"Sky Gold & Diamonds Limited

Q1 FY27 Earnings Conference Call"

August 10, 2026

MANAGEMENT: **MR. MANGESH CHAUHAN – MANAGING DIRECTOR – SKY GOLD & DIAMONDS LIMITED**
MR. SIDDHARTH SIPANI – CHIEF FINANCIAL OFFICER – SKY GOLD & DIAMONDS LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to Sky Gold & Diamonds Limited Q1 FY27 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 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 Ms. Vidhi Vasa from MUFG Intime. Thank you, and over to you, ma'am.

Vidhi Vasa: Thank you, Sumit. On behalf of MUFG Intime, I welcome you all to Sky Gold & Diamonds Limited Q1 FY27 Earnings Conference Call. From the management side, we have Mr. Mangesh Chauhan, Managing Director; and Mr. Siddharth Sipani, Chief Financial Officer. 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 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 so much. Good afternoon, everyone. On behalf of Sky Gold & Diamonds Limited, I extend a warm welcome to all the participants to the Q1 FY27 financial results earnings call. Along with me is Siddharth Sipani, our CFO. We have uploaded our investor deck and earnings press release on the stock exchanges and the company website.

I hope everybody had an opportunity to go through them. Before I begin, I am delighted to share an important development in our leadership journey. We are pleased to welcome Mr. Akash Talesara as the CEO of Sky Gold & Diamonds Limited. Mr. Akash brings over 2 decades of rich experience across the gems and jewelry industry with deep expertise spanning jewelry sales, merchandising, business development and market expansion.

Over the course of his career, he has successfully led growth initiatives, strengthened market presence and built high-performing teams across both domestic and international markets. At Sky Gold, we have always believed that credibility is built not through promises, but through consistent delivery.

Over the last several years, we have established a track record of setting clear goals and executing against them and returning to our stakeholders with results and results that validate our commitments. When we first outlined our growth road map, it reflected our confidence in the long-term potential of the business and the opportunities we saw ahead.

Over the subsequent quarters, our team has consistently delivered on key milestones, reinforcing our confidence in both our strategy and execution capabilities. One of the strongest validation of our execution capabilities has been our ability to consistently increase our long-term targets while remaining on course to achieve them.

Our current FY27 revenue target of INR8,100 crores is meaningfully higher than the outlook we had communicated 9 months ago. This upward revision reflects the expansion of our capabilities, deeper customer relationships and the significant opportunities we continue to see across the market.

Our business today stands at the intersection of 3 powerful capabilities: lightweight jewelry manufacturing, advanced production technology, merchandising excellence. Over the last few years, we have made substantial investment in building differentiated capabilities across 3D printing, laser cutting, stamping and lightweight casted jewelry manufacturing.

At the same time, we have significantly strengthened our design and merchandising infrastructure by doubling the size of our team and establishing dedicated product development and diamond design studios.

More importantly, we increasingly see ourselves as a design-led company rather than just a B2B jewelry manufacturer. Our focus extends beyond manufacturing excellence to create compelling, market-relevant jewelry concepts that help our retail partners differentiate themselves in an increasingly competitive environment.

By combining advanced manufacturing capabilities with strong design, merchandising and product development expertise, we are able to deliver innovative collections that drive faster sell- through, improve inventory productivity and create value for both our customers and end consumers.

This evolution has fundamentally transformed the way we engage our customers. Unlike traditional manufacturing partners who primarily offer standard catalogs, Sky Gold increasingly works alongside retailers as a product development partner. We study their product mix, understand their competitive environment, analyze consumer preference, create themes, develop prototypes and collaborate closely until products finally finalized for launch.

Ultimately, our success is measured not simply by the number of design, we showcase, but by the number of designs selected by our customers and more importantly, how quickly those products sell through to consumers. This collaborative model has generated significant benefits for our retail partners. It has helped reduce unsold inventory, improve inventory productivity and strengthen consumer confidence, leading to increase our share of high value-added business.

Also, what makes me proud of our team is not merely about ability to achieve revenue targets, but the quality of the growth we have delivered. You will recall that our last few quarters, we have consistently emphasized our focus on building a stronger and more efficient business rather than pursuing growth at any cost. I am pleased to share that we have achieved 17% sales on the Advance Gold model, significantly ahead of our expectation of 15% of the Advance Gold model for FY27.

In addition, majority of our new orders are being booked today carry a considerably shorter receivable cycle, reflecting improving our quality of our customer mix and order book. As a result, we are closing this quarter at approximately 60 days of our net working capital cycle. At that time, many questioned whether reducing working capital below 60 days was achievable. Today, we are demonstrating that it is not only achievable, but also sustainable through disciplined execution and strong operational focus.

Further, natural diamonds currently contribute approximately 2% of our overall business, presenting significant headroom for future growth. The company aims to increase this contribution over the coming years while simultaneously expanding its presence in the rapidly growing lab-grown diamond segment, backed by strong long-term demand trends and continued focus on both natural and lab-grown diamond is expected to strengthen the company's position in the diamond jewelry market and drive sustainable revenue growth and margins.

The increased share of natural and lab-grown diamonds studded jewelry is expected to enhance the premium product mix, thereby supporting higher gross margin. In parallel, the company is reinforcing its advanced gold business as a strategic growth pillar, leveraging its asset-light and capital-efficient operating model.

The approach is expected to improve return on capital employed (roce) and while enabling scalable profitability and long-term business growth. The continued expansion of our premium product portfolio, coupled with our capital-efficient growth strategy reinforces our confidence in delivering sustainable and profitable growth with strong tailwind across natural diamonds, lab-grown diamonds and Advance Gold.

We remain firmly on track to achieve our aspiration of INR8,100 crores by FY27 and INR18,000 crores to INR19,000 crores by FY30. Turning to profitability. Over the past few quarters, I have spoken out factors driving our gross margin improvement. At that time, I had also emphasized that our profitability is not dependent on movements in gold prices because we follow strict back-to-back hedging policy.

In recent quarters, heightened volatility in gold prices has created margin pressures across various retailers and manufacturers within the jewelry industry. Despite these challenges, Sky Gold has successfully maintained its margin profile, demonstrating the strength of our operating model.

This performance validates our disciplined approach to risk management. We are not into the business of speculating on gold prices, nor do we depend on gold price appreciation to drive profitability. Instead, our focus remains on factors that are within our control: enhancing operational efficiency, expanding our portfolio of value-added products, driving product innovation, strengthening manufacturing excellence and delivering great value to our customers.

The consistency of our margin during this period of significant commodity price volatility reinforces our confidence in the sustainability of our business model and the effectiveness of the systems and processes we have built over the years.

Another important commitment we made to investors was that future growth would be funded predominantly through internally generated cash flows. At the time we had guided Q4 FY26, we would be close to cash flow neutral and that we expected to begin generating cash flow operating positive cash flow operating flows towards last quarter of FY27. I am pleased to report that during quarter, the company has generated approximately INR30 crores of operating cash flow, marking an important milestone in our journey towards building a stronger and more self-sufficient business model.

I would also like to reiterate a commitment that I have previously made to our investors. If the sale process were not completed within the stipulated timeframe, the promoters themselves would purchase this property. That commitment remains fully intact.

A notable highlight during the quarter was the continued strength of our international business, reflecting the success of our efforts to diversify revenue streams and expand our global footprint. As a part of this strategic focus, we participated in the Asiana U.K. India Jewellery Expo in London, where we showcased our diversified product portfolio to the broad base of international buyers.

The response was highly encouraging, resulting in strong initial interest and helping us to build a prospective order pipeline of approximately INR30 crores to INR45 crores across the U.K. and European markets. While these opportunities are currently at different stages of conversion, they provide meaningful validation of our product offerings, manufacturing capability and growing acceptance in international geographies.

The momentum witnessed in our export business reinforces our confidence in the long-term potential of international markets as a key growth driver for the company. Building on this early traction, we remain focused on strengthening strategic partnerships, enhancing market penetration and expanding our distribution channels across priority regions.

These initiatives, supported our differentiated product portfolio and operational capabilities, are expected to further accelerate export growth and diversify our revenue mix. We believe that our international expansion strategy will progressively become a significant contributor to sustainable growth and value creation over the coming years.

Equally important is our continued commitment to the highest standard of corporate governance and strong alignment with shareholder interests. Beginning with financial year, the company's financial statements are being audited by MSKA & Associates LLP, which is BDO in India.

Being one of the largest global accounting firms, this represented significant milestone in our ongoing journey to further strengthen governance, transparency and financial oversight across the organization. The appointment underscores our commitment to adopting global best practices in financial reporting, compliances, risk management and corporate governance.

As we continue to scale the business, we remain focused on building a robust institutional framework that enhances accountability, strengthens stakeholder confidence and supports sustainable long-term value creation.

As promoters, we are also taking a significant step to further strengthen the alignment between management and shareholder interests. Beginning FY27, we will adopt a zero-salary promoter compensation model.

Going forward, promoter remuneration will be linked entirely to dividends, and dividends will be declared only from operating cash flow generated by the business. This reflects a simple philosophy: promoter rewards should grow only when shareholder value is created. At the same time, we remain committed to prudent capital allocation of our priority.

At the same time we remain committed to our prudent capital allocation. Our first priority will always be debt reduction and balance sheet strengthening. Dividend distribution will follow only after these objectives have been appropriately addressed.

Now, as we look ahead, I would like to briefly discuss our long-term strategic road map, which we refer to as Vision 2030 or Sky Gold 3.0. This vision is not about aggressively chasing large numbers. Rather, it is about building a business that is fundamentally stronger and more disciplined.

By 2030, our aspiration is to build a company that is net debt-free, operations with a highly efficient balance sheet, maintains industry-leading working capital metrics and consistently converts a significant portion of its earnings into sustainable operating cash flows.

Further, we would like to implement world-class ERP platforms and digital systems across both front-end and back-end operations. These initiatives will strengthen operational controls, improve visibility, enhance scalability and support the next phase of the company's growth journey.

Moving to the financials of Q1 FY27, I will ask our CFO, Mr. Siddharth Sipani, to run down through the financials for the quarter. Over to Siddharth.

Siddharth Sipani: Thank you, Mangesh bhai. I would like to begin by highlighting that Q1 FY27 has been a very strong quarter for Sky Gold with healthy growth across both our top line and profitability. Importantly, this growth has been accomplished by a meaningful improvement in margins driven by the continued shift towards Advance Gold and a higher contribution from value-added products.

Before discussing the detailed financial performance, I would like to highlight 3 key takeaways for the quarter. First, our consolidated revenue for Q1 FY27 stood at INR2,013 crores, registering a strong 78% year-on-year growth. On an annualized basis, this translates into a revenue run rate of approximately INR8,050 crores, which is already very close to our FY27 revenue guidance of INR8,100 crores.

Second, we are seeing a clear improvement in the quality of our revenue and profitability. Our consolidated gross margin increased to 9.3% in Q1 FY27 versus 9.1% in Q4 FY26, an improvement of 27 basis points. This improvement has been primarily driven on account of 2 major factors. First, the share of non-22 KT jewelry has increased from 10.5%in Q4FY26 to 14% in Q1 FY27 due to structural shift in customer preference towards lower Karatage jewelry.

The share of studded jewelry has also increased from 1.65% in Q4 '26 to 2.1% in Q1 '27, on account of management's focus on better-margin products. This gross margin expansion is translating strongly into the bottom line. EBITDA increased to INR157 crores, to 7.8% for the quarter.

Operating PAT for the quarter crossed the INR100 crores mark for the first time. We are getting a lot of Q&A on the gross margins. So, I would like to spend some time giving the breakup of our 9.3% gross margin.

First, the Advance Gold contributes close to 90 to 100 bps in revenue and gross margin, since this flows into the gross profit. Secondly, non-22 KT products. Lower KT products like 18 KT, 14 KT, 9 KT have been gaining market share due to appreciation in appreciation. They now contribute close to 14% of volume and has gross margin contribution of close to 1.4% to 1.5%.

Third, studded jewelry. Natural and lab-grown studded jewelry is currently at 2% of revenues, and it contributes close to 0.3% in gross margins. Finally, if we look at 22 KT gross margins, it comes to close to 6% to 6.5%. Even here, we have 70% of our products being CZ-studded jewelry, while the balance, is the plain gold jewelry products having a gross margin of 5% to 5.5%.

Due to the above, we are confident that the margin improvement seen in Q1 is not a one-off, but a reflection of the underlying transformation in our business mix. At the same time, we are seeing a meaningful improvement in our cash flow generation. Our cash flows from operations turned positive at close to INR30 crores in Q1 FY27 compared to negative operating cash flows till the end of '26.

This improvement is particularly encouraging given the strong growth in our business during the quarter. As the contribution from Advance Gold continues to increase, we expect working capital intensity of our business to moderate further, supporting stronger operating cash flow generation.

Together with the significant improvement in profitability, this gives us greater confidence in our ability to progressively reduce debt and interest costs. Our objective of moving towards a net debt-free balance sheet remains firmly on track, which should provide an additional structural tailwind to our PAT margins going forward.

Importantly, we remain focused on ensuring that our growth is supported by disciplined working capital management, continued deleveraging and a higher contribution from Advance Gold and value-added products.

With our Q1 performance already putting us close to our FY27 revenue guidance on an annualized basis, we remain confident in our ability to deliver sustainable growth while continuing to improve the quality and profitability of our business.

Now, I request the moderator to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Thank you. The first question is from the line of Deep Shah from Equirus Securities.

Deep Shah: Congratulations on a good set of numbers and really good to see the positive operating cash flows. So, great work. Sir, just a couple of things from my side. First of all, sir, on the guidance side, we have been guiding INR8,100 crores of top line this year, along with some 7.5% of EBITDA margin.

But when I see the first quarter run rate, I easily see Sky Gold surpassing that number. So, don't you think there is a significant upside risk? And don't you think it's prudent,it's good to, say, revise the guidance? Any color on this, sir?

Mangesh Chauhan: So, we will revise our target after Diwali. We'll analyze one more quarter, and we will give our new guidance post Diwali. That's our plan.

Deep Shah: Secondly, sir, just wanted to check, inventory days have increased compared to the fourth quarter. Anything over here, any specific reason over here?

Siddharth Sipani: So, on the working capital days, which was 59 days as of March, is at 60 days as of June. So, from an overall strategy side, we are focusing on increased Advance Gold, plus the export business has also increased if you look at it from a quarter-on-quarter perspective. In the previous quarter, the exports were close to 14.5%, which now is at close to 18%-odd.

Plus, our focus is now on the higher-margin products, which is mainly on the studded side. So, the cash flow generation which the business is having, we are deploying some part of it into the studded business as well, which has a higher margin so that our margins and profitability could improve on a long-term basis.

Further, as we have told in the Sky Gold 3.0 vision, that we are trying to balance all 3: sales growth, profitability growth as well as positive operational cash flow. And we are working with this in our mind.

Mangesh Chauhan: Again, to add to that, we will upgrade our revenue guidance only if we get a greater share of studded and Advance Gold business.

Deep Shah: Okay. Sir, I get it on the working capital side. I just wanted to check on the inventory because when I see that on a sequential basis, inventory days have gone up. Is it for the festive season? I just wanted to check any specific reason over here?

Siddharth Sipani: So, basically, as I informed that, we are going from a negative cash flow operating cash flow zone to a positive cash flow zone. Further, our free cash flow, even after we exclude the capex, that is also at a plus.

So, we are utilizing the funds which the gold business is generating into the studded business, so since the studded business has a higher margin and a better ROCE, but it needs a slightly higher working capital as well. So, the current strategy is to put - the funds generated from the gold business into the studded business and have better overall margins.

Deep Shah: Okay. Got it, sir. Sir, one last thing from my side. If you can just highlight the volume performance for this quarter and also the capex plans for the years to come? Because last quarter, I think so we are sitting with some 50%- 55% sort of utilization. What will be the capex plan? What will be the capex outlay for the coming years?

Siddharth Sipani: So, as we have informed in our speech, that we continue to be on the asset-light model. Currently, the capacity utilization is close to 55%- 57%. And looking at the current projection numbers, we are good till 2028. And post that, we may look at a new facility, but that we will continue on the leased model, and capex will not be very big.

It will be close to INR80 crores to INR100 crores, which will be just 20% to 25% of the PAT that we will generate at that point of time, since we have already built a world-class facility and we have already invested in the capacity and infrastructure. So, now the major focus is that how to balance all 3 levers for us in the Sky Gold 3.0 version.

Mangesh Chauhan: So, again, we are at 60% utilization right now, and we have room of 40%.

Moderator: The next question is from the line of Palash Kawale from Nuvama Wealth.

Palash Kawale: Congratulations for a very good set of results. First question is, Is there any reason for rising payable days? And is this sustainable going forward?

Siddharth Sipani: So from the last quarter onwards, we have started to give the breakup of the working capital table. But from an overall business, what you are asking is right. From an overall business, we look at the total working capital which has been deployed in the business.

But since a lot of analysts and investors look at our business from a net working capital days, that's why we have given the breakup of the working capital cycle as well as the net working capital days that we have for the respective period.

Palash Kawale: But sir, will it be sustainable going forward, the payable days that been rising?

Siddharth Sipani: Yes, since we are looking at increasing our higher-margin products. So, in gold, the credit available is virtually nil, while in the diamond segment, we are getting, or it is a market practice to get the credit. And that's why the number that you are seeing on the creditors is a sustainable number.

But overall, in terms of the working capital days, we are at close to 60 days. And in terms of strategy, we are looking at reducing or improving on the working capital days by 2 days year-on-year, with an overall target to reach 52 days by 2030 in the Sky Gold Vision 2030 that we are looking at.

Palash Kawale: And sir, what is the potential from U.K. market? And I mean, how big can it be for us?

Mangesh Chauhan: So, we have just entered into the market. We have done the first exhibition, and we have got a first initial order of 25 to 30 kg. So, the U.K. is about total studded and more of a margin-based business. So, we are looking forward, and we have got a good response in the exhibition for our products. So, we are expecting good sales export as we have guided that we will go to 20% exports in coming years. So, we are in that direction. We want to diversify the export.

Right now, we are diversified: 6% is coming from the UAE, 2% from Singapore, 2% from Malaysia. So, we are expecting 3% to 4% of sales coming from Europe market, and we have already started getting the orders. Let's see how it is convertible. And it's more about studded and a mix of gold and studded.

Siddharth Sipani: And one thing that I would just like to highlight that even 1-day improvement in our operating cycle leads to close to INR95 crores of impact in the operating cash flow cycle. So, that is why our vision and our approach is balancing both growth& the working capital days as well as being in the positive zone in the operating cash flow cycle.

Palash Kawale: Just last question, what is the gross debt level after the end of the quarter?

Siddharth Sipani: Net debt level for this quarter is INR540 crores.

Moderator: The next question is from the line of Vinit Agarwal from Bajaj Alternate.

Vinit Agarwal: Congratulations on a great numbers. So, just a couple of questions from my side. One is like Quarter 1 typically benefits from Akshaya Tritiya and also wedding season. So, how much of this quarter's strength is seasonal vis-a-vis a structural step-up in demand? And what should we expect for the seasonally softer Q2? Second is, with the appointment of Mr. Akash as CEO, what specific priorities have you set for him where he will be focusing on and drive over the next 12 to 18 months?

Mangesh Chauhan: So, again, you can see in Q1, Akshaya Tritiya is a major season of the jewelry industry, but some delivery goes in March month also, the delivery, in April month also, the Akshaya Tritiya delivery is done in March and April also. So, you can see from Q1, Q2 is better because Navratri-Diwali orders are in Q2, and Q3 is better than that because the marriage season fall is Q3.

So, we follow Q2 is better than Q1, and then Q3 is better. And again, the fourth quarter, March is better than that because Akshaya Tritiya's major delivery goes in March, and Akshaya Tritiya falls approximately between 20 April to 15 May.

So that, again, question on Akash, we have set up a new target to develop the market. Advance Gold business much from the 4 large corporates we have onboarded. We have achieved 18% Advance Gold business, and we have given him the target for this year to be average of 15%, next year 20%, and the third year of 25%.

In 2030, we will achieve 30% of the Advance Gold business, which we have given him set the target. And again, we have given him the target of Europe market to expand with lab-grown diamond, and Europe is more about lab-grown and studded of natural diamond jewelry.

So, we have now tell him to focus on diversifying our export business, and have given him a target of 3% to 5% from the U.K. market. So, again, the Advance Gold business is a priority given to him, and expand more about studded of diamond and lab-grown diamond jewelry.

Moderator: The next question is from the line of Netra Deshpande from Mirae Asset Sharekhan.

Netra Deshpande: Congratulations, sir, for the solid set of numbers and shining numbers, especially the export-driven growth and the cash flow. To start with the first question, I just would like to understand about, as you said, there would be a remaining 9 months, there would be a target rate of almost more than INR8,100 crores would be the guidance that already about to surpass the 25% on growth guidance you achieved earlier.

So, if possible, can you give me the guidance for at least give us a guidance for FY28, if possible? Because this Q1 has given a very promisingly and almost met the estimates more that earlier expected around INR5,000 crores to INR8,100 crores. So, is it possible if you can give a growth guidance of FY28, if possible?

Siddharth Sipani: In the Sky Gold 3.0 vision, our strategy is to balance all three: the sales, profitability and being positive OCF. Considering these, and my ROCE is close to 35%- 36%, we expect that we will go to 30% to 35% in terms of the sales increase. And we will continue to monitor our sales performance, and post-September, we plan to give an estimate that what we would expect in FY27 and FY28 further.

But our plan is that, overall, we are now targeting to have operating cash flow to PAT conversion of close to 20%, that we have also provided in our IP as well. And our overall PAT margin will be close to 5%.

Netra Deshpande: Okay. And sir, as you said, Q1 growth is the volume rate, not the gold price, as gold prices are not linked with this as we are already doing our hedging. So, can you share the tonnage volume growth, if possible, separately to identify and understand about that

Siddharth Sipani: Previously, Sky Gold was predominantly a 22 KT company. But now, with the market trend and the customer preference and gold prices going up, the 18 KT, 14 KT and 9 KT studded. That's why in the last quarter of FY26 March, we have indicated that the volume guidance that we used to give will not be provided, going forward. But overall, I can say that we have grown by 7% to 9% in the volumes in this quarter.

Netra Deshpande: Okay. Got it. So, very soon, I mean, we can expect there would be a tonnage and the volume can be decided and to the numbers and units for specifically with every karat that we can get the segregation, if possible.

Siddharth Sipani: Sure. We will see it and we try to look up. Thanks.

Netra Deshpande: So, the current utilization rate for Q1 FY27. Can you also brief us the realization, what is the per unit that you consider for Q1?

Siddharth Sipani: since the volume number is not being provided, so the resultant realization number will also not be available.

Netra Deshpande: So current utilization rate for Q1, which must be around any or guidance for the Q2, if you can share about the capacity utilization any expansion

Siddharth Sipani: Okay, you are saying from the capacity. Sorry, I understood something else. Okay. So, the current capacity utilization is close to 60%-odd. And we expect that the capacity utilization should improve by 7% to 8% Q-on-Q every time. As the volume will increases, that's why the overall capacity utilization will also increase.

Mangesh Chauhan: So, 1.2 tons is our capacity to produce, and we are 60% approx utilization in the last quarter.

Moderator: The next question is from the line of Chintan from Girik Capital.

Chintan: Congrats for a very good set of numbers. Sir, I think when we spoke about the FY30 Vision, the revenue guidance was kept- given the volatility in gold prices, the volume guidance sorry, revenue guidance was kept as a moving part because underlying gold prices also determine how the value will pan out over the course of the period, right?

So, our focus largely was on delivering on the volume while keeping a target of improving profitability, driven by the mix and whatever efficiencies you guys are working on, right, projects you are working on. So, we like to understand, 60% is what you mentioned the utilization level.

If you can split that between your standalone and the consolidated, how the volume performance has been for the quarter? That would be, I think, the right judgment for a B2B player like yours, given that the volatility of gold prices is not in our hands, and we don't play around gold prices, right?

Siddharth Sipani: Yes, perfect. Chintan, a couple of points into it. First is, what we have been indicating that in this Sky Gold 3.0 version, we are balancing all 3 of them: the sales growth, the profitability growth as well as achieving the net debt-free position by 2030. So, considering that, we are balancing this, and we again stand at this point of time with the numbers that we have given for 2030.

But since our ROCE is more than 30%, so we safely presume that the overall sales growth will be at least closer to that number because if we try and do a higher sales growth, again, the operating cash flow will go into the negative zone, which we have worked very, very hard on, and we have come to the level of operating cash flow per se.

So, in terms of the revenue projection numbers, INR18,000 crores to INR19,000 crores is what we are targeting. We are targeting how sooner can we reach the target of INR1,000 crores of PAT because this is the first time we have reached INR100 crores of PAT in 3 months. This is the first time.

But our ultimate goal or target is to cross INR1,000 crores in PAT. And with these two both in mind, and having the vision of operating cash flow and becoming a net debt-free company by 2030, we are executing this entire strategy.

Chintan: Got it. because I believe our standalone unit was operating at a higher utilization, right, versus the subsidiaries? Sparkling chains and Ganna and were operating at 50% utilization. So, is there any change, or should we assume both were operating at the 60% level, or there is a marked improvement in standalone utilization while the subsidiary also have seen an improvement this quarter?

Siddharth Sipani: So, broadly, the standalone utilization it is closer to 55% to 65% is the overall utilization. Somewhere it can be 55%, somewhere it can be 62%, 63%. But at a blended rate, we are close to 60% of utilization.

Chintan: Okay. And second question was on the disclosure which you have rightly given to exchanges in the month of 16th July. That incident will have any P&L impact in our Q2 numbers, given that we have disclosed the amount?

Siddharth Sipani: Yes. So, out of that, INR10.7 crores was the total amount involved, but such incidents have unfortunately become increasingly prevalent across many organizations which are listed on the BSE and NSE. And including SEBI has come up with a circular warning the companies to take a note of this issue which has happened.

We have acted promptly, we have initiated the legal proceedings and have also got a favorable order as well. And close to INR3.5 crores has already come back. And for the balance also, the efforts are underway to maximize the money that has gone out, that how maximum we can get the same. While this is the update, I would also like to just inform that as of the matter is currently under legal and investigative process, we will not comment specifically on this matter.

Chintan: Got it. And the last question was on Advance Gold. I think in 4Q we closed at 20%, and this quarter is at 17%, right?

Siddharth Sipani: Yes.

Chintan: That is correct, okay. Is it a reduction sequentially?

Siddharth Sipani: No, no. So, it's not a reduction. Overall, in terms of volumes, it is the same. But since overall volumes has increased, as a percentage, you are seeing a downward trend.

Mangesh Chauhan: Again to close this expanding the facility is not an issue for us. We are not a factory which has long lead times. So, our key competitive advantage is design. So, our main focus on design, and we can anytime make a facility in 90 to 120 days if we get a rental-free period after 2028, we need.

Chintan: Right. And continuing on that design aspect, I had one question on the merchandising. Given the prices of gold is rising, the entry-level pricing of your products typically, we started off, our USP is in the entry-level jewelleries, right, given the lightweight and designs we have. Do we feel because of the increased gold prices, it becomes a little difficult in terms of meeting that entry-level price points, or is the lowering of grammage or lowering of the caratage is the only way to meet that entry-level price point?

Mangesh Chauhan: So, again, we have the largest 3D printer in our facility, and we have that expertise from last 20 years to read the market and what are the changes in the market, how gold prices are changing, how should be the inventory weight and what the entry point of the customer, should will be our average ticket price.

So, we have that merchandising and designer team, keep on inventing new products, keep on lightening up the inventory, bringing up the new products, so all the sectors, all the different customers.

So, you can see we are uploading our customer feedback on our YouTube channel also about our lighter inventory, managing the ticket size of the customer, managing the flow of the design, look of the design. It's not just about managing the ticket size; it's about the look should be the same, flow should be the same. Just our feedback is larger of our largest. Damas is our largest customer in Dubai. Thangamayil, they have also put their feedback.

So, it's about teamwork, and that's our expertise comes in. We are a design-led company, and managing the inventory ticket size, about the flow, design, caratage, we keep on working on that and come up with a proper design, and the average ticket size, and the caratage of that design.

So, everything is available on our YouTube channel also; you can see our customer feedback, how we have come up with the designs. And as per the gold rates have gone up, we have coped with the design and come up with designs with sales in this gold price also.

Moderator: The next question is from the line of Yashowardhan Agarwal from IIFL Capital Asset Management Limited.

Yashowardhan Agarwal: Congratulations on a good set of numbers. Sir, I have 2 questions. First one is on the margins. Sir, if I look at the PAT margins, that was somewhere around 5.2% in the first quarter. And the long-term vision that we have shared is around 5.25%, right? But the initiatives that we have talked about earlier, with increase in the Advance Gold business, increase in the Stud jewelry business, as well as moving towards net debt positive. Sir, all these initiatives are indicating towards increasing margins, right? So, sir, what is the rationale for us guiding for this 5.25% margin? How should one look at it?

Mangesh Chauhan: So, again, you are right that Advance Gold business will increase our gross margins also. And again, the studded mix will also increase. And it's about blendedly, we have given a mix range of 8% to 9% of gross margin. The guidance of 8.5% to 9% gross margin we are giving, because, in the journey of business, you can see if 22 karat is somebody is taking volume, we have to pass on some 0.25% to 0.5% discount also to the customers.

Whenever they are taking a huge volume, so, it will get diluted between these high-margin products: diamond and lab-grown. And again, Advance Gold, that is why we are guiding a guidance of 8.5% to 9%. Again, we are focusing on diamond to expand to 10%, Advance Gold 100% will improve on the margin, but our guidance remain the same from between 8.5% to 9%. Again, Siddharth, if you want to add?

Siddharth Sipani: Yes, perfect. Further, just to take a step back, this entire guidance or the projection was prepared somewhere at the end of 2025. And since we are projecting 5 years forward, so that is why we have tried to put in a number which we are confident of achieving it. Apart from giving the guidance to the Street, we continuously work and endeavor on how to improve our margins.

And that's why the positive fund flow which is happening from our gold business, we are trying to deploy it in a smart way into the studded business, which has a better margins. So, yes, from the overall guidance to the Street, 5.25% of the PAT margin still holds, while we plan and aimed at how we can reach the magical number of INR1,000 crores of PAT going forward. And that's why whatever steps we are taking it, we are proactively telling to the investors as well so that you can understand the implications of the same in your respective financial models.

Yashowardhan Agarwal: Got it, sir. So, just to conclude this point, the guidance are on the safer side, and there are high probability of it being improved. Is that correct?

Siddharth Sipani: You can take it on that note.

Yashowardhan Agarwal: Okay. And the second question is on the capex side. You mentioned that our capacity is building up by FY28 and around INR80 crores to INR100 crores of capex will be required, right? So, sir, what is the lead time for the capacity to come? That is question A. And second, I think you mentioned earlier that it will be around 15% to 20% of the PAT, right? So, just more clarity on these points?

Mangesh Chauhan: So, it will take 120 days. We made this facility in 90 days where we are here now, and it will take 120 days to develop the factory to go to 1.10 tons to 2.4 tons and 100% it will take around INR80 crores to INR100 crores of capex when we will be at a PAT of, I think, INR600 crores, whatever the number going to come -and will approximately 15% or 20% of the PAT.

So, we will need it after 2028, and it will take 120 days to make. So approximately INR75 crores to INR100 crores of capex of machinery, additional machinery, and furniture and fixtures will be needed.

So, there will be no huge capex because we are not going for making our own constructed factory. We are an asset-light model, we will go in a rental model. Normally, we get 120 days of rental free period from the parties who give on rent. And it will be approximately 12% to 15% of the PAT of FY28 March.

Moderator: The next question is from the line of Sagar Jethwani from PhillipCapital.

Sagar Jethwani: Congratulations on the robust Q1. So, first question is on client addition. We have added a few clients in the last 15 to 18 months, to the likes of P. N. Gadgil and CaratLane. So how is the ramp-up happening with those certain new clients that we have added? And second is, how many new clients that are in pipeline whom we have not served in the past? So that is my question one?

Siddharth Sipani: So, let's just step back into this. Basically, we have onboarded Akash, who is currently designated as CEO. So, he was onboarded at a fixed salary plus an ESOP model. And the target that was given to him was to onboard all the large customers that were not in our client list, and he has successfully done it, and that too at a much faster pace than we actually anticipated.

We anticipated that he would have done it in close to 24 to 36 months, which he has done in 15 to 18 months per se. So now and our forte is the gold jewelry. So, now with all of these large customers being onboarded and our gold jewelry being sent to them on a regular basis, now we are trying to cross-sell and upsell both.

And that is the current strategy that we are working on, because I would say that we are few companies in the world who service to its top 50 large customers of its sector. So, in terms of customer acquisition, we are broadly there. The strategy is now how we can increase the wallet share with them, how we can do the cross-selling, and how we can do the upselling that is through the studded business. That is the current strategy we are working on.

Mangesh Chauhan: So, again, you can see to the additions. We were into mass jewelry brands like Kalyan, Joyalukkas, Malabar, Thangamayil, Joyalukkas, GRT, Senco, Khazana, Lalithaa all that. We are into the Gen Z brand also, that CaratLane and Candere. We have added recently GIVA also, which is growing in lab-grown diamond jewelry. So, we are getting a good sales from these Gen Z brands.

Earlier, two years back, these Gen Z brands were slowly moving. Now, from the last 2 years, we are seeing drastic sales in these Gen Z brands. So GIVA, CaratLane, Candere, many youngsters have come into this exhibition also coming up with 9-Carat store, online D2C sales, lab-grown diamond channel stores, or somebody opening natural diamond channel stores. So, we are seeing good sales coming 3 years from the Gen Z brand stores also, which we were not counting it 2 years back.

Again to your question, we are increasing our wallet share in P. N. Gadgil; we have a good increase of wallet share in P. N. Gadgil also and CaratLane also. So, again, Siddharth, added we have onboarded all the customers, and we are expecting to come up with new Gen Z brands that are coming with startup funds and all. Let's see, and we are onboarding them also.

Sagar Jethwani: Great to hear that. I have one more question. Are you witnessing any further shift from unorganized to organized, given the gold volatility that we have seen in the recent past, that might be potentially benefiting you? So, any thoughts on that?

Siddharth Sipani: So, from the unorganized to organized that undercurrent theme playing out in the sector in a big way. Currently, only 40% of the sector is organized and 60% of the sector is unorganized on the B2C side. While on the B2B side, only 20% is organized and 80% is unorganized. So, it gives a very big runway for any B2B design-led manufacturer to progress further. And we are in the sweet spot of that growth at this point of time, which we expect that it should continue at least for the next 4- 5 years going forward as well.

Mangesh Chauhan: So as per exports, we are expecting by 2030, 75% market will be organized and 25% will be unorganized.

Sagar Jethwani: Okay. And this INR19,000 crores of revenue target by FY30, does this include any potential acquisition?

Mangesh Chauhan: So, I think we have done with the product acquisition and the client acquisition. So, I think we are in a sweet spot and we have to just utilize our facilities. We have 4 facilities to utilize, and we are focusing on the products. So, as of now, there is no such anything on the table for acquisition.

Sagar Jethwani: Yes. And then last question. Since the Advance Gold share is rising and under this model, we'll be booking just the making charges in the revenue and thus, the full gold sales won't be into the revenues. So, due to this continuing shift, is that one of the reasons why you're not upgrading the revenue target?

Mangesh Chauhan: So, again, we have not added that Advance Gold business revenue in that INR18,000 crores mark. If you calculate, if we are at 30% Advance Gold business, it will be a INR27,000 crores business, but that INR9,000 crores cannot be counted in the business because it does not come into the revenue. So, excluding the Advance Gold business, we have given a guidance of INR18,000 crores on the -- which we make on a sales-model basis.

Siddharth Sipani: Just one thing to add. I have just explained in the speech as well that the Advance Gold model has an infinite ROCE. The revenue percolates down till the gross margin level. And since it has an infinite ROCE, it adds to our overall objective of cash flow positive, and it also helps in our PAT. That is why we are focusing on it.

This overall in terms of the absolute number, it is very less. It is less than 1% of the sales in terms of the absolute number. So, it will not be so significant in the overall scheme of things, especially in terms of the projection that we have given for 2030.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I would now like to hand the conference over to the management for closing comments.

Mangesh Chauhan: Thank you so much. Before I conclude, I would like to sincerely thank everyone for joining us today and taking time to participate in our Q1 FY27 earnings call. I would like to thank all our investors, customers, employees, business partners and stakeholders for their continued trust and support.

We have listened carefully to the feedback we have received from the investment community over the last several quarters. Many of the improvements you see today across operations, working capital management, governance, profitability and cash flow generation have been influenced by that constructive feedback. We value this engagement immensely.

While we are proud of the progress we have made, we recognize that our journey is far from complete. We remain open to suggestions and committed to continuous improvement as we build Sky Gold into one of India's most admired jewelry manufacturing companies.

Thank you for your continued confidence in Sky Gold & Diamonds Limited. We look forward to creating sustainable value for all stakeholders in the years ahead. Thank you so much.

Moderator: Thank you. On behalf of Sky Gold & Diamonds Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.