RENAISSANCE GLOBAL LIMITED
(FORMERLY RENAISSANCE JEWELLERY LIMITED)
CIN.: L36911MH1989PLC054498

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November 25, 2019

Bombay Stock Exchange Limited Listing Department Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai – 400 001	**National Stock Exchange of India Ltd.** Exchange Plaza, Plot no. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

Sub.: Transcripts of the Earnings Call

Ref.: Regulation 30 of SEBI (LODR), Regulations, 2015.

Dear Sir

With reference to our letter Ref. No RGL/S&L/2019/153 dated November 11, 2019; please find enclosed herewith the transcripts of earnings call on Q2 & H1FY20 results, held on Wednesday, November 13, 2019.

The aforesaid information is also being uploaded on the website of the Company at http://www.renjewellery.com/investor-relations/investor-relations.asp

You are requested to take the above on record and disseminate to all concerned.

Thanking you,

Yours faithfully,
For **Renaissance Global Limited**

Sd/-

G. M. Walavalkar
VP – Legal & Company Secretary

Encl.: As Above

Renaissance Global Limited
Results Conference Call
November 13, 2019

Moderator: Good morning, Ladies and gentlemen. I am Standford moderator for this conference. Welcome to the Q2 FY20 Results Conference Call of Renaissance Global Limited, organized by Dickenson Seagull IR. At this moment, all participants are on a listen-only mode later; we will conduct a question and answer session. At that time, if you have a question, you may press "*" then "1" on your telephone keypad. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Chinmay Madgulkar. Thank you and over to you, sir.

Chinmay Madgulkar: Good morning, everyone. I welcome you all for the Q2 FY20 Earnings Call for Renaissance Global Limited. We have with us Mr. Sumit Shah – Vice Chairman, Mr. Hitesh Shah – Managing Director, to discuss the overall performance for the quarter ended and half year ended September 2019. Over to you, Mr. Sumit Shah.

Sumit Shah: On behalf of Renaissance Global, I extend a warm welcome to everyone on this earnings conference call to discuss the performance of the Company for the quarter and the half-year ended 30th September 2019. For the benefit of the audience who is joining the call for the first time, I would like to give you a quick overview of the Company followed by a review of the financial performance during the quarter and the half-year. Renaissance Global is a highly differentiated luxury lifestyle products company and is the largest exporter of branded jewelry to many leading global retails around the world. We are known for designing compelling jewelry lines that allow our global retail clients to stand out and thrive in a competitive environment. One of the companies for the past few years is focused on the branded jewelry segment through this licensing arrangement for Enchanted Disney Fine Jewelry and Hallmark Jewelry collections.

As known to most of you, we acquired the US-based company Jay Gems in August 2018, which owns the license for Enchanted Disney Fine Jewelry. Disney's Enchanted is one of the premium brands with Disney Princesses, intellectual property, and has a $3 billion-plus brand. Our other leading brand, Hallmark is also a leading consumer brand with a global reach in more than 100 countries. Going forward, our strategy is to grow our branded jewelry sales in an existing market in the US, UK, and Canada as well as to capture the market share for hallmark and Enchanted Fine Jewelry in new geographies such as China, Middle East, India, Singapore, Malaysia, South Africa, and the Philippines. We have already set up a subsidiary in China to market the Disney franchise.

In addition to our branded play, we also intend to expand our general gold jewelry product segment through further product development and innovation via 3D printing and wedding brands for western markets. The company also launched its inhouse brand Irasva in the Indian market through a joint venture with Bennett Coleman and Company Limited, which has committed over Rs. 350 crores of advertising in exchange for 49% in the joint venture. The Irasva essential line typically starts from 15,000, while the gifting collections start at Rs. 8000. We are happy to announce that customers have shown a positive response to our first Irasva store.

At the store level, the Irasva store broke even in its third month of operations, and the store has been profitable for the last three months. We plan to continue to evaluate the profitability, perfect the model, and possibly look at opening additional stores in the future. With that, I hand over the call to Mr. Hitesh Shah for an evaluation of the financial performance during the quarter and the first half.

Hitesh Shah: Thank you, Sumit. Good morning everyone. Moving towards the financial performance of the Company during the second quarter of FY2020. The company reported a total income of Rs. 563 crores against the Rs. 597 crores during the corresponding quarter of the last financial year. This is degrowth of 6% QoQ. A slowdown in the Dubai gold business due to rising gold prices and divestment of the independent divisions in **Simply** Diamonds of our subsidiary Jay Gems are the main reasons for the revenue degrowth. The gold business declined by 23% during the quarter, while the Sonnet Jewelry business grew by 2%. However, our EBITDA witnessed a robust growth of 24% to Rs. 44 crores during this quarter with an EBITDA margin of 7.8%. Our net profit stood flat at Rs. 21.9 crores.

Continuing with our first-year performance for the current year, our total income grew by 10% YoY to Rs. 1,162 crores in the first half of FY20. Our EBITDA witnessed a robust growth of 34% to Rs. 75 crores with an EBITDA margin of 6.4%. Our net profit for H1 FY20 increased to Rs. 39 crores registering a growth of 15% on a YoY basis. Our net debt to equity levels was elevated on March 19 to 0.92, due to the acquisition of Jay Gems. However, we have been able to bring it down to 0.84 in the half-year ended 30th September 2019. Our goal is to be at a net debt to equity ratio of 0.5. Further, our trailing 12 months return on equities stands at 14.3%, which was at 12.7% for the year ended 31st March 2019. Revenues for the full financial year FY20 are expected to be muted against last financial year due to the exiting of the independent business Simply Diamonds as well as on account of a slowdown in Dubai gold business impacted by the rise in gold prices.

However, as we increase our share in the high margin brand jewelry business, we expect EBITDA to grow in the range of 16% to 20% for the current year. In terms of geographic bifurcation, the US contributed around 60% to our overall revenues during Q2 of FY20, with 25% coming in from the Middle East. In the general products category, studded jewelry contributed 75% to the overall revenue during the quarter with a balance contribution coming in from the gold jewelry segment. Thank you very much for your kind attention now the floor is open for Q&A.

Moderator: Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Hiral Shah, an Individual Investor. Please go ahead.

Hiral Shah: I have a couple of questions we have plans to take Enchanted Disney Fine Jewellery to China; what is the update on the same, and how is the response for the product in the near geographies?

Sumit Shah: The current status for Enchanted Disney Fine Jewelry expansion into China is unchanged from the last quarter. We are in the process of finalising our negotiations with one large retailer there. The negotiations have not been concluded and are going slow partially because of the trade dispute between the US and China. Currently, we fully expect the contract to be signed in the current quarter and plan to start operations in the calendar year 2020. The response of Enchanted in geographies besides the US is mainly in Canada and in the UK, where the brand is doing exceedingly well. We are in the process of expanding Enchanted Disney Fine Jewelry in India as well and have plans to test in a couple of stores in India in the first quarter of FY20. So current action sales results are only in the US, UK, and Canada; we expect to have higher numbers on International expansion in the calendar year 2020.

Hiral Shah: I have a couple of more questions, are we looking to add any new products under the Disney brand or will continue to sell the existing ones only?

Sumit Shah: There is a constant process of adding new products to the license in addition to the Disney Fine Jewelry license. We also have the license for Star Wars and a new license for Disney treasures, which are the classic Disney characters. So, these new products are getting added and are expected to be rolled out in FY20.

Hiral Shah: We have ventured into the Indian retail market with the launch of a brand Irasva, so how is the progress so far?

Sumit Shah: As I mentioned in my prepared remarks, you know we opened one store, the store has been opened for about five months now. In the third month of operations, the store broke even at the store level and has been either at breakeven or profitable for the last three months continuously. We plan to evaluate the performance of the store until the end of the year and then make a further decision on the expansion of the brands.

Hiral Shah: Do we have a split of you know Disney brand, non-Disney brand sales something like that?

Sumit Shah: Currently, our license brands contribute 20% to our diamond jewelry sales.

Moderator: Thank you. The next question is from the line of Ninad Sabnis from Sabnis Financials. Please go ahead.

Ninad Sabnis: Concerning the Jay Gems business, we have exited simply a segment of that business, so I want to know what led to that decision and impact going forward?

Sumit Shah: Simply Diamonds was the division of Jay Gems that was distributing jewelry to independent mom and pop retailer as well as small jewelry chains with 10 stores or less. The annual revenue from the segment was around $12 million. It was not contributing anything to the profitability since there was much strategic focus for our Company after an evaluation of that business, we found a buyer for the business and were able to exit the market this year. Our Company traditionally has always been focused on distribution to retailers with 50 stores or higher because that is how our sales organisation is set up. In light of most of these factors, and because it was not a very meaningful part of our revenue, we decided to exit the business.

Ninad Sabnis: If it was contributing $12 million, how much EBITDA we will be making on that business?

Sumit Shah: It was close to breakeven.

Ninad Sabnis: The exit was favourable? Will there be any write down on that?

Sumit Shah: There were no write down from the sale. So, we were able to recover our costs of the book value of cost for the assets that were hived off. It was mostly a sale of receivables and inventory, and we were able to recover the cost for those assets. So, there would be no adverse write-downs due to the divestment of this business.

Ninad Sabnis: We had guided for close to 20% EBITDA in FY20, and what is the margin we are generating for the first half?

Sumit Shah: Half-year EBITDA growth is 34%.

Ninad Sabnis: No, on the margin front?

Sumit Shah: We are at about 6.5% margin for half-year EBITDA margin.

Ninad Sabnis: But then how will we reach 20% by the end of the year and sustain it?

Sumit Shah: We guided for 20% growth in margin, not 20% EBITDA margin; there seems to some confusion there.

Ninad Sabnis: So, by FY20, we are guiding what EBITDA margin then?

Sumit Shah: For the current year, we should be similar to a 6.5% to 7.5% kind of EBITDA margin with a 15% to 20% growth in the EBITDA profit.

Ninad Sabnis: And the last question from my side would be on the gold business, revenues have declined close to 20% from last year, and I guess a majority of this impact will be coming from the UAE or Dubai market so if this is the reason and going forward do you expect a recovery?

Sumit Shah: In Q2, we saw a very sudden and significant spike in prices of gold and due to which customers held back on purchases. We see some amount of moderations in the rate of decline; however, in the current quarter also we see a YoY drop significantly lower than the fall that we saw in Q2, but we expect the business to start stabilizing from Q4 onwards. What is required for this business is stability in gold prices. Whenever there is significant volatility, we see customers holding back on purchases and waiting to make decisions. As we see stability whether there is a correction or not, if there is stability in gold prices, the business should bottom out and start picking up again, but in the current quarter we still see some negative YoY declines, but they are lower than the rate that we have seen in Q2.

Moderator: Thank you. The next question is from the line of Siddharth Oberoi from Prudent Equity. Please go ahead.

Siddharth Oberoi: Can you specify where the growth will come from, going forward, assuming the gold prices stay at elevated levels studded jewellery growth is muted, so where are you expecting a push in sales?

Sumit Shah: The increase in sales is happening from the launch of new brands. So, in the current quarter Q3, we have just placed Hallmark in the largest retailer in North America. Hallmark was in about 800 doors and now will be in about 2,000 or 2,500 doors. So, we expect to see significant growth coming from Hallmark being ruled out to a new retailer. In addition to that, we are testing a new brand called Disney Jewels at Walmart in 300 stores. This test has so far been very successful. That test is also happening currently in Q3. We expect Disney Jewels to contribute meaningfully to revenue in the next year. Also, there are plans to test the existing brand with one major department store in early 2020. So, we are seeing significant traction between Enchanted and Hallmark and the new brand Disney Jewels with major retailers. So, we expect the US organics sales to be relatively strong on the branded side, and as we have mentioned earlier, branded margins are 4% to 5% higher than margins on the generic side. Internationally, the progress is a little bit slower than what we would have liked, but we are still hopeful that our international expansion strategy in 2020 will lead to growth. Having said that, what you have mentioned is correct with gold prices being elevated, we expect the Dubai gold business to be under pressure because of which in the current year, revenue growth will be muted. However, profitability will be relatively healthy and that we will be able to share more updates in Q4 of the current financial year in terms of how all of the new tests have done and some of the new roll outs have done and be able to share more guidance towards revenue growth expectations for FY21.

Siddharth Oberoi: The revenue is higher in Q3 because of the Christmas sales, so what is the trend going forward? You must be already having these Christmas bookings, which would have started, so how is the retail market in the US looking?

Sumit Shah: So that across the board, we look very closely at numbers that our retailers report to us on a month on month basis. We are seeing that the US consumer is extremely healthy, and we are hearing from our customers that they have seen positive same-store sales growth from most of our retail customers. So, we expect that the US side of the business will continue to remain healthy through the holiday season, and you know the Christmas shopping season should be relatively good. However, on the other side of the business, as we mentioned, we see some difficulties in the Middle East. So, I would say that positive sales momentum is expected in the US, with the consumer being strong. However, we do expect the negative sales trend in the Middle East business to continue for at least one more quarter.

Siddharth Oberoi: So, is it possible that these new 2,000 more doors total that you have gone through in the second half in the US, can this somewhat cover-up for this low growth in the Dubai sales, Dubai markets?

Sumit Shah: We expect that growth in the US should offset the decline observed in the Middle East business. However, the Middle East business was a segment that contributed 25% to 30% to sales. So, even if we see healthy growth in the US, x of this 80 crores divestment that we have done. So, you have got to understand that there is in terms of revenue about Rs. 80 crores of annualised business, which gets discontinued, going forward. So, on the organic side, we do expect to see healthy growth. The top line at a macro level will look muted. It probably still will grow single growth. Our profits will definitely grow double digits, but we do expect revenue growth to remain muted because of Dubai as well as us exiting the independent “Simply” diamond business in the last quarter.

Siddharth Oberoi: Also, EBIT for this is about 7.7%, but this is probably the highest you ever reported. Is this sustainable?

Sumit Shah: We feel it is a function of the business mix as well as the branded business, becoming a more significant part of the Company. So, it is an obvious subject to the business mix, but our goal would be to sustain the EBITDA margin to around 7%.

Siddharth Oberoi: For the whole year?

Sumit Shah: Yes.

Siddharth Oberoi: Also, to one of the queries you just answered regarding the store in Bombay you said that you would actually look at the performance year-end and then make a call whether you want to expand further or not so those 25 store opening is in doubt or are you actually going ahead with that?

Sumit Shah: The plan always was to do the 25 stores, but to take a cautious approach towards the expansion, once the model has been proven and is successful. So, the idea is still to do it. It is just the timing of it is something that we want to keep slightly flexible depending on when we get the product mix right. So, we still feel that after the product mix has been set, there are some wide spaces in terms of the assortment because of which currently we are at Rs. 30,000 sales per square feet. We would like the sales per square feet to be in the Rs. 45,000 to Rs. 50,000 is of sales per square foot before we decide to invest in new stores and expand. So, the plan is still in place, but we want to keep the expansion plan subject to when we feel confident that we have perfected the model with all the wide spaces that we want to cover having been covered in a store.

Siddharth Oberoi: Also, in the last concall, you had said that there are some write off of Jay Gems that are pending of the inventory, so has all of this has been written off or is it something more to come on the books?

Sumit Shah: I would say that a large part of the inventory reduction that we want to do for Jay Gems should be finished by December of this year and I would say that 80% to 85% of the write off has already been accounted for and are in the books. The last leg should be done in this quarter, and I would say that from Q4 of this year, we should be on a relatively clean footing in terms of inventory write off that had to be taken due to the acquisition.

Siddharth Oberoi: Okay, how big is this write off approximately?

Sumit Shah: The write off would be so far in the $3 to $4 million range.

Siddharth Oberoi: For last year, you are saying?

Sumit Shah: I think we have just left with one year of the acquisition, so I would say that in the past 12 months, we would have written off between $3 and $4 million due to a reduction in excess inventory of Jay Gems?

Siddharth Oberoi: So, another 15% of that is pending?

Sumit Shah: I would say yes. I would say 10% to 15%, so another $400,000, $600,000 is pending of the 4 million, and we would have taken maybe $3 to $3.4 million already and the balance $600,000 would be pending to be taken in this quarter as we are selling through the merchandise that we have in excess.

Moderator: Thank you. The next question is from the line of Siddharth Oberoi from Prudent Equity. Please go ahead.

Siddharth Oberoi: So, I have this question on the depreciation. You know depreciation for the quarter is actually, it is up 70% Q-on-Q, why is that?

Sumit Shah: This is something I will have to just back to you on. I am not 100% sure of the depreciation.

Hitesh Shah: It is mainly on account of the amortisation of specific intangible create with a Jay Gems acquisitions since Q3 of last year, I mean depreciation is on a higher side based on that.

Siddharth Oberoi: So, is this the write off that you are talking about?

Hitesh Shah: So, it an amortisation of the intangible created due to acquisition. It is probably a four year write off period for the intangible, and therefore, depreciation will remain elevated for the next four years.

Siddharth Oberoi: So, you started to amortise it from this quarter, onwards?

Hitesh Shah: From Q3 of last year, so it is an utmost acquisition.

Siddharth Oberoi: It is still increasing Q-on-Q.

Hitesh Shah: Yes.

Moderator: Thank you.

Sumit Shah: We can end the call right since there are no more questions.

Moderator: Yes, sir, we do not have anybody in the queue.

Sumit Shah: Thank you, everyone, for joining us on the call today and look forward to seeing you guys on the next earnings conference call.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Renaissance Global Limited that concludes this conference. Thank you for joining us, and you may now disconnect your lines.