



RENAISSANCE GLOBAL LIMITED

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Ref. No.: RGL/S&L/2021/180

November 15, 2021

Bombay Stock Exchange Limited Listing Department Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai – 400 001	National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
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Sub.: Transcripts of the Earnings Call

Ref.: Regulation 30 of SEBI (LODR), Regulations, 2015.

Dear Sir

With reference to our letter Ref. No.: RGL/S&L/2021/174 dated November 02, 2021; please find enclosed herewith the transcripts of earnings Conference call on Q2 & H1 FY 2022 results of the Company, held on Wednesday November 10, 2021.

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

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

Thanking you,

Yours faithfully,

For **Renaissance Global Limited**

G. M. Walavalkar
VP – Legal & Company Secretary

Encl: As above



Renaissance Global Limited

Q2 & H1 FY22 Earnings Conference Call Transcript

November 10, 2021

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 the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, Sir.

Anoop Poojari: Good afternoon everyone and thank you for joining us on Renaissance Global's Q2 & H1 FY22 Earnings Conference Call. We have with us today, Mr. Sumit Shah – Vice Chairman 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 maybe forward looking in nature and a disclaimer to this effect has been included in the result presentation shared with you earlier.

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

Sumit Shah: Good afternoon everyone. On behalf of Renaissance Global, I extend a warm welcome and thank you all for joining us on the earnings conference call for Q2 & H1 FY22.

I will begin call by providing you 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 are pleased to share that we have reported an encouraging performance during the quarter. The growth was primarily driven by improved contribution from our high margin branded jewellery segment, as well as robust growth in the Direct-to-Consumer business. An upswing in retail consumption and an improved recovery in our key markets of US, Europe, and Asia, drove demand and consumption, enhancing our performance during the period under review.

Our global branded jewellery business is a key focus area for us. Within this segment, we have a growing portfolio of licensed and own brands, which we distribute through the B2B and D2C distribution platforms. Our win-win partnerships with iconic brands, such as Hallmark, Disney and Star Wars have enabled us to establish and expand our branded business model in international markets like the US, Canada, and UK. I am further encouraged to share that we



are in advanced discussions to replicate this winning licensing model across other well-known brands. Over the last three years, we have improved the contribution from our branded segment from just 2% in FY18 to over 20% in Q2 FY22. Looking forward, our strategic endeavor is to achieve over 50% of sales from the branded jewellery segment in the next three to four years.

Within our branded segment, we are very excited about our high potential Direct to Consumer business. During the quarter contribution from the D2C segment to branded segments stood at 22% from 10% in the corresponding period last year. In the last 20 months, we have launched six Direct to Consumer websites and are pleased to share, that these channels have received excellent consumer response with sales to over 60,000 customers. We are extremely delighted to inform you that we have observed an increasing trend in revenue from repeat customers. The revenue from repeat customers for the period from February '20 to March '21 stood at 6%, which has significantly improved to 19% in H1 FY21. This increase in revenue from repeat customer showcases the high level of customer trust in such a short span of time and we are confident that these customers will be our brand ambassadors in the future. We will be further augmenting our D2C portfolio in the coming months with the launch of additional websites. Overall, the branded segment is the key growth area, and we are undertaking many strategic initiatives to strengthen this model.

In one such step, we have recently established a Strategic Advisory Board comprising of three renowned executives with diverse industry experience. I would like to take this opportunity to introduce our Strategic Advisory Board members. Mr. Bijou Kurien is a well-known veteran in the Indian retail industry with over 37 years of experience and branding skills. Mr. Francesco Pesci has an extensive experience in the jewellery and luxury businesses with a track record of implementing Direct to Consumer and digital strategies. And Mr. John McEntee has 20+ years of experience in leading companies in innovation e-commerce, sales, and marketing. These valuable members will be working closely with our leadership team, offering guidance and direction on our strategic growth initiatives. Given the vast and untapped potential in the global branded jewellery industry, our Company will be efficiently secured by the collaborative expertise and knowledge towards the next leg of stronger and sustainable growth. The SAB will be involved in key stages of future projects for the Company paving the way for a robust all-round performance.

In another development during the quarter, we acquired Everyday Elegance Jewellery, which is based in California and specializes in jewellery studded with top-grade diamond substitutes, gemstones like cubic zirconia moissanite, a segment in which we currently have very less presence. It has 200 products in this portfolio and a strong presence on multiple online platforms, primarily amazon.com. Furthermore, on the back of our strong balance sheet position, we are actively looking out for strategic inorganic opportunities, which will help us accelerate our presence in the Direct-to-Consumer space.

Overall, we have reported a healthy performance during the period under review. As we establish ourselves as a global branded jewellery player, our intent is to grow our footprint and enhance market position across all key markets. Even on the macro front, globally, the industry has seen an underlying shift towards E-commerce and Omni channel platforms, which bodes well for players like us. There is a vast opportunity to grow from hereon and we look forward to delivering healthy performance with continued improvement in profitability in the years ahead.

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

Hitesh Shah:

Thank you Sumit. Good afternoon everyone.

Renaissance reported a resilient performance attributable to strong demand in our branded jewellery segment and a healthy contribution from our Direct-to-Consumer business. For Q2 FY22, our total income stood at Rs.478 crore compared to Rs. 532 crore in Q2 FY21. While for H1 FY22 total income grew by 24.4% to Rs. 897 crores, compared to Rs. 722 crore in H1 FY21. An uptick in retail consumption and a better recovery in our key markets aided healthy demand and consumption, boosting growth during the period under review. I would like to highlight here, that revenues from our plain gold segment dropped by 69% and 51% year-over-year in Q2 & H1 FY22, respectively. Whereas the volumes for the same period, improved significantly by 172% and 299%. This is primarily attributable to the renegotiated terms with most of our clients within our plain gold division, as a result of which we are now reporting, only the making charges as revenue for that business. While this adjustment may reduce revenues of our gold division, as well as the overall reported revenues this year, it will have no impact on our margins and will in fact, improve our margin profile. Adjusted for this on a like-to-like basis, revenue growth stood at 6% and 42% in Q2 and H1 FY22, respectively.

On the profitability front, EBITDA came in at Rs. 54 crores in Q2 FY22 and in H1 FY22 it stood at Rs. 95 crore translating into EBITDA margins of 11.3% and 10.6% respectively. Profitability was aided by improved contribution from our high margin areas of branded jewellery and Direct to Consumer business. Branded jewellery business reported 17.1% EBITDA margins, recording a year-over-year growth of 222 bps and the D2C business registered 20% EBITDA margins, higher by 215 bps on a year-over-year basis.

In Q2 FY22, profit after tax improved to Rs. 28 crores versus Rs. 23 crores in the corresponding period last year. While in H1 FY22, profit after tax came in at Rs. 52 crores against Rs. 5 crore in H1 FY21. On a trailing 12-month basis, we have reported notable improvement in return on equities which stood at 11.1% as against 10.9% for the year ended June '21. Our branded business typically enjoys return on equity in the range of 22% to 25%, while the D2C business has the highest ROEs at 60% to 65%. So as a contribution from the branded segment increases, we anticipate ROEs to increase notably going forward.

In terms of geographical distribution of sales, in Q2 FY22, contribution from North America stood at 75% followed by Middle East at 6% and other geographies came in at 19%. In H1 FY22, contribution from North America stood at 74%, followed by Middle East at 7% and the balance came in from other geographies.

Moving on to our segmental performance in Q2 FY22 and H1 FY22, revenue share of studded jewellery stood at 94%. Of total studded jewellery revenues in Q2 FY22, branded jewellery business contributed 21.1% and in H1 contribution was 22.4%. In Q2 FY22, B2B segment contributed 79% to studded branded jewellery, while Direct to Consumer contributed a healthy 21%.

During Q2 FY22, our Direct-to-Consumer business posted revenues of Rs. 20.4 crore compared to Rs. 8.9 crore in Q2 FY21 delivering a growth of 129%. Q2 FY22 revenue was moderated on a sequential basis, as Mother's Day holiday fell during Q1 FY22, there were no major sales opportunities in Q2 FY22. Based on our estimates of a quarter's contribution to annual sales, our annual run rate is at Rs. 122.50 crore in H1 FY22 versus actual FY21 revenues of Rs. 64.9 crore.

Lastly, in terms of our balance sheet, our net debt to equity ratio improved to 0.36 in September 2021, as against 0.51 in September 2020. Our total debt stands at Rs. 532 crores with the cost of borrowing lower than 5%. We have a healthy cash

position with our cash & bank balances and current investments standing at Rs. 208.8 crore. Overall, we are one of the leading industry players with a solid balance sheet profile.

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 very much. We will now begin the question-and-answer session.

The first question is from the line of Kaustubh Pawaskar from Sharekhan.

Kaustubh P: I have a couple of questions first on your branded jewellery business. The B2B business has seen a decline of around 10% during this quarter. Is there any particular reason for it? Was there anything exceptional in the corresponding period last year wherein revenues were at Rs. 83 crores?

Sumit Shah: In, Q2 of the last year, there was a one-time rollout of Disney Jewels to a large customer. There was some account of one-time sales last year and due to the lockdown in Q1 last year, there was some shift in sales as well. If we were to look at the branded segment on a two-year basis, the growth is still a healthy 35%. I think, the impact from one year ago is largely due to onetime sales, in Q2 last year, as well as some shift in sales from Q1 to Q2 because of the lockdown in North America in Q1 last year.

Kaustubh P: Now, since most of the markets have opened up, things are reviving in the international markets, how do you expect this business to grow, the B2B part, should we expect double digit kind of a growth because this particular space is expected to grow at around 10 to 12%. Considering that, how this industry will be growing, and your growth will be much better than the industry growth?

Sumit Shah: Our expectation would be that we should be able to grow, the branded B2B business in double digits. However, due to the nature of the B2B business, it does tend to be lumpy from quarter to quarter. I would expect that on an annualized basis, we should definitely see double digit growth in our B2B segment, primarily on account of growth in existing licenses, as well as new licenses that we are currently expecting to sign up. I would say that on annualized basis, we should see healthy growth going forward, but there may be some volatility in quarterly numbers, as we go along.

Moderator: The next question is from the line of Chirag Vakharia from Budhrani Finance Limited.

Chirag Vakharia: Just wanted to understand with this acquisition of Everyday Elegance have you acquired any brand?

Sumit Shah: Everyday Elegance itself is a front-end brand that exists. They are primarily a seller on Amazon. The reason we did this acquisition really was to expand our product profile into diamond stimulants, such as cubic zirconia and moissanite. So Yes, Everyday Elegance is a brand. Currently most of the sales are sold through Amazon. We plan to create a stronger direct online presence for Everyday Elegance as well, to help us grow in this segment where we are currently not present.

Chirag Vakharia: If you can share the top line of the Company?

- Sumit Shah:** they were in \$1.5 to \$2 million range. So, it is a relatively small Company. The annual sales are between \$1.5 and \$2 million.
- Chirag Vakharia:** Any update on the China business that you want to share?
- Sumit Shah:** On the China front, so far what we have heard from our partners in China is that sales have been encouraging. However, I think the expansion in China is going to take some time as they are thinking through what is working well and what is not working well. We do not expect a significant ramp up in China. We are happy with the sales, but we have not heard any news yet on, expansion from the current hundred door test to any further tests yet. So, these are all the updates that we have so far on China.
- Moderator:** The next question from the line of Kalpesh Parekh from JSN Financial Services.
- Kalpesh Parekh:** I have a couple of questions, one on this Everyday Elegance. Do you think the size of acquisition will be good enough for us at this juncture or probably we could have done much bigger or are we scouting for some more acquisitions in this space?
- Sumit Shah:** This acquisition was obviously a very small one, but it added some strategic value in terms of vendor relationships and customer relationships in the new product area. We are definitely, in continuous discussions for bigger acquisitions as well. And we are looking to deploy, the cash on the balance sheet towards, strategic acquisitions in the future, which will be larger than Everyday Elegance. I mean, this was a kind of a bolt on acquisition that was relatively easy to do because there was not much integration or not too many employees involved. To answer your question, though, it is a small acquisition, however we are, and we continue to look for more meaningful opportunities, which will help us grow our direct-to-consumer business, at a much faster rate inorganically.
- Kalpesh Parekh:** So the shifted acquisition from our side will be in this direction only on the branded jewellery space, particularly in US market only or we are open for other market as well, particularly Europe or Asia?
- Sumit Shah:** Because we are focused currently to grow our branded segment. We are open to an acquisition either in Europe or in North America, depending on where the opportunity presents itself. So, we continue to have meaningful dialogues with multiple people and they are open to anything that makes sense financially and fits our strategic objectives.
- Kalpesh Parekh:** We have seen some good improvements coming in, on the ROE front and ROCE front, particularly from 6% to 11%, we have made improvements. I think to some extent it is attributed to increasing branded jewellery business contribution. Also, we are deploying this cash which is sitting on the books as on today. So, with further acquisition probably, are we eyeing for further better ROE and ROCE over a period of time?
- Hitesh Shah:** Definitely we are looking at improving ROEs and ROCEs. It will be due to higher contribution from the branded and the D2C segments, as you can see that EBITDA on those are significantly higher and the D2C is specially a very capital light business and hence can generate significantly higher ROCEs. As mix of branded under direct-to-consumer businesses continues to improve, we will see a upside to the ROEs and ROCEs of the Company.
- Kalpesh Parekh:** My third question will be on this Irasva brand particularly in India, how has been the response because we do not talk much on this Indian market and all that. I know

our focus is always on the US and European market. Is Indian market gaining ground or probably a long way to go?

Sumit Shah: It is very initial days for us in the Indian market because we started, our operations only six to nine months prior to the pandemic and since the pandemic the recovery has been little bit slow because we are not an established brand already. However, we have brought on board a new CEO, who has had experience in diamond jewellery retail in India and especially Bijou Kurien obviously comes with, experience from Tanishq and he is a retail veteran, so we are working closely together to formulate a strategy for our India business. And it is clearly an opportunity area, but it will take some time for the business to grow and become meaningful. We continue to strategize and plan to grow the business. But, once, it reaches unit level economics, which are profitable only then will there be any significant expansion, but it is definitely on the radar for us, and we plan to continue to improve the product mix and the branding in order to help the stores reach profitability.

Kalpesh Parekh: One last question I have, particularly on the balance sheet side, on the net debt and net working capital which I was seeing, there has been some increase which has taken place on both the fronts. My interpretation is this is because of the expected good holiday season for you that would be the Q3. Is it because of that or something else?

Hitesh Shah: It is absolutely due to that. The Q3 is a very large quarter for our business due to seasonality and the higher debt and working capital is due to the inventory built up that has happened in WIP as well as finished goods anticipating the seasonal sales.

Kalpesh Parekh: So, this should normalize in the coming quarter?

Hitesh Shah: Yes, the inventory we will normalize in the coming quarter and the receivables before March 2022.

Moderator: The next question from the line of Yash Kothari from Citrus Advisors.

Yash Kothari: I just want you to know, any acquisition in the branding segment that you could probably tell us about, like that might be coming or like we have Disney, we have Star Wars, so any other exciting acquisition?

Sumit Shah: We're working on growth really on two fronts, the licensed brands division is really more about signing agreements with other owners of brands from whom we can license the brand. There is, at least 2 new brands that we are in serious discussions with at final stages of negotiation, which we are likely to announce, all within the next two quarters. And, in addition to that, we are also looking at inorganic growth opportunities, to acquire businesses, which own their own brands. The growth here would be on multiple fronts. One is on the licensing side, with agreements, with new licensing partners and also on the acquisition side, we are working towards opportunities that we may see, but nothing to announce yet. I think once we have agreements in terms of either acquisitions or licensing arrangements, we will definitely announce it through a press release.

Moderator: The next question is a follow-up from the line of Kaustubh Pawaskar from Sharekhan.

Kaustubh P: My question was more on the branded business. In your initial comment, you mentioned that you are targeting branded business contribution to go up to around

50% over the next three to four years. What would be the key drivers for increasing this contribution? Secondly, how will this Strategic Advisory Board help in achieving this stance?

Sumit Shah: In terms of drivers for growth for the branded business, there are multiple levers and multiple vectors in which we are working to increase the contribution of this division. With, area number one is taking the existing licenses that we do have, and we are currently selling, expanding distribution and expanding sales of those. If we look at the life cycle of the current brands, that we currently sell, Enchanted is probably in its 5th year and relatively mature and contributes a significant percentage of our overall revenues of the branded jewellery segment. We have Star Wars and Disney Jewels which are about one year, Disney Jewels is about 1 year into sales and Star Wars is just under nine months when we first started selling Star Wars. I think that the existing brands, will mature over time, in addition to the newer brands, which are extremely small now growing, there is also newer brands that we will sign licensing agreements with. The third vector of growth would really be a strategic acquisition in the direct-to-consumer space. Lastly, we are also looking very closely at the India business and achieving unit level economics where we have had a very encouraging Diwali for the Irasva brand and if during this quarter we are able to achieve unit level economics, we will probably look at some expansion with Irasva as well. So, we have existing licenses, which are not fully exploited, new licenses, acquisitions and Irasva. So really there are multiple vectors of growth. Not all of them may play out, but we are focusing on all of these areas to see, how we can make this into a much more meaningful business from what it is today.

Kaustubh P: What would be the role of Strategic Advisory Board in all this how they will help us to achieve our target?

Sumit Shah: We've really selected, the Strategic Advisory Board very strategically, we have, somebody with a very good retail background. Mr. Bijou Kurien, Mr. Francesco Pesci comes from luxury retail and branding experience. He ran a Danish Company as a CEO, which was about \$200 million in sales. John comes from a digital marketing background. The Strategic Advisory Board has quarterly review meetings to review the business in general. Each of them, have review meetings, twice a month with the various business heads specifically to discuss business issues, opportunities and really mentoring the business heads of each of the divisions, in order to help grow their individual business. It is, in addition to a quarterly review meeting, they are working now on a bi-monthly basis closely with the business heads in order to mentor them on specific issues with regards to the business.

Kaustubh P: One more question on this season, as you were answering to one of the participants. Season has already begun. We are in the month of November. So how things are panning out, better sales compared to what it was last year?

Sumit Shah: Currently, I think across the board, the macro tailwinds are strong, and sales are as anticipated, and we definitely expect a strong quarter in Q3.

Moderator: The next question is from the line of Gaurav Singh from Sarath Capital.

Gaurav Singh: I had a couple of questions, what explains the buoyancy in the gold segment, there is quite a strong volume growth there.

Sumit Shah: The gold segment last year specifically our gold business is primarily in the Middle East. The manufacturing facility is in Dubai and the sales are primarily in the Middle East. This region depends significantly on tourism for a large part of its sales and

last year, Q1 and Q2, pretty much the world was not traveling, and tourism was completely off. That has specifically resumed very strongly, and we see very strong momentum across the Middle East because, as I said, tourism is a key driver for growth here, as people are traveling to the Middle East to buy gold jewellery. That I would say is the primary driver for growth within the gold jewellery segment.

Gaurav Singh: As far as your D2C segment is concerned it is quite a young business. Any reason on Q-o-Q basis, since it is at a low base, why should a single holiday, lead to a flat sort of a quarter? I mean, given that, a lot of your brands were launched off late and have not even been monetized, in a good manner. Like you mentioned that Mother's Day fell in the previous quarter and there was no reason for celebration in this quarter. So, any reason for that?

Sumit Shah: Yes. I think in general, if you look at, sales of jewellery, through the calendar year it is very focused around, Christmas, Mother's Day and Valentine's Day and one does expect to see seasonality. Having said that, I think that the business in Q3 also we would expect to grow significantly and meaningfully on a year-over-year basis. One of the other issues that one also does have to keep in mind, that in April, May and June, there was some impact from the US Government stimulus checks that were given out and the world was still closed down. I think a combination of the two we have seen a flattish or a slight de-growth in Q2 over Q1. Having said that, we believe we are firmly on track to hit our Rs. 120 to Rs. 125 crores annual number for the D2C segment for the current financial year.

Gaurav Singh: And I assume that the last quarter you did the gold revenue adjustment, the same this quarter as well. So what's leading to the buoyancy in margins when I compare QoQ basis because they came in at around 8% if I'm not wrong in last quarter, 11%, this quarter, your branded segment was at the same level of 20% of your entire business?

Sumit Shah: The plain gold business, obviously in Quarter 2 impacted due to Diwali. I think a lot of our sales in the Middle East are to Indian ex-pats or to the Indian community traveling, to the Middle East, to buy gold jewellery, since it is a large part of the audience for the gold jewellery segment is the Indian community. There is some amount of seasonality due to, buoyancy in sales. There are some margins increase in Quarter 2.

Gaurav Singh: Can we assume the margin that we have, that we got in this quarter, which is at around 11% that could be assumed as a steady state or we could still see some level of up and down in the next few quarters?

Sumit Shah: I would tell you that, I think that H1 would be a better indicator to take that between 10 and 11% would be a good indicator. I think there may be some shift in expenses and some general buoyancy in margins because of deferment of expenses or good sales. I would say that probably, between 10 and 11% is a good indicator, obviously, if it does better, we would look to try and improve the performance. But I would say that, between 10 and 11% is a good indicator of EBITDA margins.

Gaurav Singh: One final question, we were given to understand that you are spending almost 30% of the gross margins in the D2C segment towards digital marketing. Since you said that the intensity of sales is quite higher in Q3 and Q4 vis-à-vis Q1 and Q2. Does the spends on marketing also, do you taper that down which would mean that the profitability is not compromised and because you are playing with the marketing expenses depending on the festivals and when they fall?

Sumit Shah: Currently what we are doing is we are spending about 30% of sales of direct-to-consumer sales on marketing on an ongoing basis. Our intention in Q3 would also

not be to taper that off, in order to kind of, maximize sales and continue to gain customers, we are relatively early in the evolution of our direct-to-consumer business and really our long-term objective would be to make this a much larger and more meaningful business for us. We have seen our repeat customer rate go from, almost to zero to about 20% now. I think once we have customers in the ability to remarket to them, that's when marketing spends as a percentage of sales can go down meaningfully, I think right now we are early in the game. It makes sense to invest that money into growing the customer base and thus leading to a larger profit pool, 2-3 years down the road.

Gaurav Singh: One final thing on the disclosures, would it be possible for us to disclose how you are doing, at least in the D2C front, for the brands that we have done the websites for. How successful we have been? Have you been able to monetize from each of these brands?

Sumit Shah: Sorry was your question, you want disclosure on how each of these brands are doing?

Gaurav Singh: Yes, basically what is the traction in each of these brands? So, we could get a sense of with time how are doing individually? You do give a D2C disclosure every quarter, so can we get a breakup of that for each of the brands?

Sumit Shah: We can definitely take a note of that and hopefully look at providing some color around the traction around each of the brands.

Gaurav Singh: Another thing was since your whole attention is also on the branded side. If you could do at least for the last eight quarters mention how the share of the branded businesses have increased. It will give us confidence as to how we are going about transitioning to the 50% mark for which you are aiming.

Sumit Shah: Yes, sure.

Moderator: The next question is a follow-up from the line of Kalpesh Parekh from JSN Financials.

Kalpesh Parekh: Some of your peers are probably entering into this lab grown diamond jewellery business. In this context, do you think there is a big opportunity for us also in this space or are we already there in this space?

Sumit Shah: You're absolutely right. Lab grown diamonds are becoming more accepted by the consumers, in the West. There is definitely an opportunity for us, to be more meaningful in this area. Today it is a very small percentage of our business. And it is definitely a focus area of growth for us going forward.

Kalpesh Parekh: Are you seeing more acceptability from the customers, particularly US customers for this product?

Sumit Shah: Yes, absolutely. The US consumer is definitely looking at lab grown diamonds. Interestingly, what we are seeing in the marketplace is, they are using lab grown diamonds to actually trade up in size and value. So, if a consumer wants to spend \$3,000 on an engagement ring, while they would end up buying a half carat or a one carat diamond, in natural diamonds, they are trading up and still spending \$3,000 on a lab grown diamond. The penetration of lab grown diamonds, I would say, has definitely increased and will continue to go up in the years to come.

- Kalpesh Parekh:** And the margins I believe are much better than even the normal diamond, is it true, because cost structure wise it is very low?
- Sumit Shah:** The margins because it is a newer business, would tend to be higher in lab grown diamonds than in natural diamonds.
- Kalpesh Parekh:** Is there any acquisition opportunity in this space?
- Sumit Shah:** I think we are really evaluating all acquisition opportunities I think something, meaningful has to come up for us to look at and acquire but, we are open to acquisitions in anything which is strategically important for us.
- Moderator:** The next question is from the line of Anshul Mittal from Care Portfolio Managers.
- Anshul Mittal:** I just had one question. The licensing agreement, which we have with global brands like Disney and Hallmark, are these agreements exclusive to us or these are geographic based, like license has been selected towards the Asia region or something like that?
- Sumit Shah:** Yes, the answer is that its country specific. The fine jewellery space is currently exclusive in US, Canada, and UK, in other markets where some of the brands had licenses already. They are not exclusive, but in our key focus markets, they are exclusive.
- Anshul Mittal:** We do not have that scope to go beyond registered markets or there is a scope to expand in different geographies as well?
- Sumit Shah:** There is a scope to expand in other geographies, but in some other geographies it may be non-exclusive, like in China, we are not the exclusive licensee because the license already exists. There is scope in other markets, however, maybe on a non-exclusive basis.
- Anshul Mittal:** Secondly, I wanted to ask on the CVD front. Even De Beers and other players are entering into Chemical Vapor Deposition. I just wanted to know is potential a really strong on that front or both sort of jewelries can coincide?
- Sumit Shah:** Our view is that the customer has a choice and choice is always good. And I think that both of them will co-exist of the trend that we are seeing now, as I mentioned earlier, is for consumers to trade up when they are going to lab grown diamonds. I think as a percentage of overall diamond jewellery sales, I think, lab grown diamonds are probably in single digits now. Our expectation would be that they would go, into double digits. There are reports that suggest that probably 20% of, diamond jewellery sales could be lab grown diamonds, so it is very meaningful opportunity and definitely a growth area for the industry.
- Moderator:** The next question is from the line of Nikhil Jain from Galaxy International.
- Nikhil Jain:** Couple of questions, first one is Chinese joint venture that we had with one of the retailers. Is there any update on that? How is the traction going over there? And has it impacted because of the COVID situation in China and the other steps the Government is taking?
- Sumit Shah:** On the China front, the feedback that we received from our partner in China is that they are encouraged by the sales. However, we do not have any news on increased distribution as yet, we are working towards setting up our own online platform on T-mall to try and sell direct to consumer in China as well. China is

probably going to take a while before it becomes meaningful to our overall sales numbers. So, I do not have too much to report except that, initial sales have been good. However, I do not have too much news about the plans for expansion yet with our partner.

Nikhil Jain: My second question is currently we are having 6 branded websites through which we are promoting our product, which is Direct to Consumer. And we have now done some acquisition also which will add up. We are also saying that we will have maybe some more brands you are looking for some more acquisition. Maybe we are talking about like 10-12 different kinds of entities or websites or brands through which we will be doing our sales for direct to consumer. My question was, would it become a little more difficult to manage, let us say 10, 12 different brands and businesses separately for the customer. From a customer perspective and from our own efficiency perspective and other things, if I look at FMCG, companies are actually investing in their power brands and trying to grow them bigger, rather than pushing so many small brands. So, what is your take on that?

Sumit Shah: Yes, I think our eventual goal, would be to try and create a platform where the multiple brands can be sold under one website. I think currently, individual storytelling is also very important to have individual brands because you do lose part of the experience of a particular brand when it is sold on a multi brand website, there will be a multi-brand platform at some point in the future, once there is a network of brands that is a complete portfolio. So, it is definitely challenging, to operate too many websites. However, we feel that from a storytelling perspective, it is very important, to represent the brand correctly on a particular website. Having said that, we are not averse to having one platform where all of the brands could be sold as sort of a house of brands that would be common to multiple licenses that we will own.

Moderator: The next question is from the line of Amit Doshi from Care Portfolio Managers.

Amit Doshi: In the opening remarks, you mentioned that you are probably, growing, your licensing business and probably doing some acquisition etc. in that space. Just wanted to understand, would this be acquisition in the sense the Company having that license, or you would directly reach out to the brand and make a royalty agreement with that?

Sumit Shah: Yes. Sure. To answer your question, we are looking at both opportunities, we are looking at signing new licensing agreements and that would not be an acquisition, which would just be a new licensing arrangement with a brand where royalties paid on the rate of sale, as well as looking at acquisition opportunities of companies that actually own their own brands and probably have a direct relationship with the consumer. We are looking at both opportunities for growth.

Amit Doshi: Which one do you think is more, better, or easier to grow? Because the one which already has a brand, probably they have the distribution points or branding activity, then it is easier to grow or direct having a license from the brand is easier?

Sumit Shah: In terms of a new license that takes time to nurture and grow, right. I mean, it is a long process. One has to create the marketing, create the branding, establish distribution, establish a website, and sell. However, it takes a couple of years to actually for the brand to become meaningful after signing a licensing deal. In terms of an acquisition, it could be meaningful from day one. So, there is a short-term angle to this and a long-term angle to this, right, so both are important.

Amit Doshi: Valuation could be the key thing.

Sumit Shah: Yes, correct. Okay.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Sumit Shah: Thank you everyone for participating on our Q2 & H1 FY22 Earnings Conference Call. Look forward to seeing you on the next conference call. Thank you.

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