FINANCIAL PRUDENCE Healthy cash balance, improving product mix and focus on operating margins have helped co nearly treble net profit over the last 3 years

Renaissance Jewellery Glitters on Stable Growth, Zero Debt

OUTLIER

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ET Intelligence Group: At a time when several jewellers are finding their names on the NPA (non-performing assets) lists of banks, Mumbai-based Renaissance Jewellery has been reporting growth without any long-term debt. That makes it the second listed debt-free jewellery company after Titan. It also has cash balance worth 26% of its market capitalisation.

The company exhibits financial discipline, cost and risk controls, constantly improving product mix and focus on operating margin. This has helped Renaissance grow its sales by nearly 40% in the last three years to ₹1,320 crore and more than treble its net profit to ₹48 crore.

Renaissance is into designing, manufacturing and selling of jewellery products overseas and in India. In the overseas business, it sells to several foreign jewellery brands such as Signet, Sears, retailers such as Amazon and JC Penny. It also has a licensing tie-up with Hallmark. This reduces the risk of dependence on a few clients.

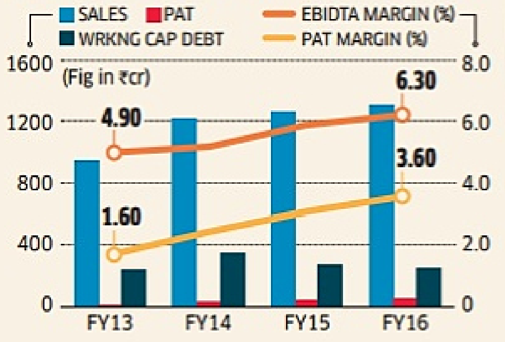
Over the years, the company has gradually shifted from gold to silver —from 70% in 2010, gold now accounts for 30%. Through its innovation and designing team of more than 200 people, the company has managed to keep strong negotiation power with clients.

Most of its sales is generated in the second half of the fiscal due to Christmas and Valentine's Day. Over the last two years, the company has increased exposure to the Middle-East and India to 42% in the second half of FY16 from 36% in the first half of FY14. The company uses hedging to manage the risk of fluctuating prices of precious metals. So far, it has avoided aggressive expansion.

Its operating margin before depreciation (EBITDA margin) improved to 6.3% from 4.9% in FY13. The management intends to expand it to 7%-7.5% over the next two years. It expects 13%-17% earnings growth for the next two years. In FY16, net profit grew by 19% over the previous fiscal.

The stock has given a return of 100% in the last one year. It trades at a trailing P/E multiple of five and less than four times cash earnings. It is a consistent dividend payer with promoters holding 75% stake.

Financial Performance



HIGHLIGHTS

- **Second** debt-free, listed jeweller after Titan
- **P/E** of 5 and cash P/E of 4
- **Margins** and ROEs improving y-o-y
- **Consistent** dividend payer
- **Promoter** holding at 75%

Stand-out stocks and stand-out companies seldom get noticed in troubled times. ET delves into financial performance of India Inc every week to identify stocks and companies that have bucked the trend to emerge stronger. This week, we present Renaissance Jewellery.