“Goldiam International Limited

Q2 FY ‘23 Earnings Conference Call”

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MODERATOR: **MR. RAHUL DANI – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Goldiam International Limited Q2 FY '23 Earnings Conference Call hosted by Monarch Networth Capital. I would like to remind you that today's remarks might include certain forward-looking statements, and the actual results may differ materially from those contemplated by forward-looking statements.

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 this conference call, please signal an operator by pressing star and zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Dani from Monarch Networth Capital. Thank you, and over to you, Mr. Dani.

Rahul Dani: Thank you, Nirav. Good afternoon, everyone. We welcome you to Goldiam International H1 FY '23 Earnings Call. We're delighted to have the management represented by Mr. Rashesh Bhansali, Executive Chairman, and Mr. Anmol Bhansali, Whole-time Director of the company. I would now like to invite Mr. Rashesh Bhansali to make his opening remarks. Thank you, and over to you, sir.

Rashesh Bhansali: Thank you, Rahul. Good afternoon, everyone. Thank you all very much for joining us for the conference call for Q2 and H1 FY '23 earnings of Goldiam. I hope everyone is keeping well. We wish you all a Happy New Year and hope all enjoys Diwali celebrations. I hope you all had a chance to browse our investor presentation uploaded on our website and exchanges. As you are all aware, FY '23 began with a cautiously optimistic note for the company on the back of record-breaking inflation in major economies such as USA and across EU countries.

Looking at the performance for the half year under review, the numbers show how well the company was prepared for this scenario by strengthened its margin profile to protect the overall profitability of our company stroke the business. As most of you will be aware and has discussed previously on our engagement platforms earlier, we, as a company, are quite focused on ROE-driven business models. When we started witnessing inflationary scenario impacting discretionary spending, we remain focused on protecting our profitability during this period. As a result, our H1 FY '23 PAT remained stable on a Y-o-Y basis.

We strategically drew down natural diamond inventory and accelerated focus on lab-grown diamonds. Our lab-grown offerings are most suited to meet the customer requirements during such inflationary scenarios with benefit of large caratage diamond jewellery at attractive prices, validates our offerings instantly among buyers.

We also believe that such scenario is transitional in nature, and we shall soon come back to our regular growth rates demonstrated earlier. For that, the company already has made a capex of INR 100 million for enhancing the company's in-house lab grown capacity, which ultimately strengthens its lab-grown offerings all front from designing to rapid deliveries, integrated operations on lab-grown diamonds front aided the company in such inflation scenario.

We are also evaluating a road map further to double this capacity in the coming two years to meet our aspiration of becoming a significant producer of lab-grown diamond jewellery. The company has focused on integrating these diamonds into its jewellery distribution, thereby securing captive consumption in a rapidly growing industry segment. The company's order book remains robust at more than INR 150 crores, which is expected to be executed within the four to six months maximum. This gives us strong visibility of the near-term expectations of the company. Kindly see this order book doesn't include orders from our online platform, which will be an addition to this order book.

Coming to our balance sheet, we are pleased to say that despite the scenario going in developed economies, our balance sheet remains leaner with a healthy net cash balance of INR 150 crores, as on date. Our working capital also remains stable, bringing in more strength to our balance sheet and cash flows. We remain committed to our stakeholders for consistent and sustainable growth going ahead. We also believe that lab-grown diamond jewellery are at an interesting cusp of inflection, which should help the company to achieve higher goals going ahead.

With this, we shall be open to any further details. The floor is seeking for. I would now look forward to have an active interaction with all of you all. Thank you.

Moderator: The first question is from the line of Dixit Doshi from Whitestone Financial.

Dixit Doshi: Thanks for the opportunity and congratulations on a good performance considering the environment. Sir, in your press release, the lab-grown share in this quarter or even in H1 was almost 25% of the sales, which used to be 20%, so in current quarter, whatever margin expansion we have seen, is it only because of the lab-grown or even the real diamond business, we have seen the margin expansion. And what is the reason for such a margin expansion? And how much of it is sustainable you feel?

Rashesh Bhansali: So thank you for the question. I think the company is always focused on running on better margin focus, jewellery. So with the integration that we have in lab-grown diamond jewellery, especially where we grow our own diamonds, cut those diamonds, designed the jewellery of those diamonds set the diamonds and export finished jewellery to our retail clients. So with all these margins coming in under because we do the jobs of three different type of businesses under Goldiam that we have been able to achieve these special numbers. With 25% to 28% of jewellery that is being exported by the company as lab grown.

The margins have come huge because of this. Also, there has been decent margins in the natural diamond business as well. Though the natural diamond business has been impacted in quantity, but margins have stayed pretty well because we've been able to pass on the price to our customers. All the price increases we've been passed on to the customers. So going forward, I believe that these margins hopefully would be sustained, and we should not have too much issue on it.

Dixit Doshi: And in this INR 150 crores order book, can you give the share of lab-grown versus natural?

Rashesh Bhansali: So current order book also has 25% of lab-grown.

Dixit Doshi: Now my second question is, if I see our inventory, it is almost INR 300 crores considering the kind of order book we have. This looks very high. So if you can bifurcate lab-grown versus natural and also why we are holding such a high inventory?

Rashesh Bhansali: You see most of the orders have been shipped to clients, which are waiting in USA in our distribution office. A lot of them will be sent and build within this quarter. So I assume that most of the orders are for Christmas deliveries. So the company has already made the goods in advance and send it, but they are lying in the New York office to go as per due dates to the customers. Also, we are offering six-day, seven-day guaranteed delivery. So for the season, we have stocked up in America. But since those goods have yet not been billed, in consolidation, right, it comes to us as inventory. So I think by the end of this quarter, you'll see a lot of that is down.

Dixit Doshi: So is it fair to assume that over the next six months, there will be some rundown in this inventory. And this INR 150 crores order book will also be executed. So that kind of revenue we can expect over the next six months?

Rashesh Bhansali: Yes, absolutely.

Dixit Doshi: Now according to your discussion with the clients there, how do you see the demand scenario? And also, so just as you mentioned that the perception is that in such inflationary environment, the lab-grown should grow much faster. But on a ground level, do you feel that or as of now, both the natural and the lab-grown both are slow?

Rashesh Bhansali: So to be very honest, I think lab-grown diamond jewellery is selling faster than natural diamond jewellery in US retail. First of all, the education of US consumers is pretty strong when it comes to lab-grown diamond jewellery. They definitely understand that this is not a fake diamond. This is not just any diamond or a masonite or anything close to a masonite. They have really understood that it is a real diamond, but just because it comes from a machine, it is called lab-grown. So the only growth area, either from the mine or from the machine is the difference. Otherwise, the chemical characteristics is still the same.

So the adoption of the US retail consumers or the US consumer is stronger right towards Lab-grown Diamond because it's cost effective. It's much-much cheaper than a mine diamond. So the demand for lab-grown diamond is increasing faster than the demand for mine diamond. The current demand for mine diamond is stable. But the biggest problem is fresh orders right now is a little bit more difficult because there's been inflationary trends in terms of diamond pricing as well, mine diamond pricing as well. So customers are actually wanting to sell their own inventory this year. And hopefully, next year, demand from both areas will pick-up and go stronger.

Dixit Doshi: One last question from my side, you have also mentioned in the press release about the domestic market. And gradually, the lab-grown is getting accepted in domestic market as well in India. So what are your plans for that?

Rashesh Bhansali: So what we have mentioned in the presentation is the company plans to foray its lab-brown diamond jewellery into the domestic market. I think it's been it's time now that Goldiam as a company, invest in our own country as well in terms of selling retail lab-grown diamond jewellery since we are one of the pioneers who are having this offering. This offering should be available to Indian consumers as well. So I think sometime in next year, we will be moving forward with opening our own stores and selling retail to consumers via omni-channel. So retail as well as online.

Dixit Doshi: And will it require significant, I mean, investments? Or it will not be very large investment because if we'll go for our own stores, then will it require large investments?

Rashesh Bhansali: No, see, what is going to happen is that it will require a certain amount of investment. The company will plan its budget and if necessary, use its own cash reserve or maybe go for preferential allotment to finance it later on.

Moderator: The next question is from the line of Khush Gosrani from InCred Asset Management.

Khush Gosrani: I just wanted to understand, A, what has been the pricing scenario in the mine versus LGD in last six months, especially, in the war scenario?

Rashesh Bhansali: Fine. So the pricing scenario in mined versus LGD, the LGD and mined diamonds both run on the differential pricing. The cost of goods in the mined diamond segment has gone up by another 25% to 35% depending on the quality you're buying. The reason for this increase is the shortage of rough diamonds, which are not coming in from Russia right now because of this payment embargoes from the US sanctions.

So because of rough diamonds not coming in, in its right form or right quantity, there has been a rise in the price of mined diamonds. And because the LGD is only selling in Americas currently and demand from other countries yet have to come to the LGD market. There has been a slight fall in the pricing of the lab-grown diamonds. So that is the actual difference.

Khush Gosrani: Sure. And in terms of a little bit of a long-term question, what will be a written alone lab-grown diamonds since even competitors in China and other countries by increasing the capacities and in India also. So how should one look at the right pure right to and an LGD?

Rashesh Bhansali: Sorry, I didn't hear that question. Anmol, did you hear that question?

Anmol Bhansali: I didn't. Could you repeat that, please?

Khush Gosrani: So a lot of your competitors are also increasing your capacities in lab-grown diamond, so how are you looking at competition intensity in US, right now? And what is your right to win over the competitor?

Rashesh Bhansali: Anmol, do you want to take this answer?

Anmol Bhansali: Yes. That's a great question. So from our angle, we've always maintained that distribution is going to be the key differentiator between us and our competition. Today and even for, I believe, the foreseeable future of Goldiam is the only jewellery entity, which is fully backward integrated in lab-grown diamond. So whenever you look at us, you have to analyze us from the angle and the viewpoint of a jewellery company first rather than a loose diamond company that is doing a little bit of jewellery here in there. So as a jewellery company, we are the only ones that have our own captive growing capacities in lab-grown diamonds. That is being used by us as a jewellery entity and another jewellery distributor.

In two ways, number one, it allows us to offer more products to our retailers, which earlier we could not do. And number two, within selling those products, it allows us to enjoy higher margins because we also enjoy the margin of growing the lab-grown diamond. So from our angle, we are focused on not distributing our diamonds loose in a large or extended way to the general market and general diamond trading hubs, we are focused on integrating it within jewellery and selling the jewellery onward to our retailers or direct-to-consumer whichever way is more preferable. So from that angle, we believe and we've always maintained distribution is the key.

In that sense, the way we defend ourselves with increasing competition and already, it's happening. It happened in the future, even more competition will come more markets will open up, however. We believe that we have to, as a prudent distributor, work with our retailers put in really good SKUs, well-designed SKUs of finished jewellery, integrated with our own lab-grown centres and use our lab to empower that supply chain. That's the way forward.

Khush Gosrani: And one last question. As the natural diamond demand comes back and since the inflationary situation normalizes, do we see, A, LGD mix coming back down to 20%? And B, the margins also coming back to 20%, between 19%, 20%?

Anmol Bhansali: Right. I think that's a good question. Let me just start by answering that, and I prepared some figures you are to show how our inventory has moved. Last year in the September end quarter, we had lab-grown with about 14% of our inventory, 14% to 15% of our inventory. At September and quarter this year, it's 30% of our inventory. So the movement is very strong within the lab-grown diamond business.

Natural diamonds, as the demand comes back, of course, that will help us in our core business lines. And we have been successful in passing on the price increases and the cost increases that we've incurred in raw material within the natural diamond jewellery business. However, the trend of lab-grown, we are seeing on the ground is very-very positive. Increasingly, people are, our retailers are accepting, growing and adding to the lab-grown showcase. And a large part of that is coming to Goldiam as a lab-grown diamond jewellery vendor as a primary lab-grown diamond jewellery vendor.

You will also appreciate that I think one of the earlier analysts had asked about the increase in inventory. A large chunk of that has gone towards lab-grown and reflects investments in new testing, new styles and new SKUs with our retailers that are either trying lab-grown diamonds out for the first time or they are already have seen success with a small showcase, and we are expanding that showcase by multi-fold across the stores.

So we believe that the mix will not change over the long term. In fact, if anything, over the next three, four years, the longer-term vision, lab-grown will move close on closer towards the 50% mark. Of course, the super high margins of lab-grown right now may slightly come down, but we believe that we can maintain over margins that were higher than what we used to do of 19%, 20%, 21% over the long term.

Moderator: Next question is from the line of Aakash Javeri from Perpetual Investment Advisors.

Aakash Javeri: My first question is regarding, we mentioned that we're going to double our LGD capacity. So how much capex would approximately be required for that? And how many machines do we have as of today or like quarter ending?

Rashesh Bhansali: Sure. We have 25 machines installed and commissioned as of today. Now if we double our capacity, then we'll probably have to do another 25 machines and the cost of, on an average per machine is INR 75 lakhs.

Aakash Javeri: And what would be the volume decline in the business this quarter?

Rashesh Bhansali: You mean the quarter to come on the last quarter?

Aakash Javeri: No. If I compare Q2 FY '23 with Q2 FY '22?

Rashesh Bhansali: I think there's a decline of 29% consolidated.

Anmol Bhansali: Regarding the volume figure to go, we'll get back to you also. We have the value figures with us ready, but we'll get back to you on the exact unit and volume decline.

Aakash Javeri: Sure. And how much price increase have we taken like price hike percentage?

Rashesh Bhansali: In natural diamond jewellery, we've taken a price increase of close to 15% to 20% depending on clients.

Aakash Javeri: And in lab-grown?

Rashesh Bhansali: Lab-grown there's no need for increase. We are making a very healthy margin.

Moderator: The next question is from the line of Keshav from RakSan Investors.

Keshav: Sir, you just mentioned that going forward, we expect the margins in LGD to consolidate to a lower level. So as for the Indian LGD industry, would the more manpower-intensive downstream value chain such as cutting, polishing, be the biggest differentiator going forward? And I mean, basically, as a country, we should always see that delta going forward compared to other countries?

Management: I believe that over the medium-term LGD margins will slightly come down, of course, but the market is growing very quickly, and the market development will just expand in room -- our -- I hope that answers the question regarding LGD as the market and the margins individually.

And specific to India, I believe there are multiple reasons for growing to be a profitable industry in India, not just the post growth cutting, polishing, but primarily our proximity to these next step processes of cutting, polishing, doing the post growth colour treatment, all of this ecosystem has been really well built in India, thanks to the natural diamond trade, and it will only, of course, benefit the Lab Grown Diamond trade as well.

From a long-term perspective, I believe it's not going to make a lot of sense for players to grow outside the country sand stone or cutting unless the really high-value specialty cuts. The trade is well set up over here and we'll continue to flourish in our country.

Keshav: And sir, secondly, what kind of opportunity do you foresee for LGD non-jewellery segment such as semiconductor and 5G networks, are we actively thinking in the direction to service these markets as well? Or would you restrict ourselves to jewellery?

Management: So not at the moment, Keshav, well cognizant of the fact that Lab Grown Diamonds offers a great opportunity potentially down the road to integrate with the semiconductor industry because of the inherent properties of Diamond. At the moment, I don't believe technology is well developed enough that we can enhanced to the level that semiconductor qualities are required, we are focused at the moment just on jewellery and the jewellery trade.

Moderator: The next question is from the line of Ayush Mittal from Mittal Analytics.

Ayush Mittal: Sir, first of all, it's good to see that the company has been able to maintain margins test and profitability despite such a sharp drop in revenues. I have two, three questions. First, the expansion in the Lab Grown side that we're talking about doubling our capacity. Can you share more about it as to will it happen at the existing location or you have to go for a new location? And how soon are we looking to scale this up?

Management: It will be within the existing location and the additional capacity will happen in the new location. So not all 25 machines, we have the ability to do in the existing locations. And we will be looking to scale this up within the next two quarters.

Ayush Mittal: Within next two quarters okay? So we have bought a new location or something or because that's a time-taking process so that may take longer?

Management: No, we haven't got the new location. First, we'll do the existing location. -- then it will be moved to the new location.

Ayush Mittal: Second, has some progress happened on the reduction of the electricity cost for us because basically, government has given some incentive to I think Gujarat and Surat area?

Management: Great question. So it's a duty reduction is given in the Gujarat area, which is not a significant cost. I think overall on the duty amount, it was up to 8% -- for us, we are working with our electricity suppliers, which is an Adani Electricity to give us a reduced electricity rate within seeps itself, the specialty industrial area. We believe that sometime by end December to beginning January, we should hear back from them with our confirmed lower rate to help our growing costs further. That will put us effectively on parity with growers in Surat.

Ayush Mittal: And then, sir, the kind of drop we have seen in this quarter in the overall business value and volume, do you anticipate the similar trend to continue for a quarter or two? Or are we expecting to make up, like I was mentioning about some orders to be shipped and in transit -- so will that make up some of the volume loss? Or do you still expect to see 20%, 30% decline in coming quarters?

Management: No, I'm sure you will see a certain decline in the coming quarter. But yes, we will do better than the previous quarter that you're currently seeing, and we will try to make up some of the losses, but there will be a decline. But the good part is that I don't see any decline in profitability.

Ayush Mittal: Okay. So despite decline in revenues, you we expect to make up on the profitability front because...

Management: Yes, because we have a strong part of Lab Grown Diamond on orders that will be being shipped out. And are most of the margins or even in natural diamond jewellery has been passed on the price rise.

Ayush Mittal: Sir, last, I think I'm sure there won't be a right answer, a definite answer to it. But we are seeing more and more articles around the Lab Grown Diamond space that more people are expanding, more competition is coming up. Of course, demand is also growing, but we are seeing more pressure on the prices also. Any thoughts on it, how we will be able to maintain good margins because as of now, the margins are very high. It is more than 40% and equipment cost is not very high. So more than more people are entering the space and the team should be getting more competitive.

Rashesh Bhansali: Anmol, you want to take this?

Anmol Bhansali: So Ayush, I agree with you that are in competition definitely coming in and they have been for the last two years, and I'm sure in the future also, they will. Costs and pricing for Lab Grown Diamonds has come off already and has come down to a level where I believe there is not too much room left for further decreases in terms of even just comparing with the hard operational costs of growing.

So we don't see a significant change in that front. In terms of production, earlier, what happened is there was a rapid fall in prices over the last two to three years, if you compare same time in 2019 versus today, there's been a rapid fall in the per carat rate of lab-grown prices because as grow because growers like us included, have improved their technology well enough to more than double, if not 2.5x the output that we were growing.

Moving forward, this sort of rapid increase in output is not possible. There is reached a stability in terms of what can be grown from the machines. Beyond this level, to grow larger and larger diamonds does not make sense from a commercial standpoint also because there is no real customer to buy an endless supply of five and six carat diamonds. So most growers, including us are focused in the one to three carat range of 0.5 to 3 carat range. We, in particular, are focused on doing 2 carat plus diamonds and integrating with our jewellery.

So the factors that have led to a large price decrease over the last two to three years, no longer stand no longer valid anymore moving forward. However, despite that, our of fighting this, as we mentioned, has always been via distribution and through working and partnering with the next step in the supply chain, which is the very retailer that will sell.

Next year, moving forward, we have plans within our domestic business to in India go direct to retail as well. So that will add on that additional lay on wings even closer to the customer. When you have that sort of end-to-end distribution locked in, really the trading prices then don't matter as much. And that's been our focus throughout. Even though we have cash on balance sheet and ready availability to deploy and set up a 100 machine plant.

Our focus has been to grow only in sensible ways suspect we can increase our growing capacity when we increase our distribution capability and therefore, not lose enough to break margin at any point of time. That's the way that Goldiam defers. And I hope I answered the question as accurately as possible.

Moderator: The next question is from the line of Srishti Jain from Arthya Wealth And Investments.

Srishti Jain: Sir, I wanted to understand how do you see this festive season coming in the US? How do you see because of the economic slowdown, what kind of festive season impact are you expecting?

Management: Let me just start I'll mention that we sort of -- understood that the inflation is going to have a huge impact and the subsequent increases in interest rates are going to have a huge impact on our end consumer, which is middle market America. What we have done in response to that is for this season, Goldiam has invested heavily in something that we like to call as door busters or driver items. These are basically items that are priced. So one single ring, which is heavily marketed and advertised by our retailers.

We partner with them. We place the inventory and we back it up with inventory ready in New York for guaranteed same-day shipping on dotcom orders also. So these are what they call front covering rings that are highly advertised and marketed at lower retail margins in order to drive consumers to the store. So that's one way that we have prepared for a reduction in the consumer wallet spend that's going towards the Diamond and Diamond jewellery business.

And the other way in general is an increase in focus in dotcom businesses. We are working with some of our retailers to offer better price points online such that effectively, our orders that we get will be paid orders and completed orders rather than placing endless amounts of items and inventory installs. So these are the two ways we're trying to mitigate. In general, we see season being better than the last few months of business. And we're hopeful that our strategies that we've employed will help us gain some share as well. I'll let our Chairman add on any comments if needed, to this question.

Management: Thank you Anmol. And well, no, I'm sure Christmas is always Christmas and people do exchange gifts in America. So I assume that we are looking for a decent dotcom business for a decent online business and a decent offering from the retail stores. Most of the retailers we partnered with these retailers to give better pricing and give better so-called discounts and deals during Christmas. So I assume that we should be looking for a very healthy margin and a very healthy business this quarter as well for Christmas.

Srishti Jain: So how long you this pain should last? Or like I understand that the -- our all situation is changing, but with the information that we have right now?

Management: So with the information we have right now, I think the interest rate hikes in America, probably they'll have one or two more hikes and then they will start looking at either maybe softening it or just continuing as it is. So I assume for another two quarters, you will see pain.

Moderator: Thank you. Next question is from the line of Yash Mishra from SKS Capital.

Yash Mishra: Yes. I joined the call late. So I just wondering what is your proportion and outlook on Lab Grown Diamonds current, what is the opportunity we see in that business. How is that segment playing out in terms of consumer acceptance globally and in India. And what is our positioning in that segment? Is it -- are we manufacturers like from -- are we primary producers of that the Lab Grown Diamonds? And what are the economics of that business? Is it really attractive -- or is it just like something which is the market testing out and with an uncertain future?

Management: Anmol, do you want to take this?

Anmol Bhansali: Thanks for your question. Yes. It's a pretty all-encompassing question. Let me try and give you a brief, but I would also request you to kindly review our corporate presentation, we'll give you even more detailed answers. In general, Lab Grown Diamonds are being accepted very widely in America. We are seeing great positive momentum. There are two factors. One, of course, the -- which is the main factor. Prices for Lab Grown Diamonds are much, much cheaper than the equivalent same size, same quality of natural diamonds. This is driven by the fact that visually and chemically there is no difference between a Lab Grown Diamond and a natural diamond.

Number two, from the sustainability standpoint, a lot of US consumers prefer and especially the younger consumers prefer buying a Lab Grown Diamond because of the sustainability angle as well. There is no involvement of dirty mining or poor social governance in terms of lab-created diamonds machine -- these diamonds are effectively made within one month within inside machines and inside laboratory chambers and then cut polished certain jewellery.

Regarding the opportunity, we see the opportunity to be very, very large. I mean we have been a company from the get-go that has been very smart about the way we expand. We tested Lab Grown Diamonds out with two machines where we were growing ourselves. This has increased multi fold as we have seen a simultaneous increase in our capability to distribute those Lab Grown Diamonds within jewellery. Today, our positioning, as I mentioned on the call earlier, is that Goldiam is the only jewellery company that is backward integrated into growing its own diamonds.

So we don't just cut and polish. We don't simply buy these Lab Grown Diamonds from trading hubs like Bombay Surat, etcetera. We have our own factory, which grows these diamonds. We cut and polish them. We set them into jewellery that is designed in-house by Goldiam and is 100% then exported and distributed to our US retail partners. These are all corporate retailers across America. So that's our positioning as a company literally from the very start of growing, up until it goes to a retail store, we enjoy the margin benefit across the entire supply chain. The opportunity is tremendous.

We have seen a very healthy growth as a percentage of wallet share of the US consumer. I had mentioned earlier on the call that our inventory last year this time, about 15%, 16% was lab grown diamond. Today, 30%, 32% is lab grown diamonds. So as a percentage itself, it has doubled, which shows the sort of acceptance in the US And in the future, over the next calendar year, we have plans to address the growing demand we see in the domestic market as well.

Today, there is no organized retailer. Unlike America, in India, there is no organized retailer selling lab-grown diamonds in a sizable way. And we believe that this is something, given our history and our ability to grow these diamonds that we -- that is a need we should address in the future.

Yash Mishra: Just a quick follow-up on what the price differential like-to-like basis Seen the size of timing...

Management: It's between -- it's about 1/5 to 1/4 in terms of...

Yash Mishra: Like the on price Selling price...

Management: Selling price, yes.

Yash Mishra: What the consumers pay. And for, let's say, for someone like you how much would the cost vary -- like would you have much higher margins in Lab grown diamond even at such a low selling price?

Management: Yes, that's correct because we grow the diamonds ourselves. In natural diamonds, it's equivalent to me saying we have our Goldiam has its own diamond mine in natural dams. Of course, that is an industry diamond mining as an industry is controlled by only 2 or 3 companies largely Lab grown allows us or allows for that effective margin to be within the golden itself as well.

Yash Mishra: Okay. And I mean, do you see this as a big trend potentially globally in the next few years?

Management: Absolutely. So we believe, given the way the US acceptance has been and what our retailers are asking from us in terms of jewelry and new jewelry and new programs in their stores. We see a more medium term, not even that far out, but a medium- to long-term possibility where 50% of our business will move towards Lab grown diamonds.

Moderator: Sorry to interrupt you here shall request you to come back in the question queue for a follow-up question. The next question is from the line of Kaushal Shah, Individual Investor. We move to the next participant. The next question is from the line of Sai Kumar, individual investor.

Sai Kumar: Thank you, people. Good afternoon, everyone. So how much percentage of the revenues are actually from online orders and actually in any quarter and this quarter, could you did some numbers around that, please, sir?

Management: Thank you for the question. About 20% to 25% of our revenues are coming from the online business. Even in this quarter, it's about 20%.

Moderator: Next question is from the line of Dixit Doshi from Whitestone Financial.

Dixit Doshi: No, my questions have been answered.

Moderator: Next question is from the line of Keshav from RakSan Investors.

Keshav: Sir, is there a way at all to differentiate between natural and versus the lab grown diamond?

Management: Great question. So this is the only way is by sending your diamonds to a laboratory like GIA or IGI. -- these certifying agencies have very high-tech machinery that detect the very, very slight difference between the way light bounces of diamond and that's how they detect between natural and lab grown. Funnily enough, the way that light bounces off a diamond, Lab grown is 100% diamond. It's called. It's a type 2-way diamond, which is a diamond without any impurities within it. That is so extremely rare in nature that effectively almost all -- they are actually just looking for, which is a type 2 a diamond, and that's the one that they screen and suggest to being lab grown diamond. So effectively, they're looking for perfection within the diamond.

Keshav: So sir, from a resale market point of view, the LGD market increase, should it not be considered a big intangible value loss to the total natural market because as the rarity goes out of the picture and you have to take it to a lab to test whether it's a natural or a lab grown diamond then how do people keep it as an investment going forward?

Management: So we've always maintained cash of diamonds is not something. And the US consumer also does not buy diamonds as an investment. It's only, I think countries are more similar to India, where diamond of purchase from an investment standpoint and increasingly, not even in India, we have to understand that it is at the end of the day of luxury fashion article. And number two, like the natural diamond business also, even the Lab grown Diamond business will have its own buyback will have its own retail values coming in.

So I don't think that, that's such a challenge. The industry is growing in such a large way that these things will come into place. A quick example is 3, 4 years ago when Lab grown diamonds were just coming into the picture, US insurance agencies weren't willing to insure Lab grown, diamond jewelry. Over the last few years, of course, that become part of the industry and industry standards. So That's, I think, it's just a matter of time and market development for that to happen.

Moderator: So the line for the participant have been dropped. We move to the next question. The next question is from the line of Kaushal Shah from Individual Investor.

Kaushal Shah: Yes. I just wanted to have gone through the presentation. Like I'm just seeing that in market means the competition is tying up and they are doing various client engagement initiatives like tying up with various like series, web series on Netflix. And they are tying up with various and other initiatives for customer engagement. So does Goldiam have any such plan for customer engagement overseas?

Management: That's a great question, Mr. Kaushal. So we don't have plans to go into branded sort of B2B2C distributions. Some of our competitors work with licensed brands that you were referring to and that you mentioned -- we don't see it as being a particular differentiator. These are competitors that are largely almost entirely focused on the fashion jewelry industry within diamonds. So their price points are all sub $200. For us, we are focused on the bridal jewelry business.

That's a very different business where branding doesn't really impact consumer choice as much. That for us, our average price points are now $600 of selling to the customer, $550 to $600 to selling to the customer. So it's a very different market segment, different product market within fashion. We -- our focus is vital. And so that's why we've gone ahead with our decision to invest more and work with our retailers because the need of branded assortments is not really that high.

Kaushal Shah: Okay. And one more thing connected to this. We also discussed in this confers regarding we going for the retailing for the retail in India for the domestic market. So like what would be the target audience, which we'll be looking to say...

Management: Great question. So it will -- we're ideally looking -- we're still in deliberation and discussion as to the sort of market and product market fit. We want to approach India with, we'll have better answers during our next conference call where we should be able to provide a more ready and complete picture as to what our plans are within India. However, this internally, the broad range would be items between INR 50,000-3,00,000

Moderator: Next follow-up is from the line of Akash Javeri from Perpetual Investment Advisors.

Akash Javeri: My question, how much is e-commerce as a percentage of sales now?

Management: 20%.

Akash Javeri: 20%. And how is July doing, if you could just throw some light on that? And what is that as a percentage of sales now?

Management: So Jewel fleet has been launched in America. The pickup is yet to happen during this Christmas season, but currently Jewel fleet is from the 20%, it is around 2%, 2.5% of the sales.

Akash Javeri: Is 2%, 2.5% of the 20%?

Management: No, 2%, 2.5% of the total sales.

Akash Javeri: And any plans for geographic expansion out of the US or -- anything on that?

Management: We will have plans for geographical expansion in the EU and Europe and Australia next year. We will be now going aggressively with a lot more other wholesalers and retailers all across in other geographies as well. Capital now the company has done business only in America. Now we will plan to expand it to other areas.

Akash Javeri: And since India being a resale market, do you think that without the resale market for lab grown diamonds, will we see momentum in the domestic market?

Management: The company will have to make its own methods of getting people interested to buy products from us and getting later on diamonds. If at all, a buyback needs to be given, the company will offer buybacks.

Akash Javeri: And another question, on Jewel Fleet was how many retailers are currently in panel?

Management: So jewelry is right now being marketed by a couple of more wholesaler companies, which are selling to their retailers. So currently, close to 350 to 400 retailers are being serviced right now from Jewel Fleet.

Akash Javeri: And a question on effective tax rate. So with corporate tax rate being about 25%

Moderator: Sir the line from the participant dropped. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Management: Thank you, everyone, for joining us on this con call. I wish you all a very great evening. If you have any further questions, please reach out to our Investor Relations team. We will be delighted to respond to all our questions. Thank you very much, and good day.

Management: Special thank you also to the Monarch team for organizing this con call, and thank you, everybody, for joining us.

Management: Thank you very much, Monarch team. And thank you, everybody, for your interesting questions.

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