Sky Gold & Diamonds Ltd. (Q4 & FY25) Earnings Call Analysis

---

1. Executive Summary

- **Overall Performance**: Sky Gold delivered a strong FY25 with ~3x growth in export revenues (INR 300 Cr from INR 100 Cr), PAT margin of 3.7%, and significant customer additions including Reliance, Aditya Birla, and PMJ.
- **Key Topics Discussed**: Business model shift to design-led B2B, expansion in advanced gold and diamonds, export strategy, ERP implementation, working capital optimization, future 4x manufacturing capacity plan.
- **Management Tone**: Highly confident, transparent, and structured. Focused on execution, governance, and aggressive yet rational growth planning.

---

2. Detailed Analysis

Business Model Evolution

- Transitioning from generic B2B converter to design-led co-creation model.
- Lightweight jewelry focus offers 15-20% lower weight and cost vs peers.
- Introduction of advanced gold model (customer provides gold), enhancing margins and reducing working capital.
- Design team scaled to 110+; specialized verticals for product lines and geographies.

Industry Operating Environment

- Structural shift from unorganized to organized players.
- Gold prices at all-time highs triggering a move to lightweight/studded jewelry.
- Exports aided by favorable USD structure and diaspora demand in GCC, Malaysia, and Singapore.

Management's Tone and Sentiment

- Optimistic but grounded in data.
- Emphasis on cost control, talent acquisition, technology implementation (ERP), and building export infra.
- Confident about becoming India’s largest jewelry manufacturer.

Key Business Insights

- Receivable days peaked in Q4 due to Akshay Tritiya, but normalized to 60 days and target 50-55.
- Design-led differentiation now enables premium pricing and customer lock-ins.
- ERP will enable granular visibility across inventory, gold loss, productivity.

Qualitative and Quantitative Guidance

- FY26 revenue: INR 5,400 Cr; FY27: INR 7,600 Cr.
- FY27 PAT margin: 4.5% (up from 3.7%).
- EBITDA guidance: 6.2%.
- Gold price assumption: INR 90,000/10g (conservative).

KPIs

- Working capital cycle target: 50-55 days.
- Export mix: 8% currently, target 20% by FY27.
- Advanced gold contribution: 5% (FY25), target 7.5% (FY26), 30% (FY29).
- Monthly run-rate: 650-700 kg (exit FY26).

Capital Allocation Strategy

- Rs. 100 Cr invested in new facility (Coimbatore, 5 lakh sq. ft).
- Future expansion to 4.5 tons/month capacity by FY28.
- CAPEX funded through internal accruals and favorable GML terms (targeting 80-85% of inventory via GML).

---

3. Industry & Company-Specific Details

Industry Insights

- India’s jewelry market: ~INR 15 lakh Cr; ~INR 9 lakh Cr still unorganized.
- Co-creation and design exclusivity are becoming key differentiators.
- International customers demand pricing parity with Dubai; logistics and bullion procurement via Dubai subsidiary to address this.

Company-Specific Insights

- Export growth 3x YoY.
- Major clients: CaratLane, Aditya Birla, Reliance, PMJ, regional players.
- New vertical targeting unorganized retailers with advanced gold.
- Diamond biz: 1% revenue share, targeted at 4% by FY27.
- Talent upgrades: key hires from Titan, Joyalukkas, Emerald, etc.

Management's Thought Process

- Precision in co-creation focus.
- Deep understanding of regional design demand.
- Long-term view on export infra, brand credibility, and gold-financing sophistication.

---

4. Forward-Looking Statements and Guidance

- **Revenue**: FY26 - INR 5,400 Cr; FY27 - INR 7,600 Cr.
- **Margins**: PAT 4.5%, EBITDA 6.2%.
- **Advanced Gold**: 7.5% in FY26, 30% in FY29.
- **Exports**: Target 20% revenue share by FY27.
- **GML**: 20% in Q1FY26; 80-85% by FY27.
- **Capex**: Large facility build-up with plan to be revealed in June'25.

---

5. Risk Assessment

- **Competitive**: Larger peer Emerald, potential margin pressures.
- **Regulatory**: Gold duty/GML rate volatility.
- **Execution**: ERP rollout, export scale-up, customer onboarding timelines.
- **Market-specific**: Consumer behavior amid high gold prices.

---

6. Comparison to Peers

- 2nd largest in casting jewelry.
- Higher design bank, frugal ops (1.5% vs 3% cost-to-sales), lower gold loss (0.5% vs 1.5%).
- Faster TAT: 15-25 days vs peers' 30-45 days.
- Focus on advanced gold and light jewelry vs heavier inventory-centric peers.

---

7. Long-Term Strategy

- Target 4.5 tons/month capacity by FY28.
- Export-led de-risking.
- Gold loss optimization.
- Shift to high-margin categories (diamond, advanced gold).
- Receivables, ERP, GML-driven cash flow discipline.

---

8. Analyst Q&A Highlights

- **Nilesh Jain (Astute)**: Receivables peaked due to Akshay Tritiya; normalized to 60 days. Advanced gold: 5% to 7.5%.
- **Bharat Gianani (Moneycontrol Pro)**: FY27 PAT margin guidance 4.5%, GML now at ~5% rate.
- **Agastya Dave (CAO Capital)**: Export strategy and USD cost arbitrage explained. Run-rate to 200kg/month.
- **Palash Kavale (Nuvama Wealth)**: FY26 PAT margin target 4%. PMJ, Reliance, Aditya Birla onboarded. Exclusive 24-carat offering.
- **Vijay Chauhan (RH PMS)**: Export-to-domestic ~30:70 in long-term. Design localization for international markets.

---

9. Quantitative Data Summary

Metric	FY25	FY26E	FY27E
Revenue (INR Cr)	3,500	5,400	7,600
PAT Margin (%)	3.7%	4.0%	4.5%
EBITDA Margin (%)	5.7%	-	6.2%
Exports (Share)	8%	-	20%
Advanced Gold Share	5%	7.5%	30% (FY29)

Metric	FY25	FY26E	FY27E
Working Capital Cycle	72 days (peak)	50-55 days target	<50 days long-term
Run Rate (kg/month)	~400	650-700 (exit FY26)	4.5T/m by FY28

10. Key Insights Table

Key Insight	Impact	Evidence from Call
Design-led shift	Positive	Design studio, exclusive partnerships, gross margin lift
Export arbitrage via Dubai	Positive	USD arbitrage & gold pricing control
GML utilization	Positive	Target 80-85%, reducing interest cost
Receivable risk	Negative (short-term)	Q4 spike; now normalized
Large capacity build-up	Positive	4x expansion, 5L sq. ft plant in Coimbatore

11. Connecting the Dots

- Business model, margin strategy, export arbitrage, and digital infra (ERP) all tie into a vision of scale, capital efficiency, and brand-driven B2B manufacturing.
- Deep talent upgrades across finance, design, ops, and sales confirm readiness to execute.

12. Analysts on the Call

- **Nilesh Jain** – Astute Investment Management
- **Bharat Gianani** – Moneycontrol Pro
- **Agastya Dave** – CAO Capital
- **Palash Kavale** – Nuvama Wealth
- **Vijay Chauhan** – RH PMS
- **Snehadeep H** – Individual Investor