



Getting better & better

Goldiam International Ltd (GIL) posted a muted revenue growth of 3% due to delayed shipment to USA by of Rs.0.4-0.45bn (Adjusted revenue would have grown by +38% YoY driven by deeper penetration led growth).LGD jewelry now contributes 77% of overall 2QFY25 revenue vs 34%/68% in 2QFY25/1QFY25.Gross margin expanded by 850 bps to 42.5% vs 34%/32.7% in 2QFY25/1QFY25 due to higher cash discounts on raw material procurement efficiencies & one off inventory revaluation of Rs.15mn.EBITDA margins came in 22.3% (+176 bps YoY) due to better gross margins. Higher employee cost & other expenses saw 47%/58% YoY growth due to US CEO salary revision, contract manufacturing worker payment & frontloaded retail store expenses. Average realization of LGD/natural diamond jewelry came in at \$660 (-20% YoY) /\$387 (-9% YoY) for the quarter due to lower caratage per piece sold which are low in realization but high in margins. Management has indicated that consolidated EBITDA margins will be maintained within the range of 18-22% and will not fall below 18%, even with the upfront retail expenses.

ORIGEM (retail brand of GIL) opened its first store at Borivali (LT Road),a day before Dhanteras & has achieved sales of Rs.25 lac within the first 10 days of opening. GIL aims to expand its retail foot presence to 15 stores across Mumbai,Delhi NCR & Bangalore within the next 6 months.

Key financial highlights

- Revenues at ₹1370Mn,2.7%YoY/-17.4%QoQ
- EBITDA (Excl OI) at ₹306Mn,11.5%YoY/1%QoQ
- PAT at ₹222Mn,-5.7%YoY/-3.1%QoQ
- Gross Margin came in at 42.6% vs 34% YoY/32.7% QoQ
- EBITDA Margin (Excl OI)came in at 22.3% vs 20.6% YoY/18.3% QoQ
- PAT Margins came in at 15.7% vs 16.9% YoY/13% QoQ

Financial Summary

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net sales	3,645	4,060	6,877	5,332	6,029	7,146	8,930	10,910
EBIDTA	443	783	1,302	1,040	1,143	1,357	1,671	2,128
Margins	12.2	19.3	18.9	19.5	19.0	19.0	18.7	19.5
PAT (adj)	470	511	1,052	844	910	1,007	1,227	1,548
Growth (%)	-2.8	48.1	58.0	-19.6	6.7	10.7	21.9	26.3
EPS	4.24	5.50	9.65	7.75	8.52	9.43	11.49	14.50
P/E (x)	56	43	25	31	28	25	21	16
P/B (x)	6	6	5	4	4	4	3	3
EV/EBITDA (x)	55	30	18	23	19	17	14	11
RoE (%)	12	12	21	15	15	15	16	17
ROCE (%)	15	18	30	21	20	20	21	23
RoIC (%)	22	26	34	25	28	21	21	22

Source : Company,Dalal & Broacha Research

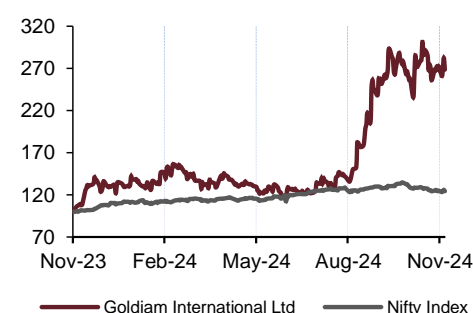
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	364	3

Market Data

Current price	Rs	354
Market Cap (Rs.Bn)	(Rs Bn)	38
Market Cap (US \$ Mn)	(US \$ Mn)	448
Face Value	Rs	2
52 Weeks High/Low	Rs	405.2 / 126.7
Average Daily Volume	('000)	799
BSE Code		526729
Bloomberg		GLDM.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	63.32	63.32
Public	36.68	36.68
Total	100	100

Source: BSE

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LGD contribution now at 77% of overall revenue

LGD jewelry now contributes 77% of overall 2QFY25 revenue vs 34%/68% in 2QFY25/1QFY25. While average realization per piece of LGD has fallen to \$660 (vs \$821 in 2QFY24/ \$709 in 1QFY25), GIL has been able to grow volumes substantially to 19k pieces in 2QFY25 vs 6.6k in 2QFY24 (+185% YoY increase in volumes). Also, lower average realization is on account of lower caratage per piece now owing to fall in LGD prices. Also, management alluded to despite lower caratage per piece, margins are superior.

Orderbook at all time high (Rs.2.7bn)

GIL's orderbook now stands at Rs.2.7bn which is to be executed over next 3-4 months. GIL's orderbook has seen a 64% YoY growth ahead of festive season in USA.

Encouraging retail store sales (Rs.25 lacs in first 10 days)

ORIGEM (retail brand of GIL) opened its first store at Borivali (LT Road), a day before Dhanteras & has achieved sales of Rs.25 lac within the first 10 days of opening. With an encouraging Rs.25 lacs in sales within the first days of its opening, ORIGEM demonstrates the vast potential of lab-grown diamond jewelry in India, a market that is just beginning to emerge. ORIGEM aims to expand its retail footprint to 15 stores across Mumbai, Delhi NCR, and Bangalore within the next six months; one store is already operational on LT Road, Borivali, and leases have been signed for new locations on Turner Road (Bandra) and in Kharghar (Navi Mumbai). GIL's vision is for ORIGEM to grow into a national diamond jewelry brand, with a target of 250-300 stores.

Valuation & Outlook

We believe GIL is well placed to capture the growing penetration of lab grown diamonds in USA & India. With its strong balance sheet & healthy cash position of Rs.2.7bn even after distributing Rs.2bn in dividends & buybacks in last 5 years company stands out in the small cap space. Stock has achieved our previous target of Rs.230 on 13th Aug 24 & after the recent run trades closer to Rs.352. **We have revised our rating from BUY to ACCUMULATE rating on the stock & can be added on any correction. GIL currently trades at 24x FY27e EPS of Rs.14.6 & we roll over our earnings estimate to FY27e & value the company at 25x (from previous 20x) FY27e EPS of Rs.14.6 arriving at a target price of Rs.364.** We recommend investors to **ACCUMULATE** the stock on any dip in the small cap space.

During Titan's 2QFY24 conference call, it was revealed that bridal engagement rings make up 40% of the US jewelry market. Notably, 50% of this segment has shifted to Lab-Grown Diamonds (LGDs), comprising a substantial 20% volume share in the overall USA jewelry market. This underscores a transformative trend in the diamond jewelry sector, signaling a notable shift in consumer preferences within the jewelry industry. Lab-Grown Diamonds (LGDs) are revolutionary products, possessing properties comparable to natural diamonds but are accessible at only 1/10th of the cost.

GIL stands at the forefront of the current shift in value within the diamond jewelry sector, bolstered by robust distribution advantages derived from its partnerships with major retailers in the USA.

Conference Concall KTAs

Guidance

- Management has indicated that consolidated EBITDA margins will be maintained within the range of 18-22% and will not fall below 18%, even with the upfront retail expenses. Positive outlook for 3Q & 4Q with growth momentum to continue.

Realisations

- Average realization of LGD/natural diamond jewelry came in at \$660 (-20% YoY) /\$387 (-9% YoY) for the quarter due to lower caratage per piece sold which are low in realization but high in margins.

India Retail Venture - Origem Lab Diamonds

- ORIGEM (retail brand of GIL) opened its first store at Borivali (LT Road), a day before Dhanteras & has achieved sales of Rs.25 lac within the first 10 days of opening.
- Average store size of this store is 950-1000 sq.ft with rental of Rs.800 per sq.ft. GIL aims to expand its retail foot presence to 15 stores across Mumbai, Delhi NCR & Bangalore within the next 6 months and has already signed lease agreements for locations in Khar (Navi Mumbai) and Turner Road (Bandra).
- The company will test different price points at each location, ranging from Rs.80-90k at Turner Road and Rs.30-40k in Navi Mumbai.
- The ORIGEM brand will be positioned as a daily-wear fine jewelry line in 14-18kt gold, different from competitors who have introduced lab grown diamond silver jewelry.
- Store capex ~Rs.4.2 crs capex/store (~Rs.2.7-3.2 crs ; Rs.50 lakhs each for store capex & rental deposits). GIL aspires for ORIGEM to become as large as any national-level diamond jewellery retailer, with a target of 250-300 stores.

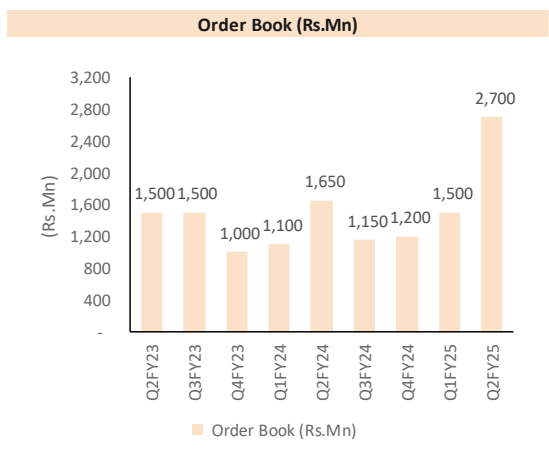
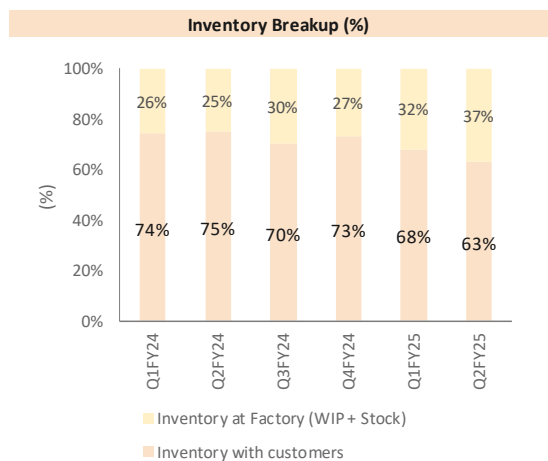
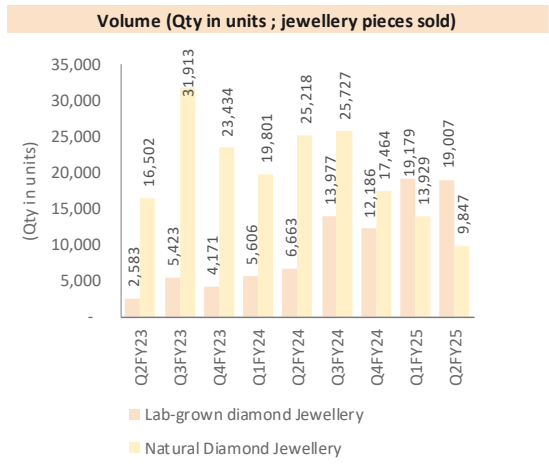
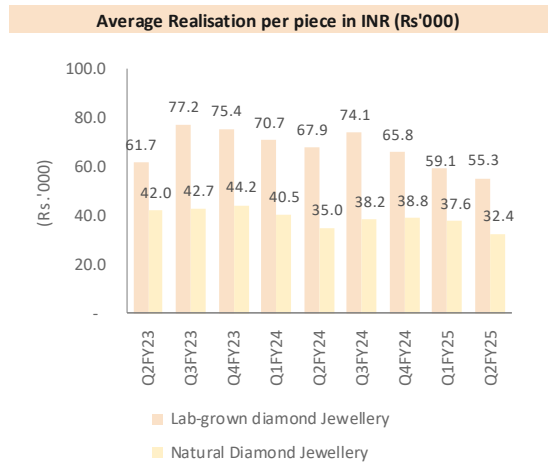
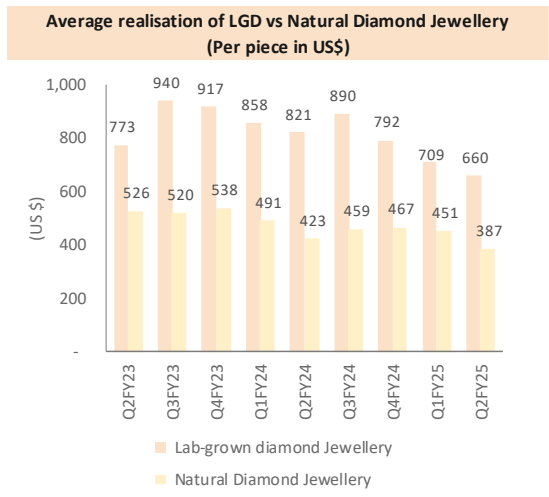
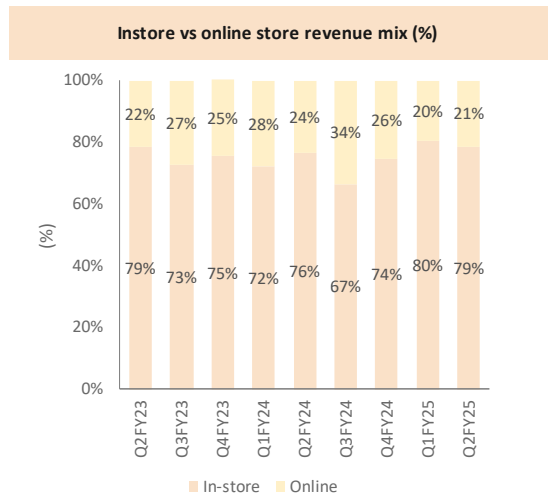
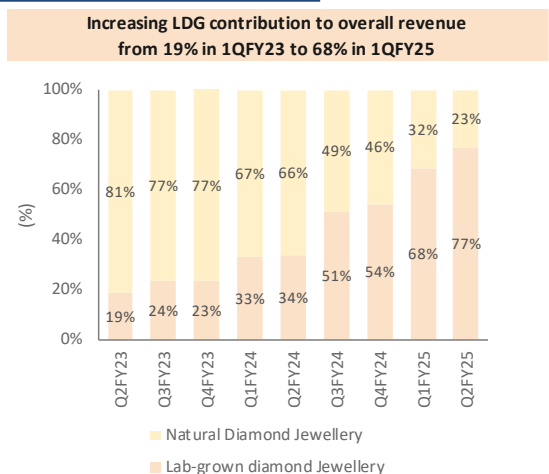
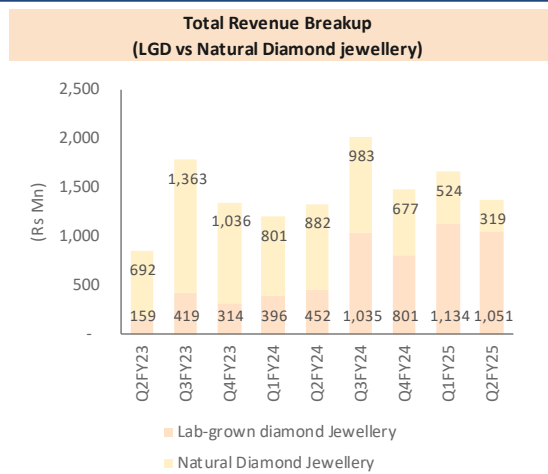
Other KTAs

- On the B2B side, GIL has already fulfilled an order for an Australian retailer & aims to get more orders going forward.

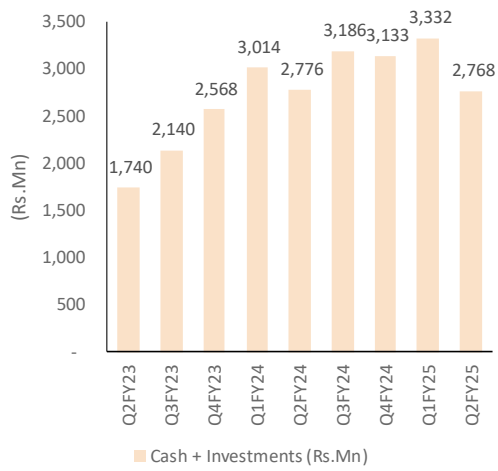
Quarterly Financials

(Rs.Mn)	Q2FY25	Q2FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue from Operations	1,370	1,334	3%	1,658	-17%
Other Income	41	59	-30%	39	4%
Total RM Cost	788	881	-11%	1,116	-29%
Employee Benefits Expense	92	62	47%	68	35%
Other Expenses	185	117	58%	172	8%
Total Expenses	1,065	1,060	0%	1,356	-21%
EBITDA (Excluding Other Income)	305	274	11%	302	1%
Depreciation and Amortisation Expenses	15	15	4%	15	3%
EBIT / PBIT	331	318	4%	327	1%
Finance Costs	1	0	1023%	0	4076%
EBT/ PBT	330	318	4%	327	1%
Tax Expense	109	83	31%	99	10%
Net Profit after Tax	221	235	-6%	228	-3%
Adj Earning Per Share	2.07	2.20	-6%	2.06	0%
Margins (%)			(In bps)		(In bps)
Gross Margins	42.5%	34.0%	851	32.7%	983
EBITDA Margins (Excl Other Income)	22.3%	20.5%	176	18.2%	404
PAT Margins	15.7%	16.9%	-121	13.0%	269
Tax rate	33.0%	26.2%	679	30.2%	278
As a % to sales					
RM as a % to sales	57.5%	66.0%		67.3%	
EE Cost as a % to sales	6.7%	4.7%		4.1%	
Other exps as a % to sales	13.5%	8.8%		10.3%	
Key Operational Metrics			(In bps)		(In bps)
Lab-grown diamond jewellery mix (%)	77.0%	34.0%	4300		7700
Online sales revenue mix (%)	21.0%				
Order Book (Rs.Mn)	2,700				

Source: Dalal & Broacha Research



Cash + Investments (Rs.Mn)



Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Sales	3,645	4,060	6,877	5,332	6,029	7,146	8,858	10,823
Operating Expenses	-2,733	-2,717	-4,865	-3,528	-4,086	-4,859	-6,024	-7,360
Employee Cost	-133	-159	-269	-243	-257	-331	-409	-483
Other Expenses	-336	-401	-441	-520	-543	-599	-754	-867
Operating Profit	443	783	1,302	1,040	1,143	1,357	1,672	2,114
Depreciation	-25	-36	-54	-74	-61	-56	-56	-57
PBIT	418	747	1,248	966	1,082	1,301	1,616	2,056
Other income	221	72	246	211	139	45	25	25
Interest	-20	-5	-8	-3	-0	-0	-0	-0
PBT	620	814	1,486	1,175	1,221	1,345	1,641	2,081
Profit before tax	620	972	1,486	1,175	1,221	1,345	1,641	2,081
Provision for tax	-167	-301	-427	-323	-312	-339	-414	-524
Profit & Loss from	-	-	-	-	-	-	-	-
Reported PAT	453	671	1,060	852	909	1,006	1,228	1,557
MI	17	-61	-8	-8	1	1	1	-
Owners PAT	470	610	1,052	844	910	1,007	1,229	1,557
Adjusted Profit	470	511	1,052	844	910	1,007	1,229	1,557

Balance Sheet (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Equity capital	222	222	218	218	214	214	214	214
Reserves	3,878	4,426	4,981	5,639	6,091	6,947	7,991	9,315
Net worth	4,100	4,648	5,199	5,857	6,305	7,161	8,205	9,528
MI	54	165	61	65	50	49	48	47
Non Current Liabilities	-23	22	47	67	65	17	18	18
Current Liabilities	892	1,301	1,014	1,060	923	889	1,041	1,216
TOTAL LIABILITIES	5,023	6,136	6,322	7,048	7,343	8,116	9,312	10,810
Non Current Assets	736	828	651	668	583	453	422	392
Fixed Assets	201	412	402	406	402	379	347	316
Right of Use Assets	-	-	-	27	48	0	1	1
Financial Assets	517	395	220	189	119	61	61	61
Deferred Tax Asset	-	-	-	25	13	13	13	13
Advances	18	20	30	21	-	-	-	-
Assets	-	-	-	-	-	-	-	-
Current Assets	4,287	5,308	5,671	6,380	6,761	7,663	8,890	10,418
Current investments	1,534	1,798	1,181	1,190	1,624	1,643	1,663	1,682
Inventories	935	1,072	1,769	2,483	2,226	2,349	2,912	3,558
Trade Receivables	996	1,292	1,787	1,473	1,427	1,719	2,130	2,603
Cash and Bank Balances	546	916	866	1,189	1,448	1,913	2,142	2,527
Advances	276	208	47	18	21	21	21	21
Other Financial Assets	-	-	-	-	-	-	-	-
Other Current Assets	1	23	21	27	15	17	21	26
TOTAL ASSETS	5,023	6,136	6,322	7,048	7,343	8,116	9,312	10,810

Cashflow (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
PBT	620	972	1,486	1,175	1,221	1,345	1,641	2,081
Depreciation	25	36	54	74	61	56	56	57
Net Chg in WC	266	-103	-1,090	-197	69	-451	-823	-944
Taxes	-144	-254	-382	-382	-315	-339	-414	-524
Others	-94	-160	-167	-18	33	56	-4	-4
CFO	673	491	-98	652	1,070	667	457	666
Capex	-21	-303	-36	-92	-66	-	-	-
Net Investments made	-284	-35	956	65	-305	-19	-19	-20
Others	65	221	29	10	96	-	-	-
CFI	-241	-117	950	-18	-276	-19	-19	-20
Change in Share capital	-126	-5	-456	-	-331	-	-	-
Change in Debts	-189	148	-198	-27	-	-	-	-
Div. & Div Tax	-149	-147	-139	-284	-129	-151	-185	-234
Others	-60	-	-110	-0	-75	-47	-24	-19
CFF	-523	-3	-902	-311	-535	-199	-209	-253
Total Cash Generated	-90	370	-50	323	259	450	228	393
Cash Opening Balance	636	546	916	866	1,189	1,448	1,913	2,142
Cash Closing Balance	546	916	866	1,189	1,448	1,913	2,142	2,527
Ratios	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
OPM	12.2	19.3	18.9	19.5	19.0	19.0	18.9	19.5
NPM	12.2	12.4	14.8	15.2	14.8	14.0	13.8	14.4
Tax rate	-27.0	-31.0	-28.7	-27.5	-25.5	-25.2	-25.2	-25.2
Growth Ratios (%)								
Net Sales	-18.3	11.4	69.4	-22.5	13.1	18.5	24.0	22.2
Operating Profit	-20.7	76.7	66.2	-20.1	9.9	18.6	23.3	26.4
PBIT	-9.9	78.6	67.1	-22.6	12.0	20.2	24.3	27.2
PAT	-2.8	48.1	58.0	-19.6	6.7	10.7	22.0	26.8
Per Share (Rs.)								
Net Earnings (EPS)	4.24	5.50	9.65	7.75	8.52	9.43	11.50	14.58
Cash Earnings (CPS)	4.46	5.83	10.15	8.43	9.09	9.95	12.03	15.11
Dividend	6.50	8.00	3.60	2.00	1.21	1.41	1.73	2.19
Book Value	36.98	41.92	47.71	53.74	59.03	67.05	76.83	89.22
Free Cash Flow	5.27	2.46	-1.73	3.99	8.77	5.34	3.96	5.85
Valuation Ratios								
P/E(x)	81	63	36	45	40	37	30	24
P/B(x)	9	8	7	6	6	5	4	4
EV/EBIDTA(x)	82	46	27	34	30	25	20	15
Div. Yield(%)	1.88	2.32	1.04	0.58	0.35	0.41	0.50	0.63
FCF Yield(%)	1.53	0.71	-0.50	1.16	2.54	1.55	1.15	1.70
Return Ratios (%)								
ROE	12%	12%	21%	15%	15%	15%	16%	18%
ROCE	15%	18%	30%	21%	20%	20%	21%	23%
RoIC	22%	26%	34%	25%	28%	28%	28%	29%

Source: Dalal & Broacha Research, Company

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