SKY GOLD

MAKE IN BHARAT, FOR THE WORLD

"Sky Gold Limited Q4 FY '24 Earnings Conference Call"

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MODERATOR: **MR. PARTH PATEL – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Sky Gold Limited Q4 FY24 Earnings Conference Call. 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 this conference, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Parth Patel from Orient Capital. Thank you and over to you, sir.

Parth Patel: Thank you, Dorwin. On behalf of Orient Capital, I welcome you all to Sky Gold Limited's Q4 and FY24 Earnings Con Call. From management side, we have Mr. Mangesh Chauhan, Managing Director and Chief Financial Officer, Mr. Darshan Chauhan, Whole-Time Director, Mr. Mahendra Chauhan, Whole-Time Director, Mr. Jayesh Sanghavi from the Finance team and Ms. Nikita Jain, Company Secretary.

I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on Exchanges and the company's website. A short disclaimer I would like to mention before we begin the call. This call may contain some of the forward-looking statements, which are completely based upon our belief, opinion and expectations as of today.

These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. With this, now I hand over the call to Mr. Mangesh Chauhan. Over to you, sir.

Mangesh Chauhan: Thank you, Parth. Good evening, everybody. It's great to have everyone here for our Q4 and FY24 Earnings Call. Let's dive into the details and provide you with a comprehensive update on our business developments during the quarter. As we approach Sky Gold's 20th anniversary, we would like to share our vision for the next 20 years and beyond. We plan on becoming India's leading jewellery manufacturer that serves customers in both India and the world.

Let us spend a few minutes at the outset of our presentation to share with you some of the actions we have been taking to lay the foundation for our success. We understand that this journey will not be easy, but we are working hard to achieve this objective. This is a continuing process, and we will keep you updated as new developments occur.

We believe there is an opportunity to create a globally leading India-based design-led jewellery manufacturer. We make lots of beautiful designs that delight the customer, and we manufacture this product efficiently, ensuring the best quality and cost. We plan to continue our partnership with leading Indian jewellery retailers that we have nurtured over the last two decades.

India's large retail jewellery chains are expanding at a breakneck speed, with estimates suggesting 500 new stores coming up from just five top chains in the next three to five years, which augurs well with our ambition of becoming a top jewellery manufacturer. Understanding the current market dynamics of our newer generation and conceptualizing the same with appreciation into products that live up to the expectations of our customers remains our topmost priority. We have achieved very high growth rates in large part because we understand our jewellery retail customers and customers.

A large number of designers can create designs that help our jewellery retailers quickly sell the products in their respective stores. Jewellery that sells in the stores in South India, say in Ernakulam in Kochi, will be very different than what sells in Karol Bagh in Delhi or Andheri West in Mumbai. Our jewellery chain retail customers value the speed at which our jewellery inventories turn over at their stores.

We not only benefit from the traditional karigiri skills of our jewellery designers, many of whom are trained in Kolkata, but also use the latest computer-aided design technologies to ensure we make delightful jewellery that is lightweight. As corporate jewellers grow in India and the industry becomes more organised, there is a need for jewellery manufacturer suppliers to become equally efficient and organised. We believe Sky Gold has moved early to become organised, professionally managed, as well as process and quality focused, will be one of our winners.

We plan to grow fast and become India's leading jewellery manufacturer. However, we are committed to growing in a profitable and capital efficient manner with high returns on capital. We have made and are continuing to make required investment in factory space, the latest manufacturing equipment, computer-aided design capability, regional and global salespeople, marketing as well as finance, corporate governance and process controls.

We firmly believe that the hard work we have put into building a strong foundation will enable us to become one of the leading global jewellery manufacturers. Let us walk through each of these topics. Many of you have visited our new factory in Navi Mumbai.

If you have not, I encourage you to either view our videos that showcase our facility to contact our investor relationship team to arrange a visit. Our existing factory alone with minimal investment in capital expenditure can let us grow more than INR5,000 crores in revenues. In our factory, you will see a combination of the use of the latest computer-aided designs and manufacturing combined with the traditional skill of our craftsmanship and karigars.

We have hired manufacturing experts to help us to optimize the production of gold jewellery, minimizing gold loss in our manufacturing process. We are implementing the latest supply chain management software. Sales and marketing are a very important focus.

Increasing scale gives us the advantage of further reducing costs as our overhead is spread over a large base. We have hired sales and marketing experts who can not only help us sell the leading jewellery in India but also reach out of the large jewellers globally. We are creating a B2B marketing campaign that targets the leading customer in the field.

You will not see us advertising in the manner of retailers that target the end customers at locations such as airports or highway billboards. We focus on targeting large retailers as a jewellery event in India and globally. The jewellery business is built on trust.

Corporate governance is very important to us. We would be strengthening our board and team as well as in the next few months my focus will be on strengthening our governance standard. Our long term aspiration can be achieved only if we have a strong foundation in governance. In line with our vision we have acquired two entities, Starmangalsutra Private Limited and Sparkling Chains Private Limited are promoter owned and private. Even though both these entities are into jewellery manufacturing, product portfolio is completely different from Sky Gold.

These entities were kept separate since the design and manufacturing capabilities were different. However, considering our long term strategy, we have acquired the private entities. The promoter do not own any private entities.

Cumulative, Sky Gold has issued 4,17,542 shares at an issue price of INR1,197 having a face value of INR10. The approximate value would be of INR49.98 crores. The average price per share was arrived through SEBI standards. Apart from the stock, there is a cash portion in the transaction as well. Darshan Chauhan and I have lent INR37.5 crores to both entities. These are interest-free loans.

The money would be paid back as well. However, the repayment will happen only based on Sky Gold's liquidity scenario. The cash payout for a loan will not happen in a hurry. Only based on Sky Gold, gold prospect, cash payout will be made. To simplify the transaction further, the total acquisition cost is INR87.5 crores that is INR49.98 crores of shares and INR37.5 crores of repayable loans through cash and equity components. The acquired entities cumulatively generate INR370 crores turnover and a PAT of INR7.5 crores during '24.

During 2025, we expect both entities to generate INR600 crores to INR650 crores of revenue and a PAT of INR15 crores to INR17 crores. This translates to an acquisition valuation of 7 PE on FY '25 and 12x PE on the trailing basis. To summarize the Sky Gold aspiration to make-in Bharat for the world, we are evaluating the strategic acquisition to become a global vendor.

We would make announcements at the appropriate time. The reason for acquisition to have excess customer and global design quantitatively. We are looking to achieve INR6,000 crores revenue, 3% to 4% PAT margin and of 25% ROCE.

Now, I would like to hand over to Darshan Chauhan, our Whole-Time Director for his remarks. Hand over to you Darshan.

Darshan Chauhan: Good evening to all of you. Coming to the export vertical. India's exports in plain jewellery has witnessed a significant jump over the last one year of 62% to USD 6.7 billion in FY '24 as compared to USD4.2 billion in FY '23. These developments could be attributed to expertise in jewellery manufacturing, cheap labour costs and incentives provided by the government. Capitalizing on these benefits, we are looking to open sales office outside India and acquisitions we are targeting would be in this direction.

Embracing our motto of make-in Bharat for the world, we expect revenues from export business to increase quite significantly as a percentage of total revenues over the years from the current contribution of low double-digits to 30% by FY '27. Furthermore, the company has strategically decided to enter a diamond-studded jewellery segment driven by the high demand for such products, particularly in the lightweight category where we are market leaders and possess significant expertise. This demand has observed from our current customers as well as across the market participants, encouraging us to venture in this margin accretive and growing segment.

Increasing our export revenue share is of strategic importance to us. Our gross margins and return on capital would improve with a higher share of exports. Now, I would like to hand over the call to Mr. Mahendra Chauhan, our Whole-Time Director. Over to you, Mahendra.

Mahendra Chauhan: Hello everyone. Good evening to all. To seize the multiple opportunities as mentioned by Mr. Mangesh and Mr. Darshan across different business verticals, I would also like to mention about the key hiring's done by the company in the recent quarter to help the company achieve its strategic goals and facilitate future growth. These key hiring's include HR Head, Production Head, Product Development Manager, Sales General Manager. Along with the strengthening of senior management company is also actively evaluating candidates for Chief Financial Officer.

We are also creating an Advisory Board that will advise us on globally leading techniques in manufacturing, supply chain management, sales, marketing and finance. We will update you on this addition as they occur. I head the manufacturing practice of our company.

Looking ahead to financial year '25, our roadmap would be to increase capacity utilization at our new facility to 50% on an annualized basis. Increase our investment in IT and automation. Our ERP system will become operational in the next few months. Implementing an ERP system is a complex task in a jewellery manufacturing company since the supplier quality system requirements – automotive quality management standards SKUs are thousands. A strong ERP system will help us to keep a strong check on multiple operational parameters. Specifically, inventory and receivable management, gold loss and Karigar productivity will be closely monitored. We are also speaking to image processing companies to automate our quality check and security standards.

We would be rolling out an app shortly to seamlessly interact with our customers. The thought process is to provide a B2C purchase experience to our B2B customers. This would be the first in the industry. My personal focus will be to digitize the entire manufacturing operation of Sky Gold.

Now, I would like to call Mr. Mangesh Chauhan to take you through our Q4 and financial year '24 financial performance. Mangesh Chauhan?

Mangesh Chauhan: Thank you, Mahendra Chauhan. Now, I will discuss the Q4 financial performance. The consolidated revenues for the quarter stood up to INR513.4 crores versus INR269 crores in Q4 '23. Thus, we are registering growth of 90.2% on a year-on-year basis. The gross margin was at 7.2%. The quarterly volatility in gross margins is due to product mix change. Structurally, we would like to reach 7% to 8% gross margins through product mix and exports. EBITDA margin would be maintained at 5-5.5 over the long term. Reduction in net interest costs would be a big driver for our PAT margin expansion. Currently, the inventory is funded through a working capital loan at 9% to 10% rate. Over the next couple of quarters, we would be moving to 80-90% gold metal loan at 3%. With a gold metal loan, there would be no hedging costs as well.

On the interest income side, we have collateral of INR70 crores in the form of HDFC Bank's shares, etcetera. We would be liquidating the shares and converting the same to the fixed deposit. As a result, we would be receiving interest income. As a result of conversation from working capital loan to GML and liquidation of shares, our interest costs would more than drop by half to less than 0.5% of the sales. The above measures would help us to cross 3% PAT margins.

On the balance sheet side, our inventory days increased due to the corporate orders which were received close to the end of the quarter. On a normalized basis, our inventory days would remain lower than 35 days. Implementing ERP system would be a great help. Over the next two years, we would like to lower the capital cycle to 45 days. Even the receivable days would reduce with more cash and carry business.

With this, I would request to open the floor for questions and answers. Thank you so much.

Moderator: The first question is from the line of Palash Kawale from Nuvama. Please go ahead.

Palash Kawale: Thank you sir for the opportunity and congratulations on a very good set of results and very good acquisition. Sir, my first question is related to acquisition. I would request you to spend some more time on product portfolio. How is it different from our own product portfolio? And how are the margins there?

Mangesh Chauhan: Sure. Skygold we are making casting jewellery products, which is the 40% consumption of a store. So, in Starmangalsutra it is a manufacturing company which is making Mangalsutra which is a 15% requirement of the store. In sparkling chains we make machine chains which are made in the machines lesser karigar are required machineries are there but 80% is made in machinery and linking and all are done by the karigar. So chains is also a product which is consuming in the jewellery store. It has a consumption of 25% of the store sales. So right now with this acquisition, we are in all the three products which are very running in the stores. So casting we are doing in Skygold.

Mangalsutra manufacturers in the Starmangalsutra. And chains which ladies and gents both teenage and all our chains are wear by all the age person also teenage also and mid-age also. So the chains are made in sparkling chains. So with this acquisition, we will be there with all the three top running products in the store with every corporates and other clients. So this will help us to drive our revenues and profits. Coming back to the profits, last year it was at 1.75% PAT or 2% PAT approximate PAT. So we can move by 2-3 quarters, we can move them also to 2.5%-3% PAT by reducing the interest cost and applying the ERP systems and all.

So both the company has the potential to travel with Sky and grow up to both have the capacity to make 200 kgs in the daytime and night shift we can make 300 kg per month. So product wise, I hope you understand that we are in a, these are in the chains, these are in the Mangalsutra. We are in the casting jewelry, necklaces, pendants, earrings all this we have in the Skygold.

Palash Kawale: Sir, could you repeat the contribution from Mangalsutra and chains that you mentioned, sorry I missed the number.

Mangesh Chauhan: Last year we have done both the had done INR370 crores. So this year we are expecting to do INR600 crores-INR700 crores and next year we are expecting INR1000 crores from both the entities.

Palash Kawale: Sir, you mentioned that Mangalsutra contributes around 16% to the retailers, right?

Mangesh Chauhan: Yes, 15%-16%.

Palash Kawale: And what is the contribution from chains?

Mangesh Chauhan: Chains is 25% contribution of the stock.

Palash Kawale: Okay, yes. Thank you, sir. Thank you for your detailed answer. Sir, my next question is what is the capacity utilization right now and what are we looking by the end of FY '25 for Skygold as well as our acquired entities?

Mangesh Chauhan: Yes, Skygold we have a capacity of 750 kg per month. Last year we used 270 kg per month. This year we have started using it 350 kg to 400 kg per month. So Skygold we have 750 kg per month and in that both entities together, we last year were 50 kg per month. So they are at utilization of 30%-35%. We can go up to 200 kg per month in that day shift and night shift we do 300. So Skygold is at about approximately 350 kg to 375 kg per month right now. And we have a capacity to go up to 750 kg. So both together we can go up to 950 kg per month.

Palash Kawale: Thank you so much for your answers.

Mangesh Chauhan: Thank you so much. Hope I have answered your questions here.

Palash Kawale: Yes. Thank you, sir.

Moderator: Thank you. The next question is from the line of Vikrant Kashyap from Asian Market Securities. Please go ahead.

Vikrant Kashyap: Good evening, sir. Thank you for your detailed clarification on acquisitions. Sir, you very clearly mentioned that there is a strong tailwinds coming from the domestic retail players while expanding very rapidly in next 3-4-5 years. In the context of increasing competition and gold price volatility they have seen a sharp decrease in their margins.

We are guiding that we will improve our margin going forward with the scale and increase in our capacity utilization in domestic markets. So do you see that going ahead if these companies are opening up more and more retail stores and there is competition increasing, will it impact more margin to your clients?

Mangesh Chauhan: Mostly as you see large corporates we are dealing with, they need quality and different products actually the products which are not available with normal general stores. So they are not concentrating to lower our margin or bargain to us. Other than that, they are interested to take the monopoly products or different types of products in which they can also make the margin and we can also make the margins.

So we are trying to increase the margin by last quarter. We also sold different exclusive products, monopoly products which is a variety we have made which we can cope up with the margins. So they are also introduced. We are increasing margin with that. We have also started diamond studded jewellery also in that margin will be created. So of course competition is there.

But if your products are different, quality is good and branded corporates need this type of manufacturer who make different products, different variety which standalone from other normal local jewellers. So there will be a win-win situation for both margin for our customers and manufacturers. So we are into that we produce more and more different and monopoly products and supply them and create a margin. So competition is everywhere there, but it's all about the product you make.

Vikrant Kashyap: So could you name a couple of products which are unique and where you see monopoly? Any of the designs that you can quantify?

Mangesh Chauhan: We have Kuwaiti jewellery which is named as Kuwaiti Make in India, different 18 carat Rose Gold Jewellery we are putting a margin in that. In 22 carat also we have made Turkish jewellery, jewellery which are different from the market. Couple of brands which are not available in the market. Diamond jewellery also we introduced last quarter. So all this blended, we are making the margins from there.

So in this -- this is the name of the jewellery. In this different, different patterns are there. Different work is there, very difficult work, very difficult craftsmanship. Designers we have a very old and experienced designer. So this all blended creates the product.

Vikrant Kashyap: Are these products manufactured in your Navi Mumbai facility?

Mangesh Chauhan: Yes 100%.

Vikrant Kashyap: And on the second question is on exports. So you mentioned that you are willing to expand in the global market. We have seen success of Indian retailers who have tried their luck in the overseas market. With Indian diaspora they have been successful. So are you targeting the same or are you targeting that open market? So you will go into US as well?

Mangesh Chauhan: No. We are right now supplying to Dubai, Singapore, Malaysia these all countries which have similar taste of India, but some countries are different. So we are targeting corporates of there like Dubai, Jawhara Jewellery and many other corporates in Singapore, Malaysia and Dubai.

Like India we are supplying to them also and following our Indian customer also there. Malabar Gold, Kalyan Jewellers, Joyalukkas these are all our clients. They have taken for their Dubai, Singapore, Malaysia and their corporates also taking. We are targeting US and Europe over a medium term. Near term will be in the Indian diaspora. We have started doing R&D for Europe and US market where the corporates are there Cosco, Walmart we have a source also, but we are right now for two quarters we are planning to develop a product for US and Europe market.

So for two quarters we are planning to develop and then we will enter into this market. So their gross margins will be high, Europe and US, but it will take two quarters to develop that type of product. But Dubai, Singapore, Malaysia already we are in the market and we are targeting the corporate there also who have 50 to 200 stores. We are basically in the mindset to be with corporates.

Vikrant Kashyap: Correct sir. Can I have follow up on that? So you clearly mentioned that you are targeting Europe and US market, but what we understand from market players that their taste and preferences are different from what we Indians or maybe in the Middle East have. So we will like go for 18, carat 22 carat gold with lesser studded jewellery, but these people will go for lower carat like 14 carat, 16 carat and higher studded jewellery and you have recently entered into the studded business. So how you are going to cope up? Do you have their manufacturing strength bandwidth with you to manage that demand and go ahead of the market?

Mangesh Chauhan: So about that I was telling that for two quarters we are developing the team. We have hired an operations head which has experience of 25 years of US and Europe market. Recently we have hired him for this project and we are building a team. So we will work for two quarters on the product. So 22 carat is never -- it will be saleable in US and Europe market as you are correct. So we are working on 14 carat and 18 carat. 18 carat is like selling very good in India.

So this operations head we have hired, we have hired a team which knows the taste of the US for 25 years. They are in the market who knows the taste of the US and Europe market. So we have hired the team, operations head from the below team. They will work for two quarters on that product and then we will launch with the products of 18 carat and 14 carat. So we are not in a hurry to capture the US and Europe market with a fast run.

But for two quarters we will read the market, we are building the team. We will see the products, observe the market, develop the product and then we will launch the product. So we are in the phase of acquiring the team and building the product.

Vikrant Kashyap: Sure sir. I have couple of more questions regarding your business model, but I would like to take it offline. I have just one question so all of the jewellers have given a good guidance of sub 20% odd growth for next 2 years, 3 years. Do you see that translating into our businesses or maybe we are at a small base we can grow higher and multiply from there.

Mangesh Chauhan: Yes we are a manufacturer B2B. Any corporate is growing by 20% or 30%. We are with everybody. We are with Malabar Gold also, Kalyan, Thangamayil Jewellery all corporates. Out of the top 20 corporates, 15 corporates are with us. Definitely that's why we are guiding INR6500 crores revenue in 3 years. So we are with everybody, small corporates, mid corporates and large corporate whichever who had 5 to 10 stores is a mid corporate whichever who has 2 to 5 stores is a small corporate. So we are with everybody.

So if out of 15 corporates, 1 or 2 corporates does not perform. So I will come to the point. So definitely we will grow by 30% and more because we are with every corporate in India. We are with majorly 1 or 2 corporates in Dubai, Singapore and Malaysia. So in India, the unorganized market is shifting to the organized.

So 100% this market will grow and this retailer will grow. As you are seeing last 1 or 2 years, they are growing very good. So we have a conversation with each and every corporate and they are telling that in this 5 years, much of the unorganized market which is lying 65% now also, we turn to organized market, it will be down to 35% unorganized market. So this will help us to grow, both of us, the retailer and us also.

Vikrant Kashyap: Okay, great sir. Thank you very much. I have couple of questions, I will connect with you.

Mangesh Chauhan: You can connect anytime sir.

Vikrant Kashyap: Yes sir, thank you very much.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Money Control Pro. Please go ahead.

Bharat Gianani: Yes sir, thank you for the opportunity.

Moderator: Sorry to interrupt but the line for you is not very clear. It sounds like you are in the distance.

Bharat Gianani: Okay, I will rejoin the queue.

Moderator: Okay sir, alright. Thank you. The next question comes from the line of Harshit Sancheti from Renaissance Investment Managers. Please go ahead.

Harshit Sancheti: Sir, who are our top 5 customers and can you break the revenue contribution made by each of them?

Mangesh Chauhan: Yes, our 65% business come from corporates. Our top customers are Malabar Gold, Kalyan Jewellers, Joyalukkas, Senco Gold, Thangamayil Jewellery, GRT Jewellery, Bhima Jewellery. These are our customers. 65% comes from the top 15 corporates.

Harshit Sancheti: Okay, and for Malabar specifically?

Mangesh Chauhan: Yes, pardon?

Harshit Sancheti: How much percentage Malabar contributes?

Mangesh Chauhan: Percentage we cannot reveal just for the secrecy. You are also from the jewellery industry, I hope. So you understand.

Harshit Sancheti: Okay, follow up on that. What are the steps being taken to reduce the dependency of these top customers?

Mangesh Chauhan: Dependency on? Can you repeat the question?

Harshit Sancheti: What are the steps being taken to reduce the dependency of these top customers?

Mangesh Chauhan: We are not reducing this customer. We are expanding with the corporate and we are with large corporate. So for reducing the dependency, we are with mid-corporate also which are at 5 to 10 stores and are,are planning to become like Malabar and Kalyan in five years. So, we have onboarded that also and the 2 to 5 stores, which have 2 to 5 stores in chain stores in south or somebody, which are at lower level, but they have a plan to become mid-corporate in two years. So we are, we have diversified our sales in mid, small and large corporates. So we are with everybody and we are right now available in 2000 to 3,000 stores in India and out of that. So our volume is increasing with each customer.

Harshit Sancheti: Okay, all my questions are answered. Thank you.

Moderator: Thank you. The next question is from the line of Piyush Jain, an individual investor. Please go ahead.

Piyush Jain: Yes. This transaction, which we acquired at two companies, are these a related party transaction?

Mangesh Chauhan: Pardon, can you question once again?

Piyush Jain: The two entities we acquired, this star and Mangalsutra.

Mangesh Chauhan: Yes.

Piyush Jain: Are these a related party transaction?

Mangesh Chauhan: Yes. This is a related party transaction.

Piyush Jain: Okay. So we haven't given this margin detail of this entity. We have given some turnover detail, like INR200 crores, INR170 crores, but we haven't given how much is the margin, how much...

Moderator: Piyush, sorry to interrupt. The line for you is not very clear. You're sounding muffled. May I request you to please use the handset mode?

Piyush Jain: Yes. So I want to know, what is the EBITDA margin these two entities are making? Because we are giving some guidance that the margin will improve going forward?

Mangesh Chauhan: EBITDA is around 4-4.4% in the last year. So we will improve that. And PAT is about 2% approx.

Piyush Jain: Yes. Okay. And previously we've discussed that we are working, we are trying to work with Tanishq also. Any update on that?

Mangesh Chauhan: Already we have done many rounds of meetings. Our product meetings is done. But we are waiting a confirmation call from them. So it's already, we have last con call already, we told that we will be acquiring it soon. But it's getting delayed by two, three months. But we are hoping that we will onboard them in a shorter time.

But it's internal, when the window is open, then they will tell us. But we have done all the meetings and product meeting with them. So that's how we are tracking them. So yet now we are not onboarding them.

Piyush Jain: Okay. And earlier we have given some guidance that we will move most of our borrowings to gold metal loan. So right now, what is progress has been achieved on this front? And how much is our borrowing in gold metal loan right now? And when we will be able to come at a 100% level of gold metal loan?

Mangesh Chauhan: Already from our debt, , 6% to 7% we have transferred to gold metal loan, which the KVB Bank has given us. In two quarters, I think we will be 100% on GML. Because banks are taking the time to change the limits. We are already pushing up them for GML. Already one bank with major limit has already told us that in this week, we will get about INR70, INR80 crores GML loan.

So I think this quarter we will be at, already we are using 7%. So 25% will be converted into GML this quarter. And I think 75%-80% in second quarter. So we have applied to all the banks. This will help us to drop our interest costs in two quarters. So already we are using, 7% we have started using GML.

Piyush Jain: Okay. And earlier we have given guidance of, I think INR5000 crores revenue by FY '26. Now I think we have upped the guidance on a higher side around 6300 we are saying. Correct?

Mangesh Chauhan: No. With this acquisition.

Piyush Jain: With this acquisition, correct. So the growth which we are forecasting is largely based on what? Based on the new product category, new customers or what? Because we would be catering most of the customers varying few times for something. Otherwise we are catering all the customers in the jewellery business. So whatever the growth number target we are thinking, it is purely based on the product change or new product introduction or something on what we are seeing of this.

Mangesh Chauhan: It's all blended. It's about market growth is happening, market share gains and export we are working on it. All the blended it will come products. We are making new products that will help us to drive our market share. Already we have data that all the retailer's data most told that unorganized market is shifting drastically to the organized market.

This is helping us to give this projections because unorganized market is drastically shifting to organized market to our corporates. It's all about blended. Our products is also work. Market growth is also working in it. Indian jewellery market is huge. We are just at INR2,000 crores of revenue. So it's a huge market. Tanishq is already 8% of the revenue of the Indian organized market. So it's a huge opportunity. We are just at INR2,000 crores. So our product is also working. Market share is shifting from unorganized to organized. Market is growing. So all will help us to drive. Government policies are good.

Piyush Jain: And two more questions. First, to achieve this INR6,300 crores revenue do we need to raise further money going forward also with respect to dilution? Or we will be able to manage our working capital with internal accruals and all?

And second, you said something let's say 750 kg per month capacity you have and then you are acquiring units which is also having around 200 kg. So right now we are doing a capacity utilization of 40%-50%. So want to know what is stopping us right now to come to the optimum utilization level of let's say 75% or 80%? Why we cannot do that in one year? Let's say one year or something.

Mangesh Chauhan: One year, at present there is no need for external capital. We would take capital at the appropriate time that whenever board is comfortable and agree the plan and we will plan that out. About that to achieve the target we have taken the capacity because it's a manufacturing capacity you cannot plan for one year. That one year we have taken this facility next year we can do. So we have to plan for three to four years. The capacity is done for three years keeping in mind.

So we have decent capital results, customers are good. So we are gradually going by working capital loans is good for next two years. So we have products but we cannot achieve this three year target. We cannot fully utilize in one year this facility. It's a step by step process and making the new products slowly adding the karigars, designers we already have. So this is the process of three years. We cannot step so drastically that we can take more capital and achieve that in one year. So we are in a good space, I think.

Piyush Jain: Is there any other entity related party which is still there?

Mangesh Chauhan: No. Nothing.

Piyush Jain: Thank you from my side. Thank you, all the best.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Moneycontrol Pro. Please go ahead.

Bharat Gianani: Yes, sir. Congratulations for a great set of numbers. so just two questions from my side. One is, you target -- you give a revenue target of about INR6,500 crores. So that is by FY '27-'28, what is the timelines for that?

Mangesh Chauhan: '27. We have revised the target with this acquisition. Earlier our target was INR5,000 crores for 27. But this acquisition, we have revised the target.

Bharat Gianani: And sir, second question is related to this new segment that you pointed out. Like, diamond studded jewellery which we have entered into last year. But sir, wanted to understand because we have been able to build the business with the focus on the lightweight jewellery.

So far products like necklaces, pendants now, mangalsutra and chains. So, that typically is outsourced by the jewellery manufacturers which are there for manufacturers like us. But diamond jewellery, diamond-studded jewellery typically, what do you think, why will they outsource it to us?

Because the other products that we mentioned, that are lightweight and that they are outsourcing and we typically provide designs which they can sell fast. But what the USP of diamond-studded jewellery is there, which we give to them that that manufacturing will come to us rather than they manufacturing. And because I think that's a margin lucrative product. So instead of the jewellery manufacturer outsourcing him make it denounce and then sell it. So probably, I mean, what I was trying to ask is, where do you think is our USP in that segment?

Mangesh Chauhan: Yes. So I will answer this. Mostly this large corporate prefer to outsource diamond jewellery. 80% they are outsourcing because they get the creation from different 50 to 100 factories, different 50 mines come into a counter. So they largely believe that outsourcing is very good for us. We get a creation, we get a numerous creation of future plans. We future what jewellery will work. This manufacturer work day in day out for this. For 20, 25 years every manufacturer working for this, what will work after six months, what will work after two years.

So this large corporates, every time are positive or look for outsourcing this diamond jewellery. Whatever margins there is running in the market, they give to us also. But I will come to the point why our jewellery, we will sell this diamond jewellery, because we have developed the same taste as for gold jewellery.

We have diamond, created a lightweight carat diamond jewellery. So we have launched 0.2 carat to 0.5 carat rings and that too pendants and all. Our necklaces are range about 1 carat to 1.5 carat. So diamond jewellery range is about INR1-INR2.5 lakhs range we are making. We are not making INR5 lakhs, INR10 lakhs jewellery or INR15 lakhs jewellery. Before also, we were not in that mindset.

In diamond jewellery also, we are in the same line. We are making a budgeted lightweight jewellery. We also know that taste and buying trends. This is that we global market trends are bringing it to India. So in global market trend also, we are bringing it to India. So we are into lower inventory budget. We will keep in that pace only. Large corporate every time sees new design, new creation, whichever will sell fast in the counter, they outsource from the manufacturers. So it's all about the designing creation you make and the budget inventory you make.

So we are into a very initial stage of diamond jewellery, not much aggressive, very last quarterly, we got some good sales. So we are slowly, slowly driving up that. That's the project.

Bharat Gianani: So just one clarity, you mentioned like what price range you are making INR1-INR2 lakhs?

Mangesh Chauhan: All our diamond jewellery are ranging from approximately rings and earrings are about from INR20,000-INR50,000, INR50,000-INR60,000 range. Necklaces are about INR50,000-INR1.5 lakhs. So maximum INR2.5 lakhs.

Bharat Gianani: And so this last question from my side, the margins for the console entity, you said, what will be the PAT margin guidance for the next three years? And what will be the drivers for that?

Mangesh Chauhan: For Sky Gold?

Bharat Gianani: Yes, Sky Gold consolidated site, including both the entities that we have.

Mangesh Chauhan: Yes, we are targeting 3% PAT margin to achieve. First target is to 3% PAT margins. And then we will go ahead with more than 3% also. 3%-4% we are targeting. First to achieve 3% is our first target, which will help us by reducing the finance cost also. We are developing, we will be implementing ERP system, which will help us to track the inventory and help us to lower the gold loss. So on the field, we are working on it to achieve. First target is to achieve 3% PAT margins. In three years, we will be ranging about 3%-4%.

Bharat Gianani: Okay. Thanks and all the best.

Mangesh Chauhan: Thank you.

Moderator: The next question is from the line of Amit Agicha from H G Hawa & Co. Please go ahead.

Amit Agicha: Good evening, sir. Congratulations for a very good set of numbers. My question was with respect to like, is the company also dealing in B2C segment?

Mangesh Chauhan: No, we are never into B2C.

Amit Agicha: Is the company planning to come out with B2C online?

Mangesh Chauhan: Right now, we are not planning because we are seeing a very good scope in B2B only. We have acquired two entities. The ROCE of B2B is better than B2C for now. So we are considering, we have acquired two entities. So we want to, our target is to become the largest jewellery manufacturer of India. That's our mission. So for two years, we are not planning at least for anything.

Amit Agicha: Okay, the company is not thinking of retailing?

Mangesh Chauhan: No. So B2B, we are considering that is our core and we want to be the largest manufacturer of India.

Amit Agicha: Okay. Thank you, sir.

Moderator: The next question is from the line of Raj Sanghvi, an Individual Investor. Please go ahead.

Raj Sanghvi: Good evening, sir. Congratulations on a very good set of numbers. So my question was regarding to the sudden rise in the prices of gold in the month of April. And also there has been general election as well. So have you experienced any slowdown in the, in the first few months of this quarter because of that?

Mangesh Chauhan: There were expectations. Slowdown was expected, but there was a good business because April, May, Akshaya Tritiya is lined up in the South and North. So Akshaya Tritiya is a very big opportunity. So it was a good quarter for us. I would say.

Raj Sanghvi: And my second question is with respect to our turnover. So we have guided for around 6,300 by FY '27. So my question is like how price increase in the month of April. Suppose it increases further in the coming few years. So can our turnover even increase further because of that?

Mangesh Chauhan: We have given a blended target already…

Raj Sanghvi: Okay, considering that. So, the target is considering that?

Mangesh Chauhan: Yes, yearly 8% to 9% gold prices increases on average. The data says that. So, we have calculated both.

Raj Sanghvi: Perfect. Thank you. That's it.

Moderator: Thank you. The next question is from the line of Piyush Jain, an individual investor. Please go ahead.

Piyush Jain: Sir, couple of questions from my side. Sir, we have some investments in our books also, correct? Some 90-odd crores which was our listed shares, correct?

Mangesh Chauhan: Yes.

Piyush Jain: So, what is the planning for this? Do you want to cut this and reduce our borrowing on something or we want to continue with the borrowing as well as the investments?

Mangesh Chauhan: No. We are planning to replace this equities with FD with the banks. We have already applied to the banks that we want to replace this collateral with FD and we'll lay off the shares, we'll offload the shares. So, we will replace this with FD. Then FD will give us good returns, 8% to 7% fixed returns to us. So, these are the collateral with the banks against which we have taken the limits of borrowings. So in, I think, one quarter, in 3 months from here, we will be exchanging it with FD and we'll sell out the shares.

Piyush Jain: So, for GML also we need to give FD?

Mangesh Chauhan: Yes, we have to give 30%, 40% collateral to the banks for the secured loans. Against that we get three times loan.

Piyush Jain: And then with respect to our capex, let's say whatever capex we need to do. So, our work is more like a skill work where the karigar is important and not about the plant and machinery something. That's all because our capex in comparison, size is lower as compared to our turnover. That the understanding correct?

Mangesh Chauhan: Yes. Can I go ahead?

Piyush Jain: Yes.

Mangesh Chauhan: So it's a mix of machine and handmade. It's a mix of machine and handmade. So in machine, the hand carving is done, polishing, finishing. So it's a 50%,50% combination of hand and machines. So in gold, it's not like the steel industry or something, copper industry, that a capex is needed of INR50 crores, INR100 crores or INR150 crores. So, nominal capex is needed and it's a blended of handmade and machine.

Piyush Jain: And I just want to understand, whatever the way our pricing, it is largely being the making charges (inaudible 49:41) that we make. That is our revenue because on a gold-wise, price-wise, whatever fluctuation happens in gold, that will be taken care by a new hedge in the way, the date at which we buy and the date at which we sell. So more or less, that has been understood. So, whatever is your making charges, whatever is your gross margin that should be our income. Is that understanding correct?

Mahendra Chauhan: 100%. That's gross margin is our income.

Piyush Jain: That's why we are able to make a high ROCE.

Mahendra Chauhan: Yes.

Piyush Jain: Thank you.

Moderator: Thank you. The next question is from the line of Amit Kumar. Please go ahead.

Amit Kumar: Yes, congrats over a good set of numbers and a great vision. So, just wanted to question that initially we guided about INR10,000 crores of revenue by 2030. So, can we say we will be able to achieve maybe one year before maybe 2029?

Mangesh Chauhan: Yes, 100%. With this acquisition, we are revising, but we have revised the target to 2027. We have given the outlook. So, it will be revised 100% with the acquisition.

Amit Kumar: No, sir. I'm talking about a INR10,000 crores target. INR10,000 crores revenue. In which year we will be able to achieve INR10,000 crores of revenue?

Mangesh Chauhan: We have given the outlook of 2027. We'll definitely achieve 1 years or 2 years before only. But we'll send you the outlook till 2030 also. We can send you the outlook. We can send you the PPT. So, 100% with this acquisition, it will be achieved prior.

Amit Kumar: Thank you very much, sir.

Moderator: Thank you. We have the next question from the line of Bharat Gianani from Moneycontrol Pro. Please go ahead. Yes, sorry, sir. The line for the current participant seems to have dropped. Ladies and gentlemen, in the interest of time, that would be the last question. I would now like to hand the conference over to Mr. Mangesh Chauhan for closing remarks. Over to you, sir.

Mangesh Chauhan: Thank you so much. Thank you, everyone, for joining us. I hope we have been able to answer all the queries. In case you require any further details, you may please contact us or Orient Capital, our Investment Relations Partners. Thank you so much. Thank you, all of you, for supporting us. Thank you.

Moderator: Thank you. On behalf of Sky Gold Limited, that concludes this conference.