"Sky Gold Limited

Q3 FY25 Earnings Conference Call"

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MS. NIKITA JAIN – COMPANY SECRETARY – SKY GOLD LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to Sky Gold Limited Q3 FY '25 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 the conference call, please signal an operator by pressing star then zero on your touchtone 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, Sagar. On behalf of Orient Capital, I welcome you all to Sky Gold Limited's Q3 FY '25 and 9-month FY '25 Earnings Conference Call. On the management side, we have Mr. Mangesh Chauhan, Managing Director and Chief Financial Officer; 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. I would like to mention a short disclaimer 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 morning, everyone. Thank you for joining us today as we discuss our Q3 FY '25 quarterly performance. In Q3, the company maintained its strong growth momentum, achieving its highest-ever quarterly revenues and operating profits with year-on-year growth of 116.7% and 217.6%, respectively. We continue to onboard new clients and expand our customer base as part of our vision to become one of the largest B2B gold jewellery manufacturers in our segment.

This quarter, we successfully onboarded Aditya Birla Novel Jewels' Indriya brand, marking a significant milestone that highlights our ability to cater large-scale premium projects. Additionally, we strengthened our presence among major jewellery retailers by partnering with CaratLane and P.N. Gadgil in the past quarter. The jewellery industry as a whole is witnessing aggressive expansion with leading brands rapidly increasing their retail footprint to capture a larger share of organized market. Our existing clients have also expressed plans for aggressive expansion, further enforcing growth opportunities.

Demand for wedding jewellery remains strong despite fluctuation in gold prices with customers adopting to market changes. Sky Gold diversification into new jewellery segment has gained strong transition this quarter, further strengthening our market presence. The expansion includes 18 carat natural diamond jewellery and lab-grown diamond jewellery.

Both exports and domestic market remain key focus areas, and we enforced our distribution network in Singapore to drive export revenue growth. Additionally, we have announced plans to rebrand Sky Gold Limited as Sky Gold and Diamonds Limited. This rebranding reflects a strategic shift, highlighting the company's broader focus beyond gold to include diamond lab-grown diamond and other precious stones, offering a more comprehensive view of our operations.

We are pleased to announce an update on Sky Gold's credit rating from India Rating, a subsidiary of Fitch globally, which has assigned an 'IND A-/ Stable'rating to the company bank loans. The fund-based working capital limit and proposed fund-based working capital limit have been rated 'IND A- / Stable / IND A2+'.India Rating has based its assessment of Sky Gold significantly operational expansion driven by increased installed capacity, inorganic growth and along with effective working capital management.

Rating is expected to reduce the company's cost of fund collateral requirements while the impact may not be immediate. This structural improvement will strengthen the company's financial position, leading to better negotiation terms and lower borrowing cost in the long term and improving ROCE and ROE.

This quarter, our monthly production volume averaged 447 kg, up significantly from 270 kg per month last year, marking a robust 66% growth year-on-year growth. Exports continue to make healthy contributions with sales reaching INR71 crores, marking a 12% growth as compared to previous quarter.

Now I will discuss our Q3 financial performance. The consolidated revenue for the quarter stood at INR998.0 crores versus INR460.4 crores in Q3 '24, thus registering a growth of 116.7% on a year-on-year basis. The gross margin was 7.3% as compared to 5.3% on Q3 '24.

EBITDA for the quarter was INR57.3 crores compared to INR18.0 crores, showing a growth of 217.6%.EBITDA margin for the quarter stood at 5.7% as compared to 3.9% in Q3 '24, improved by 182 bps on a year-on-year basis. PAT for the quarter stood at INR36.5 crores as compared to INR8.9 crores in Q3 '24. PAT margin for the quarter stood at 3.7% as compared to 1.9% in Q3 '24, hence improving 172 point basis on a year-on basis.

Moving to 9 months FY '25 financial performance. The consolidated revenue for 9 months stood at INR2,489.8 crores versus INR1,232.1 crores in 9 months FY '25, thus registering a growth of 102.1% year-on-year basis. The gross margin was 6.8% as compared to 5.6% on 9-month FY '24. EBITDA for 9 month FY '24 was INR133.3 crores compared to INR51.9 crores, showing a growth of 156.8%. EBITDA margins for 9 months stood at 5.4% as compared to 4.2% in 9MFY '24, improving 115 basis on a year-on-year basis.

PAT margins for 9-month FY '25 stood at INR94.5 crores as compared to INR26.9 crores in FY '24. PAT margins for 9 months FY '25 stood at 3.8% as compared to 2.2% in 9 month FY '24, hence improving 161 bps on a year-on-year basis. We have delivered a strong performance in the first 9 months for the financial year and remain on track to achieve our annual revenue target of INR3,300 crores driven by new client acquisition operation efficiencies and enhanced management capabilities.

To support our growth, we have strengthened the leadership team by bringing in industry veterans across key roles, including plant heads, sales heads, designers, to further propel the business forward.

I now request the moderator to open the floor for questions.

Moderator: Thank you very much. First question comes from the line of Palash Kawale from Nuvama Wealth. Please go ahead.

Palash Kawale: Congratulations on a great set of results. Sir, my first question is on volumes. So what was the volume out of 447, what was the volume for the Sky Gold standalone entity?

Mangesh Chauhan: Standalone for the 9 months, it was 975 kgs and 181 kgs for Sparkling Chains and 182 kgs for Starmangalsutra. Totally, we stood at 1,339 for the 9 months.

Palash Kawale: And sir, out of this, have you started delivering to Aditya Birla as well in this quarter in Q3?

Mangesh Chauhan: Yes. Already, we have started delivering. CaratLane we are delivering monthly 20 kgs. And so Aditya Birla already got order of last quarter only of 20 kgs and this quarter, already we have started delivering the products. So this quarter, the numbers will come how much we are delivering this quarter to Aditya Birla.

Palash Kawale: So sir, in upcoming years, like FY '26 or FY '27, how much do you expect to deliver to these 2 companies, which are CaratLane and Aditya Birla?

Mangesh Chauhan: So now we are making monthly 450 kg per month with the subsidiaries. We are expecting 10% of revenue more growth from CaratLane and Aditya Birla. So we are expecting monthly 50-50 kg from both CaratLane and Aditya. This will add 100 kg extra production from our regular guidance. So in I think CaratLane we are on track. Every month, we are getting orders. Aditya Birla, first order has already dispatched. So this quarter will be a trial basis and then we'll get a regular order. So we are expecting to add from April quarter, 50 kg from both the companies.

Palash Kawale: So just to be clear, you said that 10%, 10% from both the companies you can deliver by FY '26, '27?

Mangesh Chauhan: Yes, yes.

Palash Kawale: And sir, you don't have to take gold on your balance sheet, right? So it will be very capital efficient business?

Mangesh Chauhan: Yes. So we don't have to fund the debtors and inventory also because they provide us their bullion gold material to produce, we make them and we charge the making charge. So making charge will add on to the gross margins and sales. So we just make a bill of making charges, which will add directly to our gross margin.

Palash Kawale: So it will be like adding to your cash flow as well and yes, that's great to do?

Mangesh Chauhan: And we don't have to fund inventory also, so that is a good sign if these large corporates are giving us more production.

Palash Kawale: And sir, any change in guidance after adding this customer for FY '26 or FY '27? Are you planning to -- like you have guided for INR6,300 crores. Would you be changing that guidance?

Mangesh Chauhan: Yes, already we were at INR6,300 crores. Now we are guiding at INR7,300 crores as we are already reaching out of INR3,300 crores, we have already done INR2,500 crores. So we have changed our guidance to INR7,200 crores because these are clients we have not counted in our guidance of INR6,300 crores. So this new 2 clients already we added, and P.N. Gadgil also was not there. So we have revised our target to INR7,200 crores by FY '27.

Palash Kawale: That's great to know. And sir, what would be your PAT margins on this INR7,300 crores business?

Mangesh Chauhan: So we are expecting from 3.5% to 4%, 3.5% to 4% in between that.

Palash Kawale: And sir, how is Q4 shaping up since 2 months are already done? If you could just give a directional update that would you be crossing this 447 kg mark? Would you be reaching 500 kg per month for Q4?

Mangesh Chauhan: 100% we are on track. We will not talk about the number of the ongoing quarters, but this quarter is much better than the December quarter.

Moderator: The next question comes from the line of Chintan Sheth from Girik Capital. Please go ahead.

Chintan Sheth: I missed your number on the standalone volume for 3Q and subsidiary volume for the third quarter?

Mangesh Chauhan: So by number, INR730 crores we've done from Sky Gold and subsidiary INR135 crores and INR134 crores. Together, we are…

Chintan Sheth: INR998 crores. But no, I'm saying from 447 kg per month in third quarter, how much came from standalone and how much from the subsidiary?

Mangesh Chauhan: Okay. Volume-wise, 447 kgs. I can -- you can send me the mail, I will send you the details. Right now, I am not having the specific kgs in the note.

Chintan Sheth: Sure. Okay. No worries. And second is on the gold loan GML side, where are we now? Last time we were at 20%, 25% of our loan converted to GML. Any progress and what should we expect by the year-end?

Mangesh Chauhan: So yes, we are expecting by March end 60%, 70%. We were expecting by December, we are a little bit slower by one quarter because of some -- Karur Vysya Bank has closed their model, so we have to ship to ICICI Bank. SBI is also on the process. So we are like at 20%, 25% right now also.

But we are -- I think we are sure that we'll move by March quarter to at least 55%, 60%. So we are on track. Bankers have the system to change this or they have to go to committees and change but a little bit we are slow on this. We were expecting by December quarter but let's see, we will be at 55%, 60% by March quarter.

Chintan Sheth: And if you can provide a split in terms of volumes, if you can provide -- or revenue, whichever is available, the split between 22 carat, 18 carat and studded ones, if you can provide?

Mangesh Chauhan: Yes. So 18 carat, we were at 3% last quarter and now we have done 5% of this revenue in 18 carat. So last quarter, we sold diamond of around 400 carat, and this quarter we have done 800 carat. Sorry, I'll do it like this. So last quarter, we approximately sold 400 carats. This quarter, we sold 883 carats of diamonds. Last quarter, we were at 37 kg of 18 carat. This quarter, we are at 49 kgs of 18 carats, which is we were at 3% of the production. Now we are at 4%, 5% of the production.

So 18 carat as we told earlier we are concentrating on 18-carat rose gold and white gold jewelry, which is bringing us again margin to us. So we are more concentrating on 18 carat also. Natural diamond also, we doubled the carats in this quarter. So this both segment we are concentrating. And one good news is that we already started lab-grown diamond and our first build also ship to Limelight jewellery, which has 25 stores. So lab-grown diamond also we shipped the first of our production.

Chintan Sheth: And lastly, on the guidance, you mentioned INR7,200 crores by FY '27 that implies that you will be almost utilizing your existing capacities, right? Any broad plans for further expansion in capacity and how you will be funding it? Because so far right now, given that our working capital, our operating cash generation is still negative, and we were targeting somewhere turning positive in the upcoming year. If you can highlight how are you going to expand your capacities for future growth beyond FY '27 and how you will be funding them?

Mangesh Chauhan: So we have in mind that after FY '27 March, we'll build a new facility as new clients are onboarded, big clients are onboarded. But as and when we will plan and we'll inform the Exchange. So right now, we are in the community, as and when required so we will be cash flow positive in '27.

As you can see, the client onboarded are giving us the raw material by their own. So we don't have to fund that inventory. So we are adding those clients only. We are targeting Reliance also for that and already Tanishq is in pipeline. So we are targeting them also. So we are concentrating those clients who are providing us raw material.

So immediately we will be not requiring much capital to fund them, and we'll be cash flow positive by 2027. For 2027 March, we'll need a new facility we have in mind. So we are referring for that but as and when Board approves, we will inform the Exchange.

Moderator: The next question comes from the line of Srinath Krishnan, an individual investor.

Srinath Krishnan: The first question is on capacity expansion. This is a very large expansion that you're undertaking. What gives you the confidence that we would be able to utilize this capacity, maybe even in 4, 5 years? Is it like a 4x to 5x increase in capacity, right?

Mangesh Chauhan: Sure. So you can see that this CaratLane now is planning for, I think, 300 more stores as he has moved his subsidiary from Tanishq to Tata. So earlier, they here were Tanishq subsidiary, we were not able to keep all the inventory because Tanishq was keeping. So CaratLane now itself -- the CEO from Tanishq has came to CaratLane and they are planning to open 300 stores, more stores in 2 years.

So like that, Kalyan, Senco, Malabar Gold, Khazana, Gadgil, all are planning aggressively in 2 years, 24 months, they are aggressively opening 100 stores, sometimes 150 stores, which they have opened, they have taken 7 to 8 years to open 50 stores. Now they are opening in 1 year.

So they are into an aggressive plan, and we are in the mindset that after 2 years, we'll need a huge facility when we will have Tanishq also and I think major clients are onboarded. We are in talks with Reliance also. So the growth will come from the organized market, which is unorganized market is shifting to organized very much drastically.

Earlier, they were expecting to shift it by 2035. Now they are expecting that in 6 years only much of the higher percentage of the unorganized market will shift to organized and it will come to 78%, which we are expecting in 10 years, it will happen in 5 years only because of the stable government and BJP government and also policies they are taking.

So we are expecting a huge growth in the stores opening. We have onboarded all the corporates right now in Dubai. Singapore also, we have distributor -- we have appointed a distributor. So export is also growing very much. We are expecting lab-grown diamond to grow very much in these 2 years. So we need a good space now we are producing a small space in Sky Gold only for lab-grown, but we need a huge space for lab-grown also and 18-carat is accepted very much for rose gold, white gold, yellow gold as the gold rates are going up, 18-carat market share will also grow.

Keep in mind that we are into all the segments we have to plan a huge facility where this client will are growing very aggressively, and we have to cope up with them. So we have in mind, let's see as and when the plan is on board, we will inform the Exchange.

Srinath Krishnan: So the next one is on the capital employed in the business. If you look at it, you -- one effort you're taking is gold metal loan, but the -- and also importantly, the customers are going to -- reduce the capital employed [inaudible 0:20:19] that is also a very large pool. 50% of your capital employed.

Mangesh Chauhan: Your voice is breakding…

Srinath Krishnan: Can you hear me now? Can you hear me now?

Mangesh Chauhan: Can you repeat the question?

Srinath Krishnan: Yes. So 50% of your -- you're taking care of your gold bullion, right, because the customers are going to give it to you, a large portion of your capital employed and the rest is receivable. So what is -- because reduction there will also significantly reduce the capital employed and improve the ROCEs and cash flows. So what is the effort that you're taking there? Directionally, where can we move towards in terms of receivable cycle from the 25 days we are at?

Mangesh Chauhan: 100% inventory days are -- we are at 25 days, debtor days, we are at 25 that will come down blendedly, because nowadays whichever we are exhibiting nearly 4x and we are totally doing cash and carry business with them. So we are now targeting -- now our Vice President, Akash Talesara joined SGL totally targeting the customers who are giving the bullion advance or we are doing the cash and carry business.

So in 2 years span of time, we are expecting that this CaratLane, Aditya Birla, Reliance and if we are successful in onboarding Tanishq also, so they will give only 50% of production of their bullion and 50% out of 1,000 kg we have a capacity, 500 kg will be from their raw material and 500 kg only we have to fund and fund the debtors. So automatically, it will come down to 15 days or something.

So already you can see we are concentrating on debtors day, and we are expecting it to come to 15 to 10 days because 50% business from right now from here to FY '27 March, we are targeting 30% business should come from their raw material, we don't have to fund that raw material and debtors also. So blendedly it will come down.

Srinath Krishnan: So one, 30% of your business will come from people who are keeping bullion, right?

Mangesh Chauhan: Yes.

Srinath Krishnan: And also exports will also be another 20%, 30% where -- what is the receivable cycle there?

Mangesh Chauhan: Exports is, again, 10 to 15 days, 7 days, 10 days. So it's much better than India. So their receivables is very fast from India. So blendedly exports also, we are concentrating -- we were at 1% or 2%, we are at now 8%, 9% and we are targeting to take it to 15%.

Srinath Krishnan: Both these put together will be nearly something 30%, 40% of your revenue, which will have very low receivable cycle?

Mangesh Chauhan: Yes, yes. We are on track for that.

Moderator: The next question comes from the line of Jehan Bhadha from Nirmal Bang.

Jehan Bhadha Sir, my question is on the borrowings front. So what are the current borrowings as on December?

Mangesh Chauhan: So it's approximately INR380 crores to INR400 crores approximately.

Jehan Bhadha And any of the funds that we raised recently of INR270 crores that are going to be used for working capital?

Mangesh Chauhan: So already we use INR70 crores in subsidiaries and INR140 crores with the subsidiaries. And out of the INR130 crores, INR100 crores was used in Sky Gold and INR30 crores for the general corporate expenses. So we have already infused here 18-carat and natural diamond and lab-grown diamond, we have infused a new capital we increase.

And there we infused in Starmangalsutra and Sparkling Chains. So all the divisions we have spreaded and invested. So we have seen the growth in 18-carat also, we have grown from 3% to 5%, then we have grown natural diamonds also by 50% quarter-on-quarter.

Jehan Bhadha: And so sir, how should we look at debt for -- by the end of this year and by end of next year, where should the debt figure be?

Mangesh Chauhan: I think by the end of this year, we are at INR380-INR400 crores only. We are in a comfortable situation. And next year, we can increase some INR50 crores INR100 crores debt not much than that because we are getting GML right now. So it will be not -- our interest cost will be lower because of GML. So already ICICI Bank has granted us INR100 crores of GML. So we'll be much of taking GML only, which will not impact our PAT margins.

Jehan Bhadha: Yes, that I understood, sir. Yes, but the gross debt will be how much?

Mangesh Chauhan: So gross debt will be approximately -- next year, we are planning -- this year is INR400 crores, so INR550 crores to INR600 crores.

Moderator: Next question comes from Raj Saraf from Finvestors.

Raj Saraf: Congratulation on great set of numbers. Sir, how would be the margin outlook on EBITDA and gross margin? Will it sustain this level or what could be the outlook going forward, FY '26, FY '27?

Mangesh Chauhan: We have worked very hard for the fancy jewellery and we have improved our gross margin also and EBITDA also increased. So we'll maintain this EBITDA 5.5% approximately and PAT margins were 3.5%. So we have improved and we maintain this in this 2 quarters also. So we are largely concentrating on the margin-based products, which are like 18-carat, natural diamond.

Lab-grown also adding -- first shipment only gone from a small amount of INR15 lakhs to INR20 lakhs, but it's going to grow by, I think out of our revenue, lab-grown will have a place of 5% in next 3, 4 quarters or 6 quarters. So I think blended margins will be at 7/8% and EBITDA at 5.5% and PAT at 3.5%.

Raj Saraf: And sir, you have given guidance for this year, INR3,300 crores. So if we maintain the same run rate for next quarter, we'll be already crossing this number. So what could be the guidance for this year and FY '26, though you have already given the guidance for FY '27, that is INR7,200 crores, sir?

Mangesh Chauhan: Yes. So already we have given the guidance of INR5,700 -- we have revised the guidance to INR5,700 crores for the FY '26 and INR7,200 crores for '27.

Raj Saraf: FY '26, can you repeat again?

Mangesh Chauhan: INR5,700 crores for FY '26 and INR7,200 crores for FY '27.

Raj Saraf: And this year, we will maintain the guidance of INR3,300 crore?

Mangesh Chauhan: Yes, 100%. So I think it will be better than that, but we'll not talk on the numbers, but this quarter is much better than that. Yes.

Moderator: Next question comes from the line of Manan Vandur from Wallfort PMS.

Manan Vandur: So for the past few quarters, we are saying that we will onboard Tanishq. So where are we on that front?

Mangesh Chauhan: So I think we are right now in a good position because we have supplied 2, 3 times to the CaratLane and we have become a regular vendor to the CaratLane. It's not the first time we supply, 2, 3 times more we supply. So we are -- and orders are coming back-to-back. So it will get very good impact in the Tanishq also because Board members meet every time and they discuss about the vendors and there's a very good review about our company's product and selling time of our products.

So it will help us to onboard Tanishq also. We are regularly meeting them. Already our Vice President, Akash Talesara is targeting them. Already we meet twice in last week also but we are expecting let's see in a quarter, we will -- but we are able to achieve Novel Jewels, Aditya Birla onboard then CaratLane. Now Tanishq is the only remaining part, so we are very nearby.

Manan Vandur: Sir, second will be when did you say that we will be cash flow positive?

Mangesh Chauhan: By FY '27, we'll be cash flow positive.

Manan Vandur: And sir, the next question was that when you spoke about the capex, I couldn't get it. So how much kgs per month are we planning, the next capex? And what will be the total capacity after that?

Mangesh Chauhan: So we are not -- anything on the plan, just have in the mind, but we are planning for this. So we will go up to 4 ton capacity. Now we are at 1 ton capacity. We will go up to 4 ton capacity because by FY '27 March after that, we'll leave the facility and we'll make -- now our competitor enlarges the capacity -- he's making 2 ton and he has a capacity of 2.5 to 3 tons.

We want to make a 4 ton capacity facility, including all lab-grown, natural, 18-carat and all. So let's see, we are planning for that arrangement and we'll look at the Board and we'll inform you but we have a mind that we should have a capacity of 4 ton per month.

Manan Vandur: Okay. And sir, the last question would be that last quarter, you said that we might have other income in Q3 of about INR15 crores-odd, but we had around something INR7 crores. So will the balance INR8 crores come in Q4? How can we look at that?

Mangesh Chauhan: Can you repeat?

Manan Vandur: Sir, last quarter con-call, we asked so you said that for the quarter 3, we might get other income from sale of shares or something about INR15 crores. But this quarter, we had around INR7 crores. So will the balance INR8 crores come in quarter 4?

Mangesh Chauhan: So you can see we have FDs against the bank limits for collateral. So we are getting every quarter the interest income also. This year from sale of investment, we got INR3.4 crores. Some of our investments are with single bank or SBI. They are in the process. So I think if they get released in this quarter, we'll get the income of -- other income also in this quarter.

So INR35 crores of shares are lying with SBI, they are in the release process. If they get released, we'll get -- we already got in this quarter also INR3.3 crores from the sales of investments and INR2.4 crores from the interest income.

Manan Vandur: And last question will be, sir, I couldn't understand the debt part of it. You said that next year, our debt will be around INR550 crores to INR600 crores. So could you please explain a little that why will our debt increase? I couldn't get it?

Mangesh Chauhan: So we are expanding in many segments like 18-carat also, lab-grown also, natural diamond also, 18-carat. So to fund the growth, we have to take the debt. And we are now getting GML, so interest part will be only 3%, 4% yearly other than 9% from the CC limits. So we are getting good orders from all the segments. I think lab-grown we have started Limelight jewellery which is 20, now Wondr Diamonds we are approaching who has 24.

So lab-grown has a huge potential in the next 2, 3, 4 quarters. So we'll fund that also -- we'll fund 18-carat also. As and when required, we'll take the debt, but we are projecting at INR550 crores to INR600 crores. And we have revised the number also of the growth. To fund the growth, we'll take the debt.

Manan Vandur: And sir, very last question would be. Sir, you said that FY '27, we will be cash flow positive. So in terms of -- if I take cash flow by EBITDA, so what would be the conversion like more than 50% or how would it be? For example, if -- just an example, EBITDA is, for example, INR500 crores. So will our cash flow be more than INR250 crores or something like that?

Mangesh Chauhan: Yes, yes, yes.

Manan Vandur: So it will be more than 50%, you are saying, our cash flow?

Mangesh Chauhan: 100%. 100%.

Moderator: Next question comes from the line of Bharat Gianani from Moneycontrol Group.

Bharat Gianani: Congrats for great set of numbers. So sir, my first question is that on the natural diamond side and also on the -- especially on the lab-grown diamond side, we have seen the price of the lab-grown diamond correct very significantly in the last 2 years or so. And the prices are now stable, but then again, as the technology evolves, there is a risk that we may see a further price correction.

So as a lab-grown diamond manufacturer that you have started this segment, I know it is a very small portion right now. But then what is your risk in terms of if the price of the lab-grown diamond continues to correct? So what risk do you have as a manufacturer of that? So if you can throw some light on that?

Mangesh Chauhan: Sure. So I will throw a light on that because lab-grown is a devaluating asset every time -- every quarter rates are falling. Earlier, it was falling drastically. Now it’s falling in a limited -- but as a manufacturer, all the industry works on that model, we also procure that only order to the lab growing companies, that quantity only, which we get the fixed order of that. So we will keep in the stock of this inventory.

As we got an order of 500 carat, we ordered to the growing company. We do not grow inside because there's a big setup and now we are very small in that. So as and when required, we grow inside also in 2027. But we take the inventory as which order is fixed. So retailers are also working on the same model. If they are keeping inventory 300-carat as they sold 50-carat in 1 week, they order 50-carat -- they sold 50-carat.

Whole industry is working on that model because all of them know that the rates are falling and will fall much ahead also. So all industry is working on the same model, whichever order is there, we order the inventory and we dispatch. Once other orders come, then we order. So in the same process, we do for the natural diamond also because natural diamonds also and the small diamond rates fall 10%, 15%, but Solitaire we don't keep Solitaire really but solitaire also fall by 20%, 25%.

But the same model that also natural diamonds, we procured the diamonds as per the orders of the companies. And when new rates come, we quote the new rates to the corporate and then they approve for the new rates. So every quarter or 6 months, we change the rate as and when the rates fall. So we also pick on the same rate. So that's why we keep a limited, order for limited and we don't keep in the inventory also.

Bharat Gianani: So basically, as now that you're -- what you're trying to say is that as the business model that we have now for the gold, once you receive the order, you fix the price and then start manufacturing. So that model will apply to the lab-grown and natural diamond also?

Mangesh Chauhan: Yes, yes. So as and when required, and we are in a good position, we'll grow inside also because machineries are available to grow inside. So now quantity is very less, so we don't have to look at capex for lab-grown diamond.

Bharat Gianani: And sir, one more question from my side is I missed your point. So you said that new clients that you are onboarding are giving you the raw material, for example, CaratLane and Aditya Birla. So you gave some percentage, but I missed that number. So what percentage of the revenues that you have the clients give you the raw material and what that percentage will be going in next 2 or 3 years?

Mangesh Chauhan: So in next 2 years, we are expecting 30% to 40% from this client. We will grow 1,000 kg, at least 300 to 350 kg we get from this advance ,650 maybe from our inventory. Now we are getting per month 15 to 20 kg from CaratLane and Aditya Birla just started in this month only, we get 5 to 10 kg per month. But coming 6 quarters, we are expecting -- after 6 quarters, we are expecting 30% to 35% business from this client. So out of 1,000 kg capacity, we are expecting 350 kg from this client and 650 kg from other.

Bharat Gianani: So on an overall basis in the next 2 years, you're saying that about 30% to 40% of the raw material will be provided by the client?

Mangesh Chauhan: Yes, we are expecting that.

Moderator: Next question comes from the line of Amit Agicha from HG Hawa.

Amit Agicha: Congratulations for excellent set of numbers. My question was connected to exports. Like how much of the total revenue is from exports? And what is the company's exports revenue target for FY '26 and '27? And how is the demand shaping up in Middle East, UAE, Singapore and Malaysia?

Mangesh Chauhan: So already, we are at 8% this quarter, 8% -- sorry, 7% this quarter, INR71 crores export we have done. And we were at 1%, 2% year before. And in 2 years, we are expecting it to take it to 13%, 14% or 15%. Majorly 85%, we will rely on India because India has a huge potential. So UAE demand is stable and good. Singapore also, we have appointed a distributor. So we will be starting delivering in this quarter.

So UAE, Singapore and Malaysia, decent growth is there. But India is very strong growth we are seeing. India is growing, because unorganized market is shifting to organized. So we are relying 80% on India. And this 8% to 9%, we are taking -- we are expecting to go to 13%, 14% or 15% by FY '27.

Amit Agicha: And last question was connected to the employee. Like what initiatives are being placed to retain skilled artisans and karigars in the competitive market?

Mangesh Chauhan: Pardon?

Amit Agicha: What initiatives are in place to retain the skilled artisans and karigars in the competitive market like employees I'm talking about?

Mangesh Chauhan: So we -- already we are giving many incentives based on their design -- how design they have made and how it's working on the market. To design also, artisans we keep project type incentives to them, how much production they are taking. So we are giving each and every -- facilities also there. We have made gymnasium, saloon facility for them. So these are the basic facilities we are giving and incentives also we are giving to them.

Amit Agicha: So you're going to increase the hiring in the coming quarters?

Mangesh Chauhan: So already, we were at 600 employees. Now, we are together subsidiary, we are at 900, 950 employees.

Amit Agicha: Nine hundred and?

Mangesh Chauhan: 950 employees are there together with subsidiaries. We are at 950 employees. So we'll be hiring as and when -- every quarter, we are hiring little bit with the karigar level, not much designers are needed because designer and merchandising team we have, we will increase by 10%. But at a worker level, the polish department, we have to increase every quarter.

So for doubling the production, we will not need double employees, we need 1/3 employee lesser because technologies are coming. We have already increased US electro polishing machine, then 3D printers have came, which is reducing our manpower. So in few years, we are expecting that for doubling the production, we will not need to double the employees. We have to just -- 1/5 of the employees we have to hire.

Moderator: Next question comes from Nilesh Jain from Astute Investment Management.

Nilesh Jain: Congratulations on great earnings. My first question was on the GML side. Like you mentioned by end of FY '25, you're planning to target to bring it to 50% to 55%. So when I talk about for FY '26, what percentage of overall debt you would like to convert to GML? And then how much of that savings would flow into your finance costs?

Mangesh Chauhan: We want to go up to 80%, 75% to 80% and already it will help because we have already a rating of A- from Fitch Rating. We were at BB stable. Now we are at A-. So there is a good sign that we have got a good rating, which will help us to reduce our finance cost in CC limit also in GML also and reduce our collateral part also. So we are -- we want to go up to 70% to 80% GML. But by March, we are expecting 50% to 55%.

Nilesh Jain: Okay. So how much would that flow into us as a finance cost? Right now, it's around between 1% to 1.3%.

Mangesh Chauhan: Yes, it will help to improve by 0.5%. 0.5% will be approved, so, 1.2%, 1.3% we are there. So it will come down to 0.7% or 0.65%.

Nilesh Jain: Okay. My second question was like you increased your guidance to INR7,200 crores by FY '27. So does it include any new clients which you plan to add? Or it does take into account only your existing clients and then your 2 accounts, which were added, which are CaratLane and Aditya Birla?

Mangesh Chauhan: So we are -- we have increased the guidance on the base of the existing client only because the showroom was increasing drastically. They have accelerated showrooms. Malabar Gold is opening 100 stores in a year. So we have given revised guidance on the base of the existing customers only, whichever other companies or CaratLane, they will give their own bullion. So in that our revenue will not increase, our gross margin will increase because we are making -- making charge bill only will be made.

They will give their bullion and we'll make from them. So in that our gross margin will improve. And so we -- our revenue guidance increase on the base of the existing client only Kalyan Jewellers, Senco, Malabar Gold, Thangamayil, then GRT Jewellers, Khazana, these all are growing drastically in their showrooms. That's why we have revised our revenue guidance.

Nilesh Jain: Because I remember you mentioned that you were in a final agreement stages with Reliance. I mean -- so say, suppose you sign up by FY '26, Tanishq and Reliance both of them. So that would eventually increase your guidance like on upside given right now, you've not included them.

Mangesh Chauhan: In that kg-wise percentage will increase, our kg-wise volume-wise guidance will increase 100% because they will give their own bullion. That will help us to improve much in our gross margins.

Nilesh Jain: So that is right now not taken into consideration? Okay.

Mangesh Chauhan: No, I'm not -- we are not taking consideration in the guidance. Right now also, we have not taken much consideration of the CaratLane, also Aditya Birla because they are in the initial stage. So after a few quarters, we'll see and change the guidance of that also.

Nilesh Jain: My last question is because right now with the new clients which you have added, you are trying to take the inventory directly from them. Are you in conversations with your existing client to change the model which you have right now where you are taking inventory on your balance sheet, changing the model to taking inventory from them with your existing client?

Mangesh Chauhan: So we -- right now, we are not planning because every corporate has their own model because some corporates work on this model, some corporates work on, a, to fund inventory from ourselves also. So all -- they are large corporate, they have their own models. When we come to 30%, 40%, then we are in a position when we will talk to the existing corporate also to come to that model. But in the next 2 years, we'll first bring these clients on board and bring the volumes of 300, 400 kgs from their bullion. And then only we can negotiate with these clients also. But every corporate has their own models to work.

And so they -- this Malabar Gold or Kalyan Jewellers, they don't work on that model to give inventory to us and then they are in the mindset, they don't want to fund the inventory for 25 days, and they can open more stores and they will keep the inventory in their stores. So other mix of model -- mix of their models are there for the other corporates. But when we are at 30%, 40%, we are getting the bullion from this big corporate, then we can change our strategy, I think.

Nilesh Jain: Just last question. Any inorganic acquisition or any companies which you are looking to have in mind to acquire them just like you had acquired Starmangalsutra?

Mangesh Chauhan: Nothing right now. But as and when required, as and when there will be any stronger, we will inform the Board & exchange.

Moderator: Our next follow-up question comes from Palash Kawale from Nuvama Wealth.

Palash Kawale: Yes. So, sir, what was the inventory and debt position by the end of December?

Mangesh Chauhan: End of this?

Palash Kawale: By the end of Q3?

Mangesh Chauhan: Okay. So I think I will send you the numbers later.

Moderator: The next question comes from the line of Shanmugam Selvanathan, an Individual Investor.

Shanmugam Selvanathan: Congratulations on your excellent set of numbers in Q3. I have just one question. Because of the rise in gold prices, currently, we are facing the gold is at an all-time high. Do you face any kind of impact in your demand from the current retail clients or how is the wedding season currently going on?

Mangesh Chauhan: So wedding season is good. As a manufacturer, we are backed by order every month because there is every wedding season, then Akshaya Tritiya comes in the April. For example, March orders will come for Akshaya Tritiya. Now we are making for wedding season. At retail level, there is 10%, 15% of impact is there for a short term of 10 to 15 days. But I think nowadays, as and when gold rates from youngsters want to buy the gold as they presume that gold will go to INR1 lakh or something, there is an assumption in the market.

So at the manufacturer level, because we are order back, corporate has to give us orders, we have to prepare for the other occasion going forward. But retail level, there is an impact of 10% to 12%, but I think it's short. As we talk to the corporate, they are telling the impact of 5 to 6 days or 7 days and back to normal in 7 days.

Shanmugam Selvanathan: So do you feel any -- because of this, any impact in revenues in the current quarter or in Q1?

Mangesh Chauhan: Nothing, because we are getting good orders of 18 Carat also, because of the rate -- 18 Carat are coming much because 18 Carat is a budgeted delivery. And in that the rate impact is lesser because it comes in the budget. Some switch is there in 18 Carat. 18 Carat orders are coming much in this quarter also. So again, we have good orders lined up and we are backed up orders.

So there's no impact on manufacturing level, but it's natural that when rate goes up then 3, 4 days impact in the retail of 10% to 15%, and it goes back normal to relatively normal.

Moderator: The next follow-up question comes from the line of Bharat Gianani from Moneycontrol Pro.

Bharat Gianani: I just wanted to check on the margin guidance for FY '27 at gross, EBITDA and net profit level?

Mangesh Chauhan: So gross margins, we are expecting to be at 7%, EBITDA at 5.5% and 3.5% PAT.

Bharat Gianani: Sir, PAT, how much you say?

Mangesh Chauhan: 3.5%.

Moderator: The next follow-up question comes from Raj Saraf from Finvestors.

Raj Saraf: Sir, is there any difference in gross margin of export and domestic?

Mangesh Chauhan: There is a difference of 0.5%, not much in UAE countries. It's similar to India, Singapore, Malaysia. So 0.5% is better there. But of course, Europe and US is different gross margins are there, but we don't make products of US and Europe. It's totally different products. So our products match to UAE country and Singapore, Malaysia, but the business is much of cash-n-carry and less debtor. So that's the advantage. We can churn the inventory fast, but margins is a difference of 0.5%.

Raj Saraf: And sir, one request from my side, sir. Actually, the investor presentation, which has been posted of conclusion of Q3, we got now so many fresh updates on this conference call. So it will be helpful if you can please post a new investor presentation with so much updates, it will be helpful, sir. That's a request from my side.

Mangesh Chauhan: Sure. We will plan it out and update in 7 days.

Raj Saraf: And one thing, sir, the volume guidance which you have given for FY '26, that was from 550 to 600 kg. So what could be the volume guidance for now the updated volume guidance for FY '26?

Mangesh Chauhan: So we are expecting to 650 kg approximately, 650 to 700 kg. So as we told that we'll update new PPT guidance also in this 7 days and in our actions also. So I think we are expecting to 650 kg.

Raj Saraf: And for FY '27, it will be beyond 1,050 kg?

Mangesh Chauhan: Yes.

Moderator: Ladies and gentlemen, in the interest of time, this will be our last question. And I now hand the conference over to the management for closing comments.

Mangesh Chauhan: Thank you, everyone, for joining us. I hope we have been able to answer all the queries. In case you have inquired any further details, you may please contact us or Orient Capital, our investment relationship partner. Thank you so much. Thank you for being a part of our Sky Gold journey. Thank you so much.

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