"Sky Gold and Diamonds Limited Q4 &FY '2025 Earnings Conference Call"

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MANAGEMENT: **MR. MANGESH CHAUHAN – MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER**
MR. DARSHAN CHAUHAN – WHOLE-TIME DIRECTOR
MR. SIDDHARTH SIPANI – GROUP FINANCE CONTROLLER
MRS. NIKITA JAIN – COMPANY SECRETARY

MODERATOR: **MR. VIDHI VASA – MUFG INTIME**

Moderator: Ladies and gentlemen, good day and welcome to Sky Gold and Diamonds Limited Q4 FY '25 Earnings Conference Call.

As a reminder, all participants' 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 "*", then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Vidhi Vasa. Thank you and over to you, ma'am.

Vidhi Vasa: Thank you. On behalf of MUFG Intime, I welcome you all to Sky Gold and Diamonds Limited, Q4 and FY '25 Earnings Conference Call.

On the management side, we have Mr. Mangesh Chauhan – Managing Director and Chief Financial Officer; Mr. Darshan Chauhan – Whole-Time Director; Mr. Siddharth Sipani – Group Finance Controller; and Mrs. Nikita Jain – Company Secretary.

I hope everyone had an opportunity to go through our investor deck that we have uploaded on exchange 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 beliefs, opinions 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 will hand over the call to Mr. Mangesh Chauhan. Over to you, sir.

Mangesh Chauhan: Thank you. Good morning, everyone. Welcome to the Q4 FY '25 Conference Call.

Just to give a recap of our business model, we are a design-led B2B jewelry manufacturer. Meaning, design is central to what we do. We collaborate with large corporations to co-create products, leveraging our strong understanding of and customer needs with various micro markets to foster strong consumer relationships. We differentiate ourselves from a typical B2B converter through this collaborative design approach.

At present, we are in the growth and scaling phase. We were among the first organized Indian jewelry manufacturers to directly target the corporate market, a departure from the distributor-led strategy of the market leader at the time, allowing us to build stronger customer relationships. While this corporate focus was initially questioned 15 years ago, strong growth in this sector has proven to be right approach, particularly with the ongoing shift from unorganized to organized players in retail jewelry. Large corporations increasingly prefer to partner with organized manufacturers like us as we assure them consistency, quality, positive working conditions, and innovative designs.

Our strategic strength lies in lightweight jewelry, highly relevant to today's gold prices. For example, we manufacture our products at 15% to 20% lower weight compared to our competitors. We are also supporting a major retailer's 18 carat gold growth. Our manufacturing capabilities range from 9 to 24 carat gold, including unique colors like rose gold, white gold, yellow gold. Our consistent approach is customer to co-creation aiming for preferred partner status. Our planned 4x expansion will make us India's largest jewelry manufacturer.

Why do we have right-to-win in this space? Our addressable market is substantial both domestically in India and international. As the B2B design leader, our strength lies in not being limited to a single geographic region, allowing for a high scalable and asset-light business model. We currently partner with the majority of Indian corporations and are expanding our global presence by establishing overseas offices. Darshan Chauhan will elaborate on the strategic implication on this international growth.

The largest competitor in India produces 4 times to 5times, 6 times more than us, operating at 2 tons to 3 tons per month, and holds a leading position with advanced gold, making 90% of their manufactured volumes. This is largely because of the scale and extensive design portfolio. We respect our leader in this space.

What is the structural advantage we have? How does scale help in our industry? Sky Gold is 50% more frugal compared to our competitors. Our employee cost and other expenditure add up only to 1.5% approx of sales, which our competitors operate at 2x higher cost. Our PAT margins are superior despite operating at a lower markup compared to the leaders. The turnaround time for the competitor is 30 to 45 days, while our turnaround time is 15 to 25 days. As a result, we have been growing at 2x to 3x more than the organized players.

Until 2023, we had a manufacturing capacity of 200 kg's per month. And this quantity was manufactured across multiple locations. Our cost structure was not favorable, and we experienced a gold loss of more than 1.5%. Now, our gold loss has dropped to 0.5%. And we see further room for improvement. We feel that Sky Gold is at an inflection point to gain market share from the large unorganized base and organized players in space. This is one of the primary reason why we went to expedite our plans to increasing our capacity from 1 ton per month to 4 tons per month.

On the design bank front, we have been silently strengthening our design team over the last three years, which has led to this growth. In addition, we have recently opened a design studio in Andheri. Like BKC in the financial space, Andheri is a heart of jewelry design. High profile designers find it hard to travel to our Navi Mumbai facility. Also, the work environment required for our designers is totally different from the manufacturing facility.

Just to elaborate on the importance of the design facility. Until a few years back, our designs were not complex. We were working on co-creation projects with one of the publicly listed companies in the retail space on lifestyle design. These designs were exclusively for the customer and lock as well. Our business model has shifted from selling generic designs to more complex designs.

As a result, we can command superior gross margin and payment terms from our customers. Our design team of 110 employee plus freelancers have been split into 10 to 12 verticals where each designers focus on a particular category. As a direct result of these initiatives, we have been able to build close relationships with the founders of large retailers, a contrast to our prior limited access.

Let's now discuss our organization structure. A crucial element for scaling is our capacity to attract and compensate top tier talent. As the founder, we have learned the importance of willing to invest more for exceptional individuals. We have brought on board some highly experienced professionals with 15-20 years in the industry and strong networks. We are providing invaluable in attracting further talent of our recent hires. I would like to highlight a few key individuals.

Akash Talesara will lead our sales efforts. He had been crucial in our transition to a customer specific project business model and conceived the Andheri Design Studio, previously associated with major brands like Asian Star, Gold Star and Emerald Industry. Akash will now focus on shifting a significant portion of our revenue towards advanced gold. His prior experience includes high markup gold categories, diamond jewelry and exports.

Sandeep Roy heads our operations and oversees 18 carat gold segment. With over a decade of experience in the Chinese jewellery industry, he possesses a strong understanding of advancement in this field. Since his arrival, we have seen a notable improvement in the finish of our products.

Tiru brings nearly three decades of experience to our team, including thirteen years at Titan and eight years at Emerald. He is responsible for ERP implementation, gold loss reduction, and productivity improvement. Since his arrival, our gold loss has halved, and employee productivity has increased by 20%-25%. Previously, he led Karigar training and continues to emphasize the training at Sky Gold.

We are implementing a modern ERP system, a significant improvement over our previous one. Despite the complex implementation in the jewelry industry, due to numerous SKUs, the long-term benefits are substantial. The new system will allow for close monitoring of employee productivity, gold loss, inventory positions and customer receivables. We began this in the second-half of the previous financial year and currently trailing, and we plan to have this operation by this year.

Siddharth Sipani will head our finance functions, bringing over two decades of experience, including time with Big4 firms. He will instrumental in transforming our auditing practices and possess a deep understanding for regulation for international office operations. Additionally, as an operational CFO, he will work closely with operations and sales to reduce working capital, recognizing the need for improved corporate governance in the gold industry. Siddharth will lead initiative for best-in-class audit practices, important updates will follow.

Now, I will hand over to Darshan bhai to give a small speech.

Darshan Chauhan: Thanks, Mangesh bhai. Let's begin by discussing our advanced gold strategy, which is specially designed to sharply decrease our capital employed. In this model, the customer procures and provides the gold, thereby reducing our need for capital investment.

Our revenue will only reflect the value of manufacturing work we perform. This will optically enhance our profitability margins. Crucially, it also eliminates the need for us to hold inventory and manage receivables related to gold itself. A key performance indicator of our new head of sales, Mr. Akash Talesara, is to increase the proportion of advanced gold in our total production.

Our recent 200 kg monthly export order exemplifies this, with a gradual increase in shipment starting with 70 kg in Q1 FY ‘26. Similarly to the auto ancillary industry, the scaling of this will depend on customer timelines. We are optimistic about our success in the export market and anticipate significant growth over next 12 to 16 months.

In Q1 FY ’26, advanced gold made-up about 5% of our total volume, a level we expect to maintain through FY ’26, a substantial increase from its minimal presence in FY ‘25. We project this to contribute 10% of our total revenues by FY ’27, growing to 30% by FY ’29-‘30, with endeavor to focus new customers onboarding on advanced gold terms. Due to competitive sensitivities, we cannot disclose the specific financial details of advanced goals. However, we do see opportunities for premium pricing, when we utilize our own gold, particularly during periods of high market prices.

Now coming to the diamonds. Our name, Sky Gold and Diamonds reflects the significant potential we see in the diamond category. Through our Sky9 diamond brand, we are offering lightweight contemporary jewellery that merges international designs with the Indian craftsmanship. While diamonds provide high gross margins, they typically have longer receivable cycles. However, their return on capital is superior to that of plain gold.

Our strategy includes both natural and lab grown diamonds. To enhance our capabilities in this way area, we have brought on board Mr. Shivakumar. Gangadhar, a seasoned professional who was a senior purchase manager at Joyalukkas for many years.

We have noted that rising gold prices are encouraging customers to buy studded jewellery, often with lower gold content. Currently, diamonds contribute about 1% to our revenue and we anticipate this increasing to 4% by FY '27.

And for the exports, FY'25 marked the turning point for Sky Gold with our export revenue tripling from approximately Rs. 100 crores in FY '24 to INR 300 crores in FY '25. Exports now contribute about 8% of our total revenue. To further leverage the substantial Indian Diaspora in the Middle East and Malaysia, we are establishing local offices in Dubai to enhance our market presence.

We have identified key team members for our Dubai office who have collectively handled sales of 600 kgs per month. We foresee significant contributions from Dubai and Malaysia, aiming for exports to represent. 20% of our volume by FY '27. Strategically, this expansion into exports also help us to reduce our capital employed due to the shorter receivable cycles compared to our domestic operations. The total receivable days in our export operations is less than 15 days.

Finally, we are implementing a new strategy to target the significant unorganized retail sector, which still accounts for over half of the industry. These retailers typically source through large distributors who in turn work with smaller jewellery manufacturers. Our approach will be to introduce fresh designs to this market, focusing exclusively on advanced gold due to the importance of collection.

We anticipate this new vertical will significantly accelerate our growth. Our primary efforts will be directed towards scaling advanced gold and decreasing working capital associated with customers. I will be heavily involved in improving collections and accelerating our receivable cycle. Consequently, managing the receivable cycle is a key KRA for all our key sales team members.

Now, Mangesh bhai will take over to explain the unit economics of the business.

Mangesh Chauhan: As we move into Q1 FY '26, our primary focus will be on working capital management, as previously communicated. Despite achieving growth, improved gross margin and profit growth, we recognize the critical need to optimize our working capital levels and reduce interest cost.

Our working capital cycle peaked at 72 days in Q4 FY '25 due to Akshay Tritiya preparation, but has since decreased to approximately 60 days to achieve a neutral operating cash flow by FY '27. We aim for a working capital cycle of 50 to 55 days, achieving two inventory days of 30 to 33 days and receivables of 20 to 22 days. This improvement will be driven by enhanced inventory control via our new ERP system, and more disciplined approach to receivable collection led by Darshan Chauhan.

Our long-term goals include reducing working capital below 50 days and increasing PAT margins to 5% from our current existing margin of 3.7%. Key drivers for PAT margin expansion are advanced gold, gold metal loans, and our high margin diamond business, along with operating leverages from scale.

A significant part of my responsibilities in the first half of FY '26 is preparing gold metal loans. To strengthen our capabilities in this area and lower interest expense, we have brought on Siddharth Sipani, who has specific expertise in gold metal loans. As you all know, the gold metal loan interest rates have been volatile, and terms were not favorable to us. We have now received proposal which are favorable to us. Siddharth Sipani has handled gold metal loans for more than Rs. 500 crores across India, UAE, U.S. market.

Finally, regarding corporate governance, a key priority for us, we are committed to further strengthening our audit processes and we will share updates on this soon. Thank you very much. Now, we can start our question-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nilesh Jain from Astute Investment Management. Please go ahead.

Nilesh Jain: Hi, thank you for the opportunity. Congratulations on a good set of numbers.

Mangesh Chauhan: Thank you.

Nilesh Jain: My first question is on the working capital, like you mentioned. So I wanted to understand largely for this financial year for the last quarter what has led to massive increase in the receivable days from 21 days to almost 47 days? So, for this financially if you can talk about.

Mangesh Chauhan: Sure, sure. So our inventory days shot up in March because of Akshay Tritiya was on 30th April and many orders of delivery was getting postponed in the first week because March gold rates had gone up. So we pushed up the delivery in March only to achieve our targets also. And we given the comfort to the corporates that they can take credit of seven days more or 10 days more. So to achieve the target of March and to push up the deliveries of Akshay Tritiya as gold rates were very high, all time high, but now the receivables at 30th have already gone down to 60 days. So this was a short term comfort given to the corporates.

Nilesh Jain: Okay. So we expect this to normalize?

Mangesh Chauhan: Yes, already we have normalized on an average of 60 days and we are targeting ahead for 50 to 55 days. So again, in the last March '24, we inventory was shot up because Akshay Tritiya was in May end, so deliveries were very first week of April so the inventories were high. In this month debtors was high because we pushed the delivery, Akshay Tritiya was earlier and payments we had given the comfort of 17 days to the corporates because of the rates up and all.

But now it's all regular and business is on regular terms. Now it is below Rs 320 crores in absolute terms.

Nilesh Jain: Okay, okay. In your initial comments you mentioned that advanced gold has been about certain percentage of volume, can you help me with that number, what is that number?

Mangesh Chauhan: About the percentage of advanced good business then?

Nilesh Jain: Yes, of the of your overall volume how much percentage is –

Mangesh Chauhan: Yes, already we have closed with 5% to 6% in last year and now we are targeting for 7.5% this year. So last year we achieved 5% of advanced gold. So this year we are expecting good, advanced gold business because CarateLane already came up at the rate of 10 kg-15 kg per month from 2 kg. And Aditya Birla and Reliance we onboarded already last quarter onboarded Aditya Birla and given samples to them and they are about to start the business. And Reliance, we started the agreement phase, already agreement phase is done, and we are expecting from them also advanced gold business. So this year advanced gold business conservatively we will be at 7.5%.

Nilesh Jain: Okay. My last question is, we want to increase our capacity from 1 ton to almost 4.5 ton, and you mentioned that we are looking at Rs. 100 crores of investment to set up the plant to capacity. What would be our working capital investment, apart from the Rs. 100 crores for the fixed asset?

Mangesh Chauhan: So, again, we have just picked out land and building, keeping in mind the future demand, the corporates that are onboarding like Reliance, Aditya Birla and CarateLane we onboarded, and again some more will be onboarded. So this will lead to our capacity will be utilized by '27 end or starting of 2028 start. So we will need some huge facility that time. And we are in a plan mode, we will come up with all these details after June quarter and what will be our CAPEX plan and how we will be executing it. Right now we have just purchased the plant and land and building which we are replacing with the bank, with our collaterals which are FDs with the bank, just we have replaced with the bank for the collaterals. So again, we will come up with the plan of going for 4x by 2028 we will open this facility. And we are in the phase of making the plan and we will come up with after the June quarter how much CAPEX will be done and how much the working capital will be required.

Nilesh Jain: Thank you. Just lastly on the guidance you have given of Rs. 7, 200 crores by FY '27. What is our assumption on the realization of the gold price, like how much appreciation we are expecting?

Mangesh Chauhan: So we have conservatively taken a gold rate of Rs. 90,000 per 10 gram because we cannot predict two years because it has gone up by 30% this year. So expect it to consolidate for two years. So we have conservatively taken a Rs. 90,000 rate, it is very conservative rate because two years it can be stability also or it can go up also. But we have taken a conservative rate. So we have given the guidance of Rs. 5,400 crores for FY26 and Rs. 7,600 crores for FY27 in the new PPT.

Nilesh Jain: Okay, sir. Thank you so much. All the best. I will join back in queue.

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

Bharat Gianani: Good morning, sir. And congratulations for a great set of numbers. Sir, I had two questions, first, coming back to the guidance side. We have seen in the press release that FY '27 revenue guidance is Rs. 7,200 crores. So sir, I just wanted to check on the margin front, what would be the EBITDA margin and the PAT margin guidance till FY'27 considering that we have highlighted lot of efforts to increase the exports, to increase the share of advanced gold, to increase the share of diamonds. So I just wanted to get a flavor of what is the margin guidance for FY'27 on EBITDA and PAT level.

Mangesh Chauhan: So we are at current 3.7% PAT and we are expecting to go to 4.5% conservatively by FY '27 March. EBITDA, we are now 5.7% approximately, 5.67%, and we will go up to 6.2%, 6.3% of EBITDA, conservative 6.2%.

Bharat Gianani: Okay, great. And sir, second, considering this GML part, so basically I guess GML rates were volatile, as you rightly pointed out, but now you gave the comment that we have started receiving favorable rates. So, can you elaborate like what is the GML rate that we are currently getting and what is the proportion of inventory that is funded by GML now and what is the target to take it up?

Mangesh Chauhan: So already we were using 15%, approximately 15%, 20% earlier. We surrendered that GML before Trump tariff and all, because the availability was dried up and also the rate was gone up in the last quarter to 8%, 9% to 10% is also gone up. So we stopped using last quarter. And this quarter, we are seeing it has stabilized to 5% now today's rate was 4.75% and they are telling that in one months' time it will go down to 3% or 3.5%. So availability is also in the normal phase now. Earlier quarter availability was not there for two to three, three days.

So, now we are planning, Siddharth Sipani also joined us who has good experience in GML, he has done a good meeting with all bankers and we are planning to use from July next quarter. This quarter has already come to an end, with 30 days pending. But in 2nd Quarter we will start using it and rates will be approximately 3.5% to 3.7% as per my assumption. It will not come down to 3% as earlier in a short time, but in a longer time, in the 3rd Quarter or 4th Quarter it will come up to 3%. So we will be slowly starting using it in 2nd Quarter.

Bharat Gianani: Okay. Okay. And sir, what proportion of inventory do you plan to fund via GML? So earlier as you said like in quarter four it was 15%-20%. So what will be the proportion that you are now targeting for GML?

Mangesh Chauhan: We have a plan to go up to 80%, because bank also gave up to 90%, there is a cap of 10% but we plan to go up to 80%-85% in three, four quarters from here. So 1st Quarter we are targeting is 20%. And again, 2nd Quarter, we are targeting 35%-40%.

Bharat Gianani: Okay. Okay, great, sir. And congratulations, all the best.

Mangesh Chauhan: Thank you, Bharat ji. Thank you.

Moderator: Thank you very much. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, thank you very much for the opportunity and providing such a extensive commentary at the start of the call. Many of the questions got addressed there. I had a question about the expansion and when it will get operational, but I guess I will have to wait till Q1.

Mangesh Chauhan: We are planning to start the facility, making the facility by 2027 opening and to conclude it by 2028 opening. So, we are on it, already Siddharth joined last month only. We are preparing all these plans and all. In the next quarter, by the June quarter we will be with all this plan going to 4x from here. So we have a plan of turnover of Rs. 27,000 crores. So we will be giving this plan after June quarter surely.

Agastya Dave: Right. Sir, I will wait for that sir, and I will keep my questions till that point. Sir, my question was on the export order that you have gotten. That's a single very large order for you. What is the scope with the customer going forward? I mean, after you reach the 200 kg mark, like can that customer give you a bigger, I mean, can you have a bigger wallet share with that customer? And also, what is the overall addressable market here? How much can you do in exports and how many such opportunities are there which you can easily touch going forward? And let's take probably over the next two to three years how many such opportunities can come your way?

Mangesh Chauhan: Yes, sure. So this is just a strategic relationship with the customer in Malaysia, and he came to our facility and given a confirmation of order of 200 kg per month. So we have already delivered 60 kgs. So this is on the basis of the advanced USD he is providing to us and we are making it. Again sales is created. This is not like job work. Gold cannot be sent by advanced gold, there is some process in that. So he is sending U.S. dollar advance and we are sending already one tranche of 60 kg has gone and they are into QC model and all. So this run rate will come by in three to four months from here. And he is a distributor, we have appointed him a distributor for Malaysia, totally Malaysia country, we have given a whole and sole distributor to him.

So again, exports, there is a huge opportunity because we are that's why opening office in Dubai, because the reason behind opening is that there is a difference of dollar rate here. When we get export metal in India from bank, we have to pay some $4-$5 premium here and we charge same to the customer. Again in Dubai, gold is cheaper by $10, approximately out of 365 days, 350 days, $10 cheaper because gold comes from every country in Dubai. So they want the rate what is going in Dubai. So we will be picking up gold in Dubai and sending it here for job work, and passing this rate to customer, this difference of the $15 rate which is very hurdle for going to more export if we want to do we have to give the comfort of this dollar to them.

So we will get the gold in Dubai and send it here for job work. And this will give a comfort to the customer. They are getting the same rate of gold as in Dubai. So this will scale our business. Many customers will be added in this. So exports has good potential. We are targeting 20% from here in this year from Dubai, Singapore and Malaysia. Already said that in Malaysia we have pointed the distributors the whole time. And I think for exports, Darshan bhai, can also give a comment on this.

Darshan Chauhan: Yes. While looking the demand of Indian jewelry in the export market, it is going quite fantastic. Last year also you can see it was very good performance in the export market for us. So going forward, Dubai market, GCC countries like Bahrain, Oman, Qatar, Saudi, all are growing at a large scale. So we are getting good demands from the clients over there. So specially we are going to start the office in Dubai for to serve them more better, to give them more better services, and to give the comfortability of logistics and everything. So Dubai, Malaysia and Singapore, these areas are pure core market for our jewellery wherein Indian Diaspora is main at purchasing our jewellery.

So we are focusing main on increasing our export share in this. Again, the corporates in this international market like how we are conducting business in Indian market with the corporates, the international corporates also we are planning to make a co-creation and tie up with them to give them the new, new designs and multiple Indian designs which are in very huge demand right now in the international market. Thank you very much.

Agastya Dave: Understood. Sir, so my understanding on this matter is slightly, I mean, non-existing basically. But when you will import gold from Dubai and send like the manufactured piece from India, there will not be any duties, any taxation on you?

Mangesh Chauhan: Already, duties are not here. We get without duty bullion from Indian banks also. But here there is a premium of $4, $5, it's very nominal. But in Dubai gold rates are discounted by $10. So we have opened a subsidiary and our funds will be there, they will purchase gold from Dubai and send to Sky Gold, Mumbai, for a job work, and we can deliver from there order.

Agastya Dave: So that will not attract any taxation from Indian government?

Mangesh Chauhan: No, no, no taxation. We are charging the making charge from here only. So we are paying tax here in India.

Agastya Dave: Yes. So that tax you will be paying here, but on gold itself --

Mangesh Chauhan: Normally big company practices this type of model.

Agastya Dave: Understood. So then the market can be very large for you if you can do it the way you are saying.

Mangesh Chauhan: Yes. Yes, because some big distributor there is hurdle of rate of Indian premium of $4, $5 and they are getting discount at $10 in Dubai for the gold rate. So we will be able to trust that customer also.

Agastya Dave: Understood, sir. Sir, one last question again on export, so what kind of marketing, you described that you are bringing in people to take care of the marketing and sales specifically, but on this export opportunity, what kind of presence do you have in terms of like your team members, how many people are like catering to export markets exclusively? And how are you going to build that team?

Darshan Chauhan: Yes. So I will elaborate on this. We are taking experience sales team from the Dubai market who are having experience of the Dubai market for last 30 years, last 20 years. So two persons we have selected for our office who are having collectively experience of selling 500 kgs to 600 kgs of gold. So one is experienced in the local GCC markets and the Dubai market and the local GCC countries. And the other one is having expertise in the international market like Far East Asian markets are there, African markets are there, Australia, Canada, everywhere. So we are having a mix of good sales people. They will give good marketing services to the international market and everywhere. And we are doing co-creation with them. And the local retailers there in Dubai, Saudi, Bahrain, they are looking for co-creation so we will provide them the design they are looking for their market.

Agastya Dave: Excellent, sir. Thank you very much for the opportunity, sir. And all the best. You have some wonderful plans, I hope you are successful. Best of luck, sir.

Mangesh Chauhan: Yes. Thank you. Thank you for your blessing, sir.

Agastya Dave: Thank you, sir.

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

Palash Kavale: Hi, sir. Thank you for the opportunity and congratulations on the very good set of results. Sir, my first question is, is it safe to assume that in FY '26 you will be doing around 4% of PAT margins?

Mangesh Chauhan: So again, yes, because of GML we will be saving 0.3-0.4 conservatively, so we can reach 4%. I think it's reachable in 2026.

Palash Kavale: And sir, any new customer additions for this quarter are planned or you have added in last quarter?

Mangesh Chauhan: Already in March quarter we added Aditya Birla, and this quarter we added Reliance, added means we have already done the agreement phase, and they are going to order in one or two months, the processes of two, three months' of onboarding and all. So we added this one. Again, PMJ jewelry, we added PMJ Jewelry who has 50 stores in Hyderabad, in Andhra. We are launching 24 carat jewelry with them. We have made a 24-carat exclusive jewelry which is made in China majorly, in India is very rare. So we have an expert in our production team, he has made it possible. So he we have made rings also, necklaces also, earings also, which is very difficult in 24 carat. So India has allowed 995 gold to hallmark as 24 carat jewelry. And he will be quoting this jewelry in all the 50 stores from August month. And he has done a tie up with us for 24 carat jewelry. So we have added PMJ jewelry, like Mari Jewellery in Hyderabad was 12 stories, he is planning to go to 30 stores.

So we have concept. In large corporate we have majorly all clients, CarateLane also, Tanishq we do not have. But again, we are concentrating right now on 10-15 store those who are concentrating in the region. Like Kerala those who have 10 to 15 stores we have onboarded them. Andhra those who have 10 to 15 stores, and they have an expansion plan seeing this corporate growing, they are also growing to 30 store, 40 store, 50 store. So we have concentrated this also in last quarter, mid corporate segment also we have concentrated much because seeing the opportunities they are also availing the bank loans and facilities and expanding the stores.

So again, large corporates, I have already told, CarateLane we have onboarded two quarters before, last quarter Aditya Birla, and this quarter Reliance. So mid corporate and small corporates are adding every quarter. Those who have two to three stores also we are adding because they are also going to have 7 to 10 store in two, three years or something. So all the blended business we are getting from them.

Palash Kavale: Okay, that's really helpful, sir. Sir, again, on your guidance of Rs. 7,600 crores by FY '27 with 4.5% margins, that comes out at Rs. 340 crores of PAT from your guidance of Rs. 250 crores which was there. So, does it also include the revenue and PAT numbers from the recently acquired entity?

Mangesh Chauhan: No, we have not given the guidance of this one. After June quarter acquisition will be over and we will add the guidance of this in this. This will add up to your gross margins also and EBITDA also will be improved, because this company operates on advanced gold business totally.

Palash Kavale: Okay, okay. And sir, you plan to be operating cash flow positive in FY'27, right?

Mangesh Chauhan: Yes, yes, we are. We will be cash flow positive in FY'27 March.

Palash Kavale: Yes. Okay. That's really helpful, sir. Thank you. That's it from my side. All the questions have been answered. Thank you.

Moderator: Thank you very much. The next question is from the line of Vijay Chauhan from RH PMS. Please go ahead.

Vijay Chauhan: Yes. Thanks for the opportunity and congrats on the excellent set of numbers and good execution. So looking at the commentary, it is wonderful. So, is it fair to assume like going ahead let's say we go for the expansion that we are already targeting, so exports will contribute significantly more than the domestic players in the incremental volume share, is it fair to assume?

Mangesh Chauhan: No, we mostly rely on Indian market because it is a huge market, 140 crores of population, there's a huge potential in India. But export again has a different potential. So, it will not be like we are going for 60%, 70% export. But again, there can be a 70:30 ratio. So going ahead, India can be 70%-75%, and export can be 20%-25% or 30%. So India is a huge capacity and we are very small for it because we are at now Rs. 3,500 crores turnover and India has Rs. 5 lakh crores-Rs. 6 lakh crores of market in India available, organized market, again, unorganized market is Rs. 9 lakh crores. So there will be a ratio of 25:75. I think going ahead huge unorganized market is shifting to organized which is Rs. 9 lakh crores unorganized market is available. So, that will be the ratio.

This capacity expansion, our sales will come from India also, exports also. Again, from mid corporate we are expecting a good sales because many 10-12 stores which are not in the market, names are in the market but they are growing very fastly. And again, from organized manufacturers we can expect good advanced gold business which can help us to achieve this 4.5 tons, advanced gold business will help us to achieve this which will need a lesser working capital in this huge facility. So this facility will show our strength of manufacturing which will be standalone, one of the largest in India in Coimbatore.

It is one of the largest in India, it is 5 lakh square feet. And we will be standalone one of the largest in India if we build up this facility and go in this. So we have aim to become a 4.5 tons, at least in India you can see 800 tons of gold is imported and 600 tons of jewelry is made, 200 tons of bullion and coins are made. So out of 600 tons we want to be somewhere about 7%-8%, 9% of the market share, somewhere in this market share. So this will drive from existing large corporate also and mid corporate also from export also advanced business also.

Vijay Chauhan: Excellent. And is it fair to assume, like this year's exit run rate per month will be more than 650 odd, FY '26?

Mangesh Chauhan: Yes, 100%, April was very good quarter for us, Akshay Tritiya was there. And as we have given, we will be run rate of Rs. 1,200 crores, Rs. 1,300 crores per quarter.

Vijay Chauhan: Okay, okay. And FY '26 exit run rate can be, I am asking per month it will be like 600 plus, 650 kg per month when we complete FY '26?

Mangesh Chauhan: Yes, 650 to 700 kgs per month, yes.

Vijay Chauhan: Okay. And then lastly when it comes to exports, so can you elaborate like the design differences or the preferences they have versus the domestic preference? And how we are building, like if there is a substantial difference in terms of designs on jewelry side, so are we building some differentiated design portfolio for export market or there is no much difference?

Darshan Chauhan: No, no I will elaborate on the design aspect of the international market. Moreover, we are specialized in the South Indian jewellery market, like we have a very good deep knowledge of the South Indian jewelry market. That jewelry is going on very good in the international market. Apart from that, there are some concepts and some regional specific and country specific designs that or we are also building on with them, we are doing co-creation with them. We have developed a design studio in Andheri for specially developing the export oriented designs which are special and new in the international market. So yes, some of the designs from the existing portfolio and some of the new designs with co-creation from the international clients we are developing. So, as in all, we are a design based company, we are a co-creation company so we have to provide best designs to the customers.

Vijay Chauhan: Right. And those designs will be, let's say, whatever we create new designs, so those will be exclusive to export players or we will be also able to launch in Indian market?

Mangesh Chauhan: No, no, I can add up to Darshan bhai. We have 150 designer team, every 10-15 batch of designer head and designer team works for a corporate or the segment. So, two verticals are working for Dubai and Singapore, Malaysia region. And we keep a lock-in for the design. Like one of the public listed company we started lighter jewelry segment for them and we made a special design for them 1,500 design and we keep a lock-in for them. So we do not use the design for Indian market, because there should be some specialty and monopoly should be given to them. So we specially designed for these countries and make for them and take the order from them only. So out of 10-15 vertical one or two vertical was for the exports, three, four, five verticals for the major corporate, then mid corporate and all mix.

Vijay Chauhan: Sounds very clear. So thank you for all the clarifications and good luck for the future. Thank. You.

Mangesh Chauhan: Thank you very much.

Moderator: Thank you very much. The next question is from the line of Snehadeep H, an individual investor. Please go ahead.

Snehadeep H: So recently gold prices hit its record high, so are you facing any decline in your client side and in the end customer side or any changes?

Mangesh Chauhan: So there are inventory changes going on. You can see our inventory falls below, we are into lightweight jewelry segment where impact is very lesser. Heavy jewelry, Rs. 3 lakhs, Rs. 4 lakhs, Rs. 5 lakh, Rs. 10 lakhs impact is there 20%. So our lightweight jewelry falls below 1 lakh 80%, and 20% below Rs. 2 lakhs. So there is an inventory, the customer going for 10 grams are going for 9 grams. We have brought in eight to nine 3D printers last year only when we came into this capacity. So we are able to reduce our weight by 15%, 20% in the inventory. So inventory shift is there, ticket size shift is there, but number of pieces are gaining. So our average ticket size was Rs. 55,000, Rs. 60,000 earlier, it got up to Rs. 45,000 Rs. 50,000, and number of pieces are increasing. So lightweight jewelry is very lesser impact because of the rates and all. But again, 18 carat we are expanding very much. 18 carat we were at 3.7% last to last year. Now this year we at 6.6% this quarter we closed. So, 18 carat market share is going up with the gold rate, so again this is helping to accelerate our volumes and all.

Snehadeep H: So are you looking for 14 carat in your portfolio?

Mangesh Chauhan: Already we have started a sample for two customer in lab grown diamond. We had added one customer in lab grown diamond last year. Again, two customers, I will not take the name because we have not done an agreement, already we are in the phase for it, but we have developed a 14 carat sample for them and they have approved for us. Both are in the gold diamond jewelry in the channel stores. So we have developed 14 carat for lab grown diamond jewelry. And I think some market share we will gain for 14 carat also in India because of the rate and coming modern youngsters like teenagers of 18 years, 20 years, 25 years nowadays, 15 years, 16 years boys and girls are wearing 18 carat cars and 14 carat. Earlier our parents not used to allow them to wear. But nowadays, lightweight July and white gold and colors are there. So they are able to purchase, and they have purchasing power right now. And they are also shifting to 18 and 14 carat. So we see some market of 14 carat going here.

Snehadeep H : Okay. Thank you, that was from my side. Thank you so much.

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

Bharat Gianani: Yes, sir. Thanks for the opportunity once again. Just one clarification, we had about, I mean, current investments to the team of about Rs. 100 crores, I am not aware of the number in FY '25. But then for GML I guess you have to keep that as a collateral if you want to increase the GML. So just wanted to get a sense that if we keep that GML thing for the new plant the CAPEX that we are going to do Rs. 100 crores, I mean, I just wanted to check if the security deposit we will be using for GML then how will we do the CAPEX on new plant? So that was just my question.

Mangesh Chauhan: So already we have acquired land and building here which will be placed to the bank and we can take a Rs. 300 crores GML from them, which will be at 3% or 3.5%, it will be really beneficial for the company. Again, for the CAPEX part, already I mentioned we are in the planning and our total detail will come with the June PPT what will be the CAPEX and how much years we will do. From internal accruals mostly it will be done. And per year how much it will be done from the profit, assuming 2027 we are at Rs. 250 crores-Rs. 300 crores PAT, so we will be using from that also some internal accruals. But we have not strongly made the plan, we have already acquired and we will be making this facility 100%. But we will come up with all this CAPEX plan and the 2030 plan, in June quarter we will give the glance over 2030 how will we reach total capacity, a turnover of 4x from here, and what will be our profit margin, who will drive the sale, how we will achieve this after 2027, how will this go to 1.5 tons or 1.7 tons, and again 2.5 tons and 3 tons and 4 tons. So a plan is totally in process and we will be giving up in June quarter.

Bharat Gianani: Okay, sure. We will wait for the same. Thanks and all the best, sir.

Mangesh Chauhan: Thank you.

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

Palash Kavale: Yes. Sir, thank you for the opportunity again. Sir, when can we expect this 200 kg per export order to like go to 200 kg per month, by which quarter?

Mangesh Chauhan: Already we are at run rate of 60 kg every month we get the order, it will be gradually increasing. This month also we are getting 60 kg advance USD from there. Gradually in 12 months we will be at 200 kg run rate. I think in one quarter we will be at 100 kg and 150 kg in July quarter, 100 kg run rate. And again, December quarter we will be at 150 kg run rate and March quarter will be 200 kg.

Palash Kavale: And sir, any other player in India who does similar kind of exports to distributors? Like you mentioned one of the competitors who is very big compared to us, but do they also do such kind of orders or you are the --

Mangesh Chauhan: Already, Emerald Jewelry who is very big than us, he is in exports also, in domestic also, and he is also exporting. And again, we are second largest in casting jewelry, we are also trying to achieve this export market and take a capture of this one.

Palash Kavale: Okay. Okay, that's it. Thank you so much.

Mangesh Chauhan: Thank you so much. Thank you all of you.

Moderator: Thank you very much. Due to time constraint, that was the last question. On behalf of Sky Gold and Diamonds Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.