Goldiam International Ltd

MANUFACTURERS & EXPORTERS OF DIAMONDS & JEWELLERY

CIN:L36912MH1986PLC041203

May 25, 2024

To,	To,
BSE Limited PhirozeJeejeebhoy Towers, Dalal Street, Mumbai- 400 001. **Scrip Code: 526729**	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Mumbai- 400 051. **Scrip Code: GOLDIAM EQ**

Dear Sir/Madam,

Sub: Transcript of Earnings/Conference call on Audited Financial Results (Consolidated and Standalone)for the quarter / year ended March 31, 2024 held on May 23, 2024 at 4.00 pm.

In continuation to our intimation dated May 24, 2024, and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a transcript of the Earnings/Conference Call held on May 23, 2024 on Audited Financial Results (Consolidated and Standalone) of the Company for the quarter / year ended March 31, 2024.

Kindly take the above on record and oblige.

Yours faithfully,
For **Goldiam International Limited**

PANKAJ
PARKHIYA

Digitally signed by PANKAJ PARKHIYA
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Pankaj Parkhiya
Company Secretary & Compliance Officer (ACS 30395)

“Goldiam International Limited

Q4 FY ’24 Earnings Conference Call”

May 23, 2024

MANAGEMENT:	**MR. RASHESH BHANSALI -- EXECUTIVE CHAIRMAN -- GOLDIAM INTERNATIONAL LIMITED** **MR. ANMOL BHANSALI – MANAGING DIRECTOR -- GOLDIAM INTERNATIONAL LIMITED**
MODERATOR:	**MR. RAHUL DANI -- MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Goldiam International Q4 FY24 Earnings Conference Call hosted by Monarch Networth Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Dani from Monarch Networth Capital Limited. Thank you and over to you, Mr. Dani. Please go ahead.

Rahul Dani: Thank you. Good afternoon, everyone. On behalf of Monarch Networth Capital, we're delighted to host the Senior Management of Goldiam International. We have with us Mr. Rashesh Bhansali, Executive Chairman, and Anmol Bhansali, Managing Director of the company. We will start the call with the opening remarks from Rashesh, sir, and then we move to Q&A. Thank you and over to you, sir.

Rashesh Bhansali: Thank you, Rahul. Hello, everybody. On behalf of Goldiam International, we welcome you all to our Q4 FY24 Earnings Call. This has been a remarkable year for Goldiam. Despite starting off with an 11% decline in the first quarter, we have ended the year with a full year growth of 13% and a quarterly growth of 10%. This achievement is a testament to the hard work and initiatives taken by us to drive growth and profitability.

For the quarter, our revenue grew by 12% year-on-year to INR1,513 million, while EBITDA increased by 21% year-on-year to INR274 million. Our margin stood at 18.1%, reflecting a growth of 140 basis points year-on-year. That was INR178 million, marking a 10% growth here.

Throughout the year, we have focused on improving the contribution from our lab-grown diamond jewellery segment. We are pleased to announce that this segment now represents 49% of our revenue, up from 21% in the year FY23, the previous year. For the quarter, lab-grown diamonds contributed 54% compared to 23% year-on-year.

A significant achievement for Goldiam has been our ability to improve our inventory position, thereby enhancing our working capital cycle. We have kept pace with the latest trends and created a niche in our customers' mindsets with our unique offerings. Despite concerns about falling lab-grown diamond prices, our strength in offering higher caratage and converting it into high-end jewellery has led to stable margins for the company.

Our niche remains in design and we believe that the margin profile in lab-grown diamonds will remain healthy. As on March 31, 2024, we had an order book of INR120 crores. During May, we received two additional export orders of INR30 crores each, totalling to INR60 crores.

We will execute these orders also within the next three months. As lab-grown diamonds continue to gain traction in the US, we are rapidly expanding our footprint in other geographies as well. FY25 marks a new era for Goldiam as we launch our retail operations for lab-grown diamonds in the domestic market under the brand ERA.

We have tirelessly worked towards this goal and have appointed Mr. Abhinav Kumar, an industry expert with a rich pedigree, as President of India Retail for Goldiam and for ERA. We plan to have our first few stores up and running by Q3 FY25 in time for the festive season and aim to become the largest retailer of lab-grown diamond jewellery in our country. Lab-grown diamonds offer an attractive value proposition and combined with Goldiam's unique design capabilities, we remain extremely optimistic about the domestic market.

This pricing strategy provides a great product for first-time and value buyers who have typically been exposed to inferior quality alternatives like Zirconia and Swarovski. Overall, we remain extremely optimistic about the years ahead for both natural and lab-grown diamonds. With these, I close my opening remarks. Thank you very much for joining me.

Moderator: Thank you. The first question comes from the line of Dixit Doshi with Whitestone Financial Advisors Pvt. Ltd. Please go ahead.

Dixit Doshi: Good evening, sir. Thank you for the opportunity. Sir, in the inventory that we have, so I suppose we grow and use our own diamonds that we grow ourselves and we also buy lab-grown diamonds from outside. So, when we record inventories because we have been reading in papers that lab-grown prices, diamond prices have been decreasing recently. So, do you have to mark down the inventory?

Rashesh Bhansali: Yes, we do mark down the inventory as and when we believe that we are buying at a much differential price. So, even in the third quarter as you see the margin in the third quarter, in the standalone you will see it is down that is because a huge inventory markdown has happened and Goldiam as a prudent company works on inventory at cost or market price whichever is less. So, we have taken a markdown in the inventory to ensure that the balance as per current pricing of purchase or growth of lab grown diamonds.

Dixit Doshi: And this INR120 crores order book was as of 31st March 24 and another INR60 crores order that we received. So, total it would be like INR180 crores order book which has to be executed in Q1, Q2?

Rashesh Bhansali: We are trying to execute all of that in Q1, but the last INR60 crores we have just received in the last 10 days and our delivery time for that is in another 3 months. So, maybe there might be some spillage over to the next quarter.

Dixit Doshi: Okay. And if you can give us some metrics about the stores that we are planning in India, how big the stores would be, what could be the capex per store or inventory how much?

Rashesh Bhansali: Absolutely Mr Dixit. Is Anmol online?

Anmol Bhansali: Yes, I am here.

Rashesh Bhansali: Anmol I would like to introduce Anmol and let him answer these details.

Anmol Bhansali: Thank you for your question. We are planning a store capex for malls around INR2.5 crores that includes about INR1.8 to INR1.9 crores in inventory and the balance between build-out costs plus the rental deposit. For high street stores we are planning a store capex of INR3.2 to INR3.5 crores depending on size of store available location etc where inventory would be about INR2.7 to INR2.8 crores with the balance being build-out plus deposit costs. So, we will be having a mix of mall as well as high street stores depending on location and favorable mix available.

Dixit Doshi: And if recently, DBS also slashed prices of CVD so do you have any view on the pricing and its impact on the demand in itself because consumers generally get concerned when the prices decline so rapidly?

Anmol Bhansali: So, I would request sir to differentiate in the news articles and in the media between the B2B wholesale prices as well as the consumer prices. So, most of the reporting is now related to consumer prices and of course that is going to be an ongoing situation because retailers have not passed on as much of the cost benefit as they have received from the B2B trade side. So, for us we have been seeing price stability for quite a while now.

Unfortunately, the media is commenting more on B2C and consumer prices. Therefore, I would request you to please see that angle in light of consumer demand. At the moment, we see no change and I think the trend of lab grown still continues to be very strong and most consumers in the price brackets that we service are trending increasingly to purchasing lab-grown diamonds.

Dixit Doshi: And my last question, sir. We entered a few markets outside the US also. So, how has been the response in these new geographies?

Anmol Bhansali: So, the response has been very positive. We are growing our accounts. We have basically introduced our products a little bit in the Middle East as well as in certain countries in Europe and in both of these regions also lab grown has also started selling through.

Dixit Doshi: Okay. Thank you. Thank you and all the best.

Anmol Bhansali: Thank you.

Rashesh Bhansali: Thank you, Mr. Doshi.

Moderator: Thank you. Next question comes from the line of Bhavesh Chauhan with Aditya Birla Money. Please go ahead.

Bhavesh Chauhan: Hi, sir. My question was regarding this price falls in lab grown diamond. Since, sir, it is artificially made, can it happen that over time, over the next 2 years, 3 years we might see a further 40%, 50% fall until like nearing cost plus some profit margin at that levels?

Anmol Bhansali: So, thank you, Mr. Bhavesh. So, just I'll address that question first and then open it up to our Chairman as well. We believe the B2B prices up to a certain size, which is really, what is the commercial sizes that sell in the U.S. and across the world. Have reached a stable bottom. We, as growers ourselves, we don't see very, massive declines coming ahead and we believe this is really the low point in terms of prices.

This cost plus model is already being followed and has been being followed for in the lab-grown diamond growing site for quite a while now. And I would say the certain hard costs, like actually the labour required to cut and polish rough diamonds into polished diamonds to be used in jewellery purposes that does not change regardless of the material.

So, we believe that we are at a very good base and a very strong base and have been for the last few months up to the, about three to four carats of polished diamond size. I'll open it up to our chairman if he wants to add any further comments on this issue.

Rashesh Bhansali: Mr. Bhavesh, I think Anmol, our Managing Director, has answered this absolutely to the team. I also would like to tell you that there's a certain cost involved of electricity, which is a lot of cutting and polishing, whether in Bombay, Surat, Ahmedabad or wherever your factories are, right? And if you see all the costs involved, because human labour is still, there's a big part of it in cutting these diamonds.

So, we also believe that the fall will not be in this kind of a range anymore and we've come almost to the bottom. So, we are very happy that we are offering our retail offerings soon within the next two quarters and where we can give to the consumers the price, the jewellery price at the absolutely correct market price.

Bhavesh Chauhan: Okay. That's helpful, sir. And my second question is on how the acceptability of this lab-grown diamond has been in the US. Obviously, it's growing very fast, but any particular number that how it has grown over the last, let's say, five years or three years in the US as an industry?

Anmol Bhansali: Sure. So, as an industry, lab-grown diamonds have basically taken the US by storm. So, you have to understand it caters very well to a market, a middle-income market, who for a long time has not been able to afford solitaire-oriented and large diamonds. So, lab-grown fits as the perfect midway segment for them to buy in into the solitaire jewellery.

As per the last report, we've seen lab-grown diamonds in unit sales have crossed 50% of the engagement ring market in the US. In value terms, it's still much lower. However, it's growing very rapidly. We believe in the segments we cater to and the retailers we cater to, it is going to be a predominant part of our sales as time progresses.

Bhavesh Chauhan: Okay. Last question, apart from the US, which are the other nations who have taken very good acceptability of this product?

Anmol Bhansali: So, US is the largest by far. It's also, of course, the largest jewellery market in general. We believe we see already some traction coming in Europe and, I think even domestically in India, through private client sales, we are seeing good traction. However, on a mass market scale, there at the moment is no other large region that has launched lab-grown diamonds.

Bhavesh Chauhan: Okay, sir. Thanks for answering my question. All the best. Thank you so much.

Anmol Bhansali: Thank you, Mr. Bhavesh.

Moderator: Thank you. Next question comes from the line of Bhavya Gandhi with Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi: Yes, hi. Thank you for the opportunity and congratulations for the retail brand. A couple of questions from my end. Sir, if you can throw some light on the EBITDA and gross margin for LGD business for this quarter and for, I mean, on a full year basis. Just wanted to know what has been the trend? Are we losing gross margins or EBITDA margins on LGD?

Anmol Bhansali: So, thank you for the question, Bhavya. On the EBITDA and gross margins for the LGD business, yes, for the quarter it would be slightly more subdued as we have taken an inventory adjustment versus the full year. However, we do believe that we will maintain our margins and protect them as they have been in the past year as we move forward as well.

Bhavya Gandhi: Okay. If you can indicatively provide what would be the absolute inventory that would have been taken in this quarter?

Anmol Bhansali: Let me get back to you on that separately, Mr. Bhavya.

Bhavya Gandhi: Okay. And in the investor PPT, is the average utilization that you mentioned, is it for the quarter or is it for the full year for natural and lab-grown?

Anmol Bhansali: Right. It's for the quarter.

Bhavya Gandhi: It's for the quarter. Okay. Yes, sir. Got you. And also, if you can just talk about the overall environment, I know you said that the prices are near rock bottom, but about the natural diamond, how has been the environment for natural diamonds? Because it still constitutes 50% of our revenue.

Anmol Bhansali: Absolutely. So, in general, we do believe that natural diamond jewellery will still remain a significant minority part of our sales. It will always be a, you know, some significant portion of our sales. So, yes, we are, of course, still very well invested in that industry. In terms of sales, we definitely see the trend continuing where customers are more and more increasingly moving bridal jewellery to lab-grown because they want the benefit of a larger carat diamond and a large solitaire look.

However, there is certain strength pockets for natural diamond jewellery, largely in the lower price points, where the difference between lab and natural diamond jewellery in terms of pricing is not that significant. Other than this, I'll open it up to our chairman if he wants to add any more comments related to the mine diamond and natural diamond market.

Rashesh Bhansali: So, Bhavya, it's very important that all analysts understand that Goldiam's majority market is USA. And in USA, it's been very well accepted, the lab-grown diamonds. Mine diamonds also work with a certain segment of consumers out there and which will continue to work. Again, a focus you have to understand is that US is, of course, the largest retailer for jewellery in the world. But there are other markets. China is one. Europe is another one. Australia is the other one. And, I mean, diamond jewellery is sold all over the world.

And in those areas, lab-grown diamond still has a very small share. I'm very hopeful and positive that the share will change. But currently, it's only natural diamonds that sell over there. So the business of natural diamond is there and it will continue to be there. But Goldiam's ability and focus is customer-oriented. The customers of Goldiam are asking for more and more lab-grown diamonds. And that's what we are catering to.

Bhavya Gandhi: Right. And the incremental INR128 crores order that we've received, that is completely LGD. And is it from new customers or from old customers?

Rashesh Bhansali: Well, there's a mix. There are orders from newer customers here as well. So at least 10% to 12% will be completely new customers from this. And, no, it's not completely LGD. It's a mix between LGD and natural. And the open order of 120 plus the new order, right, will have a mix of close to 65% LGD and the balance natural.

Bhavya Gandhi: Okay. Got it. And if you can share the wholesale rate for 1 carat LGD in the current market, average would also work.

Rashesh Bhansali: Sorry, explain the question again.

Bhavya Gandhi: Yes. 1 carat wholesale rate, I mean the cost of manufacturing and the wholesale rate for 1 carat LGD in the Indian market.

Rashesh Bhansali: Anmol, you want to take this?

Anmol Bhansali: So the wholesale rate, Bhavya, we can get back to you on. We, you know, would not want to share it also so publicly, but we can get back to you with those figures. And our cost of manufacturing is honestly pretty much the same as the current 1 carat B2B wholesale rate.

Bhavya Gandhi: Okay. Got it.

Anmol Bhansali: And that's also a result of a great reason why we have shifted a lot of our focus to distribution as against capex-oriented into the growth of lab-grown machinery.

Bhavya Gandhi: Got it. Fair enough. And if you can share, I mean, what sort of average selling price are we looking when it comes to retail? What invoice value are we targeting? And if you can throw some light on that.

Anmol Bhansali: Absolutely. So we are very excited for Ira Retail to open up in Q3 this year. The retail entity and the brand will be focused on non-wedding day jewellery, which is modern jewellery retail, both within malls as well as high streets. We will have a significant mall-based presence and we hope that we will, within the first year of operations and store launch itself, effectively in calendar year 2025, become the largest [COCO 0:20:12] lab-grown diamond jewellery retailer in India. Our average retail price that we're looking at, ballpark, is between the range of INR45,000 to INR55,000, which places us in -- slots us right where modern mall-based jewellery retailers are currently selling in India today.

Bhavya Gandhi: Right. Got it. I'll get back in the queue. Thank you.

Moderator: Thank you. Next question comes from the line of Rashmi Sharma with Samar Wealth. Please go ahead.

Rashmi Sharma: So my first question is, like, over the past three years, we have grown I guess near 14% and profit has increased by 21%. So what is your guidance for the next three years?

Anmol Bhansali: I deflect this question to our Chairman regarding revenue and profit guidance in the future.

Rashesh Bhansali: Rashmi, thank you for your question. I think, you know, as a company, we've always been conservative. We've been working towards more businesses that are more margin-oriented businesses. But you see, Goldiam's growth will continue the way you've been seeing it and we'll be happy to maintain EBITDA margins at close to 20%-21%.

Rashmi Sharma: Okay, sir. So, sir, my next question is, like regarding the brand Era, like what revenue and margins can we expect from this brand? And secondly, which states we will focus on and begin with the early stages?

Anmol Bhansali: Thank you, Ms. Sharma. I couldn't get the second part of your question. But related to margins for the Era brand, I would like to say that we are targeting this brand to be set up where breakeven at revenue, first of all, would be around INR30 lakhs to INR35 lakhs of monthly sales. So that's where we are targeting the Era brand to be.

Gross margins would be higher than our competitors who are large mall-based jewelers in our country. All of them are predominantly in natural -- all of them are in natural diamond jewelry only. And because of us being in lab-grown diamond jewelry, we'll be able to get a certain gross margin higher than what they can achieve. And that's how we are trying to set up the Era brand. I hope this answers the question.

Rashmi Sharma: Yes. My second question was that which states stage will you focus on and begin with in the early stages?

Anmol Bhansali: Which states would we begin with? Is that the question?

Rashmi Sharma: Yes.

Anmol Bhansali: Yes. So we are targeting within the first six months to launch in three regions, and the first one will be in Mumbai because it's the home city where our head office is based. We will also be targeting a launch in Bangalore and Delhi NCR.

Rashmi Sharma: Okay. Thank you.

Moderator: Thank you. Next question comes from the line of Pradeep Rawat with Yogya Capital. Please go ahead.

Pradeep Rawat: Hi, sir. Good evening and thank you for the opportunity. So I have a couple of questions. First, do you see any kind of step-up in competition for lab-grown diamonds both in India as well as in the U.S.?

Anmol Bhansali: Sure. Thank you, Mr. Pradeep. So on the B2B side, there's no step-up in competition. It's always been there and we believe because of our initiatives over the last few years, we have created a very strong presence as a dominant lab-grown diamond retail supplier to our large retailers. They know us and love us for what we can offer in this category. And given the tailwind, it's helped us over the past few years. So not really a step-up in competition, but what has been existing continues to exist for us, at least on the jewelry side of things.

In India, there are a few on the retail side, more unorganized players who are cropping up in each major metro city. We believe we will be significantly differentiated from them in the way we are setting up our operations, be it very professionalized and corporatized in terms of team building, getting the right people with the right experience in roles to maximize our chance of success, as well as from the get-go, creating an omnichannel presence as well that can help us in succeeding on a nationwide scale in this venture.

Pradeep Rawat: Great. And with regard to strategy, we have one business of B2B and the other we are going to focus on retail. Going forward, where should be our incremental focus and resource to be allocated? Would it be more on B2B or would it be more on retail?

Anmol Bhansali: Right. Great question. So B2B, our business in the U.S., the way it's been set up is growing steadily on its own. The incremental requirement for cash is not very significant over there, especially as we have in the last few years transitioned to having a very significant dot-com or online sales percentage as a portion of our sales. Those are coming to us at negative working capital. So incrementally, no capital is needed to grow the dot-com portion of the business.

The idea for us is to, as a net cash company, as a zero-debt company and as a company that has significant cash flow coming out from the B2B operations every year, utilize these cash flows and our balance sheet strength to invest in a retail brand in India. And of course, we will do it prudently and judiciously, taking it step-by-step as and when the business merits further expansion.

Pradeep Rawat: Yes, sir. Just to follow up on that, so going forward in, let's say, five to seven years, how many stores are you planning to open?

Management: Okay. So, Mr. Pradeep, that's a difficult question to answer. I think the vision is there. So, some of our competitors in mall-based jewellery and modern jewellery have between 200 to 300 stores across the country already. You know, there's no reason why we don't see, if lab-gr own is proved successful, which we hope it will be in the domestic market, there might not be one, but multiple such retailers who can achieve that scale over the next five to seven years.

So, our attempt will certainly be to, and our vision is to be amongst that one or two retailers who are able to scale up to that level over that time period. However, we will take it very judiciously and step-by-step, understanding what the business needs are, as well as understanding whether the operating metrics prove and require further expansion.

Moderator Thank you. Next question comes from the line of Yogesh Bhatia with Sequent Investments. Please go ahead.

Yogesh Bathia: Yes, so actually I have two questions. One question is, can you give us some background of Mr. Abhinav, whom we've recently appointed for the lab-grown diamond business and for the retail business, basically. And my second question is, do we have any capacity constraint to produce these lab-grown diamonds as and when we need it for our store, do we need to build up capacity or we can, you know, deliver it from outsourcing it from the market?

Management: Sure. Thank you, Mr. Bhatia. So, the first question was related to the background for Mr. Abhinav Kumar. He has joined us most recently from Melorra, where he was Head of Offline Business Sales, predominantly focused on opening stores for Melorra. Prior to that, he has long since an experience with Urban Fashion, Aldo, being the Head of Aldo for all of India and prior to that, within the Tanishq and Titan group of companies.

Your second question related to whether we need to invest in capex to provide inventory into our stores? The answer is no. At the moment, given where prices are, there is really no incremental benefit in adding machinery. The B2B market prices are pretty much similar to the cost of growing diamonds yourself. So, we'll be able to leverage our deep networks of sourcing lab-grown diamonds to help us create the inventory required for our jewellery retail business.

Moderator Thank you. Next question comes from the line of Sriram R. with an Individual Investor. Please go ahead.

Sriram R.: Thank you for the opportunity. I have two questions. First is, can you explain the distribution model of LGD and traditional diamonds? Like, who are your customers, etc.? And then my second question is, what is the market size of LGD with respect to exports made out of India? How many players are there? and what is the entry barrier in this business?

Management: Sure, thank you, Mr. Sriram. So, the distribution model, let me explain it briefly regarding our B2B business, which is the crux of what we do today. We are OEM jewellery manufacturers for some of the largest US and now global retailers of fine jewellery. So that really comes, we service and we provide finished jewellery designed internally at Goldiam to some of these large retailers, namely companies like the Signet Group of Jewellers, which is the world's largest jewellery company, department stores in the US, wholesale clubs in the US, as well as mass market discount retailers as well.

At Goldiam, we do not service the super luxury end of retailers. Primarily because they have their own integrated factories. So that is the, that's our crux and the focus of our distribution model. We service all these retailers on two fronts.

One is the jewellery that is in their stores, which, you know, we create, manufacture and ship through our US office to their stores. And secondly is we also service their online websites. So, their own dot com websites, we list all of our products and a much larger skew list of products. And as and when orders are received on a daily basis, we make custom jewellery and ship it within five to ten business days to them. So that's our distribution model. It is truly the same for both natural diamond as well as lab-grown diamond jewellery. At Goldiam, we are, as we like to say, a jewellery OEM company. So, in some sense, yes, we are stone agnostic.

The market size, your second question regarding the market size of lab-grown diamonds. So, I'll have to get back to you with absolute figures, but just directionally speaking, lab-grown has been growing very quickly. More than 50% of unit sales of engagement rings in the U.S. in the past year has now come from lab-grown diamond jewellery sales. So, this is a huge jump from five years ago where lab-grown diamonds, even in unit sales, was probably in single digits. Regarding absolute numbers, please let me get back to you off-call and I'll try and pull those reports out on an industry-level basis.

Sriram R: No, I'm just trying to understand how many players are there in India and what is the entry barrier in this business? I'm just trying to understand why somebody with, money cannot replicate this model?

Rashesh Bhansali: Absolutely. So I would like to answer the one question. There are already in India, there are 6,000 reactors growing, 6,000 machines growing such diamonds currently.

Anmol Bhansali: Yes. And for us, in terms of the differentiator or the mode, we truly believe and have always believed that it is only in distribution where differentiation lies and where margin lies. So the further we can integrate to our customers and become the end-all solution for them for lab-grown diamond Jewellery, the better we'll be able to compete and define our mode even more.

So an example of that is, of course, it's easy for somebody with significant capital to come in and grow diamonds, but then you have the distribution to be able to cut them, to manufacture Jewellery, to design Jewellery, to be an entrant into large US-listed retailers and then service them both in-store as well as online. So that is a, that component is a much bigger challenge and it's in that distribution where margin as well as mode lies for us.

Sriram R: So you're saying that the traditional players who, deal with gold will find it difficult to do this business. Is that what you're saying?

Anmol Bhansali: So, Mr. Sriram, just to define, in our industry, in the export business, there are no traditional players that deal with gold. Everybody, almost 100% of Jewellery exports that leave our country is studded diamond Jewellery. Whether it's lab-grown or natural, it's all studded. So if you could define your question, maybe we could help.

Rashesh Bhansali: The non-studded part of gold that gets exported from our country is chains, is gold chains. But when you come to Jewellery, it is only studded diamond Jewellery, right, with either diamonds or cubic zirconia or any other colour stones or lab-grown diamonds. It's only that that gets exported as Jewellery.

Sriram R: Okay. No. My question was, the traditional players like the Titan and Kalyan.

Rashesh Bhansali: You're talking about Indian retailers?

Sriram R: Correct.

Rashesh Bhansali: Okay.

Sriram R: So, what differentiates us? If tomorrow, if they were to get into our business, what would be our, differentiator?

Rashesh Bhansali: So, Anmol and me, both will have different answers on this. But, for me, the most important thing is if Titan definitely, Tanishq wants to come into this business, I think it will be a boon for all of us as well, because it immediately validates lab-grown diamonds to the entire consumers in our country.

Because today, the consumer in our country is still understanding lab-grown diamonds, though I know the demand is there and we've been selling privately very well. But the minute Titan comes out, the trust factor on lab-grown diamonds is completely accepted and it moves further. And the cost of education for a new brand to the consumers reduces dramatically.

Sriram R: Yes. Okay. Thank you so much.

Rashesh Bhansali: Thank you, Mr. Sriram.

Moderator: Thank you. Next question comes from the line of Bhavya Gandhi with Dalal & Broacha.

Bhavya Gandhi: Yes. Hi. Thanks for the second opportunity. Just wanted to know, you mentioned that we want to be the largest Coco retail brand in LGD. And I assume that the nearest brand which is there out would be closer to INR60 crores, INR70 crores when it comes to Coco sales. So, are we targeting INR60 crores, INR70 crores for FY’25?

Anmol Bhansali: So, thanks for the question, Bhavya. I was mentioning that in terms of number of stores. As per the data we have within our plan of calendar year 2025, the minimum stores we would be launching is 15. And that would automatically make us the largest Coco lab-grown diamond Jewellery retailer in India. And, of course, from there, based on performance and the sales figures and operating the stores to a certain level, we will be taking further capital allocation calls.

Bhavya Gandhi: You mentioned 15 stores in calendar year FY '25. That is why 3Q itself, you are planning to open 15 stores?

Management: Calendar year 2025.

Bhavya Gandhi: Yes. Okay. Got it. I mean, that would be 3Q FY '25, right?

Management: Onwards. From that time onwards.

Bhavya Gandhi: Okay. And is it possible for you to share what revenue per store are we looking at?

Management: Right. So, I mentioned on the call, Mr. Bhavya that our target revenues for breakeven are between INR30 lakhs-INR35 lakhs in terms of monthly sales per store.

Bhavya Gandhi: Okay. Breakeven. And with respect to your brand, what would be the brand strategy? I know you mentioned that you are looking at non-wedding jewellery. But, say, for example, if there is an Aditya Birla Jeeva store, what value proposition we will have? You know, I mean, from a consumer standpoint, why would we choose IRA over some other brand? Senco is also sort of getting into lab-grown diamonds. So, if you can throw some light on that.

Management: So, the non-wedding day jewellery market or, in other terms, the modern jewellery market in India is predominantly centered around our largest omnichannel players who have started rapidly expanding stores in the last half-decade or decade. So they are in the range of between 150-280 stores. And their average sales prices are in that range of INR35,000-INR50,000 per ticket.

We believe that at this price point, given where gold is currently, the consumer is almost has to downtrend in terms of the amount of diamonds that they can enjoy. Now, that problem is solved by transitioning within that same ticket price to lab-grown diamonds. So, the entire value proposition is to tell the consumer and to educate the customer that at the same price and at the same budget of spending within these modern jewellery retail stores, you will enjoy four times, if not more, the diamond content that you otherwise would enjoy.

So, again, we'll be focusing on providing trust in terms of certification from labs like IGI, etc. And creating ourselves to be the predominant fine jewellery retailer in the lab-grown space. In modern jewellery retail.

Bhavya Gandhi: Got it. And also, can you throw some light on the return or the exchange policy? Because largely people prefer return or exchange policy because it incentivizes them to buy.

Management: Sure. Thank you, Bhavya. We are currently in the process of benchmarking to competition and putting that all down in paper. Closer towards store launch, we'll be happy to share that officially. However given the fact that we would like to be a well-trusted jeweller and establish ourselves well, we will be doing a strong policy that favours consumers most definitely.

Bhavya Gandhi: Got it. And can you throw some light on the corporate advertisement expenditure for 2025 and 2026?

Management: Right. Again, we will discuss that with our marketing team heads who are joining us this month. And we can get back to you closer towards the store launch date, which is Q3 of this year, of this financial year.

Bhavya Gandhi: Thank you.

Moderator: Thank you. Next question comes from the line of Pradeep Rawat with Yogya Capital. Please go ahead.

Pradeep Rawat: Thank you for the opportunity again, sir. So my question was regarding the stores we are opening. So what kind of gross margins or EBITDA margins would we generate from these new stores?

Management: So thank you, Mr. Pradeep. So we are targeting gross margins to be higher than our competition because we are in lab-grown jewellery. It will be in the range of high 30s or low 40s as a percentage. And EBITDA, we aren't looking at the moment. Metric is related to gross margins.

Pradeep Rawat: Thank you.

Management: Thank you, Pradeep.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

Rashesh Bhansali: Well, thank you, everybody, for joining in. I hope we have answered all your queries. And we look forward to more sessions with you in the future. And have a good weekend. And thank you all very much.

Management: Thank you very much. And thank you to the Monarch team as well.

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