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

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Ref. No.: RGL/S&L/2019/82

June 5, 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/2019/77 dated May 28, 2019; please find enclosed herewith the transcripts of earnings call on Q4 & FY 2019 results, held on Thursday, May 30, 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.**

G. M. Walavalkar
VP – Legal & Company Secretary

Encl.: As Above

Renaissance Global Limited
Q4 FY19 Results Conference Call
May 30, 2019

Moderator: Good morning, ladies and gentlemen. I am Janice, the moderator for this conference. Welcome to Fourth Quarter FY19 Results Conference Call of Renaissance Global Limited organized by Dickenson Seagull IR. At this moment, all participants are in the listen-only mode. Later, we will conduct a question-and-answer session. At that time if you have a question, please press '*' and '1' on your telephone keypad. Please note this conference is being recorded. I would like to hand over the floor to Mr. Aakash Mehta. Thank you and over to you, sir.

Aakash Mehta: Good morning everyone. This is Aakash here and I would like to welcome you all for the Q4 and FY19 performance and earnings con-call for Renaissance Global. We have with us Mr. Sumit Shah, Vice Chairman and Mr. Hitesh Shah, the Managing Director to discuss the overall performance of the company. Over to you, sir.

Sumit Shah: Good morning everyone. I wanted to take this opportunity to welcome all of you to the conference call this morning.

Let me begin with a quick introduction of Renaissance Global. Renaissance Global is a highly differentiated luxury lifestyle products company. We have been the largest exporter of studded jewellery out of India and we distribute our products to leading global retailers. Going forward, our company is focused on growing the licensed brands that currently a company has current licenses for Enchanted Disney Fine Jewellery and heart of Hallmark. We have an exclusive license for Enchanted Disney Jewellery for the US, UK and Canada and have plans to expand it to other geographies including China and India. The company has had a proven history of successful and accretive acquisitions. We acquired in August 2018 US based Jay Gems for

25.62 million. Jay Gems had revenues of 79 million in 2017 and for the current financial year from August 3rd, 2018 to the end of the financial year added about $90 million to our revenues.

Our strategy is to evolve our business model to 1) with a majority of the sales come through our own brands or licensed brands. During this transition phase, we expect to improve margins and return on equity over the next few years. We look forward to expanding licensed brands in existing and new markets globally. We also have firmed up our plans for entry into the Indian market. We have recently made a strategic investment in joint venture with BCCL. This joint venture will set up retail stores in India under the brand name IRASVA. BCCL has committed to 350 crores of advertising exchange for 49% in this new domestic joint venture that we have setup. Our goal would be to increase the share of licensed brands and own brands as a percentage of our revenue to the majority of our business.

With that, I would like to hand over the call to Hitesh Shah to go over the financials for the quarter and for the financial year.

Hitesh Shah: Thank you, Sumit. Good morning everyone. Now talking over the financial performance of the company during the fourth quarter, our sales increased from 448 crores to Rs. 695 crores, there is a growth of 55% on a year-on-year basis. EBITDA grew 30% and net profit grew by 54% on a year-on-year basis. For the full year FY19, sales increased from 1814 crores to 2571 crores that is a growth of 42% on a year-on-year basis. EBITDA grew by 33% from Rs. 100 crores to 134 crores and PAT has increased from Rs. 63.8 crores to 84.1 crores, that is a growth of 32% on a year-on-year basis.

Coming to country wise share, the US has delivered 61% to the overall revenue in Q4 and for full year, it was 57%. Middle East has contributed 34% for the quarter and 35% for the full year FY19.

Coming to product category, studded jewellery has contributed 75% to the overall revenue in this quarter and for the full year it is 74%. Balance revenues are from gold jewellery segment.

Thank you very much for your kind attention. Now the floor is open for question and answers.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-answer session. We will take the first question from the line of Akhilesh Sahoo, individual investor. Please go ahead.

Akhilesh Sahoo: Actually, I have a couple of questions. Firstly, coming to the financials of the company, can you explain me the sharp rise of other expenses, depreciation and finance cost in this quarter? What I can see is that there is a sharp rise in finance cost vis-à-vis Q-on-Q and both on Y-on-Y basis?

Sumit Shah: Sure. So, the large majority of the increase in all of these heads is primarily on account of the acquisition. The company that we acquired Jay Gems had a bank line of $25 million. So, the majority of the increase in finance cost and depreciation is on account of the acquisition which has been fully in the current quarter.

Akhilesh Sahoo: And likewise, for finance cost and depreciation that has sharpened?

Sumit Shah: Yes. So, the depreciation includes amortization of intangibles as well. So, depreciation, there is certain amount of goodwill that is being written off finance cost and other expenses. So, the explanation for all three would be on account of the acquisition.

Akhilesh Sahoo: Sir when I see your balance sheet, there is a sharp rise in borrowings for current liabilities from 34 crores to 65 crores, almost doubling. So, what explains that?

Sumit Shah: Are you talking about the bank borrowing or other liabilities?

Akhilesh Sahoo: It says current liabilities, then borrowings in your credit balance sheet.

Sumit Shah: The bank borrowings have increased on account of the liabilities of the company that we acquired and there is some element of the purchased price consideration which has also been deferred. So, both of those things have added to the liabilities of the company and on a going forward basis, acquisition only occurred in the current financial year. We expect to sort of deleverage the balance sheet. So, we have always maintained for the last 4- or 5-years debt equity at 0.5, debt-to-equity currently, we are at about 0.9. Over the next couple of years as we manage working capital better, we expect to bring the debt equity ratio back in line to low levels that we had in earlier years.

Akhilesh Sahoo: Now coming to your policy issue, you have been paying dividends on a regularly basis, but last year you went for a buyback instead of paying dividend. This year, there is no dividend, no buyback. So, can you explain company's view policy in that aspect, what investor can expect from company going forward?

Sumit Shah: In the current year, the reason to pause the buyback or the dividend relates to your earlier question. Currently since bank debt has been little bit elevated, it is prudent since we have just done a large acquisition in the current financial year to wait for a year to bring the debt equity ratio more in line with our historical averages before we can commence either a buyback or a dividend policy going forward.

Akhilesh Sahoo: Means we can expect in future these things will normalize.

Sumit Shah: Yes.

Moderator: Thank you. Next question is from the line of Vipul Shah from Ripple Wave Equity. Please go ahead.

Vipul Shah: Coming back to the question of the earlier caller as well, can you just share what are the major components of the other expenditure which has really increased sharply Q-on-Q on a consolidated results from 36 crores to 72 crores and also what would be your target for return on equity going ahead?

Sumit Shah: Sure. Probably we can get back to you with specific reasons for increase in other expenditure. In terms of targets for return on equity we have gradually increased our return on equity to about 12.5% this year. Our goal would be next to get to between 15% and 17%. So hopefully in the next two financial years we expect for our return on equity to be above 15%.

Moderator: Thank you. Next question is from the line of Ankita Jain, an Individual Investor. Please go ahead.

Ankita Jain: Sir, my question is regarding, so what is the tenure of your license for Disney brand?

Sumit Shah: Currently due to competitive reasons we are not disclosing the specific tenure of the license. They are generally long term in nature but due to competitive reasons we have not disclosed the exact tenure of the license.

Ankita Jain: Okay. And my other question is, what is your business understanding regarding the Disney license? Are there any fixed payment royalty or it all depends upon the sales?

Sumit Shah: So, there are usually the way most licenses work. There are minimum guarantees and royalties are tied to sales.

Ankita Jain: And if you could specify what is the royalty amount?

Sumit Shah: Again, for confidentiality reasons we have not disclosed that, due to competitive reasons.

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

Ninad Sabnis: I would like to know what are the sales contribution from brands we have licensed?

Sumit Shah: So currently licensed brands which are two, Hallmark and Disney, are between 18% and 20% of sales.

Ninad Sabnis: Okay. And over a horizon of the next 3 years where do we see that percentage rising or falling?

Sumit Shah: So, our goal would be that over the next 3 years our expectations would be that between the licensed brands and our own brands which we just invested in for it to be greater than 50% of our overall sales.

Ninad Sabnis: So, your own brands to be the major contributor?

Sumit Shah: No, we expect significant growth from licensed brands as well. Currently the licensed brands are being sold only in the US, UK and Canada. We have signed licensing arrangements to expand it to other geographies as well.

Ninad Sabnis: Which geographies would that be?

Sumit Shah: China, India, Middle East and certain East Asian countries.

Ninad Sabnis: Okay. 50% from license and 50% from your own brands, that is what?

Sumit Shah: 50% of the sales would come from licensed and own brands and the remaining 50% would be B2B where designing product and supplying jewellery to retailers worldwide. Currently it is 80:20.

Ninad Sabnis: Yes, exactly. From 20% it will go up to almost 50%. So, which means it will double over the next year?

Sumit Shah: That would be our expectation.

Ninad Sabnis: And I am guessing there would be higher realization when the brands are sold more, right?

Sumit Shah: Yes. In general the margins on licensed brands and own brands would be higher. So, we would expect margins to improve over the next 3 years.

Ninad Sabnis: Right. And what will be the strategy to drive those brands? So, you will have to invest heavily in the stores and marketing wise what would be the play over there?

Sumit Shah: You know, licensed brands are sold through retailers. We don’t invest in our own stores for licensed brands. However, we do spend some money on marketing in order to promote the licensed brands. So, there would be some investments in terms of marketing. But they would not be disproportionate to what we would have spent in the current year. Our joint venture with BCCL which we plan to sell products in India will require building some stores and some investments in the retail business. However, we expect that to be a much smaller contributor and we are going to be cautious about growing that business based on profitability and return ratios. According to me, the licensed brands businesses are much more scaled up business and something that we have far more experience in terms of the return metrics. The new joint venture with BCCL is something that we are going to be cautious about for the next 18 months to 24 months. Look at the profitability carefully and then scale that up.

Ninad Sabnis: Okay. So just a follow up as to what was your budget for marketing this year and how is it stated for FY20?

Sumit Shah: For the licensed brands, the budget for marketing would be between 2% and 3% of sales.

Ninad Sabnis: Okay. Going forward this will be the same will it increase?

Sumit Shah: It will stay in the same range.

Ninad Sabnis: And any plans to get brand ambassadors or known faces to promote the brands?

Sumit Shah: On the licensed brands…

Ninad Sabnis: No, not on the licensed. On our own brands?

Sumit Shah: It is a little bit early to make that determination. We is going to watch how sales are for since the store just started. We are going to watch how sales are for one quarter or so and I think that maybe closer to Diwali and festive season we may decide to plan larger marketing activities. As of right now, little bit too early to make that determination.

Moderator: Thank you. We take the next question from the line of Ankit Gupta from IndiaNivesh. Please go ahead.

Ankit Gupta: Sir, I just want to ask the difference in the basic business model between contract manufacturing, licensed brand and our own brands. I know that the margin profile is completely different, but what is the basic business model and differentiating factors in these 3 business models to get a feel of what are we pursuing?

Sumit Shah: So, I think Hitesh can answer that question.

Hitesh Shah: We really don't have contract manufacturing. Even the generic product sold by us is indeed designed and developed by us. But it is sold as the brand of the retailer. That means the margin differential between generic products to a licensed brand would be a couple of percentage points. I mean in terms of obviously our own brand, the margins would be far higher but so are the cost of operating it and only at a certain scale there be a significant margin accretion.

Ankit Gupta: In the licensed brands, the only thing is that it is sold by the same retailers or it is sold in a different sales channel?

Hitesh Shah: It is sold by the same retailers.

Ankit Gupta: So, do we have some design patents or something?

Hitesh Shah: So, the entire intellectual property rights for the designs are owned by us. I mean, we are the exclusive licensee for the brand and therefore that product can only be sourced by us and whether that is a lack of competition to that aspect as long as the licensed brand is selling well at retail we are the exclusive suppliers for that category. For a generic product the retail does have an option of sourcing from different vendors.

Ankit Gupta: And in terms of market opportunity, what is the market opportunity for branded jewellery, because in India it is quite low this year or branded jewellery is quite low. But in the markets where we operate, like US, UK, Canada and we are planning to go into China and other countries. So, what kind of opportunity do we see in the branded Jewellery segment?

Hitesh Shah: I mean, essentially in Jewellery brands are becoming increasingly important to attract consumers. Since, De Beers have stopped marketing diamond Jewellery as much in the western markets, I mean essentially the key drivers for sales has been the pull of a brand and therefore we have seen a significant growth in branded sales for all our retailers versus generic product and there is lot of potential for growth going forward too.

Ankit Gupta: And what kind of premiumization can we expect from branded products as vis-à-vis generic products?

Hitesh Shah: As I mentioned earlier, there would be a few percentage points increase in margin of a branded product. I mean at retail obviously the premium is much higher because there is also a royalty element that is to be paid to the brand.

Ankit Gupta: But you don't get into retailing in those markets?

Hitesh Shah: No, we do not intend to retail in those markets.

Ankit Gupta: For distribution and retailing you will depend up on the third-party channels only.

Hitesh Shah: Yes, our existing or future, those retailers existing in those markets, yes.

Ankit Gupta: Sir, one last accounting part, I just want to touch up on. So, our inventory levels are typically very high. So, is this the nature of the business or was it something exceptional this year?

Hitesh Shah: So, due to the acquisition of Jay Gems, the inventories have shot up significantly because they have been carrying a lot of inventory on their books and I think overall, next few years, it will be our endeavor to bring the inventory levels down and in line with the ratio that we have been maintaining in the past.

Ankit Gupta: Okay. And second question was in terms of receivables. So, what is the normal working capital cycle in the business?

Hitesh Shah: Our typical receivable days would be below 90 days, that would be between 60 days to 90 days would be our average receivable days.

Ankit Gupta: And the risk of our stock with the retailer. So, I mean is it a kind of SOR kind of arrangement or it is an outright sale to be precise?

Hitesh Shah: Whatever is on consignment is showing as inventory on our books. What has been sold is already in outright. So, the receivables are an outright sale. Whatever is lying on SOR is already showing as inventory on our books.

Ankit Gupta: Okay. So SOR is basically a part of the inventory and receivable is the part of outright sales?

Hitesh Shah: That is correct.

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

Hema Mehta: I have few questions. In the presentation you have mentioned that you are planning to open 25 stores in India. So, what could be the expected CAPEX and what would be sources of fund?

Sumit Shah: So, we expect to open 25 stores over a 5-year period. That is the extent of our agreement with BCCL. So, it is a joint venture with BCCL and the extent of this is going to be over a 5-year period. So, we expect that there will be somewhere for a store, capital expenditure would be between 1 crore to 2 crores per store. But this would be spread out over a 5-year period.

Hema Mehta: Okay. And in which cities are you targeting to open the IRASVA stores?

Sumit Shah: So currently the first one that we have opened is in Mumbai. And I think that the first few stores would be in the current financial year in Mumbai only. Going forward based on some research we will firm up our plans, specifically which cities we are planning on opening on.

Hema Mehta: Okay. And one last question. So how do you see these synthetic diamonds affecting your business?

Sumit Shah: Lab grown diamonds obviously have similar chemical composition as natural diamond. And that there is especially among the millennial customer in the west, there is some interest in lab grown diamonds. Currently we sell studded Jewellery with various different stones. We sell gemstones, synthetic gemstones, CZ, diamond jewellery, I think this should be one of the other raw materials that we would use. I mean we have done a test program with a retailer for Mother's Day this year with lab grown diamonds with some success and we plan to sort of grow the share of lab grown diamonds within our portfolio of products. It is something that would become popular over the years and we expect that to attract different kind of customer who is a younger customer, who is more concerned with sort of green mining and environmentally friendly diamonds. We expect that to be something that would become a part of the larger portfolio of our products that we sell.

Moderator: Thank you. The next question is from the line of Prem Thakur from Prudence Equity. Please go ahead.

Prem Thakur: My question is, Jay Gems is profitable in terms of EBIT, in terms of PBT?

Sumit Shah: Yes. It had a positive contribution in terms of EBIT and PBT for the current year.

Prem Thakur: How much the percent is that?

Sumit Shah: See, I don't have the breakup of the exact profitability off hand. Hitesh would you have that available.

Hitesh Shah: Yes. The profit after tax from the Jay Gems would be around Rs. 11 crores.

Moderator: Thank you. There are no further questions. I would now like to hand the floor over to Mr. Sumit Shah for closing comments. Over to you sir.

Sumit Shah: So, thank you everyone for joining us on this morning's conference call and look forward to seeing you guys on the next call after the next quarter. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, with that we conclude today's conference call. You can all disconnect your lines now. Thank you.