



RENAISSANCE GLOBAL LTD.

(FORMERLY RENAISSANCE JEWELLERY LTD.)

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/2019/123

August 20, 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/2019/116 dated August 9, 2019; please find enclosed herewith the transcripts of earnings call on Q1 of FY 2020 results, held on Wednesday, August 14, 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 Jewellery Ltd.**

Sd/-

G. M. Walavalkar
VP – Legal & Company Secretary

Encl.: As Above

Renaissance Global Limited
Q1 FY20 Earnings Conference Call
August 14, 2019

Moderator: Ladies and gentlemen, good day and welcome to Renaissance Global Limited Q1 FY20 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, 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. Aakash Mehta. Thank you and over to you Aakash.

Aakash Mehta: Good morning everyone. I welcome you all for the Q1 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 June 2019. Over to you Mr. Sumit Shah.

Sumit Shah: Good morning everyone and a warm welcome to our earnings conference call. To begin with a brief introduction on the company, Renaissance Global is a highly differentiated luxury lifestyle products company. We are the largest manufacturer of license brands, distributing our products to leading global retailers. Company is focused primarily on two licensed brands enchanted Disney Fine Jewellery and Heart of Hallmark. We have the exclusive license for Enchanted Disney Fine Jewellery in the US, UK and Canada and have plans to expand distribution to China, India, Middle East and certain other East Asian Countries.

As you must be aware we acquired US based Jay Gems in August 2018 for 25.6 million and they own the license for Enchanted Disney Fine Jewellery. Jay Gems has been in existence for 25 years and focused on diamond jewellery and generated revenue of 80 million in 2017 prior to our acquisition. The integration of Jay Gems into our company is successfully completed and we are seeing robust growth in our Enchanted Fine Jewellery business. Consistent with our strategy to evolve our business model to one where the majority of our sales comes through our own brands or licensed brands, we are in discussions for acquiring licenses in other geographies. We will complete this evolution to licensed brands over the next 3 years and during this transition phase we expect to improve margins and return on equity. We also opened our first IRASVA store in May 2019 in Mumbai through a joint venture with Bennett, Coleman & Co. which has committed 350 crores of advertising in exchange for 49% in the JV. The IRASVA essentials line starts at Rs. 15,000 while the gifting collection is priced Rs. 8000 upwards. I will now handover the call to Mr. Hitesh Shah to go over the financials.

Hitesh Shah: Good morning everyone. Now talking about the financial performance of the company during the first quarter, our sales increased from Rs. 460 crores to Rs. 598 crores, a growth of 30% on a year-on-year basis. EBITDA grew by 52% to Rs. 32 crores from Rs. 25 crores in Q1 FY19 and the net profit grew by 42% from Rs. 12 crores in Q1 FY19 to Rs. 17 crores in Q1 FY20. Our net debt to equity levels were elevated as on March 19 to 0.92 due to the recent acquisition of Jay Gems. However we have been able to bring it down to 0.74 in this quarter. Our goal is to achieve a net debt to equity ratio of 0.5. Further our trailing 12 months return on equity stands at 14.3% which was at 12.7% for the year ended March 19.

Coming to country wide share, the US has delivered 55% to the overall revenues in Q1 and for FY19 it was 57%. Middle East has contributed 39% for the current quarter whereas it was 35% for the same quarter last year.

Coming to category wise sales. Studded Jewellery has contributed 67% to the overall revenue in the current quarter. The balance revenues are from the Plain Gold Jewellery segment.

Thank you for very much for your kind attention. Now the floor is open for Q&A.

Moderator: Thank you very much sir. We will now begin the question and answer session. We have our first question from Ajay Shukla, an Individual Investor. Please go ahead.

Ajay Shukla: Sir when is this, the news that came out sometimes back that Gems and Jewellery exports from India are reducing. I think they are down 6%-8% for the quarter. So do you think this has an impact on the company?

Sumit Shah: Yes, hi. Good morning. So you know I think that the Gems and Jewellery sector overall has components of polish cut and polish diamonds as well as Jewellery and I think that there are some markets which are facing difficulty but I think that cut and polished diamonds have been impacted to a greater extent as compared to finished Jewellery and you know our primary focus being western markets which have been less affected. The Chinese market is definitely seeing a slowdown in demand. We currently don't have exposure to China. So given the geographic mix of our company and the fact that we are only in the studded Jewellery and the gold Jewellery space, we haven't seen too much of an impact on our business.

Ajay Shukla: Okay. But you said that you don't have any exposure to China, but last time you had said that in Enchanted Disney Range you were introducing in China. So what is the status of that?

Sumit Shah: So we are currently in discussions with a major retailer to launch it in China. The contracts are still under negotiation and we expect to commence operations in the next 2 quarters or so. But as of right now the contracts are still under negotiation.

Ajay Shukla: Okay. And last time you had said that there is some inventory write off from Jay Gems that is expected. So is that over or more has to come in?

Sumit Shah: So, you know ,a large part of the inventory write offs happened in the last financial year and in the first financial year. So I would say that we are 75% or 80% of the way through already with a lot of the inventory reductions as well as the inventory write offs. We do believe that over the next couple of quarters the balance should be completed. So we expect to enter Q4 of this year with a relatively clean inventory position.

Ajay Shukla: So with that what is the sales guidance now for the year and margin guidance?

Sumit Shah: So I think we have maintained that we should be able to grow 25% to 30% in the current year in terms of revenue and bottom line. So we are sticking to that guidance.

Ajay Shukla: So 20%-25% of last year?

Sumit Shah: Yes.

Ajay Shukla: So that comes to about 3000 plus crores this year.

Sumit Shah: Yes.

Ajay Shukla: And what about the EBIT margins?

Sumit Shah: So we expect them to gradually improve. Can't really comment on the specific EBIT margins for the year. But as we move our share to the licensed brand in the branded Jewellery space, we expect the EBITDA margins to go up gradually over the next 2 years.

Ajay Shukla: Okay, but would you be able to maintain this like 5%-6% EBIT margin that you are already delivering?

Sumit Shah: Yes.

Moderator: Thank you. We have our next question from the line of Saddam Hussein from Noor Capital. Please go ahead.

Saddam Hussein: I am just curious as to our recent venture on the retail side IRASVA was launched in the Q4 of last year I guess. So just want to know the progress as to how many stores have been opened and what is the line up in the next two quarters or for the FY20?

Sumit Shah: So we opened the store actually in May of the current year. So it's been about two months since the store has been opened. As of right now we are happy with the progress of the store and how it has been doing. We currently don't have any specific plans for store expansion.

We are waiting for the store to reach a profitable contribution margin at store level before we make any decisions to expand on the retail venture. So currently there is one store in operations in South Bombay at Hughes Road which is an approximately 2500 square foot store. Once a store reaches a profitable contribution, we will look at our expansion strategy. But as of right now no specific expansion plans are in place.

Saddam Hussein: Okay. Thanks. So just one more question. Sir, I noticed on the investor presentation that our working capital days have declined and now are hovering at 128 days' range. So can we sustain this going forward or reduce this further?

Sumit Shah: So you know there is some amount of seasonality in the inventory numbers and you know what we do expect is that in Q2 and Q3 the working capital days may become elevated but we expect to get back to our historical working capital days over a sustainable period of time.

Moderator: Thank you. We have the next question from the line of Hiren Shan, an Individual Investor. Please go ahead.

Hiren Shah: Just wanted to ask what are the margins on the licensed brand products, especially the Enchanted Disney Products?

Sumit Shah: So I think we have maintained that the margins are higher than what they are on generic product. Specific margin guidance were not giving for the licensed product separately for competitive reasons.

Moderator: Thank you. We have our next question from the line of Pratik Bora from Mirae Assets. Please go ahead.

Pratik Bora: My first question is on inventory. So what accounting method do we follow for inventory LIFO or FIFO?

Hitesh Shah: Yes, so the inventory is valid on average costing method and in case of certain diamond its own specific identification method. We don't use LIFO or a FIFO.

Pratik Bora: Okay. And in recent times, gold prices have gained significantly. How has been the diamond price performance? Any color on that?

Hitesh Shah: So the diamond price have been on the softer side. I mean especially in certain qualities they have come down slightly and there has been no instances of actually increases in diamond rates for last 6-12 months.

Pratik Bora: And in case of like in recent times with the surge in the gold prices, how do they impact us on revenue or cost side?

Hitesh Shah: So usually, I mean all the orders received are based on the current market. So I mean essentially the price at which we receive an order is adjusted for the current market rate of gold and in the studded part of the business, gold is probably like 20% of the value of the product and this has not significantly changed in that overall price of a product. So we have not seen any negative demand due to the increase in the commodity price. I think on the plain gold part, definitely in the month of July, I think there has been a bit of a hesitation from the consumers just waiting to see if the increased prices, also we have seen little bit of volume decrease in the month of July because of the high gold prices.

Pratik Bora: Okay. Was the situation reverse on the diamond side of the business? Because you mentioned that the diamond prices have been softer?

Hitesh Shah: Usually what has happened is that, there has been no impact on the product price due to this diamond prices being softer and gold being a small component. So essentially that business has continued the, has no effect of the increases in price essentially and in terms of gold I mean it is just a temporary phenomenon. I mean, the recent spike has been very sudden and people are just like waiting and watching. I think in the current month again sales have again returned.

Pratik Bora: Got it. The second question is on, how has been the integration of Jay Gems coming along, like did we take any inventory write off in this quarter with respect to Jay Gems?

Hitesh Shah: So I think as Sumit mentioned, I think by the end of this calendar year I think all the inventory adjustments should be complete for just 2 more quarters and by entering into Q4 of the current financial year it should be fully integrated and all the inventory adjustment should be complete.

Pratik Bora: Yeah. So my question is on this, so out of this quarter performance has been good. So have we taken any inventory write off, so is it like post that inventory write off also we have posted this performance or was there no significant write off at this quarter?

Hitesh Shah: I think it has been not that significant in the current quarter.

Pratik Bora: Okay. And there was one foot note in the presentation, loss due to discontinued operations. So could you please elaborate on that, what was the nature of that?

Hitesh Shah: So that refers to our Bangladesh subsidiary where we have discontinued manufacturing operations and there is just a minimal operational expense that we need to incur while we hold asset for sale.

Pratik Bora: Okay. So it is nothing to do with Jay Gems acquisition?

Hitesh Shah: No. Not at all. It has to do with the Bangladesh subsidiary.

Pratik Bora: I understood. And there is one more point mentioned in the press release that we expect a significant roll out in Q3 FY20 with a major retailer in the US for Hallmark brand.

Hitesh Shah: That is right.

Pratik Bora: So could you please elaborate on the ball park size of the contract and some color on the profile of the retailer, just to give us idea about....?

Sumit Shah: I think the contract would be confidential. So I think that at this moment, disclosing details of the size of the contract would be a little bit pre mature. But it is one of the top 5 retailers in the US and if successful it could meaningfully add to revenues in the future.

Pratik Bora: Okay. So that contract is yet under discussion or is it like we are....

Sumit Shah: Yes. It is currently under manufacturing and should be shipped in the next couple of quarters.

Moderator: Thank you. We have the next question from the line of Hema Mehta, an Individual Investor. Please go ahead.

Hema Mehta: Sir I Have this 2-3 questions. My very first question is, what is the level of ROCE that we are expecting for this full year FY20?

Sumit Shah: Are you talking about return on capital employed?

Hema Mehta: Yes.

Sumit Shah: So I think that we managed the business on a manageable level of debt and more from a return on equity perspective. So our leverage level prior to the acquisition was at 0.5 net debt to equity and since a lot of our borrowings are in US dollars, our interest costs tends to be linked to US Dollars. So keeping in mind that our target is to get to 0.5 net debt to equity, our goal is to be at greater than 15% equity for the current financial year.

Hema Mehta: Okay. And my other question is, what will be the impact of imports on our gold after the budget has been announced. What have you seen? Have you seen any significant changes, something?

Sumit Shah: So you know most of our operations are in SEZ and EOU and because of this our purchase price of gold is really linked to the international price of gold and not really impacted with the budget. The only domestic operations that we currently have are related to IRASVA which is one store. So it is not a meaningful part of operations. So as such I think any changes in the budget with regards to gold duties will not be meaningful or significant.

Moderator: Thank you. We have our next question from the line of Ajay Shukla, an Individual Investor. Please go ahead.

Ajay Shukla: Sir, how has been the response to that initial first store?

Sumit Shah: I think that we are very encouraged with the response to the first store. We have seen extremely strong month on month growth between June-July and now in August. So we are very encouraged with the response of the first store. But I think that we want to wait and watch through the Diwali season, the festive season and see how the store performs and you know post Diwali sort of firm up our plans for expansion to additional stores or other markets.

Ajay Shukla: Okay. You did answer that for FY20 this year we are expecting 15% return on equity.

Hitesh Shah: Right.

Ajay Shukla: But if you were to do that then the net profit between 100 to 115 crores, now that is actually a growth of more than 30%-35%. Is that possible this year, or was that FY21 target?

Sumit Shah: So I think Ajay, we have maintained that our goal is to get to a 15% target. I am again depending on how the year goes, we will have to see whether we are able to get to the 15% target this year or not but certainly internally that is our goal and our endeavor would be to try and get to 15% return on equity.

Ajay Shukla: Yeah. But is that a long term target or is this achievable this year or FY21?

Sumit Shah: I would say that achievable over 2 years. If we don't get to it this year our goal would be to try and get to it by the next financial year.

Ajay Shukla: Okay. Alright. And of this trade war thing that is going on between US and China, so is that impacting or is there no impact to the company?

Sumit Shah: So we do have some exposure to this because there are certain products that are outsourced and manufactured in China which are sold to our US retailers. We are in the process of resourcing those products to other countries and other supply chain. So we expect the impact to be minimal. If at all there may be some positive, if this stays for a long period of time as people may want to resource some manufacturing to India as well. So as of right now we are not seeing any significant negative impact to our bottomline.

Ajay Shukla: Okay. And not even the import duties on China to the US?

Sumit Shah: So we are working with the supply chain to try and resource what we manufacture in China to other countries.

Ajay Shukla: Okay. So there is no positive traction towards India or something?

Sumit Shah: I think it is early to say, I think that people are still working through those changes. I would say that if the tariff stand then over next couple of years, there could be some positives. We are not seeing any significant positive momentum yet.

Ajay Shukla: Okay. Also this gold has spiked up in the last quarter. So is there any inventory gain that you have booked in the current results?

Sumit Shah: No. We have not booked any inventory gains because most of the gold that we sell is booked against orders. So we try to take no position against gold. We try to match our purchases and sales and remain neutral in terms of our exposure to the commodity.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Sumit Shah for closing comments.

Sumit Shah: Thank you very one for joining us our earnings conference call today. We look forward to interacting with you and meeting you on the next earnings conference call. Thank you.