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IPO Report

12th Dec'24

Snapshot

IGI is the world’s second largest independent certification and accreditation services provider based on revenue for CY2023 among global peers for diamonds, studded jewelry and colored stones certifications, with a global market share of approximately 33%, based on the number of certifications of diamonds, studded jewelry and colored stones performed in CY2023. IGI is one of the established reputed certifiers in the global market. For the certification and accreditation of laboratory-grown diamonds, is the fastest growing sub-segment within the overall jewelry market with a CAGR of approximately 19% from CY2019 to CY2023, IGI is the global leader with approximately 65% of the market share based on the number of certifications for CY2023. IGI also has a global market share of approximately 42% in terms of the number of certifications of studded jewelry in CY2023.

VALUATION

Company is bringing the issue at price band of Rs 397-417 per share at p/e multiple of 55x on post issue basis. Company is world’s second largest independent certification and accreditation services provider among its global peers for loose stones and studded jewelry and in an industry characterized by barriers to entry. Company is First mover and global market leader in providing certification services for the fast-growing laboratory grown diamond industry . Company has extensive range of services for certification and accreditation services provided to a diverse group of customers along the value chain Company has demonstrated track record of delivering growth in revenue, margins and returns. Hence Looking after all above , we recommend “Subscribe” on issue.

Price Band (Rs./Share)	397-417
Opening date of the issue	13th Dec ‘2024
Closing Date of the issue	17th Dec ‘2024
No of shares pre issue	396,783,045 Eq Shares
Issue Size	Rs 4225 Cr
Fresh issue	Rs 1475 Cr
Offer For Sale	Rs 2750 Cr
Face Value (Rs/ share)	Rs 2/share
Bid Lot	35
Employee Discount	Rs 39/share

BIDDING DETAILS	
QIBs (Including Anchor)	75% of the offer (Approx 79,779,598 Eq Shares)
Non-Institutional	15% of the offer (Approx 15,955,919 Eq Shares)
Retail	10% of the offer (Approx 10,637,279 Eq Shares)
Employees Reservation	55865 Eq Shares
Lead managers	Axis Capital, Kotak Mahindra Capital, Morgan Stanley, SBI Capital Markets
Registrar to the issue	KFin Technologies Ltd.

WHAT WE LIKE

Company is the world’s second largest independent certification and accreditation services provider among its global peers for diamonds, studded jewelry and colored stones and in an industry characterized by barriers to entry

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Demonstrated track record of delivering growth in revenue, margins and returns

The Pre-Acquisition Group has achieved overall financial growth across key metrics from CY2021 to CY2023 and for the nine months period ended September 30, 2024. Revenue from operations of the Pre-Acquisition Group increased by 75.09% to ₹6,385.28 million in CY2023 from ₹3,646.91 million in CY2021. The Pre-Acquisition Group has also delivered EBITDA margins of 71.97%, 70.81%, 70.49%, 68.27% and 65.99% for the nine-months period ended September 30, 2024 and 2023, and CY2023, CY2022 and CY2021, respectively and profit after tax margins of 54.68%, 52.60%, 50.86%, 49.24% and 47.03%, respectively.

First mover and global market leader in providing certification services for the fast-growing laboratory grown diamond industry

IGI was the first among its global peers to issue certification reports for laboratory-grown diamonds globally in CY2005, and through company’s customer-centric approach and commitment to innovation, IGI has become the global leader with approximately 65% of the market share based on the number of certifications of laboratory-grown diamonds for CY2023. Company’s market position in the certification of laboratory-grown diamonds positions it to leverage on the favourable trends underpinning the growth of the laboratory-grown diamonds market.



COMPANY BACKGROUND

According to the Redseer Report, IGI is one of three players that offer a full stack of comprehensive offerings among its global peers, covering grading and classification services across different stone types. IGI's operations first started in Belgium in 1975 through the establishment of IGI Belgium, and as of September 30, 2024, IGI has a global network of 31 branches which are equipped with IGI laboratories across 10 countries and 18 schools of gemology across 6 countries. IGI has the largest number of laboratories globally and the largest number of schools established, among company's global peers, as of September 30, 2024. In 1980, IGI USA was the first to issue jewelry identification reports among its global peers. In CY2005, IGI was also the first among its global peers to issue certification reports for laboratory-grown diamonds globally. As of September 30, 2024, IGI had over 7,500 customers located across 10 countries, including laboratory-grown diamonds growers, natural diamond and colored stone wholesalers, jewelry manufacturers and retailers. IGI has developed multi-year relationships with many brands and retailers, including international jewelry brands and retailers.

IGI's certification business is conducted through its global network of 31 branches as of September 30, 2024 which are equipped with IGI laboratories located across 10 countries, including in key markets such as Surat and Mumbai in India, Antwerp, Belgium, New York, USA, Bangkok, Thailand, Dubai, UAE, Hong Kong and Shanghai, the PRC, among other cities. IGI's global presence allows it to serve customers across geographies and assists in providing timely and accessible services.

IGI's laboratories are equipped with gemological instruments and technologies, some of which are developed by in-house. Company's investments in innovation through the adoption of new technologies have sought to improve efficiencies during the grading processes. Additionally, in 2018, IGI introduced the Dcheck System that enables company to differentiate between laboratory-grown diamonds and natural diamonds in loose as well as in mounted condition, and includes advanced features and attachments for bangles and bracelets as well as live screens to enable identification of accurate markings and separations of the diamonds.

To support company's laboratory-based services, IGI offers digital solutions through its online platforms including IGI's website and application programming interface ("API"), for customers and their end-consumers to access their respective grading reports. These are accessible through a QR code in its grading reports and also allows company's customers to track the status of their submissions. Company also conduct research and development activities through its in-house research and development team in gemology and related fields to advance knowledge and understanding of diamonds and colored stones, their characteristics, treatments, and identification methods. Certain research and development activities are complementary to the key services company offer customers and allow company to improve and enhance its service offerings.

IGI's global education platform, the IGI Schools of Gemology, enables it to promote the IGI brand, raise awareness about the need for certification in the diamonds, studded jewelry and colored stones industry, and helps upskill industry professionals. Company provide a range of courses spanning the study of polished and rough diamonds, colored stone grading, jewelry design and retail support courses along with a graduate gemologist diploma (IGI, G.G.). Through company's IGI Schools of Gemology, it aim to create partnerships with company's customers by providing courses to help train their employees, enabling it to further establish its relationships with them. Company's IGI Schools of Gemology also serves as a recruitment platform where it can source and recruit new talent who complete courses with company to work in its laboratories.



INVESTMENT RATIONALE	
<i>Extensive range of services for certification and accreditation services provided to a diverse group of customers along the value chain</i>	<p>According to the Redseer Report , IGI is one of three players that offer a full stack of comprehensive offerings among its global peers, covering grading and classification services across different stone types. Company’s service offerings comprise providing certification, co-branded reports, grading and accreditation services for natural diamonds, laboratory-grown diamonds, studded jewelry and colored stones. Company also provide value-added services to its customers such as the screening and detection of laboratory-grown and natural diamonds and sorting of diamond parcels for the detection of laboratory-grown diamonds and/or diamond simulants, as well as ancillary services such as audit and assurance services where company provide audit specialist services for accounting firms and financial institutions. As company aim for its education business to serve as the precursor of company’s certification business, company also offer education solutions to its customers through its IGI Schools of Gemology to train their employees. Company also offer marketing support to certain customers and partners including during the development of co-branded reports</p>
<i>Education initiatives that support spreading awareness, building customer partnerships and company’s brand</i>	<p>Company’s education programs through the IGI Schools of Gemology are generally offered to (a) institutions, where company offer tailored courses and webinars to wholesalers, growers, manufacturers and retailers as well as (b) any individuals ranging from diamond and colored stone buyers, beginners to professionals in the diamonds, studded jewelry and colored stones industry wishing to gain more industry knowledge. To reach a wider pool of students, company offer e-learning courses which present a more flexible and accessible option and are available in seven languages. Company’s partnerships with customers to deliver tailored courses to their employees also serve to deepen its relationship with them.</p>
<i>Experienced professional management team backed by the largest alternate asset manager globally</i>	<p>Company’s diverse and experienced management team comprise qualified professionals with extensive industry experience, many of whom have had long tenures with company, and have spearheaded the direction and expansion of its business. Company’s Managing Director and Chief Executive Officer, Tehmasp Nariman Printer. In 2024, the Gem & Jewelry Export Promotion Council (GJEPC) honored him at their Hall of Fame event, for outstanding contributions to the loose stones and studded jewelry industry.</p> <p>Company is a portfolio company of Blackstone and company benefit from the resources, relationships and expertise of Blackstone, which is the world’s largest alternative asset manager based on assets under management of US\$1,107.63 billion as of September 30, 2024. Since May 2023, company’s Promoter, BCP Asia II TopCo Pte. Ltd., which is an affiliate of funds managed and/or advised by affiliates of Blackstone, holds 100.00% of company’s preOffer issued, subscribed and paid-up Equity Share capital, and will continue to retain majority ownership of the business subsequent to the Offer. Company benefit from the resources, relationships and expertise of Blackstone, which has also helped company create a robust, structural governance framework.</p>



OBJECTS OF OFFER

Offer for Sale

The Promoter Selling Shareholder will be entitled to the proceeds from the Offer for Sale after deducting its proportion of Offer related expenses and the relevant taxes thereon.

Objects of the Fresh Issue

Company proposes to utilize the Net Proceeds towards funding the following objects:

- (a) Payment of the purchase consideration for the acquisition of IGI Belgium Group and IGI Netherlands Group from company's Promoter; and
- (b) General corporate purposes.

RISKS

Company have incurred net losses in each year since incorporation and have negative cash flows from operations. If company is unable to generate adequate revenue growth and manage its expenses and cash flows, company may continue to incur significant losses.

Source:RHP

INDUSTRY OVERVIEW

Key drivers for the growth of loose stones and studded jewelry certification

As the studded jewelry market grows, demand for certification is likely to rise as well. Thus, diversification in jewelry types, changing consumption patterns, and lower selling prices, among other factors, have a spill-over effect on the loose stones and studded jewelry certification market. However, certain salient growth drivers unique to increasing the certifications' volume include –

Increasing awareness among consumers: The increasing awareness around certification is driven by consumer education campaigns, industry partnerships, online resources, and media coverage about the certification process. Certification from an independent body is positioned as a solution to assure the end customers of the quality and authenticity of diamonds and colored stones. It also helps preserve value and improve resale potential. Further, there is a gathering momentum of requests for certificates of diamond origin to assure customers that ethical and sustainable practices have been employed in sourcing and production.

Increase in sales of lab-grown diamonds: About ~70% of the LGDs are getting certified globally for CY 2023. Surging demand for LGDs is expected to lead to increased certification requirements to ~85% of LGDs by CY 2028.

Shift towards organized jewelry retail and rise of D2C brands: The diamond jewelry market in India is predominantly unorganized at ~50% in terms of sales value in CY 2023. It comprises several thousands of individual retail shops and workshops versus only a few hundred chain stores. However, as income levels and discretionary spending increase, consumers have demonstrated a tendency to shift towards organized jewelry retail as they demand consistent quality, premium purchase experience, and brand value. Organized market players are expected to expand their reach in underserved urban centers through multi-channel strategies, including D2C online sales. Combined with increased awareness of the potential for fraud and misrepresentation, the need for certifications is expected to also increase.

Potential for expanding certification to lower-size diamonds: Natural diamonds over 0.5 carats were typically certified, with costs under 2% of the retail value as of CY 2023. However, smaller diamonds face higher certification costs. Due to the increasing risk of adulteration and the need for authenticity assurance, the certification of smaller diamonds is expected to rise. In CY 2023, it is estimated that about 50% of natural diamonds under 0.5 carats were certified, compared to an overall estimated certification rate of around 65%. By CY 2028, this rate is expected to increase to 60%. For lab-grown diamonds (LGDs), some market players price these diamonds per piece rather than per carat, making the certification of smaller LGDs more viable. In CY 2023, ~45% of LGDs under 0.5 carats were estimated to be certified, compared to ~70% overall. By CY 2028, certification for these smaller LGDs is expected to rise to ~68%. 9. Jewelry as an asset: Appraisal certificates provide the monetary replacement value of the loose stones and studded jewelry for insurance purposes. Hence, when such jewelry is viewed as a financial asset, revisions to the appraisals are done to estimate the value of the diamond. 10. Increasing second-hand market in diamond-studded jewelry: De Beers began operating its second-hand diamond arm as early as CY 2016. With vintage jewelry sales on the rise, new platforms dedicated to pre-owned jewelry are emerging, reflecting a growing consumer trend toward rare pieces and iconic designs. In this case, certification verifies a diamond's attributes and assures its provenance and quality.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	3646.91	4909.94	6385.28	5963.57
Total Expenditure (B)	1240.43	1558.12	1884.1	1671.75
EBIDTA	2406.48	3351.82	4501.18	4291.82
EBIDTA Margin	65.99	68.27	70.49	71.97
Other Income	95.97	83.38	101.32	231.35
Depreciation	124.95	115.25	131.64	108.64
EBIT	2377.50	3319.95	4470.86	4414.53
Interest	17.04	26.34	33.08	17.81
PBT	2360.46	3293.61	4437.78	4396.72
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	2360.46	3293.61	4437.78	4396.72
Exceptional	0.00	0.00	0.00	0.00
PBT	2360.46	3293.61	4437.78	4396.72
Tax	645.16	876.03	1190.40	1136.12
PAT	1715.30	2417.58	3247.38	3260.60
NPM	47.03	49.24	50.86	54.68
ROE%	74.39	83.13	76.58	56.59
EPS	4.32	6.09	8.18	8.22
Eq Cap	3.95	3.95	3.95	793.57
Net Worth	2,425.89	3,390.73	5,090.09	6,434.12

(Source: RHP)



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