exponentially expanding. And certification becomes a hallmark for a diamond. And IGI is very well factored into this position into this space.

Kunal Sharma: Right. And at what percentage we hold, we hold in the sense in the lab grown diamond in India what it would be, how much of the percentage, what percentage this particular sector is growing?

Tehmasp Printer: See, the lab grown diamond jewelry also is more readily accepted in the West, and India is fast gaining grounds on this. And we will see an uptick in the Indian industry also.

Kunal Sharma: Okay. And the last question from my side. So, since we are growing at 30%, 35% of the earnings growth, and the top line is quite good, and we have closed the calendar year. So, what are we targeting and what are our outlook on that particular front?

Eashwar Iyer: It is difficult to give any statement at this point in time. But what we must all understand is, and just to add to what Tehmasp has just mentioned, that we are at an inflection point as far as lab grown diamond goes. Again, what Tehmasp did mention that in the initial phase of the last two, three years, there is a significant traction that the LGD segment has gained in the US markets. And over the last six, eight months we are starting to see a lot of customers in India starting to adopt or adapt to the changed environment as far as diamond goes. So, the lab grown jewelry segment, which is very critical, considering the size of the middle class in India, coupled with its affordability factor, I think we are just at the tipping point as far as lab grown jewellery growth in India is concerned. So, we remain extremely optimistic for the future. And as Tehmasp mentioned, we are just at the beginning of what should be a very good run over the next three to five years.

Kunal Sharma: Okay. Thanks.

Moderator: Thank you. The next question is from the line of Sheila Rathi from Morgan Stanley. Please go ahead.

Sheila Rathi: Thanks for taking my question. Hi, Tehmasp. Hi, Eashwar. Sir my first question was, just to understand the India business better this quarter. The growth rate seems to be at 3% on a year-on-year basis. So, if you could just give us a better understanding, how should we read this particular quarter in terms of numbers? And some flavor on the segmental trend with respect to what was the demand with respect to certification of natural diamonds, lab grown diamonds? I think that would be helpful. That's my first question.

Eashwar Iyer: Yes. Hi, Sheila. Okay, very interesting questions, as always. So, yes, this was the Diwali quarter and we had an extremely robust October where there's been a massive ramp up of certification and also inventory from a jewellery standpoint or from a loose store standpoint. So, our October performance was extremely strong. What followed in November, and it's normally the case, most manufacturers and growers actually shut shop for 10 days, but we had an extended holiday this year in November, so a lot of factories were shut for between 15 to 20 days this year. I think it's a good thing from a different perspective that the shutdown probably enabled the industry to therefore manage their inventory levels and therefore not build in further pressures on pricing, etc. So, in that context, I think, we delivered again 6% growth on revenue for the quarter, which again is pretty strong but, again, it also puts in perspective that there is not unnecessary build-up of inventory. So, we are seeing it from that standpoint in terms of how the quarter has panned out for us.

Sheila Rathi: Okay. And the segmental trends, Eashwar?

Eashwar Iyer: Sorry?

Sheila Rathi: The certification trends with respect to natural diamond, lab grown diamond, how has the mix moved this particular quarter?

Eashwar Iyer: See, I wouldn't want to talk about the specific quarter. But again, the trend on the mix has been consistent across each of the quarters. So, what used to be close to 70-odd-percent of jewelry certification, that's down to 58%. And the percentage on lab grown is, obviously, because of the growth rate at this lab grown is moving, that percentage which used to be around just over 20% is over 30% of our mix. So, it's been more or less consistent across quarters, Sheila.

Sheila Rathi: Sorry, lab grown 30%, is that stand alone number? I mean, sorry, lab grown revenues were about 50-odd-percent, right?

Eashwar Iyer: No, I am talking from a number of certification standpoint, Sheila.

Sheila Rathi: Okay, so that number is now 30% versus earlier 20%?

Eashwar Iyer: Yes, that's right.

Sheila Rathi: And from a revenue standpoint?

Eashwar Iyer: From a revenue standpoint, see, again, I wouldn't want to delve into giving the specific information across each of our revenue segments. In line with whatever's been stated in the financials, we are reporting overall revenues for the certification business as a whole.

Sheila Rathi: Okay. Understood. Again, just to follow-up on the first part of the question, how should we think of the quarters for you, because we are doing calendar year which is supposed to be the strong quarter for you? Because like you said at the outset that this was a festive period for us, but if we have to do a quarterly growth rate for your business, how should we build our numbers with a 4Q which is October to December double digit kind of a growth quarter or how should it pan out, when is the seasonality in the business?

Eashwar Iyer: Yes, I was just coming to the same point, Sheila. Actually, our business is not very seasonal, okay. And I do not think we should expect a repitation of the quarter four into quarter one or quarter two. I think quarter one, quarter two will continue to remain strong. So, our seasonality is pretty flat across all the quarters.

Tehmasp Printer: Except in Diwali time.

Eashwar Iyer: We can either compensate them, so yes.

Tehmasp Printer: Yes, which compensates in November, so basically, it's all round.

Sheila Rathi: Second question is –

Moderator: I am sorry to interrupt, may be requested to join the question queue as we have multiple participants waiting for their turn.

Sheila Rathi: Sure.

Moderator: The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Yeah, hi. Good evening Tehmasp and Eashwar.

Tehmasp Printer: Hi.

Harit Kapoor: So, I just had one, my first question was on the volumes versus the pricing. It seems like if I just do a basic realization analysis, revenue divided by volume, there has been a bit of a dip on the realization for report. And this is at the same time that lab has done well and studded mix has fallen. So, could you just explain the interplay for the year, not for the quarter of course, for the year? And how do we kind of look at it, because the volume growth is an extremely strong from a certificate perspective?

Tehmasp Printer: Yes, good question. See, the thing is, I have good news for you. While the price has now stabilized over the last eight, nine months, now what has happened is that the growers and the polishers realize that they have to be sustainable on a long-term basis and they have huge Capexes and opexes to deal with. So, they cannot go beyond an unsustainable level. So, today we see the stabilization of the prices over the last eight, nine months. And the volumes, of course, will grow exponentially because lab grown diamonds are much more affordable, so it's bringing in new consumers into the fold. So, from that point of view, more aspirational values are being taken care of, and hence we have more volumes. And the value is of course affordable so it's a little less. But otherwise, the way lab growns are taking on the market, I actually prefer to say that lab growns and natural diamonds are all both complementary and supplementary to each other.

Harit Kapoor: Okay, okay. So, the way to think about it is, volume growth will continue to outpace value growth, but value growth will still remain healthy. I think that is the way to think about outlook going forward?

Tehmasp Printer: That's correct.

Harit Kapoor: Thank you. And the second thing is on, just in continuation to Sheila's question. So, if I look at this quarter in isolation, the way to think about it is that it is not representative of the growth outlook for the calendar year going forward, and maybe the calendar year CY '24 performance could be more representative of the outlook going forward. Is that the right way to think about as we look at your growth going forward?

Eashwar Iyer: Okay. Again, Harit, no forward-looking statements. But again, overall, the industry is seeing a lot of momentum, okay? And again, what we are looking at from a five year standpoint is something in the 15%, 20% CAGR range. So, from that standpoint, our discussions of the last six, seven months on the road shows, etc. continue to remain consistent. We are very optimistic about the way the business is now moving ahead.

Harit Kapoor: Great. That's it from me. I will come back for more.

Tehmasp Printer: Thanks, Harit.

Moderator: Thank you. The next question is from the line of Srinivas Iyer, Individual Investor. Please go ahead. Srinivas, please go ahead with your question. Looks like the line is disconnected, we move on to the next participant, Jay Doshi from Kotak. Please go ahead.

Jay Doshi: Hi, thanks for the opportunity. My first question is, in your business the visibility you have on revenue and volume at the beginning of the quarter or beginning of the year, and what percentage of revenues can you pretty much predict at the beginning of the year or quarter?

Eashwar Iyer: See, again, Jay, as I mentioned earlier, we do not actually have too much of a seasonality across quarters, okay. But if you were to just extrapolate what has been the behavior over the last four to six quarters, I think we reasonably can estimate close to 50%, 60% of our revenues for the quarter because there's a lot of consistency that's got built in across segments, be it jewelry, be it natural diamonds or be it lab grown diamonds for that matter. So reasonably I think we can estimate around 60%, 70% of our revenues for the quarter at the beginning of the quarter.

Jay Doshi: Understood. The reason for asking this question is, on one side you are fairly comfortable and confident of growth trajectory continuing, that you have indicated over the past six months. But on the other side, I sense a lot of reluctance in giving some broad sense on the outlook. So, the idea was that, at the beginning of the quarter generally you are not able to accurately predict, and hence you have chosen not to give a quarterly broad range or outlook on top line growth? Or is there some other reason?

Eashwar Iyer: No, I think it's just it's having --

Tehmasp Printer: That is not the case. I mean, IGI is growth story. And we have seen for the last quite a few years we have been consistently growing. We have kept our growth strategies and innovations in place, and we continue to grow. So that's the thing. And it's not that we are unaware of where the diamond market is going. We can predict, we can see how it is swinging. And see, we are extremely strong on the manufacturing side, we have very strong relationships with all the manufacturers in India since last couple of decades. And what we are now going to do is a consolidation of manufacturing to the retail at global level. So, we are in the process of bringing the manufacturers to the retailers and thereby completing the entire circle. So that is our basic strategy on which we have grown so far.

Jay Doshi: Sure. Thank you. And just one request, if you could, if not quarterly, at least on a six-monthly basis, share the segmental you know revenue disclosures that you had shared in the DRHP, it will help us understand the business a little better.

Eashwar Iyer: Sure. Again, need to appreciate the fact that this is our first call, so we will also learn along the way. And some of these requirements are very critical for our investors, etc. we will explore in terms of how do you manage this process better going forward.

Jay Doshi: Sure. Thank you so much.

Moderator: Thank you. The next question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.

Ankit Kedia: Sir, two questions from my side. First is on the realization, have we tinkered with the pricing in the quarter? It is just that the mix towards lab grown has got the realization down across the board?

Eashwar Iyer: Okay. So let me just take that question. See, as Tehmasp did mention, the LGD is going to be a volume driver across the industry. And along with volume, obviously as we scale up, there are standard pricings, etc., that we have with our factory growers. And depending on the volume that they do with us in a particular month, there are certain volume-led discounts that we offer to our customers. So, that is going to be the context in which we have to look at these numbers. With significant ramp up of volume, there are going to be some discounts that we will therefore have to see to some of our customers. So, I think that is the context in which you should look at the growth, which is, from a volume standpoint as well as the revenue standpoint. There is obviously a slight trailing of the revenue growth versus the volume growth, driven by the fact that we have seen exponential increase in volumes.

Tehmasp Printer: The other factor is the increasing demand for lab grown jewelry, which is right now in its nascent stage, and it will vector up very rapidly, because jewelry now becomes, diamond jewelry rather, becomes more affordable to the middle-class people across the globe, especially in India. And that will also ramp up our volumes as well as revenues.

Ankit Kedia: Sure. My second question is, one side you mentioned that the growth to extended holiday because they wanted to control supply and maintain pricing, while at the same time you said over six months the prices have stabilized. So why did they take extended holiday in November if the prices have stabilized since last six months and they wanted to control supply?

Tehmasp Printer: See, the thing is, it's normal in the diamond industry to take a break depending between 15 to 20 days. It's normal, I mean, it's not abnormal. So, every year, while we have a bonanza during Diwali time, the next 15 days are, I mean, where the factories are shut, there's a total slowdown. So, it sort of equates each other. So that quarter equates between November and October.

Ankit Kedia: My only question is that, in the initial remarks you mentioned that because they wanted to control supply and pricing, they took an extended holiday, and last year it was only seven days, this time it's 15-odd days, right, around 10 days extra. So, why the extended holiday this time?

Eashwar Iyer: I think it is more of what we are assessing internally in terms of probably an extended holiday to manage their inventory cycles, rather than build it up unnecessarily. So that is our assessment in terms of why people have taken an extended holiday in November.

Tehmasp Printer: And what happens is, because of this there's a price stabilization. Because excess polished will like tend to lower the prices. So, I think all the manufacturers must have taken a decision to like, because the prices have been stabilized since the last several months, so I think they wanted to keep that into account.

Eashwar Iyer: Yes, keep that going.

Ankit Kedia: Sure. And my last question is, I saw some television ads targeted towards B2C customers for the retail what you spoke of, so I just wanted to understand that strategy of yours more in detail, why have you started ads towards consumers, so they go and ask for IGI certification? Is that so critical given the price where it is of IGI?

Tehmasp Printer: See, the thing is, we want to increase our brand salience and we have gone ahead with that. We have been largely marketing it in a B2B manner, business to business, and now we are going fought in marketing it to B2C customers. See, the lab grown is a new entity and we want to create enough awareness regarding the affordability as well as the different applications where you can buy.

Eashwar Iyer: And the origin as well.

Tehmasp Printer: And the origin, so all these factors we thought that it would be nice to like create brand salience.

Eashwar Iyer: No, again, just to compliment whatever Tehmasp just mentioned. I think one of the key strategic pillars for the organization for the next three to five years is to make significant investments from a marketing brand salience, brand building standpoint. So, from that context, there's been infusion of talent within the organization at senior levels to therefore execute the strategy to improve the overall context in which IGI operates, and what purpose IGI serves and how are we therefore going to communicate this more effectively with the consumers at large. So, it's a well thought out plan, it's a strategic imperative for us to therefore build on the legacy that we have created over the last 50 years to make this business far more scalable. And therefore, just improve the context in which we operate in this industry.

Tehmasp Printer: And thank you for your inputs on our advertisement, I will definitely let our advertising agency know that they have done quite a reasonable job.

Ankit Kedia: Sure, sir. Thank you.

Moderator: Thank you. The next question is from the line of Pratham Jain from Quantum AMC. Please go ahead.

Pratham Jain: Yes, my question is on risk assessment. So, what would be the impact on our business, so assuming that the prices of lab grown diamonds were to significantly drop in future? So as far as my understanding is concerned 1 carat LGD is currently priced at around Rs. 70,000, so what would happen if the prices drop significantly in future? And you also talked about the discounts that you provide to the B2B players, so how would this affect risk, how this affects the pricing of certification and the margins of the business?

Eashwar Iyer: Yes, there are two or three aspects to what you asked, Pratham. I think Tehmasp did talk about it. One is, when you are growing lab grown diamonds, it comes with significant investments, both from a capital standpoint and also from an opex standpoint. The manufacturing facility today employs close to 3,000, 4,000 people, and not to mention about the significant capital increases that is required to set up a facility. And there's an element of an industry analysis that we did during our pre-IPO days, and there is a section specifically provided to assess in terms of what is the ROI that the growers currently enjoy, considering the fact that lab grown prices have actually dropped over the last two year. So that point is well made.

We all are aware of the impact of pricing that has gone into this industry in the last couple of. But what we have to also understand is in the last six to nine months we have seen significant stability because we understand that anything lower than what prices people are offering today is not something that is sustainable in the long term. So, from that context, that correction has probably happened till April, May of this year.

Pratham Jain: Earlier you had mentioned that because of the restricted supply the prices have stabilized. So, what would happen if the supply comes into the market and the prices crash?

Eashwar Iyer: No, I think we have miscommunicated there. What I tried to mention is, there was an extended period of shutdown in November, okay. I think that is just three or four, five days. I do not think we should look at the macro picture just because there was an extended holiday in the month of November by three or four days. So, that is our assessment in terms of probably correcting the massive ramp up that normally happens in this industry just before Diwali, the jewelry or loose stones for that matter. So normally, our office shuts down for 10 days post Diwali, its unheard of any other company that I have worked in the past. We all stay at home for 10 days post Diwali.

Pratham Jain: Okay sir. Thank you.

Moderator: Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: Yes. Just wanted to understand what kind of synergies we can get from our European acquisitions, that is Belgium and Netherlands? Because if I see employee expenses in Netherlands and in Belgium, they are typically very, very high compared to Indian operations. So, what kind of synergize benefit we could start seeing from our European operations? Would we be outsourcing some of the employed cost to India? How should we look at that in the next, let's say, two or three quarters?

Eashwar Iyer: Okay. Well, interesting question again. See, there are two or three elements here that we need to touch upon. One is, IGI is present in some of the very key markets across the globe. So, we have presence in over eight to 10 countries. We are sitting in India, which is the hub for manufacturing and polishing, okay. So, we are therefore in a position of strength, considering that the manufacturing base sits in India. But the large retail market continues to be in the US, Europe and China. For example, US is over 50% of the retail market. So, because of the way we are currently structured, there is a lot of synergy already at play.

And as I mentioned earlier, obviously, we have had some headwinds in the US and the Europe market because of the war in Europe. But if things were to stabilize, what we are therefore intending to do, and again to link it up with the marketing campaign that we spoke about, all of our actions are, therefore, you would want to culminate each of our actions to providing that integration between the manufacturing strength that exists in India and the retail strength of the other markets. So, I guess, the synergies will play out over the next two, three years now that we have both of these organizations under the India umbrella. And it just further reinforces the one IGI philosophy that the organization has embarked on over the last 12 to 15 months.

Arpit Shah: Got it. And do you have any payout policy for the company? What kind of dividend payouts could we see going ahead? Given that we are a very high free cash flow company, do we have any stated policy in mind?

Eashwar Iyer: Yes. Again, see, we are completely governed by our Board of Directors. We have recently declared an interim dividend. And we will go as per the advice of the Board as we progress along this journey. No denying the fact that we have very, very strong cash flows, etc. But again, we would be guided by the judgment of our board.

Arpit Shah: Got it. And any sense on what should be the brand expense in, let's say, CY ’25 - ’26? Do we have a percentage in mind or do we have an absolute number in mind that this is a number that we are going to spend for the next couple of years? Yes.

Eashwar Iyer: This is something that we will continue to evaluate depending on the effectiveness of our brand spends. But the thing that we would like to communicate is that, if this is getting very, very effective, we are able to connect with our retailers, our consumers and with our manufacturers effectively. We will try to invest as much as is needed to ensure that we scale up rapidly.

Arpit Shah: Got it. Sir just one last suggestion.

Moderator: Sorry to interrupt, Mr. Shah.

Arpit Shah: Only one last suggestion.

Moderator: The next question is from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik: Hello. Hi, sir. Thanks for taking my question. Sir my first question is, can you please give us a breakup for the full year between certification and other revenues for the full year?

Eashwar Iyer: Okay. See, we actually have largely two segments in which our revenues flow in, we have certification business and then we have an education vertical. The education vertical is our starting point or our foundation before we enter new markets. It is not a revenue spinner, but it is very critical for us to establish our presence as we get into newer geographies, okay. So, our education business I think contributes within 2% to 3% of our revenues, but majority of our revenues comes in from certification business.

Naitik: Right, okay. And the breakup in terms of certification for the full year between lab grown diamonds and natural diamonds, and other gems?

Eashwar Iyer: Again, in the interest of just being sensitive from a competitive standpoint, we must understand that we are the only company in this space who are listed in the market. We would therefore want to keep some of these information confidential in the interest of commercial expediency.

Naitik: Okay, sir. No problem. Also, sir, my another question is, you have seen your margins expand because of your other expenses during the quarter reduce significantly versus last year same quarter. So, where has the savings come from, would you just allude to that?

Eashwar Iyer: See, we have done a bit of restructuring in some of our markets, okay, and that is the reason why we are seeing some efficiencies from a cost standpoint in this quarter. I think that is sustainable into the future as well. We have taken some corrections from organization standpoint in some of our key markets. So that is one of the reasons for the optimization of expenses that you see during this quarter.

Naitik: Right. Sir my last question is, what sort of losses is the Belgium entity making? Because if I see your standalone profit versus your consol profit, there's a difference. So, if you could just put the amount of losses that Belgian entity is making for the full year?

Eashwar Iyer: Okay, our losses would be around close to $2 million when you look at the Belgium entity. And again, that is driven by because of the headwinds that we had this year, specifically resultant of the war in Europe.

Naitik: So, in the previous years it was profit making, are you alluding to that?

Eashwar Iyer: Sorry.

Naitik: If not for the war the entity was profitable?

Eashwar Iyer: This was extremely profitable. The US market, as I mentioned, is the largest retail market in the world. So, 50%, 55% of the world's business from a retail standpoint happens in the US. So, from that context, these are extremely profitable businesses. And of course, hopefully things settled down in the near future and we get back to the good old glory days.

Naitik: Okay, sir. That's helpful. Thank you. That's it from my side.

Moderator: Thank you. We take the next question from the line of Angad Katdare from Sameeksha Capital. Please go ahead.

Angad Katdare: Hi, thanks for the opportunity. My first question is a small book keeping question. Our other financial liabilities and the financial assets has seen huge discrepancies over the last one year. Can you just throw some light on the same?

Eashwar Iyer: Can you just explain that to me, please?

Angad Katdare: So, the other financial liability has decreased from around Rs. 1,390 crores to around Rs. 170 crores, and the other financial assets have increased from Rs. 15 crores to Rs. 450 crores. So, can you explain this, can you just throw some light on this?

Tehmasp Printer: Just give me a moment. I can't correlate to this number, just give me a minute. So, you are referring to the other financial liabilities?

Angad Katdare: Yes, as well as the other financial assets.

Eashwar Iyer: Yes, this Rs. 1,300 crores is consequent to the fructification of the liability that we have recognized in our books, which went towards the acquisition of both the Netherlands and the Belgium entity. So, we have recognized this liability as we restated our financials in 31st December, 2023, as part of the DRHP requirements. Post that, as I mentioned earlier in my call, we had a commitment in the RHP to invest Rs. 1,300 crores of the proceeds towards acquisition of both the Netherlands and Belgium entity. Consequent to that, the liabilities got now squared off. You will probably see a corresponding investment in capital reserve.

Angad Katdare: Got it. And what about the other financial assets?

Eashwar Iyer: The other financial asset, see, I think you have to see it in totality that the financial assets plus cash and bank balance, etc., there is obviously an increase across all these lines consequent to the cash that has got generated in the business over the last 12 months. Added to that is the fact that out of the IPO proceeds, we still have to expand some amount towards payment of IPO expenses. To that extent, the cash is still lying in our books to that extent.

Angad Katdare: Got it. Sir, our employee expenses is currently around 25% of total sales on a consol basis. Do you see this number, with efficiency that you are talking about going down maybe in the future, as you maybe let's say shift some employees to India maybe or something like that, if you could throw some light on the same on your strategy for the next two, three years. Since, you are also alluding that the margins may improve further, so that will be helpful.

Eashwar Iyer: See, there are two aspects here that we need to put in consideration. One is, obviously India will continue to invest because the bulk of the manufacturing as far as lab grown diamonds exists in India. So, we will have to ramp up our capacity and the only investment that we do in our organization is to getting people to start grading. So, to that extent, we will continue to induct people, so long as it's required to meet customer expectations from a service standpoint. And we are on a mission mode to ensure that we improve our customer experience. So, while this is the aspect at play in India, what we need to do, since we are looking at the consolidated results, obviously we have a slowing down of revenue growth in the US and Belgium market. Obviously, we cannot ask people to go home, these are people who have been working with us for 15 to 20 years and come with significant experience in the grading aspects, right? So, we have to, therefore, ride the storm. And once the business stabilizes there, business comes back there, you will obviously see some of these percentages therefore coming back to normal levels.

Angad Katdare: Sure. Sir, another question, so some of the retailers who sell LGDs have alluded that due to the price correction in LGDs over the years, there are more inquiries for higher carat diamonds, in the range of 5 or even 10 carats. How do you see the pricing for certification for this higher carats compared to the lower carats? How much difference is there, if you can give a range or something?

Eashwar Iyer: No. So, see, again, we have fees which has nothing to do with the final quality of the diamond. It is based on the weight or the carat size, okay. And again, we have therefore a mathematical formula so to say, to just simplify it, in terms of what we charge for each carat. So, a carat, if it costs x, 2 carats would probably be something less than 2x or probably higher than 2x, depending on the nature of the diamond. If it's natural diamond, it is very different, if it's lab grown diamond, it's a little different. So that is the way we have tried to build this structure up.

Angad Katdare: Got it. Thank you and all the best.

Tehmasp Printer: Thank you.

Eashwar Iyer: Thank you very much.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we take that as the last question. I would now like to hand the conference over to the management for closing comments.

Eashwar Iyer: Okay. So, thanks everyone. And some of these people who have spoken to us today, we have been knowing them for the last three, four months over the period of the road show, etc. We really appreciate your support. And we are thankful for all the guidance etc. that you have provided us over the last five, six months. And we hope that we are able to repose the faith that you have posed in IGI. So, thank you very much once again for taking the time. It’s been a pleasure to be talking to each of you all. Thank you very much.

Moderator: Thank you. On behalf of International Gemmological Institute (India) Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.