



RENAISSANCE GLOBAL LIMITED

(FORMERLY RENAISSANCE JEWELLERY LIMITED)

CIN.: L36911MH1989PLC054498

REGD. OFFICE / UNIT I : PLOT NO. 36A & 37, SEEPZ, ANDHERI (E), MUMBAI 400 096.
TEL. : 022-4055 1200 | FAX : 022-2829 2146 | WEB: www.renaissanceglobal.com

Ref. No.: RGL/S&L/2021/13

February 22, 2021

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/2021/6 dated February 11, 2021; please find enclosed herewith the transcripts of earnings Conference call on Q3 FY 2021 results of the Company, held on Monday, February 15, 2021.

The aforesaid information is also being uploaded on the website of the Company at www.renaissanceglobal.com

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

Thanking you,

Yours faithfully,

For **Renaissance Global Limited**

G. M. Walavalkar
VP – Legal & Company Secretary

Encl.: As Above



Renaissance Global Limited

(Formerly Renaissance Jewellery Limited)

**“Renaissance Global Limited
Q3 FY2021 Earnings Conference Call”**

February 15, 2021



Renaissance Global Limited

(Formerly Renaissance Jewellery Limited)

DICKENSON





Renaissance Global Limited

(Formerly Renaissance Jewellery Limited)

Renaissance Global Limited

February 15, 2021

ANALYST: **MR AKASH MEHTA - DICKENSON INTELLINETICS
PRIVATE LIMITED**

MANAGEMENT: **MR. SUMIT SHAH - VICE CHAIRMAN – RENAISSANCE
GLOBAL LIMITED**
**MR. HITESH SHAH - MANAGING DIRECTOR -
RENAISSANCE GLOBAL LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to the Renaissance Global Limited Q3 FY2021 Earnings Conference Call. 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 the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Akash Mehta from Dickenson IR. Thank you and over to you Sir!

Akash Mehta: Good afternoon everyone. I welcome you all to the Q3 and 9 months FY2021 earnings call of Renaissance Global Limited. We have with us Mr. Sumit Shah, Vice Chairman and Mr. Hitesh Shah, Managing Director. The discussion today may include some forward-looking statements and must be reviewed or considered in conjunction with the risks in the industry in general and our business in particular. Now, I hand over the call to Mr. Sumit Shah. Over to you Sir!

Sumit Shah: Good afternoon everyone. On behalf of Renaissance Global, I extend a warm welcome to everyone on this earnings conference call to discuss our performance during the quarter. I would like to give a quick overview of the company followed by review of the financial performance during the quarter and the nine months ended December 31, 2020. After this we will take questions from participants. Our strategy is to grow our business through licensed brands and own brands globally. In Q3 FY2021 branded and licensed brands revenues contributed 23% of our total studded jewelry revenues. Our strategy is to continue to grow our share of this business.

The company is focused on branded jewelry through our exclusive licensing arrangements for Enchanted Disney Fine Jewelry, Disney Treasures Fine Jewelry, Star Wars, Hallmark and our own brands, ‘Made for You’ Lab Grown Diamonds, Jewelili and IRASVA. The much-anticipated launch of Enchanted Disney Fine Jewelry in Mainland China through the deal with Lao Feng Xiang the second largest retailer in China has been finalized. We expect to ship our first order in Q1 FY22. We are also excited about the growth of our direct-to-consumer business. We launched the direct-to-consumer business through our online website exactly a year ago.

Our direct-to-consumer business through the newly launched website has shown robust growth during the quarter. In Q3, the direct-to-consumer revenues were at 27 Crores with an EBITDA margin of 16%. Based on our estimates of the quarters contribution to annual sales we are at an annual revenue run rate of 70 Crores for the year. We expect the direct-to-consumer business margins to improve going forward to the 20% to 22% range. During Q3 FY21, we launched Star Wars Fine Jewelry direct to consumer website for customers. We are highly encouraged by the consumer response. Based on January, February month to date sales data, the direct-to-consumer business is now trending at an annual run rate of greater than 100 Crores.



Our direct-to-consumer plans also include launch of website for Disney jewels and Hallmark. The D2C business is a high gross margin business with margins between 55% and 60%. In summary, we had a quarter where sales de-grew, but we feel that the normalization of the sales process has now happened, and we expect FY22 to be a normalize year. I would like to turn the call over to Mr. Hitesh Shah for a discussion of our financial performance.

Hitesh Shah:

Thank you Sumit. Good afternoon everyone. The company during the third quarter of FY2021, reported a total income of Rs.741 Crores against Rs.895 Crores during the corresponding quarter of the last financial year, a decline of 17% year-over-year. Our Q3 FY21 EBITDA is at Rs.48 Crores while our net income stands at Rs.26 Crores. For the nine months ended December 2020, our total income is down 29% at Rs.1463 Crores versus Rs.2056 Crores last year; however, our gross margins have improved 40 bps. Our 9-months FY21 EBITDA stands at Rs.81 Crores versus nine months FY20 EBITDA of Rs.145 Crores, a decline of 44%.

Our net income before discontinued operation for nine months stands at Rs.30 Crores against Rs.83 Crores in the same period last year. We expect revenue growth for Q4 of FY21 to be in the range of 0 to minus 10% as compared to Q4 FY20; however, we expect net income to increase meaningfully in Q4 FY21 as compared to the same quarter last year due to contribution from licensed brands as well as direct to consumer business. Further we expect net income and earnings per share to grow in double digits in FY22 as compared to FY20 implying normalization of business.

The company has managed to lower its net debt to equity levels to 0.36 in December 2020, against 0.51 in December 2019. Further company's trading 12 months return on equity stands at 5.1%, which was at 13.5% for the year ended March 2020. Our long-term goal is return on equity greater than 15%. In terms of geographical bifurcation, USA contributed around 67% to our overall revenues during Q3 of FY21 with 25% coming in from the Middle East. For the nine months ended December 2020, the breakup was US 63% and Middle East 24%.

In terms of product category studded jewelry contributed 79% to the overall revenue during the quarter with the balance coming from the plain gold jewelry segment. For the nine months period studded jewelry contributed 81% to the overall revenues. Thank you very much for your kind attention. Now the floor is open for Q&A.

Moderator:

Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Shruti Sharma an Individual Investor. Please go ahead.

Shruti Sharma:

Good afternoon, Sir. Thank you for taking my question. Sir, I just wanted to understand the broader view on the market perspective like how is the market looking and are we seeing the demand coming



back in the market or how the Deepavali season has been for us, was it a pent-up demand or the normal demand we are seeing, which has come up in the market again?

Sumit Shah: I will take that question. What we are seeing in the US, which is our largest geography is some normalization of demand, I think that during Q3, we saw gradually sales recovered back to pre-pandemic levels and there is still some decrease due to offline stores not being at full capacity, so I would say that there is normalization probably in Q4 as per our guidance we should be between 0% and minus 10%. We do not have too much exposure to India because we have only three stores currently operating, so we would not be in a very good position to give an outlook on demand scenario in India, but globally we are seeing normalization and you know due to the vaccine roll out we are quite optimistic that things should normalize to pre-pandemic levels in FY22.

Shruti Sharma: How is the online business shaping up, what kind of revenue targets do we have for FY22 and FY23 from this particular segment?

Sumit Shah: So, there are significant tailwinds to the online business, we have seen during the nine months that we have operated the business that revenues have grown meaningfully. We launched our business only in February of last year and business has grown from an annual run rate of 25 Crores in the first quarter that we started to 70 Crores annual run rate and that has further improved in the current quarter since we have data for January and about 13 days in February. Currently, the run rate is well over 100 Crores, so I think having started the business about a year ago we are very encouraged by the progress of the direct-to-consumer business especially the impact that it has on our blended operating margins.

Shruti Sharma: Sir, I just wanted to understand one more thing on this, is this business here to stay and do you think the customer, which are coming out are sticky customer or once the things normalize, they will again move back to our brick and motor model?

Sumit Shah: So, our anticipation obviously is that a lot of consumer habits will change, the tailwinds that we have to the business may normalize. We may not see this kind of exponential growth once things open, but I think that a lot of customer behavior that has changed, our anticipation is likely remain going forward, but again it is something that needs to be seen and we will have to see how it plays out.

Shruti Sharma: Sir, things is that we might see some shift in the business model going forward, is we see that this direct customer is getting, the sales through this channel is higher than our brick and motor, so we would want to curtail that how things are going to move further?

Sumit Shah: So, I think as a company we are extremely focused on growing both the wholesale as well as a direct-to-consumer part of the licensed brands because that is where the company makes higher margins. Currently, we are operating four websites and the plan is that there are two other licence websites that



are to be launched during this calendar year. We have Hallmark diamonds as well as Disney Jewels, so we anticipate robust growth in this segment during FY22.

Shruti Sharma: Sir, on the China front, I think we had signed the agreement with the LFX, so what kind of revenue targets are we anticipating from this particular chain?

Sumit Shah: I think we are launching our test, which is for the 150 stores in Q1 of FY22, I think once the test is successful only then we will be able to give guidance on what kind of revenues we are anticipating because at this moment it is a test with 150 stores, I think we will in a better position at the end of Q1 FY22 to be able to give some guidance on what kind of revenues we expect from China.

Shruti Sharma: On the India business, we hover in brick and mortar with three stores, which we have, how they are performing and in FY22, as you earlier mentioned that we have plans to open new stores, so do we have plan to open any other store in any newer geography in FY22, are we going to stick to that or we might see some delay in the opening of our stores?

Sumit Shah: Currently, we are evaluating the demand since the stores actually, the new stores have only opened three months, currently the two new stores that we have opened are slightly below break-even levels, so we would expect to see some normalization in sales going forward after which we will finalize plans for expansion, so as of right now there are no further plans of expansion till we see the three stores normalize and contribute at a unit economics level.

Shruti Sharma: When do you think that the break-even can be achieved in these three stores, which are newly opened and estimation if you can give?

Sumit Shah: We would be able to give an update in the first quarter, I think it is a little early to say.

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

Siddharth Oberoi: This is regarding the online sales, so did you say it was like 70 Crores for the year and now 100 Crores?

Sumit Shah: For the year the actual sales achieved were 5.7 Crores in quarter one, 8.9 Crores in quarter two and 27.5 Crores in quarter three, so I think it is about 40 Crores for the current year, what we try to do is so as to help you understand what the seasonality in the business is, what we are saying is that quarter one usually based on the revenue run rate was 24 Crores annual business, it was 45 Crores annual business in Q2 and it was 70 Crores annual business based on normalized contribution of Q3 to annual sales, so usually Q3 is 38% of annual sales when we take retail, so even though we did 27



Crores it does not imply that it is a 100 Crores run rate business based on Q3, so we try to put that into the presentation that what is the annual run rate is likely to be based on quarter three.

Siddharth Oberoi: But percentage wise I think it is very less compared to your overall revenue?

Sumit Shah: It is, so I think at 100 Crores run rate, which we see in January and February, it will contribute between 20 and 22 Crores to the operating margin, which on a margin basis is relatively significant to our overall business, which is why we thought to highlight it. In terms of revenue share you are right, it is about 4% of our annual revenue, but it would be much higher percentage of operating profit because, the margins are 3x to 4x of our other businesses.

Siddharth Oberoi: And what is the quarterly growth or annual growth run rates that the online is witnessing?

Sumit Shah: So, as I mentioned, in first quarter of this financial year it was 24 Crores run rate business, it was 45 Crores run rate business in quarter two and it was 70 Crores run rate business in quarter three, currently January and February what we know month to date is currently trending at 100 Crores plus run rate and we plan to launch two more websites in the current year, so those numbers are not in the current numbers and would add to revenue, so at the current revenue run rate we are seeing an annualized 100 Crores business with the 20% to 22% operating margin on the direct to consumer side.

Siddharth Oberoi: Alright and this is regarding the China tie-up, so you said that initially give a sample and then this will probably scale up, so every setup of a timeline where you know probably in Q1 you will try this and then based on the demand they will give you orders or is it some set quantity?

Sumit Shah: Yes, we have some set parameters in terms of what is the definition of success, so sell through percentages in their stores, so I think the test is about 4 months, at the end of 4 months we will review the sales numbers and if the sales numbers are satisfactory then it goes to all roll out, so yes, I think I would say that 4 to 5 months from launch, which is expected to be in late April or May is when we will have a clear indication if this is moving forward and what is the size of the business will be for year one.

Siddharth Oberoi: Initially it is 150 stores and eventually what would be the number of stores?

Sumit Shah: Again, those things will have to be discussed based on the success of the brand, I mean they have from what I understand 3000 to 4000 stores we will have to see how many stores it goes into depending on how well it does.

Siddharth Oberoi: And all of the stores are running right now even after the pandemic?



- Sumit Shah:** Yes, they are.
- Siddharth Oberoi:** Alright and also you have actually setup a ROE of 15% for the long-term, so is there a time limit let us say you want to achieve this in 3 year, initially you had given that I think because of the pandemic if may have got postpone?
- Sumit Shah:** Our expectation would be that in FY22, we should be able to hit that target.
- Siddharth Oberoi:** Alright, that is great. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Mihir Desai from Desai Investments. Please go ahead.
- Mihir Desai:** Sir, my first question would be on the cash flow, which we are generating, so looking at the cash flow generation we are positive cash and as you said you are not planning to do any bricks and motor expansion very aggressively, so how should we look at this cash flow like 2 to 3 years down the line?
- Sumit Shah:** So, I would say that lot of the cash requirement for our business is for working capital needs, so as cash flow generation does happen we are likely to for the current year consider a dividend policy as well, we do realize that when we made the acquisition, for a couple of years we did have negative cash flows, but since the business is now generating cash flow we would like consider a dividend policy for the current financial year as well as going forward.
- Mihir Desai:** That is great, Sir. You are thinking about the investors and followup on this, basically when we are generating the cash flow, do you see that our working capital requirements would reduce from now, the question I am asking this because then we can see your sharp improvement in our ROEs?
- Sumit Shah:** I think that, that would depend on the business mix and what is the contribution of the online business is to our overall business because the working capital needs of the direct to consumer business are far lower than our wholesale distribution, I think if that business becomes a meaningful part of our overall business, the working capital days cycle may improve because on the wholesale side I think we have controlled inventories to a level, I do not think the working capital cycle can improve further, I think we will see improvement to the numbers as our operating margin increase due to increased contribution from the licensed brands wholesale distribution as well as the direct to consumer business because those businesses we are in a better position to negotiate lesser working capital cycle with our retailers and on the direct to consume obviously there is no receivable days because money is collected upfront.



- Mihir Desai:** Sir, do you want to throw any number on e-commerce or online business FY22-FY23 like percentage of revenue or something?
- Sumit Shah:** I think that we would be able to give you a lot more clarity in the next quarter because I think we would have seen the launch of Hallmark as well I think that currently because of the tailwinds of COVID growth has been extremely strong I think that as we move forward and launch new websites, we would be able to give some guidance for FY22, but as you see right now it has grown from almost zero, I mean last year February, we probably did less than 50 lakhs in sales to now 70 Crores and in January 100 Crores run rate business, so it has been extremely strong the growth and we should be able to give you some guidance for the e-commerce business after the annual numbers.
- Mihir Desai:** That sounds great and one on the accounting question, which I had, like if you see this quarter our advertisement expenses if I compare to Y-o-Y, Q3 FY20, it has increased, so can you please throw some light?
- Sumit Shah:** I think that we did not have any e-commerce business in Q3 of last year, this is a sort of expense made towards the advertising the reason we saw broke it up in the numbers we used to show that we are spending as a percentage of revenue a significant portion towards growing our direct-to-consumer business.
- Mihir Desai:** So, going forward this would be the run rate of our advertisement expenses, is that what we can consider?
- Sumit Shah:** Yes, I think we will try to maintain 25% to 30% of the direct-to-consumer revenues as an advertising expenses, so we expect those numbers to growth as the e-commerce business grows.
- Mihir Desai:** So, it would be with tandem with the growth in e-commerce?
- Sumit Shah:** That is right.
- Mihir Desai:** Understand, so the EBITDA margins would be maintained at this level, right?
- Sumit Shah:** That is right, so EBITDA margins on the direct-to-consumer business were about 16%, our expectation is going forward we should be in the 20% to 22% range for the e-commerce business.
- Mihir Desai:** That is a great margin, which you can achieve and just my last question on macro, how do you see the demand growing up, demand is there?
- Sumit Shah:** What we have seen is there is some normalization we are not back to a 100% yet, so I would say that we are 90% to 100% of pre-pandemic levels currently, I think that we are quite encouraged by the roll



out of the vaccine in the US, which is our primary market as well as in Europe, hopefully during FY22, we should see return back to normalcy and then plan growth growing forward.

Mihir Desai: Sure, if I have more questions, I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Shruti Sharma who is an Individual Investor. Please go ahead.

Shruti Sharma: I had just one question on the Lab Grown Diamond business, if you could give some colour what is the market size of this particular segment and what is the competitive intensity we are currently seeing in this?

Sumit Shah: The current estimates for the Lab Grown Diamond industry would be, I would say single digit percentages of the overall diamond business, I have not seen any authoritative industry data on specifically what is the size of market is, but most estimates are in single digit percentages, I think it is really in its intensity and in sort of a growth phase, but it is early day yet definitely single digit percentages of the overall business.

Shruti Sharma: Sir, who are all the players in this particular segment currently?

Sumit Shah: So, there is a quite a lot of players in the US, I would say Brilliant is one of companies that participates in this segment like that there are multiple, Light Box is one of the company, which is own by Anglo-American that is also in the lab grown diamond segment, so there is a few I think that none of them are at a significant scale, but I would say there is about 8 or 10 competitors who are focused on the lab grown diamond in the US.

Shruti Sharma: Sir, just wanted to understand what kind of revenue contribution is on this lab grown business segment in our business currently?

Sumit Shah: Sub 5%.

Shruti Sharma: And are there any plans to scale it up and do we have any target for near term like next 2 to 3 years?

Sumit Shah: I think we will have to see how the consumer response to it, I think so far we are not seeing any indication that in the next 2 to 3 years it will become a meaningful part of our business, I think it just depends on consumer acceptance, I think we have to keep a ear to the ground to see what is happening and whether consumers are responding well to the lab grown diamond business, if they are then I think we will always looking at ways to grow the business, but we do not see any indication yet, that has become a meaningful part of the business in the next 2 or 3 years.



- Moderator:** Thank you. The next question is from the line of Chirag Vakharia from Budhrani Finance. Please go ahead.
- Chirag Vakharia:** What I want to understand in this online business what is your strategy would you sell it from your own website or will you even take sell it through websites like Amazon and all and what is the working capital cycle in this segment?
- Sumit Shah:** Currently, I would say about 90% of the sales of our e-commerce division or on our own websites, about 10% as a third party vendor on Amazon and other platforms like that, but our strategy is definitely going to be try and sell on our own websites because there is a lot more compelling story telling. We have strong brands through Enchanted Disney Fine Jewelry, Star Wars and two new ones that we plan to sell and you know the story telling of the princesses and the entire Start Wars team is a lot more compelling on our own website and we are seeing a lot more success on our own websites. The working capital cycle, I would say is about 4 months of inventory would be required at a cost-to-cost level if you compare it to sales it is really under 60 days because there is high gross margins, so if I look at it from unit terms it would be 4 months of sales, but relative to value of sales it would be about half of that because of the gross margin, there is really no receivables because we receive the money upfront and then the product is sold so working capital cycle is relatively efficient for direct to consumer side.
- Chirag Vakharia:** Sir, on the margin side how it would be from your own website and from Amazon?
- Sumit Shah:** So, Amazon usually charges between 15% and 25% commission on sales, so that would be the incremental margin that we would have on our own websites.
- Moderator:** Thank you. Mr. Sumit Shah, there are no further questions.
- Sumit Shah:** Thank you everyone for joining us on the Q3 FY21 Earnings Call. We look forward to talking to you again next quarter. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Renaissance Global Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.