Ref. No.: RGL/S&L/2022/209

November 16, 2022

Bombay Stock Exchange Limited Listing Department Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai – 400 001 **Scrip code: 532923**	**National Stock Exchange of India Ltd.** Exchange Plaza, Plot no. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **Symbol: RGL**

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/2022/204 dated November 08, 2022; please find enclosed herewith the transcripts of earnings Conference call on Q2 & H1 FY 2023 results of the Company, held on November 11, 2022.

The aforesaid information is also uploaded on the website of the Company at https://renaissanceglobal.com/webcast-and-transcripts/

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

Thanking you,

Yours faithfully,
For **Renaissance Global Limited**

CS Vishal Dhokar
Company Secretary & Compliance Officer

Encl: As above

Renaissance Global Limited

Renaissance Global Limited

Q2 & H1 FY23 Earnings Conference Call Transcript
November 11, 2022

Moderator: Ladies and gentlemen, good day, and welcome to Renaissance Global Limited's Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note, that this call is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you.

Anoop Poojari: Good afternoon, everyone, and thank you for joining us on Renaissance Global's Q2 and H1 FY23 Earnings Conference Call. We have with us today Mr. Sumit Shah, Chairman and Global CEO; and Mr. Hitesh Shah, Managing Director of the company. We would like to begin the call with brief opening remarks from the management, following which we will have the forum open for an interactive question-and-answer session.

Before we start, I would like to point out that some statements made in today's call, may be forward-looking in nature, and a disclaimer to this effect has been included in the results presentation shared with you earlier.

I would now like to invite Sumit to make his opening remarks.

Sumit Shah: Good afternoon everyone. Thank you for joining us on our earnings conference call for Q2 and H1 FY23. I would like to begin the call by providing you with a quick overview of the company's operational and business highlights for the period under review. After that, Hitesh will take you through the financial performance. Following which, we will open the forum for the question-and-answer session.

We have reported a relatively stable performance during the first half of the year despite macroeconomic challenges and inflationary pressures in our key markets, the U.S. and Europe. The performance was supported by our higher-margin branded jewelry business and healthy growth in our direct-to-consumer business. While we did witness pressure on input prices, we were able to partially mitigate the effort by effectively implementing price hikes.

Our key strategic growth area continues to remain our branded business where we have partnered with global iconic brands through the licensing model. We have a growing portfolio of owned and licensed brands in this market area, and we distribute them through the B2B and direct-to-consumer distribution platforms. The contribution from our branded business has increased over the past 3 years, going from just 2% in FY18 to 22% in H1 FY23. Looking ahead, our long-term goal is to significantly increase our branded jewelry sales by 3 times over the next 3, 4 years.

In a key development in our branded jewelry segment, we partnered with Signet Jewelers to be the exclusive retail partner for our official National Football League,

NFL, licensed to true brands fine jewelry collection. The officially licensed NFL jewelry will be available exclusively at KAY Jewelers and Zales stores in select markets and online in the U.S.

We also recently announced a strategic licensing agreement with NFL with Netflix to provide branded fine jewelry designed around highly popular Netflix shows such as Stranger Things, Squid Games, The Witcher and The Queens Gambit. These developments are in sync with our strategic approach to accelerate the growth of our branded jewelry business. We have been able to build and grow our branded jewelry business model in important international markets like the U.S., Canada, and U.K. on the back of our win-win collaborations with well-known brands such as Disney, Star Wars, Hallmark and recently added, NFL and Netflix.

Within the branded segment, we are very excited about our high potential direct-to-consumer business. Our direct-to-consumer business continues to grow at a robust rate. Direct-to-consumer business accounted for 8.5% of our total revenue in H123, and we anticipate improving the contribution to 11% during the current financial year.

During H1 FY23, the contribution from the direct-to-consumer segment to the branded segment stood at 38% from just 24% in the corresponding year. We currently run 7 direct-to-consumer websites and are pleased to share that these channels have received excellent consumer response with sales to over 8.5 million customers. The revenue from repeat customers stood at 16%. Integration of FMI is progressing well, and we have been able to achieve breakeven in H1 FY23. We expect this to contribute to profitability going forward.

Further, I am glad to share that Renaissance was conferred Out-of-the-Box Design Store Award for IRASVA during the period. In the long term, we expect IRASVA as a brand to open select outlets across India through an omni-channel approach by offering fine jewelry in a space between daily price jewelry and heavy bridal jewelry.

To conclude, while the near-term outlook remains challenging, we continue to focus our efforts on growing our branded business to achieve better margins and higher return on capital employed over the medium term. Given the current macroeconomic realities in mind, our revenue for FY23 is expected to decrease by 2% to 10% for the year for a range between INR 1,970 crore to INR 2,150 crore and our profit after tax is expected to be in the range of INR 85 crore to INR 100 crore. The tie-up with iconic global brands which empower us to grow into the next generation of jewelry customers. This, along with our direct-to-consumer business should enable us to create significant value for all stakeholders in the future in a capital-efficient manner.

I would like to now hand the call over to Mr. Hitesh Shah to discuss our financial performance. Over to you, Hitesh.

Hitesh Shah: Thank you, Sumit. Good afternoon, everyone. In H1 of FY23, Renaissance delivered a stable performance driven by steady demand in our branded jewelry segment and an encouraging contribution from our direct-to-consumer business. While our total income during the quarter stood at INR 442 crore compared to INR 478 crore in Q2 of FY22. For H1 of FY23, our total income grew by 14% to INR 1,017 crore as compared to INR 897 crore in H1 of FY22. This growth was aided by improved contribution from direct-to-consumer business and the gold business.

On the profitability front, EBITDA came in at INR 38 crore in Q2 of FY22. And in H1 of FY22, it stood at INR 80 crore, translating into EBITDA margins of 8.6% and 7.9%, respectively. The branded jewelry business reported EBITDA margin of 13.3%. And D2C business registered an EBITDA margin of 11.5%. While we are witnessing promising revenue growth post the acquisition of Four Mine Inc., the business attained breakeven during the end of H1 of FY23 thus affecting the overall EBITDA

contribution from the direct-to-consumer business. Our customer brand business too reported lower EBITDA on account of higher input costs and inflationary pressures.

In Q2 of FY23, PAT stood at INR 16 crore versus INR 28 crore in the corresponding period last year. While in H1 of FY23 PAT stood at INR 40 crore against INR 52 crore in H1 of FY22. On a trailing 12-month basis, we have reported a stable return on equity, which stood at 10.3%. As the contribution from our branded segment increases further, we anticipate return on equities to increase notably going forward as a direct-to-business consumer business requires significantly reduced working capital.

In terms of geographic distribution of sales, Q2 of FY23 contribution from North America stood at 54%, followed by 28% from the Middle East and the balance came in from other geographies. In H1 of FY23, the contribution from North America stood at 59%, followed by Middle East at 23% and the balance came in from other geographies.

Moving on to our segmental performance. In H1 of FY23, revenue share of studded jewelry stood at 88%. Of the studded jewelry revenue, branded jewelry business contributed 25%. Within the branded jewelry segment, B2B contributed to 62%, while 38% of sales was driven by direct-to-consumer sales.

During Q2 of FY 23, direct-to-consumer business posted revenues of INR 44 crore compared to INR 20 crore in Q2 of FY22, registering a growth of 115%. For H1 of FY23, the direct-to-consumer business revenue was up by 86% to INR 85 crore as compared to INR 45 crore in H1 of FY22. Based on the estimates of this quarter's contribution to annual sales, the annual revenue run rate of the direct-to-consumer business is at INR 210 crore for FY23 versus actual FY22 revenues of INR 124 crore.

Lastly, in terms of our balance sheet, our net debt-to-equity ratio stood at 0.41 in September 2022 as against 0.38 in September 2021. We have a healthy cash position with our cash and bank balances and current investments standing at INR 192 crore.

On that note, I would now request the moderator to open the forum for any questions or suggestions that you may have. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with question-and-answer session.

The first question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: So, wanted to understand the revenue decline in B2B segment. This slowdown is despite early launch of NFL as well as your Netflix style. So, what are the reasons for this about 25% decline in revenues in the B2B segment of branded jewelry?

Sumit Shah: Thank you for the question. So, while the licensing arrangements for Netflix and NFL have been signed, we only delivered our initial test for the NFL in Q3. So, the NFL launch is not in the numbers. And same is the case with Netflix. Netflix, we are in the process of creating the product and starting the process of marketing the product. And the NFL numbers should actually show up meaningfully only in Q4 of the current year as the initial launch is usually a test, which is on a consignment basis. So, we will see meaningful revenues coming from NFL or Netflix in Q4 of the current financial year.

Devanshu Bansal: Even for the core if we see for Disney style that we have, so NFL et cetera did not contribute incrementally, but comparable decline is also about 25%. So, is this largely related to the macro situation in the U.S.? Or how should we see this?

Sumit Shah: Yes. So, I think that the right way to look at it would be on an H1 basis, because a lot of times, there is shifting of orders and customers sort of ordering product a little bit earlier or later than required. So, I would say that Disney, because of the macroeconomic situation, the existing brands have not grown, they have remained relatively stable as shown in the 1.5% decline. We expect that demand should stabilize over the next 2 quarters. But definitely because of high inflation, the consumer in the U.S. is facing some pressures and because of which discretionary spends are one that are likely to be affected.

Devanshu Bansal: Got it. And the PPT mentioned that NFL, Netflix styles are currently being distributed through select retailers in the U.S. So, when do we expect these styles to sell directly to our own online platforms as well?

Sumit Shah: Yes. So, for the NFL, it is going to be an exclusive relationship with Signet, where Signet will be the retail partner that will do the exclusive distributions. So currently, there are no plans to launch an NFL website on our own. Netflix is something that we are looking at launching in Q4 of this year.

Devanshu Bansal: Got it. And lastly, if you can call out the contribution of With Clarity within the D2C segment for this quarter?

Sumit Shah: We'll have to just look at the numbers and get back to you. I do not remember it off the top of my head, but I would say that there is a meaningful contribution of With Clarity here. However, I would like to note that when we acquired With Clarity, With Clarity was a loss-making business. And in the current numbers, some of the declines in margins that you are seeing are on account of losses due to Four Mine Inc.

The business has now turned profitable, and we saw a profitable month in October, and we expect the current quarter to be profitable for the acquisition of Four Mine Inc. So, the numbers are meaningful to the total numbers. And after acquiring the company, we have been able to increase gross margins and increase revenue. And it has taken us about 5 or 6 months to make the company profitable, and we expect to see profitability from the Four Mine Inc. in quarter 3 of this year.

Devanshu Bansal: And again, just last question from my end for customer brands also, does that same challenges on the macro front, explain the reason for about 23% decline for customer brands as well on a YoY basis?

Sumit Shah: Yes. So, I think that what a lot of customers did is in the first half of this year, I think that because prices were going up, I think customers sort of preordered some inventory. So, it is not directly proportionated to what we are seeing on the consumer front, while we mentioned on the earlier two conference calls that inventory levels were low and customers ordered it, we were seeing healthy momentum.

So, what I would say is that the right way to look at it would be sort of on an H1 basis, and there definitely has been some preordering by customers. However, there is definitely challenges on the macroeconomic front as jewelry falls into a discretionary category. We are seeing signs of stabilization, though in customer demand as the months have progressed.

Devanshu Bansal: And major festive season would start in December, like in U.S., unlike India, where October and mid-November are also festive seasons?

Sumit Shah: Yes. Yes. So, it is in the next 45 days that is primarily Thanksgiving through Christmas. So, November 15 onwards is when sales essentially pick up and become stronger. So, the largest part of retail sales for jewelry happened during this period.

Devanshu Bansal: And how have been the B2B trends as in because those orders might have been coming to you earlier when the retail sales? So how have been those trends so far for Q3?

Sumit Shah: Yes. So, the sales on a year-over-year basis, our expectation is that we will be slightly soft compared to year-over-year, but the trends are improving as compared to Q2.

Moderator: The next question is from the line of Pavan Kumar from RatnaTraya Capital.

Pavan Kumar: Sir, for Four Mine Inc., I would like to understand the business better and also what do you think will be the impact? And what impact do you see on the business from the current recessionary scenario in U.S. other markets?

Sumit Shah: Yes, yes. So, I think that we have given sort of an outlook for the current year. I think due to the current inflationary pressures on the consumer, we have seen some softness in demand, and we expect sales to be 2% to 10% lower than last year. This is based on our current best estimate of the outlook for this year. And Four Mine Inc. is primarily lab-grown diamond direct-to-consumer business for us, where we custom-make engagement rings for consumers in the U.S.

When we acquired the company, the company was sort of a loss-making entity owned by venture capital firms. And after acquisition, we have managed to grow the revenue of the company by about 5 times since the acquisition and turned it profitable. So, we are very excited about the opportunity with Four Mine Inc., and the fact that it is a zero-inventory model, which allows us to grow our business without a need for working capital, which is a significant drag in our industry. So, it is a good business model where we make custom-make engagement rings for consumers in the U.S. and focus primarily on lab-grown diamonds.

Pavan Kumar: And D2C margins, do you think they will go back to 20% by the end of period or would it be difficult this year?

Sumit Shah: Yes. So, I think our expectation is for them to stabilize somewhere between 15% and 20% in the current half. First half of the year, they have been lower because of the impact of the acquisition, which was loss-making on acquisition. We expect the margins to improve gradually, and they should stabilize between 15% and 20% going forward.

Moderator: The next question is from the line of Umang Shah from India Bridge Capital.

Umang Shah: Sir, what is the total number of SKUs that you will be looking to for Netflix-Netflix tie-up?

Sumit Shah: So, we have not finalized the total number of SKUs, but there is about 4 or 5 shows. So, our best estimate would be a couple of hundred SKUs that would be launched initially for Netflix.

Umang Shah: And sir, what would be the total SKUs that we have in our 30 million branded jewelry?

Sumit Shah: In the branded business?

Umang Shah: Yes.

Sumit Shah: So, I think that each brand in general would have between 300 and 500 SKUs, the major brand will be Enchanted Disney Fine Jewelry, Star Wars. So, I think we have about 4 or 5 brands. Each of the brands would have 300 to 400 SKUs that are meaningful and drive a majority of the revenue.

Umang Shah: And what is the shelf life that these SKUs have? How often do you have to replace them? Or how often do they stay in the market?

Sumit Shah: Yes. So, I think that depends on the category of the product. Usually, our business is divided between bridal and fashion. Bridal SKUs have a longer shelf life because engagement rings tend to be more classic in styling and tend to stay on longer. So, the shelf life could be 4 to 5 years. For fashion, I would say, typically, it is 2 to 3 years would be usually 2 years when it would be strong and third year the SKU would start to decline. And that is when we would have to replace the SKU.

Umang Shah: Right, sir. That is very helpful, sir. And sir, what would be the current cost of debt on the INR 70 crore of debt that we have right now?

Sumit Shah: So, cost of debt is usual is basically linked to the Fed funds rate or LIBOR. And obviously that is moving dynamically, but for historical context, it would be between 5% and 6%. And obviously, we expect it to go up depending on where the Fed fund rate settles.

Umang Shah: Right. Right. And sir, did Forex movements benefit us at all in the first half of this year? And what could be the Forex gain, total?

Sumit Shah: So, we are naturally hedged with our foreign exchange because our receivables, inventory and payables are all in U.S. dollars. The movement in Forex basically either increases or reduces our cost of manufacturing. So, I would say that it is not really meaningful because largely, our balance sheet is U.S. dollar-driven.

Moderator: The next question is a follow up from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: I just wanted to check on that again, the margin trajectory that you have mentioned. So, if you could just repeat the margins that we expect for this year across segments as well as over the next few years, how should we see the margin improvement across the segments?

Sumit Shah: Yes, yes. So, I think largely, margins have been impacted on 2 fronts. I think in the first quarter of the financial year, they were impacted by diamond prices, which took some time for us to pass on to our customers. And in the current quarter, obviously, there was a little bit of operational deleverage while we finished passing on all of the input cost increases to our customers. So, our expectation would be that as sales stabilize, we would return to sort of the margin numbers that you were able to attain last year by segment. And then grow the overall operating profit of the company as we expect the share of the higher-margin businesses to go up. So, I think that some of the margin declines are temporary and related to input cost pressures as well as some operational deleverage. And our goal is really to bring them each of the margins for the segments to bring them back to historical numbers and grow the total operating profit margin of the company as business mix changes.

Moderator: The next question from the line of Chirag Vakharia from Budarani Group.

Chirag Vakharia: I just wanted to understand on the debt by the year-end, how would debt be looking on our books? Any thoughts there?

Sumit Shah: So, are in the process and our outlook for the future is that we have a range of assets that we feel can allow our company to grow meaningfully in the next 2, 3 years. As you have seen, we have used some of the cash flows generated for acquisitions in the past. We currently have no acquisitions planned for the next 2 to 3 years. So, we plan to use some of the cash on the books to pay down debt. So, there will be some repayments gradually as the season ends. Since its working capital, it tends to be a little bit elevated during the season.

You will see this coming down meaningfully by March since we received a lot of our receivables from customers at the end of the season. And since we do not have any acquisitions planned, we can pay down debt numbers meaningfully over time. I do not have a specific number in sort of at hand for 31st March, but I think over the next 2 to 3 years, we will see the gross debt number come down meaningfully.

Moderator: As there are no further questions, I hand over the call to management for closing comments.

Sumit Shah: Thank you. I hope that we have been able to answer all your questions. Should you need any further clarifications or if you would like to know more about the company, please feel free to contact our Investor Relations. Thank you for joining us today.

Hitesh Shah: Thank you.

Disclaimer: This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.