



# Goldiam International Ltd

MANUFACTURERS & EXPORTERS OF DIAMONDS & JEWELLERY

CIN:L36912MH1986PLC041203

November 22, 2021

To, BSE Limited PhirozeJeejeebhoy Towers, Dalal Street, Mumbai- 400 001. <b>Scrip Code: 526729</b>	To, National Stock Exchange of India Limited Exchange Plaza, BandraKurlaComplex, Mumbai- 400 051. <b>Scrip Code: GOLDIAM EQ</b>
----------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------

Dear Sir/Madam,

**Sub: Q 2 FY22 Earnings Conference Call Transcript**

With reference to captioned subject, we hereby enclose the transcript of conference call regarding Q2FY22 results which was hosted by the Company on November 18, 2021.

Kindly take the above on your records and host in your website.

Yours faithfully,  
For **Goldiam International Limited**

  
**Pankaj Parkhiya**  
Company Secretary & Compliance Officer



**Registered Office**

Gems & Jewellery Complex, Santacruz Electronics Export Processing Zone, Andheri (East), Mumbai-400096. India

Phones: (022) 28291893/28290396/28292397 Fax : (022) 28292885 Email:- [investorrelations@goldiam.com](mailto:investorrelations@goldiam.com)

Website: [www.goldiam.com](http://www.goldiam.com)



**“Goldiam International Limited  
Q2 & H1 FY2022 Earnings Conference Call”**

**November 18, 2021**



**MANAGEMENT: MR. RASHESH BHANSALI - EXECUTIVE CHAIRMAN –  
GOLDIAM INTERNATIONAL LIMITED  
MR. ANMOL BHANSALI – WHOLE TIME DIRECTOR –  
GOLDIAM INTERNATIONAL LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Goldiam International Limited Q2 and H1 FY2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rashesh Bhansali - Executive Chairman – Goldiam International Limited. Thank you and over to you, Sir!

**Rashesh Bhansali:** Thank you very much. Hello, everyone. We welcome and thank you all for taking your time off this afternoon to have a brief interaction with us. I hope you all had a chance to go through Goldiam International’s Q2 and H1 FY2022 investor presentation and results press release uploaded on our website and exchanges to give you an update on the same. Goldiam International reported it’s highest ever half yearly sale in H1 FY2022. The company has witnessed a strong uptake in its revenues along with margin expansion in its Lab Grown Diamond Jewellery and Natural Diamond Jewellery business fueled by the revival of US retail and an increase in consumer spending.

During H1 FY2022 Goldiam’s consolidated revenue grew by 169% Y-o-Y to Rs.3299 million owing to reopening of US markets, government stimulus and aggressive COVID-19 vaccination drive resulting in the strong up in US jewellery demand from retailers and end customers. Our consolidated EBITDA surge by 210% Y-o-Y to Rs.639 million in H1 FY2022. Goldiam’s EBITDA margins expanded by 210 bps Y-o-Y to 19.4% due to better operating leverage and enhanced product mix. The company could garner higher margins during H1 FY2022 owing to its strategy of selling Lab Grown Diamond Jewellery backed by captive Lab Grown Diamond manufacturing presence across the value chain coupled with a robust omni channel sales presence.

As on the current date, the company's order book stands at 250 Crores. Recently the company had export confirmed orders worth Rs.50 Crores from its international clients, the order includes 40 Crores of manufacturing of diamond studded gold jewellery and 10 Crores order for larger carat lab grown diamond jewellery. E-commerce sales given its nature of being book online on a quarter basis is not part of this order book. Now coming towards the balance sheet, Goldiam enjoys the net debt free status as on H1 FY2022 the company's cash and cash equivalent and investments stood at 2462 million as on the same time frame.

The company would continue to explore various opportunities to judicially utilize the cash reserves including reinvestments in our core business as well as potential inorganic growth opportunities. Goldiam strong balance sheet return ratios ROC and ROE annualize of

47.2% and 17.5% respectively dramatically higher than previous year to our reinvestment efforts in the business of diamond studded jewellery exports. For the benefit of investors and analysts who are listening to us for the first time, we would give brief colour of our business model.

Goldiam is among a premiere OEM for fine jewelry manufacturing wholesale and distribution to larger jewellery wholesalers and retailers. Our customer base is predominantly in the United States of America with exposure to a majority of the largest jewellers speciality store bulk box retailers, department stores and more recently online only retailers. We develop new style completely in house with a strong and global design team with nil-trading activity allowing us to patch higher realizations and margins on our sale. We have two lines of offering as our product portfolio, first being natural diamond jewellery and the second one lab grown diamond jewellery.

We would touch briefly on these two product portfolios. Speaking about natural diamond jewellery this has been a traditional business which comprises close to 85% of our total revenues as on date. The business has an EBITDA margin close to 18% to 20%. Going forward to lab grown diamond jewellery we are the first and only jewellery exporting company to operate across the entire lab grown supply chain to grow, manufacture, distribute lab grown diamonds and jewellery with a strategic acquisition of eco-friendly diamond EDL gives us access to the supply of key raw material of manufacturing and growing lab grown diamonds.

The company owns 88% stake in eco-friendly diamond LLP. On the lab grown diamond front, the company has reached the highest realization for diamond grown due to enhance technologies. Due to the seasonal nature of our business as an exporting firm focused on serving US retail our business must be looked at on a year-on-year basis only historically and remains to be Goldiam strongest quarter due to the major shopping season of Thanksgiving and Christmas with other quarter consisting of regular retail activity including de-stocking, new style testing and reorders. We will take some more time to further explain our sales channel which we follow to execute our orders.

Our traditional brick and mortar business firms up for around 80% of total sales with the factor being online e-commerce mode of sales channel which contribute close to 20% of overall sales versus 5% to 10% in the industry. The difference between industry average and Goldiam e-commerce business shows how we have been early and invested deeply in the growing sales channel. Along with the appeal online sales are ROE lucrative, it helps us to have better inventory terms and significantly reduce data days thus leading to a shorter working capital cycle in fact this part of our business which is now a sizeable component is running at a negative working capital bases yielding superior returns to our shareholders.

Goldiam has dividend distribution policy of distributing a minimum of 50% of standalone profits. Over the last 5 years Goldiam has carried out to buy packs of shares to the tune of 30 Crores. During the last 5 years, which is FY2017 to FY2021 Goldiam has utilized 84 Crores on dividends and buyback alone. The company has proposed the buyback of 380000 equity shares of the company on October 27m 2021 for an aggregate amount not exceeding 456 million. The maximum buyback try to set at Rs.1200 per equity share on the record date on the proportionate basis under the tender offer route using the stock exchange mechanism.

The buy back size constitutes of 1.7% of the total paid up equity capital of the company and 19.35% of the standalone paid up equity share capital and pre-results of Goldiam as on FY2021. The company expects to complete the opposite buyback process by the end of November. With that we shall be happy to take any questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

**Dixit Doshi:** Thanks for the opportunity. I have three questions, firstly historically we have seen that Q3 is always the best quarter, so how do you see the trend given already we have a very good Q1 and Q2, so do you feel that still we can do best Q3 this time round?

**Rashesh Bhansali:** History, good afternoon to you. Thank you for your question. Yes, Q3 historically has always trended to be one of our strongest quarters because the sales season of ours which is Thanksgiving and Christmas all happen during the same time, even for the current Q3 I think we are expecting a very strong quarter and you will be very happy with the performance that the company will show in Q3 as well.

**Dixit Doshi:** My second question is you know compared to Q1 the margins have come down in the Q2, so any specific reason for that?

**Rashesh Bhansali:** Yes, very likely observe the margins in Q2 have come down a little bit the biggest reason is because of the diamond, material price increase. so the raw material prices increase we have already orders which we take in Q1 and by the time we could finish buying the raw materials we have to pay close to 7% to 8% higher for a cost of raw material in that quarter, the same is now passed on to all the customers and you will not have such decrease in margin.

**Dixit Doshi:** My last question from my side is, at this time round if we see the consolidated balance sheet, the receivables and inventory levels have increased significantly and also there were



some short-term borrowing of 58 Crores, which we have seen first time in the Goldiam, so any specific reason for such high trade receivable inventory?

**Rashesh Bhansali:** Yes, so what we have done is we have invested a lot of new test style with retailers so being the investment of new styling always you will see at a certain time the inventory goes up because we have invested in consigning all the new test products with the retailers which will convert into asset post December, so that is the reason why inventory has gone up, second thing we also stocking a little bit more for a .com sales which we guaranteed delivery in 6 to 7 working days, Q3 being our largest we are getting close to 100 to 120 styles per day on .com, so the reason we have to invest in inventory a little bit more which will all be back into the original system post December and regarding bank finance the business has grown from 400 Crores last year to 317 Crores just in 6 months, so because of that additional finance was needed to buy gold or raw material in time and to enhance our margins we are also trying to buy these raw material more on a COD basis to get maximum value for shareholders which you will see in the next quarter.

**Dixit Doshi:** And anything particular on the receivable side almost 200 Crores more than a quarterly sales?

**Rashesh Bhansali:** The entire receivables will hopefully the next quarter it will reduce dramatically is because all these goods that were exported will start converting into sales and customers would start paying us in this quarter, current quarter, and next quarter.

**Dixit Doshi:** Fine, that is it for myself, thanks.

**Moderator:** Thank you. The next question is from the line of Aakash Javeri from Perpetual Investment Advisors. Please go ahead.

**Aakash Javeri:** Good afternoon. Mr. Bhansali and thank you so much for organizing this conference call. Just a couple of questions from side, so if you see the employee benefit expenses there have been some volatility in the last 4 or 5 quarters, so what is attributed to this sharp increase quarter on quarter and also you said not to look at your business quarter on quarter and more year-on-year, but just over a period of time the volatility in the employee benefit expansion, could you throw some light on that?

**Anmol Bhansali:** Aakash, I can take this. This is Anmol Bhansali, Whole Time Director of the company, thanks for your question, so looking at the employee benefit expense quarter on quarter would not need too much analysis from our point of view because we are differing time period so payments of commissions to our employee both in America and sales employees in India, so if you can look at our business on a year-on-year standpoint on a overall full year standpoint with regards specifically to line item such as employee benefits expenses,

other expenses, etc., depreciation and amortization that would lead more clear understanding of the question you are asking.

**Aakash Javeri:** Got it, thanks so much. My another question was if you see lab grown diamonds as well as natural diamonds, so what are the difference in the realization or margins between these two products that we are in?

**Anmol Bhansali:** So in a average unit selling price for natural diamond Goldiam has always been in the mid to higher tier segment of about \$400 to \$450 per item sold from our factory with the advent of lab grown diamonds and especially thanks to our backward integration with eco friendly diamonds and its finished product which is EVV lab grown diamonds our average realization per products sold in lab grown is fact close to \$900 to \$1000 depending on quarter and depending on the sales mix we have done, so it is a dramatic rather than a decrease, it is a dramatic increase because of a much more favorable mix of product that we are placing in lab grown diamonds, again this is primarily thanks to the fact that we are backward integrated with eco friendly diamond in order to get access to that raw material of large lab created diamond, with regards to the margin profile our natural diamond jewellery business yields between 18% to 20% every year on an annual EBITDA basis and on an annual EBITDA basis, we hope lab grown jewellery business will be about 30% to 35% depending on the mix we use of our own grown centers versus buying lab grown diamonds from the market and utilizing it in our jewellery orders to our retail customer.

**Aakash Javeri:** We also lab grown diamonds and not only manufacture inhouse?

**Anmol Bhansali:** That is correct, Aakash, so all our lab created diamond are manufactured in house by eco friendly diamond that yield the most amount of margin and profitability for the company and on the more commodities size of the business which would be smaller melee diamonds or basically accessory diamonds if you call them those are bought from the diamond market.

**Aakash Javeri:** Got it and what would be the mix like what percentage is inhouse compared to bought from outside?

**Anmol Bhansali:** Sure, so about I would say you know 20% to 25% of what we sell in lab grown diamond is inhouse purchases and we are constantly striving as management to increase that component moving forward as well.

**Aakash Javeri:** Got it and these lab grown diamonds that we make is sizes where the cartage is not available in natural diamonds can you throw some light on that?

- Anmol Bhansali:** Absolutely that is correct, Aakash, so within that those sizes that we grow at eco friendly diamonds we currently and even in fact never had access to those same quality and same sized diamond than natural because it is usually comes only thanks to having direct purchases from the mining companies like De Beers etc., so in that category of fine jewellery was always reserve to those people who have direct access to rough diamond from the mine if you are talking about the same caratage same size, same quality in natural diamond so you know it is really an exciting journey that we are on, we kind of if you will have our own mine in growing diamond of these sizes and we are able to then invest in and introduce new styling in this category of larger lab created diamond.
- Aakash Javeri:** Got it, thanks a lot for that. The next question with the entire energy shortage which is happening in China, are we seeing some incremental enquiries for our lab grown diamonds from the US or any other markets?
- Anmol Bhansali:** Yes, definitely you know some amount of things hence worth, however, the product basket of what China makes in and what we make here in India are very, very different so China is largely a manufacture of a small lab created diamonds, which is something that we do shots from the open market whereas at eco friendly diamond we focus on growing largely the EVD diamonds which yields the highest margin for the company per unit sort so the product basket is different, however, yes, due to a shortage in those components there is additional inquiries and demand coming in for eco friendly diamonds as well.
- Aakash Javeri:** Got it, thanks a lot for that and so how is the traction currently in June sheet because the conversation with people in the industry a lot of people are getting into a similar things that our model in jewellery, so how is traction how is that growing?
- Anmol Bhansali:** So, we have in this quarter done a tie up with a wholesaler based in the US itself who has team of people on the road and people on the road will be able to distribute this more effectively to small independent jewellery retailer across the country we see this as being extremely fruitful development for jewellery and our own investment is then yielding better and faster results, we are hoping that over the medium term, over the next 1 to 2 years we are able to set up to be 5% to 10% on the minimum side of revenues and that will dramatically impact our ROE in a positive manner.
- Aakash Javeri:** Got it and just a question how do we distinguish is it based on the design or how we better than our competitors is what my questions?
- Anmol Bhansali:** So, there are multiple answers to this question Aakash, let us say number one you know we are very focused jewellery exporter so extremely dominant for example the engagement and bridal jewellery segment of the US, so we have a history of cues and history of success that which we can bank on, number two our .com development and presence is also extremely



helpful to large retailers because we can offer turnkey service and tell them you know we have 1000s of SKU ready all with higher imaging and product feed for you to beef up your website. Further six-day deliveries on ecommerce is also something that it may not I would say no other company can manage to this scale that we do and only being able to further growth and strength over there. Then another ways we have got on time delivery on all our orders consistently year on year with no quality problems from our retail customers end giving then further dependency and bankability on Goldiam. Another main factor is for our retail customers after disruption in our industry they are looking for large jewelry retailers and suppliers that they can truly work with and partner with who will be there for the long run. Thanks to our debt free status on net debt free status rather we are able to give them consistency and sustainability and they prefer working with us from that point of view as well being a publically listed company we are able to offer transparency and financial disclosures that none of our competition is able to offer and then lastly we are the only integrated manufacture in lab grown diamonds right from growing diamond to cutting lab created diamonds to manufacturing it into jewelry of our own designs and distributing it to the end retailers so this segment where there are strong tailwinds for new retailers who chose to enter or expand Goldiam offers an end to end service where we can strongly differentiate from our competitor.

**Aakash Javeri:**

Thanks so much for the detailed answer. Sir last couple of questions that this is a industry question? What is the difference between the CBT process that we generally use in India versus HPHT process that is used in China under high pressure and high temperature version I believe used in China so what is exactly is the difference between these two processes?

**Anmol Bhansali:**

Right HPHT used in China is a commoditized process and it is usually industrial pressures that create it. You are limited by size of the diamond over there and most often you can only do smaller sized diamonds. CVD as a process is chemical vapor deposition. It is most closely followed the process of diamond creation in earth over a long period of time. That yields larger size diamonds which are of course of more importance to a jewelry company like Goldiam.

**Aakash Javeri:**

Got it and if I could ask what exactly would you say is our capacity utilization and overall capacity of the LGD plant currently?

**Anmol Bhansali:**

Well it is at 100% right now Aakash. We are in discussion to further enhance capacities at our LGD plant as well as we are seeing more and more integration between our diamonds which have grown at the LGD plant and our finished jewelry distribution to retailers so as we are integrating the sales channel and we are setting our own diamonds in our own

jewelry and distributing it, we as management also have more confidence that this is the right time to increase capex in our LGD gold operation.

**Aakash Javeri:** Thank you so much for answering all the questions and all the best and it is great to see how the company has grown in the last couple of years and all the best and thank you.

**Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

**Aman Vij:** Good afternoon Sir. My questions are on the macro diamond business? In the AGM you had talked about that this year we might reach like Rs.25 Crores to Rs.30 Crores as business or 5% roughly and what kind of growth do you think we can see for the next year and next two years in lab grown diamond business?

**Anmol Bhansali:** Sure thank you Mr. Aman so with are hoping to cross Rs.70 Crores to Rs.75 Crores in our lab grown diamond jewelry business where we will surely be able to create lab grown diamond and then make jewelry out of it to the tune of at least Rs.70 Crores to Rs.75 Crores in this coming FY2021 to FY2022 financial year.

**Aman Vij:** Sure Sir and if you look at Indian lab grown diamond sellers like Fiona? There are one to more player so are these are customers and if yes are we be the full suppliers or at least the dominant suppliers to them?

**Anmol Bhansali:** No Mr. Aman we are very export focused company so we sell to large retailers and corporate relaters in the US who on the minimum side has 40 to 60 stores so our focus is on more volume-oriented client.

**Aman Vij:** Sure Sir and you talked about the difference in sizes compared to what Chinese suppliers so if you can talk in terms of I do not know carats or something else for us to understand what is the size you are typically selling?

**Anmol Bhansali:** So everything that in terms of rough comes from Chinese suppliers. It is about under 3 x 4 to under 1 carat and echo friendly diamonds are focused on growing diamonds that are above 1 carat so we are very well-placed sort of above in terms of the larger diamond segment.

**Aman Vij:** Finally before I come back into the queue. If you can talk about the market opportunity as in what are the other big players in this industry supply bigger sizes diamonds and what is the addressable market size as of now in USA?

- Anmol Bhansali:** Lab grown diamonds is just really in our opinion starting off in terms of not just US but its presence globally where I think last year there was about near about \$1 billion to \$2 billion opportunity in lab grown diamond the market size where seeing trends that this would affectively double or it will be an extremely high single digit growth every single year. From our perspective as jewelry first and jewelry-oriented company, retailers and large corporate retailers are only more and more asking for lab created diamonds jewelry and enquiring for about our strategies and our abilities to deliver consistently in this product segment so we are very bullish on lab created diamonds not just from the though process of sustainability angle but also from on the ground results that we are seeing from our retail customers.
- Aman Vij:** Just one clarification my question was of this \$1 billion to \$2 billion if my understanding is correct most will be the smaller sizes...
- Anmol Bhansali:** Correct so Mr. Aman regarding the breakup of larger CVD diamonds versus the smaller diamonds that are grown largely in China we can get back to you with further details and we can route it through our IR team once we have that data on hand.
- Aman Vij:** Thank you. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Deepak Jindal an Individual Investor. Please go ahead.
- Deepak Jindal:** Good afternoon Sir. My question is on the results. My first question is from a medium to long term how do you see this sales mix changing between natural versus lab grown diamond? So for a two to three years kind how would the mix change in favor of LGD?
- Anmol Bhansali:** Sure thank you for your question Sir. We are hoping over the next two to three years we would be at about 25% to 30% of LGD jewelry where the balance is then natural diamond.
- Deepak Jindal:** Great to know Sir. Second I just wanted to understand you rightly mentioned right now your margin profile EBITDA margin should be seen in the perspective of year on year so initially we were around 8% to 9% EBITDA margin and then from last year we are around 18% to 19% EBITDA margin as well so is it safe to assume there is no change in favor of LGD EBITDA margin will keep on growing as well so any midterm kind of a rule that you can have on a sustainable EBITDA margin in near future?
- Anmol Bhansali:** Right on a medium term I believe that a sustainable EBITDA margin once we achieve further expansion in LGD jewelry will be close to 20% to 22%. This is on a perhaps conservative side depending on you know how the market develops and what sort of opportunities we are able to bring to our manufacturing into our shareholders so I would say

it is sustainable to assume that in the medium term the margins will be around 20% to 22% on an EBITDA level.

**Deepak Jindal:** Sir in the initial commentary there was a mention about operating leverage as well which has helped us out to gain some so let us say going forward as well when we say we have expanded will there be an extra benefit of operating leverage that will play out?

**Anmol Bhansali:** So you will see the benefit coming in on our ROV and ROC where cash moves more from low yielding liquid fund and low yielding cash investment further into the business where we are able to generate a lot higher return for our shareholders and over the medium term that is only beneficial because as our new tests and our new launches with retailers get successful and get converted to asset and exposure on those retailers works out as well we will be more and more able to sustainably maintain our margins and further drive improvement in our company level ROE and ROC.

**Deepak Jindal:** One last clarification Sir you mentioned about price hikes and the raw material was a bit on the higher side and you did some price hikes as well so safe to say that we are having a pricing power and we can pass on the price hike and cost to the raw materials even in the lag as well that there is a way we can pass price hikes?

**Anmol Bhansali:** So what happens is whenever there is a price hike in the diamond industry so we have no choice but to buy the diamonds because we have already got orders so with a two-to-three-month lag period of time we are all able to push the price hike to our customer/retailers so for that one quarter we will take that a significant price hike we will have to take a small hit on our margins.

**Moderator:** Thank you. The next question is from the line of Pankit Bhupesh Shah from Dinero Wealth. Please go ahead.

**Pankit Bhupesh Shah:** Good afternoon. As you said that we are operating at 100% capacity in the LGD lab grown diamonds so what are the plans on the capex side and how quickly can we capitalize this opportunity?

**Anmol Bhansali:** Right thank you so we are looking at growing our capex of enhancing another Rs.10 Crores for machinery over the next half year perhaps. It is going to be step in, step in and hand in hand with our ability to distribute the enhanced production coming from the new machinery to our retail clients through jewelry so we are focused on enhancing the margins for the overall company and we are focused on margin driven businesses at Goldiam that has been our philosophy. That is why we are tying our capex to our visibility and our discussions with retailers regarding placing more and more large lab created stones within the retail stores.

**Pankit Bhupesh Shah:** Another question is on how do you see this shift happening from the natural diamond to the lab grown diamond over a period of say next three to five years and what market share can lab grown diamonds enjoy?

**Rashesh Bhansali:** We are looking at not taking anything away from natural diamond business. We are looking at enhancing lab grown diamond jewelry to customers who never bought natural diamond jewelry in the past. What is happening currently is that we are converting people who bought Swarovski diamonds, it could be Zirconia diamonds, silver jewelry and smaller different color stone jewelry to avenues of buying lab grown diamond jewelry. These were the customers or consumers who never could afford to buy diamond jewelry in the past so I assume by creating an entire new customer base right every retailer right is enjoying placing lab grown diamonds in their jewelry showcases because it is getting more foot floor to the diamond areas to the diamond department so that is one thing. Natural diamond will always continue at the speed that it is currently continuing. Lab grown diamond will catch up right that is speed so with are very hopeful that we are not taking one asset class of ours and reducing one and increasing the others. Our focus will be to increase both the asset classes. The only thing we will see is lab grown increases faster.

**Pankit Bhupesh Shah:** Right so you are saying we are creating entirely different market that is the lab grown diamonds?

**Rashesh Bhansali:** Yes absolutely because the consumers that keep coming to buy lab grown is not only somebody who both a mine diamond jewelry in the past but also a new entrant a new millennial as well as somebody who has never had the resources in their family to buy diamond jewelry though all the people who are now coming and becoming new customers for lab grown diamond jewelry.

**Pankit Bhupesh Shah:** Great. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ashish Shah from Business Match. Please go ahead.

**Ashish Shah:** Good afternoon Goldiam team, thank you for taking my question. In the past historical financial shows that your EBITDA margins were dramatically lower from where we are currently and for FY2021 so can you please help me understand like what changed in our business model in the financial year that our EBITDA margins have gone to 20% plus?

**Rashesh Bhansali:** So Ashish let us answer this question in multifold manners so Goldiam earlier operations were selling jewelry to wholesalers so when we sold jewelry to wholesalers say five to seven years ago right where 100% of the exports of the company went to a wholesaler which is like a middleman in America so clearly we enjoyed different margins at that time.

Then we started moving from wholesaler to retailers. Currently Goldiam sells 80% of our jewelry directly to retailers and only 20% is wholesaler so that margins enhanced dramatically because of selling it to the last person out there before the consumer so it is more of a B2B and B2C type of business we have moved to. Now with the introduction of dot.com businesses with the going to be introduction of jewel fleet and with the introduction of lab grown the margins have gone dramatically stronger for the company and that is where the efforts of the company are where we can dot.com businesses, we can grow lab grown diamond businesses, we can naturally diamond businesses straight to the retailer where we hope to enjoy anywhere between 20% to 22% of EBITDA.

**Ashish Shah:** But just by eliminating the middle person through whom you were reaching the retailers that actually gave you like a 10% bump up for that?

**Rashesh Bhansali:** So a 10% bump up for that and introduction of smarter channel of sales which is dot.com, which is buying raw material at a better price, reducing different diamond qualities as well right and concentrating on two to three diamond qualities gives us the additional strength to buy diamonds at a more cost-effective basis right and we were able to sell jewelry at a higher margin because of all these initiatives.

**Ashish Shah:** This 80% direct sell to retailer would you share like what is your client concentration you would have with your end clients?

**Anmol Bhansali:** We can get back to you but our top five clients together constitute like somewhere in the range of 55% of our sales.

**Ashish Shah:** Sir just a couple of more things. One is did I get it right that is it like to like comparison for natural diamond in LGD that the realizations are much higher for LGD? Is it like a like to like comparison where you mentioned at the start of the call it is \$400 and \$900 did I get that right?

**Anmol Bhansali:** Actually can you explain what you mean by that please?

**Ashish Shah:** At least one was under the understanding that the lab grown diamonds are much cheaper than the natural diamonds?

**Anmol Bhansali:** It is pretty like to like. It is the same sort of product segments being sold at the same retailer.

**Ashish Shah:** You end up getting the much higher realization for LGDs right?



- Anmol Bhansali:** Yes that is because we are using larger centres mainly because we are have the ability to grow them in house.
- Ashish Shah:** And are you approaching the same clients with your B2B that side? Is it the same clients whom you are approaching?
- Anmol Bhansali:** For the B2B site we are approaching a wholly different segment of the industry which is small mom and pop retailers. Currently Goldiam is focused in the US is selling to large corporate retailers with a minimum store size of 40 to 60 stalls. The B2B work size is focused on selling to all those small mom and pop independent retailers with one and two stalls that are spread across the country. About 40% of the US jewelry industry concepts of these are mom and pop of independently retail.
- Ashish Shah:** I think that is it. I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Gurjot Ahluwalia an Individual Investor. Please go ahead.
- Gurjot Ahluwalia:** Good afternoon everyone. Thanks a lot for all the organizing this made in concall. Sir just a couple of questions. Firstly on the industry side what is the industry size for lab grown diamond market and what is driving this higher realizations up to \$990 per carat now because I understand it was only around \$800 a year or so back so about a 25% increase since a year and a half so what is the industry size and what is driving this higher realization?
- Anmol Bhansali:** Sure. The industry sizes the exact figures we can get back to you. We do not have them ready with us, but I believe it is around \$4 billion for lab grown diamonds at retail so this is at retail prices so I can double check and get back to you on that.
- Gurjot Ahluwalia:** The market that you are targeting within which you are operating?
- Anmol Bhansali:** It is the same. The lab grown diamond jewelry at retail which is two of our large retailer effectively counts the same market size and then secondly regarding your question of the realization coming from lab created diamond jewelry yes the increase is thanks to further growth in the sizes of diamond that we have been able to market to our retailers as well as for the growth in the type of jewelry that retailers are asking for us within lab created diamonds, which tends to end up being some of the larger carated jewelry and the larger sized jewelry only because it is now coming at a much more affordable cost for them to then be able to sell to their end consumers. Mimicking the comments, it is coming at a price that so well set up that even the end consumer who was not able to buy this product before had to buy large looks in other gemstones is now able to afford these larger looks and larger

diamonds that is why we are also seeing higher pickup in terms of our average realization some lab treated diamond jewelry.

**Gurjot Ahluwalia:** Just related to this one like what is the per carat realization for a natural diamond because I am trying to understand the price difference between the two and if they catch up and then there is no scope for growth beyond that then or a much slower growth beyond that?

**Anmol Bhansali:** Per piece our realization on natural diamond jewelry is about \$450.

**Gurjot Ahluwalia:** That has already doubled the lab grown diamond realization?

**Anmol Bhansali:** Yes. That is correct on a per piece basis. On a per unit of jewelry exported basis.

**Gurjot Ahluwalia:** Great and then secondly I just want to understand if you want to share any guidance on the growth rate for the company over the next three to five years or the overall basis like you have and where do you see this heading? I know there is a lot of scope for growth for the lab grown diamond jewelry but if there is any sort of vision for the next three to five years how this business will look like?

**Anmol Bhansali:** I think the company is going to fair pretty much positive and well in a few year to come. The company will look at inorganic ways of growing. We will be looking at an acquisition in the United States of America which is our largest market to further enhance our distribution. Currently efforts that company will put in very shortly and you will hear them also is the efforts in distribution and inorganically getting some kind of a retail push directly for our products in America. We are also looking at the same time to see if we can acquire a manufacturing business in our own country where they are already supplying but different type of products being manufactured and supplied to different customers in America as well as in India. We are very positive in number one growing lab grown diamonds, introducing further capex into lab grown diamonds and adding on the machinery and capacity expansions for it, using the same diamonds that we grow putting it into jewelry and exporting the same. That is where the maximum value addition of margin expansions will happen for the company. Growing the natural diamond jewelry business right to the best of our capability and as well as with inorganic ways of expansion, I think the company is poised on a strong footage.

**Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

**Aman Vij:** Thank you for the opportunity again. My next question is on the jewel fleet website if you can update us in terms of number of orders we are getting and what kind of traction are we seeing there?

- Anmol Bhansali:** Right so Aman, we are getting about 10 to 15 orders on a weekly basis right now and we have just set up our distribution with our US wholesaler who has got boots on the ground. We expect moving forward that over the next few quarters there will be more traction and more numbers to share with the public and with the analyst on call. I hope that answers the main question.
- Aman Vij:** Sure and the second question is in terms of churning and scaling of our customers which we have talked about the five customers if you can talk about without actually naming whichever is comfortable to you how these customers have scaled up and normally these five customers, where these top customers last year or two years before also if you can talk about?
- Anmol Bhansali:** Sure. I will give you a brief without giving too much information on the public call, we are happy to have a one on one at a later time but effectively all our top five customers have been with us for nearly six to eight years now. Repeat orders have been very encouraging and year on year growth has constantly been there with of course investments from Goldiam side as well in inventory at their stores to further boost and get new items consistently. Another factor is with all five retailers we have effectively established all five of our top retailers we have established a strong presence on their website as well.
- Aman Vij:** One clarification so when you talk about the lab grown diamonds replacing ROC and other kinds of jewelry but the realization you are talking about as a \$1000 for us at retailer, the cost will be even higher so I am not able to correlate the data because my understanding is roughly in all those it would be cheaper than this numbers?
- Anmol Bhansali:** Aman I think it is very simple. With lab grown diamond jewelry we have two types of products. One is an offering that we grow ourselves and what we grow ourselves are all one carat and two carat diamonds and that is one offering that we provide so the price was informed to you is for our own offering which is a blended \$950 per individual realization. Then we are also buying this smaller diamonds from the market which come from China which the rough comes from China. It is not termed as HVHV lab grown diamonds. Those are the products where we do fashion jewelry and smaller bridal jewelry but the pricing is different for a Swarovski type of a customer to come and buy so if you are really looking at apples to apples right on an average those are all \$200 to \$250 product and a blended average is where we are currently is at \$950 with using our two carat diamonds.
- Aman Vij:** That makes sense. Thank you for the clarification.
- Moderator:** Thank you. The next question is from the line of Deep an Individual Investor. Please go ahead.

**Deep:** Thank you for the opportunity. Actually I had quite a few questions and I will voice out two questions. One is regarding the longer-term vision? Sir it is already addressed in part by Mr. Aluwalia's question and I just wanted to see that in the longer term as we mentioned that we are also looking to grow inorganically in US and to increase our distribution are we also exploring markets beyond jewelry for lab grown diamonds like for industrial uses or anything beyond what we are currently into or do we think the jewelry itself will give us sustained good growth for at least the next three to five years?

**Anmol Bhansali:** So yes for the next three to five years we are very satisfied to focus on the segments we know best which is jewelry application for lab grown diamonds.

**Deep:** Great thank you and one other question I had was in terms of corporate governance like as a new shareholder with Goldiam my initial confidence came in from Mr. Ramesh's investment in Goldiam, but we would like to hear from management about their views and corporate governance and the thoughts that they provide because we have read a lot on the internet about Goldiam being a shareholder oriented company and in terms of buybacks and regular dividends and so on but generally what is the thought process that the management has in terms of corporate governance and how do you ensure that the level of corporate governance is maintained in the longer run beyond like the coming years?

**Anmol Bhansali:** Well you see we are a very compliant company in terms of all the laws and the rules that we are under and working with. We have a good and a very diversified board of directors. All these board of directors ensure as well as our auditors, CFO, audit committees, we all ensure that we are very compliant whether it is payment of wages, payment of dividend, payments of anything, everything happens on time and it is well taken care of. We are technically very complaint so really I do not know to answer that in a better way.

**Rashesh Bhansali:** Adding on to that as a company we have always chosen to be very forthcoming especially in the industry that we are in so we choose to be very open with our shareholders and investors and post this earnings call and analyst call so that we are able to talk with shareholders and discuss our strategies. Of course the board of directors as mentioned is independent and that also gives us further direction along with the guidance we receive from large shareholders who have supported us in our journey so far. We see this as a source of strength for us that we are able to be focused on corporate governance and be clean and clear with our financial. Most importantly stemming from the fact that we are our net debt free and constantly giving back dividend and buybacks to reward shareholders and increase value creation over the medium and long term and then finally this is an area of strength even to our customers who look at Goldiam very favorably because of all these factors that differentiate us from our competitor.

- Deep:** Great. Thank you so much. Thanks for the opportunity. Thanks for arranging this investor call. I hope that even if not regular quarterly calls and at some regular calls we get to speak with the management? Thanks.
- Moderator:** Thank you. The next question is from the line of Amit Shah an Individual Investor. Please go ahead.
- Amit Shah:** Good afternoon. Sir what I hear is you have sort of two verticals in CBD jewelry? One is where you manufacture and sell it and another is where you need to procure from the market, sell it in the jewelry and sell that so what would be A, a difference in the margin between the two verticals and the second question is you are looking at Rs.10 Crores capex for growing CBD business what kind of incremental growth will come from the Rs.10 Crores investment in terms of production numbers or in terms of numbers basically?
- Rashesh Bhansali:** Sure. Thank you so much for the questions. For lab grown jewelry, where we are sourcing the raw materials from the open market and making jewelry out of it. Our EBITDA margins are near about 30% and for lab grown jewelry where we use our own grown and manufactured CVD center stones and then distribute that jewelry product to our retailers our EBITDA margins there are near 35% to 40% so it is a very significant delta and that is even more compounded because of the products that we sell with our own grown jewelry centers is at a much higher overall value for units sold and then sorry could you repeat your second question please.
- Amit Shah:** The capex? You are looking at Rs.10 Crores of capex so that would reflect into what number of produced products? It was since you are saying that of higher margin in the goods what you produce naturally so what kind of numbers we are looking at?
- Rashesh Bhansali:** Right so that would yield to an additional annual revenue of about Rs.10 Crores to Rs.15 Crores coming from lab grown diamonds and that would effectively give us a further EBITDA boost in the range of Rs.5 Crores to Rs.7 Crores for a consolidated basis depending on when we start the expansion.
- Amit Shah:** So our asset turnover ratio is basically 1:1.5 in this particular kind of product?
- Rashesh Bhansali:** Yes that is correct.
- Amit Shah:** Thank you very much for taking my question.
- Moderator:** Thank you. The next question is from the line of Gurjot Ahluwalia an Individual Investor. Please go ahead.

- Gurjot Ahluwalia:** Thanks for the opportunity again. Just one question on the order book visibility right so you stated in your Q2 results that the current order book stands at about Rs.200 Crores? I think you recently got another Rs.50 Crores order so I can think like about Rs.250 Crores worth of order book that is currently visible for H2? In H1 you have already done Rs.330 Crores so I am just trying to understand going forward how does the way in which the revenues of the company grow? Is that highly correlated with the order books the company has or as we do a lot of B2C kind of business the relationship with the order book and the revenue growth will probably reduce significantly and so we will not have this very high- or high-volume orders because order book for H2 is lower than H1 revenue already done?
- Rashesh Bhansali:** So the order book currently that we are having and we are coming to the largest quarter, the best quarter in terms of margins and businesses expansions of the company we already have an order book of Rs.250 Crores plus and over and above that we are currently doing close to 100 different units a day in dot.com which is not even part of the order book or not even disclosed so when we are looking at all that I think the company will have a strong quarter and always the correlation between order book and dot.com will continue and run parallel, but unfortunately in dot.com we are not able to predict the value of what is being sold until it is sold or until the orders are received so we only talk about the order book which is a larger order format of the larger retailers and larger wholesaler. When we get the 20% of our business comes through dot.com so it is very clear. If you are looking at Rs.250 Crores order book and 20% of that comes from dot.com it should tell you more or less where the order book is headed for that quarter.
- Gurjot Ahluwalia:** Got it. Thanks a lot for the answering the question and all the best for the future?
- Moderator:** Thank you. The next question is from the line of Deepak Jindal an Individual Investor. Please go ahead.
- Deepak Jindal:** Sir my other question is we are focusing on US market for let say this term are there any synergies where we can kind of expand to some other potential export markets as well as the UK and Europe?
- Anmol Bhansali:** Sure definitely UK and Australia markets that are important for us also. They are of course much smaller markets in the overall jewelry industry so while looking at those but we believe we have enough of a runway of growth available for us moving forward from the short to medium point of view one to three years by being focused on the US at the moment.
- Deepak Jindal:** Thanks Sir. This is it.



- Moderator:** Thank you. The next question is from the line of Deep an Individual Investor. Please go ahead.
- Deep:** Thank you for the opportunity once again. I wanted to ask about the planned capex that we are talking about? Recently Mr. Colin Shaw, GJEPC Chairman mentioned that there is very high demand which is boosting the jewelry and diamond exports especially to US and other developed nations. Now especially given this increased demand scenario do we pursue that this level of demand will continue to happen because of which we are doing capex or do we think that irrespective of the demand in US our dot.com anyways will support the capex that we are trying to do further? Like what are the plans? What is the vision which is helping us to do this further capex?
- Anmol Bhansali:** Very nice question and very good question. Thank you for this. I think it is besides whatever happens in terms of the generalized exports out of India. Goldiam is very, very, very confident of using our own diamonds into our own jewelry and exporting that. I think with our capex we will be able to sell the production that comes from that capex into our jewelry into the profitable margin that we currently are selling very comfortably so that is the only reason why we would be doing capex not because the industry grows at a certain percentage in lose diamonds right, but we are very confident in using our diamond in that capex that we grow into our own jewelry and exporting.
- Deep:** Great and one last question on the supply chain constraints we hear a lot about this limited availability of supply chain infrastructure especially given the ongoing choking of the whole infrastructure in US do these affects us in any manner or are we completely out of the whole of this shipping container and infrastructure supply chain issues?
- Anmol Bhansali:** Out of that entire supply chain issues because Goldiam products gets exported in a small box and in British Airways or Lufthansa or by air freights so whatever we ship on Monday is in the hands of the customer on Wednesday so we really do not have those shipping containers and any of these issues that have other products being exported.
- Deep:** Great. Thank you. Thanks so much.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I would now like to like basis hand the conference over to Mr. Rashesh Bhansali for closing comments.
- Rashesh Bhansali:** Thank you everyone for joining us on this con call. Goldiam has been receiving positive responses and feedback from its customers for both natural and lab grown diamonds jewelry business. The company is surpassing the industry growth by riding on the out performance and repeat orders of successful styles in the US retail market. Goldiam looks forward for a strong Q3 FY2022 which happens to be one of the key quarters of the

company coinciding with Thanksgiving Day and Christmas festive sales in the United States of America. I wish you all a great evening. If you have any further queries please reach to investor relation team. We will be delighted to satisfactorily respond to all your queries. Thank you all very much. Stay safe and stay healthy and good evening.

**Moderator:**

Thank you. On behalf of Goldiam International Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.