



GIL is a play on value migration in diamond jewelry industry from natural diamonds to lab grown diamonds which are available at 1/10th cost with strong distribution moats & unlocking value with its own Lab-grown diamond (LGD) brand in India.

GIL has lived up to expectations, especially with management achieving guidance of 50% LGD contribution to overall revenue by 4Q was achieved in 3Q itself. CEO for Indian retail business is expected to join from 1QFY24 & company has added one more retailer in USA & planning to on board one more retailer in Australia.

Goldiam International's 3QFY24 consolidated revenue grew by 13%, due to festive season during 3Q in the USA, Goldiam's largest market. EBITDA has seen 24% YoY growth on account of increasing lab grown diamond contribution which now stands at *51% of 3QFY24 revenue vs 24% in 3QFY23* (early reading suggests). Net profit grew by 12% despite revenue/ebitda growing at 13%/24% due to fall in other income & surge in employee cost.

- Revenues at ₹2019Mn, 13.3%YoY/51.3%QoQ
- EBITDA (Excl OI) at ₹407Mn, 23.9%YoY/48.4%QoQ
- PAT at ₹324Mn, 12.4%YoY/39.9%QoQ
- Gross Margin came in at 29.7% vs 27.5% YoY/34% QoQ
- Gross Margin saw improvement of 222 bps on YoY basis
- EBITDA Margin (Excl OI) came in at 20.2% vs 18.5% YoY/20.6% QoQ
- EBITDA Margin (Excl OI) saw improvement of 173 bps on YoY basis

Financial Summary

Y/E Mar (Rs mn)	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net sales	3,645	4,060	6,877	5,332	6,050	7,115	8,789
EBIDTA	443	783	1,302	1,040	1,055	1,349	1,742
Margins	12.2	19.3	18.9	19.5	17.4	19.0	19.8
PAT (adj)	470	511	1,052	844	841	982	1,265
Growth (%)	-2.8	48.1	58.0	-19.6	-0.4	16.6	28.5
EPS	4.24	5.50	9.65	7.75	7.88	9.20	11.84
P/E (x)	48	37	21	26	26	22	17
P/B (x)	6	5	4	4	3	3	3
EV/EBITDA (x)	46	26	16	19	18	14	11
RoE (%)	12	12	21	15	14	14	16
ROCE (%)	15	18	30	21	18	19	21
RoIC (%)	22	26	34	25	23	20	21

Source : Company, Dalal & Broacha Research

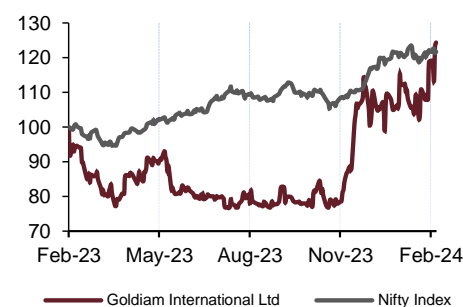
Rating	TP (Rs)	Up/Dn (%)
BUY	237	17

Market Data

Current price	Rs	202
Market Cap (Rs.Bn)	(Rs Bn)	22
Market Cap (US\$ Mn)	(US\$ Mn)	260
Face Value	Rs	2
52 Weeks High/Low	Rs	208.4 / 120.05
Average Daily Volume	('000)	4,962
BSE Code		505700
Bloomberg		GLDM.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	64.26	66.60
Public	35.74	33.40
Total	100	100

Source: BSE

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Key Highlights

- Goldiam International's 3QFY24 consolidated revenue grew by 13%, due to festive season during 3Q in the USA, Goldiam's largest market. EBITDA has seen 24% YoY growth on account of increasing lab grown diamond contribution which now stands at **51% of 3QFY24 revenue vs 24% in 3QFY23** (early reading suggests). Net profit grew by 12% despite revenue/ebitda growing at 13%/24% due to fall in other income & surge in employee cost.
- Revenue through online sales channel improved to 33.5% during 3QFY24 compared to 27.3% during 3QFY23 and 22% in 2QFY24. Online sales of Lab Grown Diamonds have been witnessing robust traction. Share of online sales for Lab-grown has increased almost **3-fold** from 7% in Q3FY23 to 20.6% in Q3FY24.
- Despite the economic turmoil through the year, Goldiam has steadily strengthened its core proposition of offering the latest design in natural and lab grown diamond jewelry to the large US retailers, who continue to trust Goldiam for its track record of ahead of the curve design capabilities and timely deliveries. With Lab Grown Diamond jewelry finding better traction, Goldiam is geared to increase its wallet share among US retailers.
- **Order Wins** : During 3Q GIL has won orders worth Rs.700 Mn & total order book now stands at Rs.1150 Mn
- **Key triggers going forward** : [1] During 3Q,GIL added one more retailer in USA & GIL is making decisive entry into Australian market [2] India Branded LGD Retail business : GIL has identified a senior industry professional to lead India centric retail business who will join in early Q1FY25 [3] Increasing LGD mix with better online sales augurs well for GIL

Valuation & Outlook

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

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

Backed by a robust management pedigree and demonstrated financial prudence, GIL stands apart compared to other entities in the diamond jewelry sector, some of which are perceived as dubious companies. The company has consistently rewarded shareholders, disbursing Rs. 2.1 bn over the past 6 years through dividends and buybacks. Remarkably, GIL has "zero debt" & a robust cash position of Rs. 3.1bn in 3QFY24, showcasing financial strength and resilience uncommon for a company of its size and stature (MCap :~Rs.21 bn).

Over time, GIL has shifted its focus from being a commodity player to a value-added participant. GIL exclusively focuses on jewelry manufacturing and abstains from engaging in the commoditized trading of cut and polished diamonds. Key drivers of its robust revenue growth include maximizing wallet share, venturing into the Indian retail market with its proprietary brand, and expanding into new geographical territories.

As the acceptance of Lab-Grown Diamonds (LGD) continues to rise in the USA, we anticipate this trend to extend to India. Given that India boasts the largest consumer market with approximately 41 crore millennials, the shift towards LGDs is likely to gain traction in the country. We believe GIL possesses robust jewelry manufacturing capabilities, and it has the financial resources on its books, which it can leverage to reinvest and establish a formidable proprietary brand.

Currently GIL trades at 17x FY26e EPS of Rs.11.8, we assign "BUY" rating to the stock with a valuation multiple of 20x FY26e EPS arriving at target price of Rs.237 (>17% upside to CMP).

Quarterly Financials

(Rs.Mn)	Q3FY24A	Q3FY23	YoY Growth (%)	Q2FY24	QoQ Growth (%)
Revenue from Operations	2,018	1,782	13%	1,334	51%
Other Income	31	77	-59%	59	-47%
Total RM Cost	1,419	1,293	10%	881	61%
Employee Benefits Expense	80	56	43%	62	28%
Other Expenses	113	106	7%	117	-4%
Total Expenses	1,612	1,454	11%	1,060	52%
EBITDA (Excluding Other Income)	406	328	24%	274	48%
Depreciation and Amortisation Expenses	17	18	-8%	15	14%
EBIT / PBIT	421	387	9%	318	32%
Finance Costs	0	-	#DIV/0!	0	182%
EBT/ PBT	421	387	9%	318	32%
Tax Expense	97	98	-2%	86	12%
Net Profit after Tax	324	288	12%	232	40%
Adj Earning Per Share	3.03	2.65	14%	2.20	37%
Margins (%)			(In bps)		(In bps)
Gross Margins	29.7%	27.5%	222	34.0%	-432
EBITDA Margins (Excl Other Income)	20.1%	18.4%	172	20.5%	-40
PAT Margins	15.8%	15.5%	26	16.9%	-111
As a % to sales					
RM as a % to sales	70.3%	72.5%		66.0%	
EE Cost as a % to sales	4.0%	3.1%		4.7%	
Other exps as a % to sales	5.6%	5.9%		8.8%	

Source : Company

Financials

P&L (Rs mn)	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net Sales	3,645	4,060	6,877	5,332	6,050	7,115	8,789
Operating Expenses	-2,733	-2,717	-4,865	-3,528	-4,181	-4,838	-5,889
Employee Cost	-133	-159	-269	-243	-275	-331	-409
Other Expenses	-336	-401	-441	-520	-539	-597	-750
Operating Profit	443	783	1,302	1,040	1,055	1,349	1,742
Depreciation	-25	-36	-54	-74	-53	-53	-54
PBIT	418	747	1,248	966	1,003	1,296	1,688
Other income	221	72	246	211	135	31	17
Interest	-20	-5	-8	-3	-3	-3	-3
PBT	620	814	1,486	1,175	1,135	1,324	1,701
Profit before tax	620	972	1,486	1,175	1,135	1,324	1,701
Provision for tax	-167	-301	-427	-323	-286	-334	-429
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	453	671	1,060	852	849	990	1,273
MI	17	-61	-8	-8	-8	-8	-8
Owners PAT	470	610	1,052	844	841	982	1,265
Adjusted Profit	470	511	1,052	844	841	982	1,265

Balance Sheet (Rs mn)	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e
Equity capital	222	222	218	218	214	214	214
Reserves	3,878	4,426	4,981	5,639	6,379	7,214	8,289
Net worth	4,100	4,648	5,199	5,857	6,593	7,428	8,503
MI	54	165	61	65	72	80	87
Non Current Liabilites	-23	22	47	43	43	43	43
Current Liabilites	892	1,301	1,014	1,060	901	1,018	1,205
TOTAL LIABILITIES	5,023	6,136	6,322	7,024	7,608	8,568	9,839
Non Current Assets	736	828	651	644	591	585	556
Fixed Assets	201	412	402	433	381	375	346
Right of Use Assets	-	-	-	-	-	0	1
Financial Assets	517	395	220	189	189	189	189
Deferred Tax Asset	-	-	-	-	-	-	-
Advances	18	20	30	21	21	21	21
Assets	-	-	-	-	-	-	-
Current Assets	4,287	5,308	5,671	6,380	7,017	7,983	9,282
Current investments	1,534	1,798	1,181	1,319	1,332	1,346	1,359
Inventories	935	1,072	1,769	2,483	2,486	3,509	4,334
Trade Receivables	996	1,292	1,787	1,473	1,658	1,949	2,408
Cash and Bank Balances	546	916	866	1,060	1,493	1,125	1,119
Advances	276	208	47	18	18	18	18
Other Financial Assets	-	-	-	-	-	-	-
Other Current Assets	1	23	21	27	30	36	44
TOTAL ASSETS	5,023	6,136	6,322	7,024	7,608	8,568	9,839

Cashflow (Rs mn)	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e
PBT	620	972	1,486	1,175	1,135	1,324	1,701
Depreciation	25	36	54	74	53	53	54
Net Chg in WC	266	-103	-1,090	-197	-347	-1,197	-1,097
Taxes	-144	-254	-382	-382	-286	-334	-429
Others	-94	-160	-167	-18	-1	-2	-5
CFO	673	491	-98	652	554	-156	225
Capex	-21	-303	-36	-92	-	-	-
Net Investments made	-284	-35	956	-64	-13	-13	-13
Others	65	221	29	10	-	-	-
CFI	-241	-117	950	-146	-13	-13	-13
Change in Share capital	-126	-5	-456	-	-4	-	-
Change in Debts	-189	148	-198	-27	-	-	-
Div. & Div Tax	-149	-147	-139	-284	-104	-150	-193
Others	-60	-	-110	-0	-	-47	-24
CFF	-523	-3	-902	-311	-108	-198	-218
Total Cash Generated	-90	370	-50	194	433	-367	-6
Cash Opening Balance	636	546	916	866	1,060	1,493	1,125
Cash Closing Balance	546	916	866	1,060	1,493	1,125	1,119
Ratios	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e
OPM	12.2	19.3	18.9	19.5	17.4	19.0	19.8
NPM	12.2	12.4	14.8	15.2	13.6	13.7	14.4
Tax rate	-27.0	-31.0	-28.7	-27.5	-25.2	-25.2	-25.2
Growth Ratios (%)							
Net Sales	-18.3	11.4	69.4	-22.5	13.5	17.6	23.5
Operating Profit	-20.7	76.7	66.2	-20.1	1.5	27.8	29.2
PBIT	-9.9	78.6	67.1	-22.6	3.8	29.2	30.3
PAT	-2.8	48.1	58.0	-19.6	-0.4	16.6	28.5
Per Share (Rs.)							
Net Earnings (EPS)	4.24	5.50	9.65	7.75	7.88	9.20	11.84
Cash Earnings (CPS)	4.46	5.83	10.15	8.43	8.37	9.70	12.35
Dividend	6.50	8.00	3.60	2.00	0.95	1.38	1.78
Book Value	36.98	41.92	47.71	53.74	61.73	69.55	79.62
Free Cash Flow	5.27	2.46	-1.73	4.33	4.27	-1.71	1.88
Valuation Ratios							
P/E(x)	48	37	21	26	26	22	17
P/B(x)	5	5	4	4	3	3	3
EV/EBIDTA(x)	46	26	15	19	18	14	11
Div. Yield(%)	3.21	3.95	1.78	0.99	0.47	0.68	0.88
FCF Yield(%)	2.60	1.21	-0.85	2.14	2.11	-0.84	0.93
Return Ratios (%)							
ROE	12%	12%	21%	15%	14%	14%	16%
ROCE	15%	18%	30%	21%	18%	19%	21%
RoIC	22%	26%	34%	25%	23%	20%	21%

Source: Dalal & Broacha Research, Company

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