# Sky Gold & Diamonds



**Operator:** Ladies and gentlemen, good day and welcome to Sky Gold and Diamonds Ltd. Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Vidhi Vasa from MUFG InTime. Thank you, and over to you, ma'am.

**Operator:** Thank you, Huda. On behalf of MUFG InTime, I welcome you all to Sky Gold and Diamonds Ltd. Q2 and H1 FY27 earnings conference call. On the management side, we have Mr. Mangesh Chauhan - Managing Director, Mr. Darshan Chauhan - Whole-time Director, Mr. Mahendra Chauhan - Whole-time Director, and Mr. Siddhant Sappani - Chief Financial Officer. I hope everybody had an opportunity to go through our investor deck that we have uploaded on the exchange and the company's website. I would like to mention a short disclaimer before we begin the call. This call may contain some forward-looking statements that are completely based upon our beliefs, opinions, and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. With this, I now hand over the call to Mr. Mangesh Chauhan. Over to you, sir.

**Mangesh Chauhan - Managing Director:** Good morning, everybody. I would like to start this conference call with Darshan Chauhan, Director or Whole-time Director of Sky Gold and Diamonds Ltd.

**Darshan Chauhan - Whole-time Director:** Thank you, Mangesh, brother. Good morning, everyone. Let me begin by thanking my team. Today, I want to go beyond the quarter. I want to tell you how Sky Gold was built, where we started, why India's reputed retailers choose to work with us, and how we have used every rupee of capital you have trusted us with. I also want to explain why we believe this is one of the most capital-efficient businesses in our industry.

One note before I begin: under SEBI guidelines, we are not supposed to give forward-looking guidance. That is one of the reasons you have not seen future guidance in our latest quarter presentation. So today, I will speak only about what we have built and what we have delivered.

Sky Gold started with a simple goal: to build a solid product portfolio and earn the trust of our customers. We saw early that jewelry retail was moving from unorganized to organized, and that bet paid off. Today, the same shift is happening in jewelry manufacturing.

Our roots are in South Indian design, where we have built expertise over two decades. When we listed in 2018, we were a small company with a design team of 15 to 20 CAD designers. But even then, we promoters had one ambition: to become India's number one jewelry manufacturer. The ambition has grown since. Our vision is to build a global, design-led jewelry manufacturing business that is asset-light.

Why do retailers come to Sky Gold? Why do highly reputed retailers choose us? There are four reasons.

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First, we specialize in lightweight jewelry. As gold prices rise, customers want lighter pieces. We adopted 3D printing with paper casting as early as 2020 and now run 40 such machines. Together with direct casting, laser cutting, and hollow stamping, this makes our jewelry 20% to 30% lighter. We have also cut gold loss from 1.5% to 0.5%.

Second, we do not just make jewelry; we co-create it. Our design team of around 180 people studies each retailer's portfolio and its competitors. We study what each state and each community wants. Our team brings sketches, prototypes, and samples before anything goes into production. That approach gives us one of the best selection rates in the industry and keeps unsold inventory low for our customers. It is also why value-added products now make up over half of our revenue, compared with an insignificant percentage 3 years ago.

Third, we execute. In our industry, execution means two things: timely delivery and sharper delivery with strict quality control. We deliver in less than 30 days, a significantly faster delivery timeline for the complex products that we are selling. When our products arrive on time and sell well in the store, repeat orders come quickly.

Fourth, we are a one-stop shop. A retailer who buys gold jewelry from us can now buy diamond jewelry, mangalsutra, chains, bangles, diamond-studded jewelry, and uncut jewelry from the same partner. Behind that sits a large back-office team that handles customization, custom orders, and after-sales service. Our customers can focus on retail; we take care of the rest. We are always one call away.

Over the last 8 years, we have invested in three things at once: design, technology, and people.

On design, we grew from 15 to 20 CAD designers to a team of around 120 to 180. We hired talent that understood the gaps in the market and the needs of each region.

On technology, we have adopted firsthand technology, but a machine is only as good as the person running it. A doctorate in material science with over three decades of experience oversees these operations.

On people, we built a marketing team to take us from a South Indian business to a pan-India one. We hired professionals with 20 years of experience and deep relationships in the trade. In the past, we had highlighted the expansion in management bandwidth after appointing a professional CEO, business heads, and CFO. There is also the presence of {? Thiru ?}, who has three decades of manufacturing experience. In addition, he has spent close to a decade at one of the most reputed jewelry conglomerates. To retain this talent, we made ESOPs a part of how we reward performance. We recently honored employees who have been with us for more than 5 years, as they were the backbone of our growth journey.

Now let me take you through how we have used your capital. Our capital-raising history tells a simple story. Each time we have raised capital, we have deployed it with discipline and converted it into a step change in scale. We listed on the BSE SME platform in October 2018--

**Management:** 2018, raising 25.56 crores at Rs.180 per share. At the time, we had just crossed 500 crores in turnover. The IPO gave us the platform, governance standards, and visibility of a listed

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company, as well as the capital to strengthen working capital. We used that platform to build our design team and a pan-India marketing team.

Over the following years, we compounded steadily, growing turnover more than threefold to 1,745 crores by FY24. In 2023, we moved to the main boards of NSE and BSE. In late 2023, we raised 128 crores through a preferential issue of shares and warrants. Notably, promoters participated through warrants alongside notable investors, a clear signal of conviction from within.

The capital allowed us to bring in senior professionals, launch our ESOP program, scale our diamond division, and build exports. Its impact was immediate. Revenue doubled in a single year, from 1,745 crores in FY24 to 3,548 crores in FY25.

In October 2024, we completed a QIP of 270 crores, when our revenues stood at 3,548 crores for FY25. During Q2 FY26, we opened our international office in Dubai. We have also added new categories through acquisitions. Today, we are running at an annualized revenue of more than 9,000 crores.

Put simply, across these two fundraises after our IPO, we have taken in about 398 crores of equity. Over the same period, revenue has grown from 500 crores to more than 9,000 crores, roughly 18 times.

For most of our early history, we were a South India business. Our vision to be India's number one manufacturer meant we had to serve every region. So we built dedicated teams for North, East, and West, and studied what each market and culture wants to wear.

We also chose our partners well. Our customers include several of India's large listed and unlisted jewelry retailers. Of our customers, Kalyan, Senco, and P N Gadgil listed on stock exchanges in recent years and opened showrooms rapidly. Because we were already trusted in their existing stores, we grew with them as well. That is the organized retail bet paying off. As the leading retailers grew, the manufacturer that executes best for them grows with them.

Now let me take you through our export story. In FY23, our annual exports were only about 35 crores. In Q2 FY26, we reached exports of Rs.435 crores. I repeat: for FY23 as a whole, we did 35 crores of exports, while in the current quarter alone, we achieved 435 crores. Today, exports are roughly 18% of our business, around 1,600 crores on an annualized basis.

This growth of 45 times came in three steps.

Step number one: our Indian customers took us abroad. After COVID, the same corporates we served in India asked us to supply their international stores. Our products had already proven themselves in India, so they performed well abroad too.

Step number two: we went where the Indian diaspora lives. Singapore and Malaysia have large South Indian communities, and South Indian design is our core strength. We began supplying reputed retailers in Singapore and Malaysia. Within about a year, we were working with the majority of reputed corporates across the GCC.

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Step number three: we planted a flag in Dubai. In September 2025, we started operations at our international office in Dubai, led by Mr. Hiralal, who brings more than 30 years of experience in Dubai and the GCC. Almost every major retailer we worked with came to the opening of our Dubai office. From Dubai, we now serve wholesalers and corporates across the GCC region.

Onboarding {? into ?} the Middle East's most respected jewelry retailer shows how we win. We are among the jewelry manufacturers that design for Arab clientele as well. Our merchandising team studied the look and feel that the market wants, and we co-created a gold line with our customer. It was accepted right the first time, and the orders followed. We then did the same with other regional international players as well. Hence, reputed regional jewelry chains in the UAE, each with 15 to 20 showrooms in Dubai, are now our customers.

What keeps our customers with us is our service. Our Dubai office acts as a one-stop shop, available around the clock. Behind it sits a dedicated back-office team in India, supporting each customer from design to dispatch. And these relationships are personal. I traveled to Dubai regularly in the early days, and I still sit with the owners to understand their customers and their timelines.

Trade shows have helped widen our reach. Dubai, held around our office inauguration, introduced us to buyers from Bahrain, Sri Lanka, Malaysia, and Singapore. In Saudi Arabia, we built a 21-carat line specially for that market before the show. In the United Kingdom, our first show there gave us a good response; one new client started with an initial order of 40 kg. In Malaysia, we had the largest booth and were the only exhibitor showing gold, diamond, and other categories together. Singapore brought a strong response for our diamond jewelry. We have also begun working with a customer in Japan whose distribution reaches Hong Kong and the US.

Now let me get into categories. Every new category we add follows the same logic: sell more to customers who already trust us.

Diamond: we started our diamond business 2 years ago, small and still learning. We then built a platform around experienced merchandisers led by Akash, who has more than 22 years of experience in diamond jewelry for the Indian and export markets. Our edge in diamond comes from being a gold company first. Gold manufacturers lead on technology such as laser cutting and electroforming. We brought that technology into diamond jewelry to make lightweight pieces with the right balance of gold and diamond, which matters more as gold prices rise. We began with lightweight everyday wear and then moved into bridal. Because temple jewelry is one of our strengths, we now make it in diamond in open, close, and combined settings. Close setting is in high demand in the South, yet only a limited number of manufacturers have the skill. We built our capabilities by hiring setting experts from the South. We also use new-age materials such as ceramic and Italian findings, and launch 30 to 40 theme-based diamond collections every quarter. Diamond carries a higher margin than the company average, and sequentially we have doubled its contribution.

Mangalsutra and uncut diamond: we have added these through acquisitions, which I will come to next. The result is the blend we set out to build: an advance metal business where ROIC is effectively infinite, a diamond business with high margins, and a value-added gold business that now makes up a significant part of our revenues.

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Acquisitions: our acquisitions follow one rule. We do not buy a company alone; we buy its management, its expertise, its designs, and its customer relationships. In every case, the founders have joined our top management, because their long-standing jewelry experience is what we are really acquiring. Each acquisition does two jobs: it adds a category that we can sell to our existing top customers, and it gives the acquired business access to our design library, our technology, and our customer base.

Star Mangalsutra and Rishabh Gold: mangalsutra is largely handmade and needs real precision. Through Star Mangalsutra, we already sold mangalsutra to major corporates. Shri Rishabh Gold brought one of the most robust mangalsutra manufacturing teams in the country, with jewelry conglomerates as its customers.

The partnership works both ways. As a casting company, our cast elements and design library let them diversify their mangalsutra range sharply. Their monthly volumes have grown from about 20 to 25 kg to 150 kg. One of the trusted conglomerates alone now takes 70 to 80 kg of mangalsutra, and the relationship has opened doors for our other jewelry categories as well. Together, we are today one of India's most trusted mangalsutra manufacturers.

Poorvi Gems, uncut diamonds: uncut diamond jewelry is in strong demand and carries high margins. There are only a few Indian manufacturers that have expertise in this product segment. We constantly saw demand from our customers. Poorvi was already supplying reputed retailers, and its management has around 20 years of experience in this category. With our design strength and wider customer relationships, adding this category was a natural step.

Every acquisition moves us closer to one goal. We have created a perfect ecosystem to make our company a one-stop shop for all jewelry requirements. Our design work is now recognized beyond our customers. The World Gold Council selected many of our products for its campaigns, including last year's major push on 24-carat jewelry. Today, when retailers ask the World Gold Council for certain product lines, Sky Gold is often the preferred name it suggests. With De Beers, we have co-created collections and are giving dedicated space to showcase our products at their exhibitions.

Capital efficiency and returns: everything we have described has been guided by a focus on improving capital efficiency and returns on capital employed. Our advance gold model is an important part of this strategy. Under this model, customers procure and provide the gold, while our revenue reflects the manufacturing work performed by us. This reduces our requirement for capital investment and eliminates the need to hold inventory or manage receivables in respect of the gold supplied by customers.

Exports are another important contributor to capital efficiency, given their shorter receivable cycles. Our earlier disclosures have noted that export receivable days are much less than domestic receivables. In H1 FY26, exports contributed 811 crores to our revenues. The increasing contribution from advance gold and exports is expected to moderate the working capital intensity of our business.

We are also focused on improving manufacturing efficiency through technology and process improvements. The adoption of direct casting, 3D printing, laser technology, and hollow stamping

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has enabled us to improve the finish of our jewelry and reduce its weight by approximately 20% to 30%. In addition, our efforts to improve manufacturing efficiency have reduced gold loss significantly. Our co-creation and merchandising capabilities also help improve inventory productivity. By working closely with retailers to develop designs based on consumer preferences, we have helped reduce unsold inventory and improve inventory productivity for our retail partners.

Going forward, our focus remains on increasing the contribution of advance gold, exports, and higher-margin value-added products, including studded and diamond jewelry. While advance gold and exports support capital efficiency through lower working capital requirements, value-added and diamond jewelry provide opportunities to improve margins and returns on capital. The proof is in the numbers. Roughly 398 crores of equity raised over 8 years now supports an annualized revenue base of more than 9,000 crores. In the past, we have said that Sky Gold's growth would be funded entirely by internal cash generation. We welcome the scrutiny of our business [trails off]

**Management:** ...first on operating cash flow. We had earlier guided for 18,000 crores of revenue by FY2030, 945 crores of PAT, 20% to 25% of PAT converted into operating cash flow, and a net debt-free balance sheet by 2030. In Q2 FY27, we exited with an annualized revenue of more than 9,000 crores and annualized PAT of more than 500 crores. We converted 33% of TTM PAT into operating cash flow. In fact, if we factor in the land sale we guided for earlier, net debt in the first half of FY27 is down 20% from the FY26 level. We have a consistent record of setting clear targets and beating them. Our original growth roadmap reflected our confidence in the business's long-term potential, and quarter after quarter, we have delivered ahead of plan. Most tellingly, we have raised our long-term targets several times while continuing to outperform them. That is the result of rigorous planning and disciplined execution.

**Management {? Darshan Chauhan ?}:** [pause] I know many of you have questions about the fundraise we announced recently. In line with the regulatory guidelines, I am not being allowed to speak about its specific purpose or the use of proceeds. What I can do is share how we, as a management team, think about growth and capital. As management, we believe we should grow along with our customers and not give up market share. Importantly, our customers are working to consolidate their supplier base. They want to work with fewer, larger, established, well-capitalized, professionally run, and compliant jewelry manufacturers. It was our customers' requirement that gave us the confidence in 2024 to grow organically and expand our capacity.

In the past, our customers have also played an important role in guiding our inorganic growth. Our industry has a number of jewelry manufacturers with strong vintage and strength in certain product categories. Many of them are struggling with working capital, the compliance burden, and succession. Several of our historic acquisitions were guided by customers who believed we were the logical and preferred acquirer of these companies. We have a track record of good acquisitions, and we have handled post-merger integration well in every acquisition so far. We have cultural familiarity with the companies we acquire, but we succeed largely because we have a close relationship with the end customer, the jewelry retailer.

Let me give you some historic examples of companies we have acquired at attractive valuations and how we have grown their revenue and profit after acquisition. Shri Rishabh Gold, Mangalsutra, was acquired at less than Rs.10 crores. Monthly volumes have grown from about 20 to 25 kg to

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around 150 kg, and revenue from 49 crores to 175 crores, with profit from 1.6 crores to 18.8 crores. We are now one of India's reputed mangalsutra manufacturers.

Poorvi Gold, uncut diamonds, was acquired at Rs.9 crores versus a book value of Rs.6 crores. We can use Sky's design team and wider customer relationships as well. Following our customer has never let us down.

At home, when Kalyan, Senco, and P N Gadgil listed and expanded rapidly, we grew with them into every new store. When Shri Rishabh Gold joined us, the largest conglomerate became our major customer, and that relationship is now opening doors for our other categories.

Abroad, the story is the same. Our exports began because large Indian jewelry retailers asked us to supply to their stores overseas. That gave us credibility in Singapore and Malaysia, then the confidence to open our Dubai office, and then we added reputed regional players in the UAE. Exports have grown from about 35 crores a year in FY23 to roughly 18% of our business today. I repeat, for FY23 as a whole we did 35 crores of exports, while in the current quarter alone we achieved 435 crores. This is around 1,600 crores on an annualized basis.

In each case, we invested ahead of the order because our customer told us where they were going, and in each case, the returns followed. This is a high-return business model, and our quarterly result shows it. Nearly 16% of our volume comes from advance metal, which employs no capital of ours. Together with exports, which carry short receivable cycles, these segments make up more than 35% of our volume. In the first half of FY27, we delivered an annualized PAT run rate of more than 500 crores, and our net debt is also down versus FY26 levels.

**Management:** [pause] The right test for any growth investment is simple. Does each rupee we invest earn more than its cost of capital? If it does, investing it creates value. Even if free cash flow is lower in the near term, what matters is the spread between ROIC and cost of capital, and how long we can sustain it.

Consider Walmart. Between 1973 and 1986, the years in which it was building out its store network, it had negative free cash flow in every one of those 14 years. Yet its ROC averaged 18%, well above its cost of capital, and its stock returned 33% a year, about three times the S&P 500. Walmart was not burning cash. It was putting every dollar it could to work at high returns while the opportunity was in front of it.

We see real parallels with Sky Gold. Like Walmart then, we are early in a structural shift, in our case from unorganized to organized jewelry manufacturing. Like Walmart, our growth follows a clear demand signal: our customers are consolidating their suppliers and asking us to grow with them. And like Walmart, we earn returns well above our cost of capital, helped by advance metal, which needs no capital of ours, and exports, which pay quickly.

So the real question is not whether cash flow dips while we invest; it is whether every rupee we put to work earns well above its cost of capital and deepens our relationship with customers. Our record says it does. From the 2018 IPO to the 2024 QIP, each round of capital was followed by a step change in scale. A business that can reinvest at these returns should do so. Even if it means giving up some cash flow today, the benefits play out over the long term.

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**Management:** [pause] Why the cash flow will come: our fundamentals give us every reason for confidence. Our founders are in their mid-40s, with decades of building ahead of them. Our market is expanding as manufacturing shifts from unorganized to organized, and our unit economics are extremely solid. When growth runs in line with returns on capital, a business like ours will generate strong cash flow.

We remain focused on one measure above all: earning well above our cost of capital on every rupee we invest. Let me bring it together. We started as a South Indian gold jewelry manufacturer with a small design team and one big ambition. Today, we serve India's reputed retailers in every region, supply the Gulf and the Far East from our own Dubai office, and offer gold, diamond, mangalsutra, and uncut jewelry all under one roof.

We got here by investing in design, technology, and people, by growing with our customers, and by putting every rupee of capital to work. That discipline is not going to change. As I said at the start, in line with the SEBI guidelines, we are no longer giving forward guidance, and you will not find it in our presentation. We would rather let our record speak. We set clear targets, we beat them, and we raise them several times over. Thank you.

Before we take your questions, Mahendra, brother, the eldest of our brothers, would like to say a few words. Thank you very much.

**Mahendra Chauhan:** Hello, everyone. This is Mahendra Chauhan. I am the eldest of the brothers. As most of you know, I rarely join these calls, but this is an important occasion, and I would like to say a few words.

The coming years are an important phase in our company's journey. All three founders are in their mid-40s, with tremendous energy, passion, and a deep personal commitment to the business. For us, this is not just a business we have built; it is something we have nurtured with years of hard work, sacrifice, and conviction.

As you heard earlier, acquisitions have been an important part of our growth. They have helped us strengthen our product portfolio and expand our presence in a jewelry market where consumer preferences are deeply local. Understanding changes in the industry, respecting local markets, and building on our strengths have always been central to our approach.

Thank you for your trust and support. Greetings to Jinendra. Now let me hand over to Mr. Mangesh Chauhan.

**Mangesh Chauhan:** Thank you, Mahendra, brother, very much. Good morning, everyone. I know that some investors are questioning the {? 800 crore ?} capital raise, as we have mentioned in the past about internally funded growth. Due to SEBI norms, we are not allowed to quantify the breakdown of proceeds and utilization.

In fact, there were suggestions from the internal team to avoid a conference call due to compliance norms. However, there are thousands of shareholders, and I felt that I needed to maintain transparency, so I insisted on having the call. As Darshan, brother, mentioned, we follow our customers closely and their demands, and we want to think long-term. We are thinking more about

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long-term cash generation potential.

Darshan has also given examples. Strengthening and improving ROIC is our motto. We do not grow revenues blindly. With high ROC, we can reinvest faster. Darshan spoke about our past growth in the domestic and export markets, and inorganic growth. I can only comment on my promise now. Promoters will only take a salary when there are operating cash flows.

Before we go into Q&A, I want to spend a few minutes on what sits behind these numbers, because this quarter, the story is as much about how we run the company as about what we delivered.

First, the headline. Q2 FY27 consolidated revenue was 2,391 crores, up 61% year-on-year and 18.8% over Q1. Gross profit was 229 crores, up 87%. Gross margin expanded 133 basis points to 9.6% versus Q2 FY26. EBITDA was 189 crores at a 7.9% margin, up 90%. Reported PAT was 129 crores, up 93%.

This is after an exceptional charge of 7 crores 35 lakhs for the fraud incident at our subsidiary, Star Mangalsutra, disclosed in July. Of the 10 crores 70 lakhs involved, 3 crores 35 lakhs has been recovered, and the balance is fully provided this quarter. Excluding it, operational PAT was 135 crores, a 5.6% margin, up 101% year-on-year.

For the first half, revenue was 4,403 crores, up 68%, with EBITDA of 346 crores and PAT of 234 crores, up 112%. Most importantly, we generated 136 crores of operating cash flow in H1, against an outflow of 101 crores in H1 last year.

Every one of these outcomes—margin, working capital, and cash flow—came from work we did on processes and controls over the last 18 to 24 months. Let me walk you through that.

Processes were built at every level of the business. A year ago, many of our controls lived in people; today, they live in systems. We have implemented processes at ground level. Over the last few years, we have focused on strengthening the systems and processes that support our manufacturing and business operations. We have also been implementing a modern ERP system to [trails off]

**Management:** enable closer monitoring of employee productivity, gold loss, inventory positions, and customer receivables. This is complemented by enhanced inventory control and a more disciplined approach to receivable collection, with the objective of improving our working capital cycle.

At the financial and risk-management level, we follow a strict back-to-back hedging policy and do not undertake speculative positions in gold. Accordingly, our profitability is not dependent on movements in gold prices. Despite the heightened volatility in gold prices in recent quarters, we have maintained our margin profile, reflecting the strength of our operating model and the systems and processes we have built over the years.

Auditors: a new internal and statutory auditor framework. This is the first half-year in which both our statutory and internal auditors are institutional firms. Our statutory auditor is now MSKA & Associates LLP, a firm of BDO International, and this quarter's results have been reviewed by them. An auditor change is not a signature change, but it involved several months of preparatory work.

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As documented, for our key processes—procurement, production, sales, treasury, and the controls within each—we built a risk and control matrix so the internal auditor tests what matters most, and not what is easiest to test. We aligned accounting policy across the parent and all subsidiaries, including the acquired entities, so consolidation follows one rule book.

The professional internal audit firm now reports to the Audit Committee every quarter. The statutory auditor reviews what the internal auditor has tested. That two-layer assurance is what an investor of our size should expect, and we want it in place before we scale further.

Margins: 9.6% gross margin for the quarter. Gross margin is 9.6% this quarter, up 27 basis points over Q1 overall. Our gross margin has improved on account of improvement in the advance gold mix and studded business mix. We have in the past guided for 5% to 5.25% PAT margins. Due to compliance restrictions, we cannot comment on future guidance, but our past margin percentage guidance remains on track. Further, any improvement in gross margin will be deployed back into the business.

Two things drove this. First, advance gold was 16% of our business in Q2 FY27, ahead of our 2027 target of 15%. Because we billed only making charges, it adds {? 120 ?} basis points to gross margin while needing almost no working capital.

Second, studded jewelry continued to gain share, with natural and lab-grown diamond jewelry now at about 2.5%, 2.6% of revenue for Q2 FY27.

Operating costs rose to 1.6% of sales, as we invested in people—a COO, a larger design team, and stronger audit and finance functions. This is a cost of building an institution, and it is more than covered by the margin gains.

Inventory: a deliberate mix effect that is controlled internally. Net working capital is now 55 days, down from 59 days in March 26, 63 days in September 25, and 71 days in March 25. Inventory stood at 39 days as of September 26, compared to 37 days as of March 26.

This increase needs to be viewed in the context of our evolving product mix and working capital strategy. As we increase our focus on higher-margin products, particularly studded jewelry, we are deploying a portion of the cash generated by our gold business toward the studded jewelry segment, which has a higher margin and better return on capital employed, but also requires relatively higher working capital.

At the same time, the increasing contribution of advance gold supports working capital efficiency, as this business does not require capital employed. Accordingly, our focus remains on balancing growth in higher-margin products with disciplined working capital management, while deploying the cash generated from the gold business to improve overall margins and profitability of the business.

Payables: using the credit our scale now earns, payable days rose from 4 in March to 17. Trade payables were 437 crores at September 26, against 92 crores in March 26. This is structural, and it comes from these three sources.

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Diamond and studded inputs: in diamond, credit of 90 to 120 days is market practice, which aggregates to 225 crores. As studded grows, so does the credit we receive on it.

Bullion terms: in bullion, we have negotiated credit of around 2 days due to our scale. This has an impact of 100 crores.

Our scale with vendors: we are now a significantly large buyer of other raw materials. Consolidating volumes and scale has earned us better terms.

In effect, the studded business is partially financed by its own supply chain. This is why we can grow it without growing our debt in the same proportion.

Receivables: structurally low, seasonally higher in September. Receivable days were 33 at September end, down from 39 days in September 25, against 26 days in March 26. They are higher, and I want to explain why.

At September end, it is the peak season for festive dispatches. A large share of Navratri and Diwali orders were billed in the last weeks of the quarter. They show up as receivables on the closing date. These are collected in October and November. The structural reduction comes from the increase in the share of advance gold and exports, which have shorter payment terms.

Interest cost, debt, and cash flow: net interest income was 11 crores 70 lakhs for H1 FY27. Our H1 interest cost was 0.89 of sales, against 0.96 of H1 last year, and this is structural. Net debt was 531 crores at September end, versus 550 crores in March 26.

H1 operating cash flow was 136 crores, against an outflow of 100 crores in H1 last year. This is 58% of H1 PAT, well ahead of the 20% OCF-to-PAT conversion we guided earlier.

To sum up: processes gave us control, and the new auditor gave us assurance. Together with a better mix led by advance gold at 16% of H1, they delivered higher margins, 55 days of working capital, lower interest cost, and positive operating cash flow in the same half-year as 68% revenue growth. With that, I open the floor for Q&A.

**Operator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Deepanshu Suman from Satva Venture. Please proceed.

**Deepanshu Suman – Satva Venture:** Hi, sir. First of all, congratulations on exceptional execution again in the first half. I just wanted to check with you on a couple of points. We are going for a very large fundraise. Historically, what we have seen is that we have been able to execute each time, as you have mentioned. Can we assume that whatever fundraise we are trying to do can generate 5 to 6 times asset or inventory turns over the long term?

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**Management:** Deepanshu, hi. I think in the speech of Mr. Darshan Chauhan as well as in Mangesh Chauhan's speech, we explained that the majority of our customers are also raising funds, and with them, the overall store count is also expected to go up in India.

Further, our exports business is also doing well. In addition to the B2C segment, our B2B business is also growing very fast, and there is a significant shift from the unorganized to the organized sector happening in the B2B space as well.

Further, if you look at our investor presentation, in one of the slides, we have given the playbook of the acquisitions that we have done in the past, and all of them have proved successful. They are adding significantly to the top line and to the PAT of the company.

The execution and the history that we have created, we would like to continue that execution going forward as well. Historically, our working capital days have been, or our capital turn has been, close to 6 days, and all the historical numbers and execution that we have delivered, we would like to continue in the future and going forward as well.

I hope I have answered you, because I regret that I will not be able to provide any forward guidance on the numbers, considering the SEBI-related restrictions that are there.

**Deepanshu Suman – Satva Venture:** Thank you, sir. You mentioned in the speech how Walmart was able to execute for almost 15 to 16 years. Do we see such a large opportunity for us also, because we are still quite young and the opportunity size is big? And in that context, do we see a lot of smaller inorganic growth opportunities in the market?

**Management:** Yes. The acquisitions that we have done in the past, and considering gold prices now versus historical gold prices, we are seeing a lot of consolidation happening in the sector, especially on the B2B side.

When Mangesh, brother, started the business, gold was Rs.5 lakh per kg, and now gold is Rs.1.45 crore per kg. In our business, gold or working capital is the major requirement for the business or to achieve sales, because our business is a capital-turn business.

Considering the acquisition playbook that we have created and the overall brand that Sky Gold has created in the B2B market, we are very positive and optimistic about the future, and that all the good work that we have done in the past will also continue going forward.

**Deepanshu Suman – Satva Venture:** Understood. Just one point on the working capital that has been reported. Payables are almost at 400 crores. Is this sustainable over the next 6 months and over the long term?

**Management:** Yes. If we look at our overall working capital cycle, our working capital cycle has improved from 63 days as of September 25 to 55 days as of September 26. We generally track our overall fund deployment in the business through the net working capital cycle.

Your specific question on the increase in payables: in Mangesh's speech, we specifically explained that the increase in payables is mainly on account of three major factors.

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The first factor is that our studded business is a high-margin business, and management is focused on increasing the volume share of the value-added business because it has better margins than the traditional gold business. Because of the increase in that business, our diamond payables are increasing, and for diamonds, we are getting 90 to 120 days of credit, which is standard market practice. So that amounts to close to 225-odd crores.

**Management:** Secondly, in terms of bullion, since we have become a respectable size, considering the higher volume and the quantum of bullion that we are buying and processing on a daily basis, total payables are close to 100 crores as of September 26, while around 100 crores is the balance creditors on account of other raw materials.

Since we cannot comment on future sustainability, we will not do so, but we see that this is a strategic shift happening in the business because of the overall change in the product mix of the business.

**Deepanshu Suman – Satva Venture:** Fantastic. I just want to congratulate you again and wish you all the best for your upcoming fundraise. Thank you.

**Operator:** Thank you. The next question is from the line of Saumya Raghuvanshi from Nirva Securities. Please proceed.

**Saumya Raghuvanshi – Nirva Securities:** Good morning, sir. Thank you so much for the opportunity. I had one question. Could you provide an update on the proposed land monetization announced earlier this year, including the current status of the transaction, the promoters' commitment to acquire the land, and the expected timeline for completion?

**Management:** We were very close to purchasing this land ourselves last month, but there was a buyer who showed strong interest, and the process is at an advanced stage of due diligence. If we do not get a final commitment in the next 20 or 30 days, the promoters will purchase it, but we intend not to make it a related-party transaction. That is why we extended it by 1 or 2 months.

We had committed to August, but we extended it by 2 months so that the land could go to another party, and there is a strong conversation going on. In 20 to 30 days, if there is nobody interested, we, the promoters, will take the land. That is the reason for the extension of 2 months. If we get another party, we do not want it to be a related-party transaction.

**Saumya Raghuvanshi – Nirva Securities:** Okay, sir. That is all from my end. All the best.

**Operator:** Thank you. The next question is from the line of Sagar from PhillipCapital. Please proceed.

**Sagar – PhillipCapital:** Thanks for the opportunity, and congratulations on a good Q2. Also, thanks for the detailed opening remarks.

My first question is on the gold price correction that we have seen recently. Do you see any product-mix change in terms of the down-trading that is happening from 22-carat to 18-carat and 14-carat now? Have down-trading purchases from 22 to 18 to 14 carat seen some moderation? How is the consumer behavior that you are witnessing?

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**Management:** Again, last year you could see that gold prices jumped approximately 80% from their base price in 1.5 years. There has been a shift over the last 2 years. Historically, we were a 22-carat company, and now, over the last 2 years, we have been at 22, 18, 14, and 9 carats.

Every quarter, we are seeing a drastic change in the caratage shift, with 22-carat shifting to 18, 18-carat shifting to 14, and 14 shifting to 9. There is a 100% shift, and there is also a generational change because youngsters want to buy lower caratage at a very decent budget. I can make only a limited comment on this as per SEBI guidance.

**Sagar – PhillipCapital:** While I do not have any questions on the fundraise considering the SEBI guidelines, once we go through the fundraise period, is there any possibility of revising the growth guidance upwards for {? FY20 ?}? I am not asking for any guidance or any number, but just exploring whether there is any opportunity to revise the growth guidance.

**Management:** Sagar, hi. Since we have taken an enabling provision for the QIP fundraise, once this mandate is closed, and considering that our business is a turn-based business, as we highlighted in our speech, we will again revisit our numbers. At that point, we can come back to the street with an updated set of guidance on conclusion of this fundraise. I hope I have answered your question.

**Sagar – PhillipCapital:** For this rate-hike cycle that has started, do we expect some upward movement in gold metal loans as well, based on past cycles?

**Management:** Gold metal loans are linked to SOFR or US Treasury yields as well. For us, since our inventory cycle is very short, the gold metal loans available to us from banks as per the RBI lending norms are available for around 30 to 45 days only.

We currently have a sanctioned GML facility of close to 170 crores, but we still do not find gold metal loans to be PAT-accretive. Considering that, we are currently not availing ourselves of gold metal loans.

But the point you are making is in the right direction: upward pressure on US interest rates will also have an impact on lending rates, and specifically on GML borrowing rates.

**Sagar – PhillipCapital:** Understood. On the margin side, we have seen continuous expansion in margins given the strong execution from your side. I am not asking for any guidance, but I am trying to understand whether we are nearing saturation in margin expansion. Considering that we are also a B2B business, some thoughts on that would be helpful.

**Management:** Our margin is because we are a one-stop shop for jewelry manufacturing. We have a very wide range of products, from 24KT to 9KT gold jewelry, and around 16% of our volumes are on the advance gold model, in which only the job-work charges are recorded as revenue.

Our studded mix is also at 3%. Considering the entire business and its structure, the structural shifts or improvement in the advance gold model of sales and the increase in the studded business will structurally lead to, and have led to, better margins.

If we look from last quarter to this quarter, there has been close to a 25-basis-point improvement, mainly on account of these two factors: the advance gold volumes and the improvement in the

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studded business mix.

**Management:** To add, historically, 5 years ago, we also had lower margins. In the last 5 years, from 2000 to {? 2022 ?}, 2025, and 2026, we launched—we were into 2 or 3 verticals. We launched 22 to 25 verticals in 22-carat jewelry.

In 18-carat jewelry, we launched 10 verticals: rose gold and white gold jewelry. We launched 14-carat jewelry with diamonds and without diamonds. We launched 9-carat jewelry with natural diamonds and without diamonds.

In 5 years, we have done 2 fundraises and launched so many verticals, resulting in this advance gold mix, product mix, carat mix, and studded mix. We have achieved this. Conservatively, we always guide for 8%; historically, we have guided 8%.

**Management:** I also want to add that we have guided for 5% to 5.25% PAT margins. We are in line with our historical guidance that we have provided to the street. Any improvement or better margins in terms of gross margin, we are planning to redeploy back into the business.

This is the reason that our working capital days have also gone down and overall our OCF has become positive. It is a mix of all the levers of the business that are playing out well. By God's grace, execution has been as per the target that we have given to the street through our investor presentations.

**Management:** To add, this is a 20-year journey that we have traveled to achieve these margins. Starting with lower margins and fewer verticals, we have now moved to higher verticals and higher margins. This is a journey of 20 years that we have achieved here. Thanks so much.

**Sagar – PhillipCapital:** That is helpful. Lastly, can you share a general outlook on the festive wedding season? How is it panning out so far?

**Management:** Regarding future guidance, as per SEBI guidance, we are not able to comment. Sorry for that on this conference call.

**Sagar – PhillipCapital:** Sure. Thank you, sir, and all the best.

**Operator:** Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments.

**Management:** Thank you. Before I conclude, I would like to share something very personal and special to our family. Recently, my mother completed 30 consecutive days of fasting. For our family, this was a deeply emotional and spiritually significant occasion. Such a commitment requires extraordinary faith, strength, and devotion.

We firmly believe it would not have been possible without the blessing of our guru and the good wishes and support of our well-wishers. We are deeply grateful to everyone who has been part of our spiritual journey.

I share this because, for our family, faith, discipline, gratitude, and keeping our word are not just things we speak about. They are values we try to live by every day. Thank you all for your trust and

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support.

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

**Management:** Thank you.

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Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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