



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/2020/73

July 8, 2020

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/2020/65 dated June 29, 2020; please find enclosed herewith the transcripts of earnings call on Q4 & FY 2020 results of the Company, held on Wednesday, July 1, 2020.

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
Q4 FY20 Earnings Conference Call”**

July 01, 2020



Renaissance Global Limited

(Formerly Renaissance Jewellery Limited)





Renaissance Global Limited

(Formerly Renaissance Jewellery Limited)

Renaissance Global Limited
July 01, 2020

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 Q4 FY20 Earnings Conference Call hosted by Dickenson World Private Limited. 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 of Dickenson World Private Limited. Thank you and over to you Sir!

Aakash Mehta: Thank you Ayesha. Good evening everyone. I welcome you all to the Q4 FY20 earnings call of Renaissance Global Limited. We have with us Mr. Sumit Shah, Vice Chairman and Mr. Hitesh Shah, Managing Director from the company. 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 handover the call to Mr. Sumit Shah. Over to you Sir!

Sumit Shah: Good evening everyone. On behalf of Renaissance Global I extend a warm welcome to everyone on this earnings conference call. We are going to discuss our financial performance during the quarter and year ended March 31, 2020. In these unprecedented times I want to just start off by saying that I hope everyone is staying safe and everyone’s family are doing well. For the benefit of the audiences who are joining our earnings call for the first time. I would like to give a quick overview of the company followed with a review of the financial performance during the quarter and the year, after which we shall take questions from participants.

Renaissance Global is a highly differentiated luxury lifestyle products company and is the largest exporter of branded jewelry to many global retailers around the world. Our strategy is to grow our business through licensed brands and our own brands globally. The company is focused on branded jewelry through its licensing arrangement for Enchanted Disney Fine Jewelry and Heart of Hallmark jewelry collections. We have recently launched another brand called Disney Treasures, which include the iconic Disney characters with major retailers in the US. As most of you know we acquired US based company called Jay Gems in August 2018. This company owns the license for Enchanted Disney Fine Jewelry. Enchanted Disney Fine Jewelry uses IP of Disney Princess, which is a three billion plus global brand. Our other leading brand Hallmark is a leading consumer brand with global reach in more than 100 countries. Going forward our strategy is to grow our diamond jewelry sales in existing markets, which are U.S., U.K., and Canada and to capture market share for Hallmark, Enchanted Disney Fine Jewelry and Disney Treasures. We also plan to expand into new geographies mainly China and Middle East. We have setup a new subsidiary in China to market the Disney franchise. We have signed an agreement with Lao Feng Xiang, the second largest retailer of jewelry in China to distribute Enchanted Disney Fine Jewelry across Mainland China. We plan to launch in



China once the COVID-19 situation settles down. Hallmark moments has also been rolled out to over 2000 stores and it will contribute meaningfully to revenue growth in FY2021.

The company also launched its in-house brand Irasva in the Indian market through a joint venture with BCCL, which has committed to 350 Crores of advertising in exchange for 49% of the joint venture. This is a separate joint venture, which markets jewelry in India. The COVID-19 pandemic has created massive economic disruption and has affected the overall industry significantly. Restrictions on manufacturing distribution and exports had adversely impacted our business in the near term and we believe that this does not affect our long-term business. Our operations were shut down since the lockdown was imposed in India on March 25, 2020. We have been able to resume production in our Bhavnagar facility since April 25, 2020 and our Mumbai facility is partially opened from May 13, 2020. Most of the global retailers were shut down since mid March and have gradually resumed operations from mid May. The launch of Enchanted in China has been delayed due to the current situation. We hope to launch in China in the second half of 2021 and our expansion plans for Irasva have also been delayed due to the pandemic. We expect to resume our plans in the second half of 2021. We believe that the first two quarters of FY2021 will be extremely soft due to loss of retail stores, due to store closures, lower discretionary spends and overhang of inventory. We expect things to pickup in the third quarter of 2021 and normalize by the fourth quarter of FY2021.

To discipline financial management we have increased our return on equity from 9.7% to 13.5% over the last four years and have generated over 200 Crores of cash from operations in the current financial year. We are committed to prudent high quality growth going forward. Now I would like to turn over to Mr. Hitesh Shah for a discussion of our financial performance.

Hitesh Shah:

Thank you Sumit. During the fourth quarter of FY20, the company reported a total income of Rs.453 Crores against Rs.705 Crores during the last financial year, which is a degrowth of 36% year-over-year. In addition to the slowdown in the Dubai gold business due to rising gold prices and a conscious decision of the company to move away from low margin generic product categories. Cancellation and deferment of orders due to COVID-19-related shutdown led to revenue degrowth. Our EBITDA however witnessed robust growth from Rs.10 Crores in Q4 FY2019 to Rs.26 Crores in Q4 of FY20 on account of improvement in growth margins as well as cost reduction. With an EBITDA margin of 5.7% net profit after tax stood at Rs.9 Crores for the quarter.

Coming to the full performance for the year FY20, total income declined by 3% year-over-year to Rs.2,510 Crores; however, EBITDA witnessed a robust growth of 37% to Rs.171 Crores with an EBITDA margin of 6.8%. Profit after tax increased to Rs.92 Crores registering a growth of 18% on a YoY basis. The company's net debt to equity levels were elevated in March 2019 due to the acquisition of Jay Gems. However, with strong cash flow generation and discipline working capital management we have been able to bring down the net debt to equity from 0.76 in March 2019 to 0.52



as on March 2020. The year-over-year net debt has been reduced by Rs.139 Crores and reduction in the inventory level is to the tune of Rs.198 Crores year-over-year. The company generated a positive operating cash flow of Rs.203 Crores for FY20. The return on equity stands at 13.5% for FY20, which was 12.9% for FY2019.

In terms of geographical distribution of revenues for the year, US contributed 58% of total revenues; Middle East contributed 30% and the balance 12% from the rest of the world. In terms of the product category distribution, studded jewelry contributed 74% of the total revenue whereas plain gold was 26% of the revenues for the year. Thank you very much for your attention. Now the floor is open for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shruti Sharma from Mehta Securities. Please go ahead.

Shruti Sharma: Thank you for the opportunity. Sir I have few questions. Firstly I wanted to ask about the one store, which we have Irasva store in Mumbai, in the presentation we have mentioned that we have plan to open 25 stores in India in the next five years, so in this year and next year how many stores are we planning to open?

Sumit Shah: Thank you. The plan was to open four stores in April to June timeframe prior to the COVID situation. We have actually signed leases on three additional stores in Mumbai; however, due to the COVID situation we are reevaluating our expansion plans. The long-term plan to open 25 stores remains intact; however, the timing will get affected due to COVID. We plan to still open the additional three stores, which we have signed leases on in the current year; however, the timing of this is going to be uncertain due to the lockdown and various permissions. Currently it is difficult to give any visibility beyond that because we would like to see the performance of the stores as they open up and time our expansion according to the performance of the stores.

Shruti Sharma: Fair enough. Sir, secondly, I wanted to ask due to this COVID-19 situation and then the entire lockdown scenario how are the store sales and are we moving more towards the online sales, what is the strategy on sales?

Sumit Shah: What our retail partners are telling us is that during the lockdown sales have been encouraging, obviously they are still significantly below one year ago levels, but most of our retail partners have disclosed that they are above initial projections. We have made concerted effort to move sales online as well and during the current COVID-19 situation a lot of our brands have seen significant expansion in online sales, our digital penetration is still low, so a lot of this growth through digital channels will not meaningfully impact revenue, but there has definitely been a shift in consumer sentiment to buy



online, which allows us to interact directly with the customer and gain relationships with the consumer directly.

- Shruti Sharma:** Going forward, are we planning to come up with our own online platform where we can actually see a big shift in the sales?
- Sumit Shah:** We currently have an online platform; Enchanted Disney Fine Jewelry is currently sold to consumers in the U.S. online and this was launched in February pre-COVID-19 and it has helped in the current situation.
- Moderator:** Thank you. The next question is from the line of Mihir Desai from Desai Investments. Please go ahead.
- Mihir Desai:** If you see our revenue mix so if we compare Q4 2019 and Q4 2020 the revenue share has been marginally increased at plain gold jewelry against studded jewelry, can you please elaborate on this like is this something structural change or if we could elaborate on this?
- Sumit Shah:** It is a just timing issue I think our plain gold business is primarily in the Middle East and the studded jewelry business is global, I would not say that one quarter is a real indication of structural trend we expect the ratio to be 75:25 and if we look at full year FY2019 versus FY20 it remains stable in that range so we would say that the studded jewelry to the plain gold jewelry mix would remain in this ratio if in fact the studded segment increase in penetration going forward with the increase of branded sales.
- Mihir Desai:** My next question is on our balance sheet, so according to the situation, which we see due to COVID, which has arise that would definitely somewhere or the other would impact the demand so now our focus would be still on expanding our reach or expanding our stores or would be more focused on further strengthening our balance sheet by further reducing of our debt and improving our ROCE, so just wanted an idea from you?
- Sumit Shah:** As I said in my opening remarks that it has to be prudent growth we are not going to compromise one for the other if it makes financial sense in the last one year post acquisition of Jay Gems we deleveraged our balance sheet significantly, we will continue to do so in the current year as well; however, if there are opportunities to increase penetration and to grow, this would be the perfect opportunity to grow because a lot of the competition will be focused on conserving cash and on fortifying the balance sheet, so I would say that it would be a prudent growth approach nothing too aggressive, but as we see opportunities we plan to continue to grow the business because we do not see this as a situation that changes anything long term it is something that will definitely mean that our business has to pivot to more digital distribution and distribution through digital means and that is



how consumers are interacting with our brands. We do plan to continue on growing the business however prudently and ensuring that our return on equity continues to increase.

Mihir Desai: On the raw material front this quarter we have seen a significant decline in our COGS, so do we see this trend continuing going forward or what would be a stable trend, which we can gauge for coming year or quarter?

Sumit Shah: Meaningfully as we have stated over the last couple of years since we acquired Jay Gems we plan to continue our shift towards branded jewelry as well as now to digital means of distribution, which will mean expanding gross margins and increasing EBITDA margins, it is a little bit early to tell where the EBITDA margins stabilize, but we have been able to YoY increase the EBITDA margins from 4.8% to 6.8% so we feel good about our ability to increase EBITDA margins gradually and improve the quality of the business overall to a more cash generative higher ROE business.

Mihir Desai: One last question from my end. What is your view on gold prices going forward seeing the situation in the current market so what would be the outlook on the gold price you could just elaborate your view?

Sumit Shah: As a company clearly we do not have a view on gold prices clearly in terms of times of uncertainties we have seen in the past that gold prices have been a safety trade, but again as a company we do not take a view on gold, we tried to be as fully hedged with our gold position as we possibly can be, difficult to say what will happen with the gold prices and depends on how long the crisis continues and what happens to other asset prices.

Mihir Desai: Thanks for answering my questions. If I have further questions I will come back in the queue.

Moderator: Thank you very much. The next question is from the line of Anurag Randev from Edelweiss Broking. Please go ahead.

Anurag Randev: My question is more of a directional in nature so if you can throw some perspective for example in this post COVID-19 scenario how do you see any structural shift in your business in particular because we may see pressure on retail sales and retail formats you may have some advantage because with respect to new stores you may negotiate the new leases at lower levels or possibly also renegotiate earlier leases also so it may also give us advantage, so any structural shift you see in totality that on the front end of your business and also on the cost perspective?

Sumit Shah: We see the business shifting online dramatically, we have seen that during COVID-19 clearly as consumers were unable to go to physical stores the share of sales coming from digital means has definitely increased and we feel that this is the trend that is here to stay. Consumers have now got the



confidence to buy online and had definitely increased the share of purchases online. In terms of new store openings clearly there may be some opportunity for our India business to negotiate lower rentals when it is going forward. However in the international markets we do not own retail stores, we sell our products through retailers especially the retailers, department stores, discounters, and television channels, so from that perspective our interaction with our retail partners as well as with the consumers directly will shift to more digital means we do not see any other structural change going forward for our international business.

Anurag Randev:

Regarding the financials what I was looking at the presentation in the last couple of years especially starting from FY2016 so our sales have doubled almost 1300 odd Crores to almost 2500 Crores this year, but our trajectory in terms of EBITDA margin is almost flatish 2016 numbers they have 6.32 to around 6.7 to 6.8 now in FY20 we have seen the up and downs, similarly with respect to PAT margins also around 3.5% odd, now when I see ROE improvement you can rectify me if I am wrong it seems that it is more of a function of your asset turn because your sales have moved up so how you see the quality of your return ratios especially ROE improving and what would be the levers you people are focusing on because right now what we are seeing is that we have been able to scale up our business definitely, but on the modern front we still have a lot of things.

Sumit Shah:

The business in FY2016 to now is slightly different because we were making 6.5% EBITDA margin only on our studded jewelry business. We made an acquisition then of gold business in the Middle East, which actually lowered our EBITDA margins, so on a blended basis we have managed to improve the EBITDA margins of the studded jewelry over the last few years because the 6.8% that you see is a blended average of gold jewelry as well as the studded jewelry segment; however, in FY2016 our numbers had only studded jewelry business so as a weighted average there has definitely been an increase in the EBITDA margins, this is bossed by the fact that the business looks today is different from what it was three or four years ago. So the reason the EBITDA margins have increased on the studded jewelry segment, which would be closer to I would say 9% is because of the branded sales and we feel that there is a lot more headroom for growth for the EBITDA margins. Current financial year obviously will be extremely difficult, FY21 we are not going to see sales or margins anywhere close to what they were in FY20 essentially the first half of the year has been lost, but long term we feel good about our ability to increase EBITDA margins on a weighted average basis.

Anurag Randev:

My last question regarding your Chinese JV how you see the current relationship between the two countries and whether it can jeopardize your plans going forward or is it a bit too early or preemptive to say on that, so how you are looking at the thing or any sense you are getting from your partners over there?

Sumit Shah:

The agreement with the Chinese retailer is really for an American brand, so I think the Chinese retail partners are keen to test the program and grow the business going forward I am not too sure what kind



of a view they will think about the current situation between India and China and again too early to say, but my sense is that it is more a function of the brand, which is a US brand that is going to be distributed in China and we will have to see if there is an impact due to the current situation.

Anurag Randev:

Okay sure. Thanks a lot. All the best.

Moderator:

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

Ninad Sabnis:

Good evening sir. Hope you are safe and all your families are also safe. I would like to ask what is the impact on the U.S. retailers and since we have a chunk of sales coming from U.S., we have seen many of the big retailers file for bankruptcy in the recent month so what is your outlook on the business in that geography when do you expect it to normalize and I know this is a bit faster, but when can we see growth contributing from that business?

Sumit Shah:

Retail is definitely challenged given the fact that customers are unable to access retail stores. Most of our retail partners are also presenting their sales to more digital means I think that what the long term impact is on the retailers due to the current situation is again hard to say; however, we are working closely with our retailers and early signs are encouraging that consumers are returning back to mine jewelry. There is also the added factor that our customers are telling us that due to the inability of people to spend on certain categories as of their share of wallet consumers are able to buy products and maybe some shift in consumption patterns of customers because jewelry as a category really competes with travel experiences and a lot of other categories, which may not be valid anymore.

Ninad Sabnis:

So are we indulging any discounting to incentivize customers to buy our products?

Sumit Shah:

Not at the moment because I do not think that would really help increase sales, some of our retail partners due to their cash flow needs may be doing some discounting, but at our end there has not been any discounting.

Ninad Sabnis:

Do you think coupled with gold prices, which are on quite an upswing right now, will there be increase in demand or rise in market share for lab-grown diamonds, which we are doing?

Sumit Shah:

Currently the penetration of lab-grown diamonds is in low single digits I think that the millennial customer in international markets definitely has an appreciation for lab-grown diamonds; however, the shift to lab-grown diamonds is going to be slow and gradual, we do not see significant gains in market share for lab-grown diamonds in the short term; however, over a five-year period lab-grown diamonds will be a meaningful business, what the number is again a little difficult to say but we are



focused on building a brand around lab-grown diamonds and using that as one of our raw materials to create jewelry as well.

Ninad Sabnis: Right now what would be the size or contribution from lab-grown diamonds as a percentage of the topline?

Sumit Shah: It is low single digits.

Ninad Sabnis: But we can expect this segment to grow faster compared to others?

Sumit Shah: Yes.

Moderator: Thank you. The next question is from the line of Pratik Vora, an individual investor. Please go ahead.

Pratik Vora: Sir my question is around the dividend so do we plan to give dividend this year?

Sumit Shah: Pratik given the current situation and not knowing how long the volatility will last the Board considered it is prudent to not give a dividend for the current year.

Pratik Vora: Because of this now the dividend in this in the hands of shareholders so buyback would be a preferred option right in dividend, so in that case given the valuation also the share price and the outlook, so is management exploring the buy back?

Sumit Shah: I think that any capital allocation decision will have to be done in the second half of the year once we see normalizing of operations as of right now we are seeing an improving trend, but operations are far from normalized. Once operations are normalized and we feel comfortable about the business and the financial situation you would make any capital allocation decisions. Currently there is no further capital allocation plans.

Pratik Vora: In the management also exploring any acquisition opportunity?

Sumit Shah: We are always open to the possibility of an acquisition if the opportunity is right, as of right now we do not have anything in the pipeline or there are no talks in the pipeline.

Pratik Vora: There was one announcement recently on the exchange given by the company regarding reclassification of promoters if you could elaborate more on the context?

Sumit Shah: There is two or three shareholders who have been promoters since the company started, they actually individually own around 3% to 5% of the company, since they are no longer involved in operations of



the company and plan to continue to remain as shareholders the company felt that not being involved in the operations of the company to not classify them as promoters.

Moderator: Thank you. The next question is from the line of Shruti Sharma from Mehta Securities. Please go ahead.

Shruti Sharma: I wanted to understand like do we have any hedging policy in place since most of our business is from U.S. and other markets, so for that how do we protect ourselves?

Hitesh Shah: Yes. We basically have an exposure to the labor that we incur so all our raw materials are bought in U.S. dollars and sales are in U.S. dollars; however, we do have a component of INR cost, which we hedge on a regular basis. Also, we fix the price of gold with the customer upon receipt of an order and we do back to back hedge for the commodities too, so we had both our gold and U.S. dollar exposure to the extent of INR cost.

Shruti Sharma: So, we have a prudent hedging policy and have we incurred any forex losses in this quarter?

Hitesh Shah: The way the hedge works there it is accounted as a forex loss but it is actually just adjustment against the margin fell dollars in the forward essentially you are locking your INR cost, but however when you make the sale is booked at the current exchange rate so from accounting point of view there will be a forex gain or loss on the fluctuation of the rupee.

Shruti Sharma: Secondly I wanted to understand like over the years we have been trying to have the US share markets of 85%, which we have been trying to diversify and now they are used to 58% so what kind of market share are we planning to stabilize that going forward and which all geographies are we planning to expand in future?

Sumit Shah: We feel that the current geographical mix is relatively okay and our penetration in the U.S. and other markets where it needs to be I think there is probably going to be increases coming from China maybe from India due to our domestic venture and there will be some growth in other markets; however, we do not see any dramatic shift going forward in the geographical mix of sales going forward except for primarily China.

Shruti Sharma: Okay Sir. Thank you for answering my question.

Moderator: Thank you. The next question is from the line of Jatin Chawla, an individual investor. Please go ahead.



- Jatin Chawla:** My question is in the last concall you had mentioned that there were some inventory write downs still pending for a previous acquisition of Jay Gems so just want to know whether is it over now like in this quarter is everything done?
- Sumit Shah:** I would say that primarily most of the inventory write downs have already been taken post the acquisition.
- Jatin Chawla:** Secondly there were some payables still pending for our acquisition of Jay Gems so is it also completed now the acquisition part any payable outstanding is it done or is it still pending?
- Sumit Shah:** There are three more payments over the next two years.
- Jatin Chawla:** The next question is now regarding the promoter shareholding the recent circular, which has been posted by the notification of certain shareholders now which will bring the promoter shareholding like around 67% to 68% I guess or less than that, so in the third quarter you were buying shares from the open market, so with this your shareholding will come down do you intent to increase it to 75% in near future?
- Sumit Shah:** We have not decided yet and I think this is something we will have to evaluate going forward so I am not sure where the process of reclassifying the promoters whether it is actually completed, but we have not made any decisions yet.
- Jatin Chawla:** Lastly one more thing now due to the COVID-19 situation now the factories were not running out or running below the capacity is there any lay off of the employees which the company has because I guess I read somewhere that we have more than 2500 employees, so is there any lay off, which has been done by the company and out of that what is the fixed labor and contractual labor do you have any proportion of that if you can share?
- Hitesh Shah:** Yes, all the reductions that we have done are on the contractual where we have reduced the intake of contractual employees to the extent possible no changes being made to the fixed employees of the company.
- Jatin Chawla:** Looks okay. Can you share the percentage between fixed and contractual, what was it before COVID-19?
- Hitesh Shah:** It has been varying, for the period that we did not operate up to 50% of the contractual employees are not being called, at the end of the period we expect probably 15% to 20% of the employees not to rejoin on the contractual pay rolls.
- Jatin Chawla:** At what capacity are our factories running right now?



Renaissance Global Limited

(Formerly Renaissance Jewellery Limited)

Renaissance Global Limited
July 01, 2020

- Hitesh Shah:** Currently Mumbai is running at around 25% to 30% capacity and Bhavnagar is running at full capacity.
- Jatin Chawla:** Okay Sir. Thank you very much.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Sumit Shah:** Thank you everyone for joining us on Renaissance Global Earnings Conference Call. We hope your families continue to stay safe and be healthy. We look forward to welcome you on our next quarterly earnings call. Thank you.
- Moderator:** Thank you. On behalf of Dickenson World Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.