



# RENAISSANCE GLOBAL LIMITED

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Ref. No.: RGL/S&L/2022/48

February 14, 2022

<b>Bombay Stock Exchange Limited</b> Listing Department Phiroze Jeejeebhoy Towers Dalal Street, Fort, Mumbai – 400 001	<b>National Stock Exchange of India Ltd.</b> 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/2022/36 dated February 02, 2022; please find enclosed herewith the transcripts of earnings Conference call on Q3 & 9M FY 2022 results of the Company, held on February 09, 2022.

The aforesaid information is also being uploaded on the website of the Company at [www.renaissanceglobal.com](http://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

### Q3 & 9M FY22 Earnings Conference Call Transcript

February 09, 2022

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**Moderator:** Ladies and gentlemen, good day, and welcome to Renaissance Global Limited 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 Anoop Poojari from CDR India. Thank you and over to you Mr. Poojari.

**Anoop Poojari:** Good afternoon, everyone, and thank you for joining us on Renaissance Global's Q3 and 9M FY22 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 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 Sumit to make his opening remarks.

**Sumit Shah:** Thank you. Good afternoon, everyone. On behalf of Renaissance Global, I extend a warm welcome and thank you all for joining us on our earnings conference call for the quarter and nine months ended December 31<sup>st</sup>, 2021.

I will start off the call by taking you through a brief overview of the Company's operational and business highlights for the period under review. Post that, Hitesh will give you a rundown of the financial performance, following which we will open the forum for a question-and-answer session.

We are glad to report that we have delivered a robust performance during the quarter on the back of improving demand environment in our key global markets of North America, Europe, and Asia. On the like-to-like basis, our total income in Q3 was higher by 26% year over year, and profit after tax expanded by 29% year over year. While our nine months like-to-like total income growth stood at 34%, and profit after tax improved by 178%. The growth was primarily driven by strong contribution from our high-end branded jewellery segment, along with a robust growth in our direct-to-consumer segment.

Our global branded jewellery business is the key growth pillar of our business model. We have a growing portfolio of high potential licensed brands and own brands within this segment. Our association with globally recognized brands such as Hallmark, Disney, and Star Wars, has put us on a strong

footing and enabled us to improve our presence across key international markets. We have been in advanced discussions to replicate our successful licensing model across other well-known brands. In line with this, we are pleased to share that we have signed a licensing agreement with one of North America's most popular sports league, the National Football League. Through this agreement, Renaissance and NFL will collaborate to design unique branded jewellery collection using NFL intellectual property. The NFL jewellery collection will include distinct pieces representing each of the 32 teams in the NFL, along with jewellery pieces for a Super Bowl and Pro Bowl matches. The collection will be premiered this holiday season at multiple retail locations, such as department stores, specialty jewellery stores, league stores, mass market retailers, and others across the United States. The jewellery collection will also be featured across e-commerce platforms, such as the NFL team websites, and other ecommerce retailers. This partnership along with our existing strategic licensing agreements augments our branded jewellery product portfolio. Over the last three years, we have improved the contribution from our branded jewellery segment from just 2% in FY18 to 23% in 9M FY22. Looking forward, our strategic endeavour is to achieve 50% sales from branded jewellery segments over the next three or four years.

Within the branded jewellery segment, the direct-to-consumer business is another important growth lever for us. We have successfully developed and launched six online stores within a span of 15 months. We are happy to share that the monthly visitors on these websites have recorded almost 10 times growth since February of 2020 and we continue to register strong consumer traffic across these websites. We are constantly witnessing healthy business from repeat customers. In this quarter the contribution from repeat customers stood at 17% as compared to 15%, in Q2 FY22 and an average of 6% in FY21. The contribution from repeat customers continues to be on an improving trend, showcasing higher consumer stickiness and brand trust. In the coming months, we will be broadening our direct-to-consumer portfolio with the launch of new websites, and we'll be introducing a number of strategic initiatives to strengthen this model. Renaissance will be launching a brand new D2C website for NFL in the coming months.

Overall, we have delivered an encouraging performance during the quarter and nine months. While there are ongoing concerns about the pandemic in some key global markets, we expect minimal short-term impact. Furthermore, we are currently witnessing certain inflationary pressures on our key raw material, most importantly diamonds. This may have potential impact on our performance in Q4 FY22. We expect this impact to be temporary, as we will pass on some of these cost increases to our customers. I would like to highlight that Q4 FY21 saw a spike in demand in our key markets, owing to the stimulus program by Western governments, and hence would have a comparatively higher base.

On the whole, these challenges are transient in nature, and we remain excited about our future growth prospects and opportunities in the medium to long term. Our core competencies such as our partnerships with globally recognized brands, high expertise in product conceptualization and design, advanced industry know how and win-win partnerships with iconic brands position us well to leverage on the many growth opportunities in the high potential global branded jewellery space. Based on our strong performance for the quarter and financial year till date, and in line with our dividend distribution policy, the Board has decided to declare an interim dividend of INR 5.5 per share.

On that note, I would 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 so much. Good afternoon, everyone.

We have reported a solid performance during the quarter supported by high demand in our branded jewellery segment, as well as strong contribution from our direct-to-consumer business. In Q3 FY22, our total income stood at to be INR 775 crore compared to INR 741 crore in Q3 FY21, registering a growth of 4.5%. While for the nine months ended December 2021 the total income grew by 14.3% to INR 1,672 crore compared to INR 1,463 crore in nine months ended December 2020.

Our branded jewellery sales in Q3 grew by 30% year over year, of which our B2B segment marked a healthy growth of 20%. Direct-to-consumer business posted revenues of INR 49 crore in Q3 of FY22 compared to INR 27 crore in Q3 FY21, growing by 78% year over year. In 9M FY22, our branded jewellery segment grew by 38% of which B2B by 23% and D2C by 123%. Strong uptick in retail consumption and improved demand environment in the key markets on the back of a holiday and festive season boosted growth within the branded jewellery category, during the period under review. Our D2C segment is also fast growing. According to our estimates of nine-month revenue contribution to annual sales, the annual revenue run rate for this segment now stands at INR 130 crore compared to actual FY21 revenues of INR 65 crore, registering a two times growth.

I would like to highlight that while revenues from our plain gold segment dropped by 66% and 60% year over year in Q3 and 9M FY22 respectively; the volumes for the same improved by 84% and 172% year over year. This is largely because we are now recognizing only making charges as revenue for this business. While this will meaningfully reduce the reported revenues of the gold division. EBITDA performance remains unaffected.

In terms of geographic distribution of sales, in Q3 FY22, contribution from North America stood at 75%, followed by Middle East at 6%, and other geographies at 19%. In 9M FY22 contribution from North America was 74%, followed by Middle East at 7% and the balance coming in from other geographies.

In Q3, FY22 & 9MFY22, revenue share of studded jewellery stood at 93%. Of the total studded jewellery revenues in Q3, branded jewellery business contributed 27% and of which the B2B segment contributed 75% whereas D2C contributed 25% of the branded jewellery business.

On the profitability front, EBITDA stood at INR 68.4 crore in Q3 FY22 and in 9M FY22 it stood at INR 163.6 crore, translating into EBITDA margins of 8.8% and 9.8% respectively. Profitability was aided by improved contributions from our high margin areas of branded jewellery, and direct-to-consumer business. In 9M FY22, branded jewellery businesses reported a 15.5% EBITDA margin, recording a year over year growth of 429 bps and the direct-to-consumer business registered 19.1% EBITDA margins, which was higher by 341 bps on a year over year basis. Our direct-to-consumer business is a high EBITDA margin business, with margins ranging from 20% to 22%. With the growing share of direct-to-consumer revenues to total revenues, we believe our consolidated EBITDA margins will be on an increasing trend going forward.

In Q3 FY22, Profit After Tax improved to INR 32.9 crore versus INR 25.4 crore in the corresponding period last year. While for 9M FY22 Profit After Tax came in at INR 85 crore against INR 30.6 crore in the same period of last year registering a robust increase of 178%.

Lastly, in terms of our balance sheet, our net debt to equity ratio stands healthy at 0.33 in December 2021. Our total net debt stands at INR 305 crore, and our cash and bank balances and current investment stands healthy at INR 286 crore.

To conclude, we have reported a solid overall performance during the quarter and the nine-month period. As one of the leading industry players, we operate a strong financial profile, and we remain confident of delivering improved performance going forward.

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. Ladies and gentlemen, we will now begin the question-and-answer session.

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

**Kaustubh Pawaskar:** Yes, good afternoon, sir. Thanks for giving me the opportunity and congrats for good set of numbers. My question is on the margin front. So, for this quarter, we have seen our EBITDA margin at around 9.8%. And sequentially there is a dip because in Q2 we saw it at 11%. So is this mainly because of the discount or the change in mix during the quarter?

**Sumit Shah:** Yes, so there are essentially two reasons for the dip in the margins in this quarter. You know, one is we have seen an inflation in the prices of diamonds over the last four or five months, and there has been some element of commodity price increases that we've not yet passed on to customers fully. And I think during Quarter 3, which is our largest selling season, there is usually a little bit of promotional activity, which affects our EBITDA margin. So, I would say that it's a combination of these two factors, diamond price increases, as well as some element of promotional selling.

**Kaustubh Pawaskar:** So, as you mentioned, that you have already taken a price increase. So, how do you look at Quarter 4, whether this trend will improve, or will it take some time considering the fact that in Q4, there are a couple of effects, one, because of the inflationary pressure and third wave would also have impact.

**Sumit Shah:** Our expectation would be that margins would continue to be under pressure like Q3, in Q4 as well. We've not seen a significant business impact because of the third wave. However, the year over year comparisons do become a little bit challenging because last year, in Q4, the U.S. government sent out stimulus cheques. And so, we expect a little bit of moderation in sales growth, specifically in Q4, and some bit of pressure due to all diamond price increase is not being passed on to customers. However, we are fairly confident getting back on track to our target EBITDA margins by Q1 of the next financial year.

**Kaustubh Pawaskar:** Just wanted to understand on this strategic agreement with NFL. So more from the perspective of the operations -- while getting into such agreements do you have any targeted revenues in mind that this particular agreement will be deriving these revenue streams for the period of time?

**Sumit Shah:** Yes, so I think that there isn't a specific revenue target, but I think that we would generally sign agreements with brands where we think that the opportunity would be to at least create a USD 20 million in revenue brand, over a three-to-four-year time frame. So that would be our goal, that if we feel that the target market was significant, at least to get to that size, then that would be an endeavour sort of worth doing. Obviously, it's possible that it could be a lot larger, like Enchanted is – it is almost a USD 50 million business for us, but it takes a few years to grow. So, we expect NFL to be

meaningful, but I think it's a three-year process to grow the business, the brand, and the distribution.

**Kaustubh Pawaskar:** And just one related question, when you enter into such agreements, initially considering the fact that you have to do more on promotions, and a little bit of inventory, because the product is under development phase, so initially, that impacts your margins?

**Sumit Shah:** Yes, you're absolutely right that in year one, there would be some impact on margin, because there's an upfront cost associated with developing the brand, the content, and the marketing costs, primarily. The inventory costs are not so significant, because I think they scale up usually, as revenues go up. But there are some upfront investments required in developing the marketing and branding content and the website, which would mean that in year one, launching a new brand would have an impact on margins.

**Moderator:** The next question is from the line of Aakash Javeri from Perpetual Investment Advisors.

**Aakash Javeri:** Congratulations on great numbers. Sir, we had a great Q3, and the industry has had a very good Q3. So, for 2022, do you feel that we can see volume growth or the growth this year would be more pricing growth? Because U.S. job data has been better than expected. So, how is the current demand scenario looking and the expectation for the forthcoming year?

**Sumit Shah:** I would say that our expectation would be for the demand environment to be slightly challenging in the next four months, especially when the comparisons are on a year over year basis, because of the fact that, there was U.S. government stimulus cheques. And I think this year, pricing growth will definitely be a key driver of sales growth. So, while the U.S. consumer remains in good health, we expect business to be healthy. However, the next four months, the comparisons definitely do look challenging because of the year over year comparisons from last year.

**Moderator:** The next question is from the line of Shashank Bharuka from Haitong International Securities.

**Shashank Bharuka:** I'm a bit new to the company. So, I would like to get some clearer understanding of the business model. So, I see a large chunk of your revenue comes from the customer brand segments, and wanted to know what the exact functioning of the segment and how is it different from the branded jewellery segment?

**Sumit Shah:** Sure. So essentially, the customer brand segment is a segment where we design, manufacture and sell jewellery to large global retailers under their brand name. And the branded jewellery segment is a segment where we're the licensee or owner of the brand. And the product is sold under a licensed brand or our own brand, either direct to consumer or through retail partners.

**Shashank Bharuka:** Okay understood. And in terms of geographical breakup, in the other section, what type of countries are included and what's India's share in that?

**Sumit Shah:** Yes. So, it's primarily Europe and Asia countries are the other segments, and Europe being a large part of the other segment, India is a very small percentage of our revenues, we currently operate three stores in India, and predominantly for the current financial year, they've been largely closed due to COVID, or relatively operating at lower capacity because we're a newer brand. So, India is not a meaningful number in our total revenue. And the other segment is primarily Europe with a little bit of revenue coming from Asia.

- Shashank Bharuka:** Understood. Also, since you said that you're trying to expand to other geographies, in the coming period in order to boost your bandwidth in the segment. So, what are your plans on that?
- Sumit Shah:** We don't expect the geographic mix to shift significantly. We see a large opportunity in the market that we're currently operating primarily in the U.S. to increase penetration and grow our existing brands and grow our direct-to-consumer business. So, I would expect that our geographic mix will not change dramatically in the years to come.
- Moderator:** The next question is a follow up from line of Kaustubh Pawaskar from Sharekhan by BNP Paribas.
- Kaustubh Pawaskar:** I just have a follow up as you said that Q4 is a little bit subdued, and it is going to be a transition phase. But how do you expect the next holiday season to be like? In FY23 and FY24 how would the demand environment be considering the overall revival in the global market? Now things are looking to be better, mobility is improving; most of the countries are getting out of the COVID phase so how do you expect the demand environment? And whether you have to gain any shares in some of these markets?
- Sumit Shah:** I would say that medium to long term, we are extremely optimistic and bullish about the demand environment, as you know a lot of stores were shut and now the stores are reopening, people are being able to go out again, we still have a significant exposure to physical retail. So overall, we are optimistic with the number of brands that we own, and the distribution network that we have. Medium to long term we are optimistic that we should be able to continue to grow the business significantly in the years to come. I think that a lot of the challenges that I'm describing are short term in nature and would be transient and focused around Q4. I would expect that holiday season for FY22 to be relatively healthy and especially for us, given a lot of new brand launches, we expect to have strong momentum for next financial year.
- Kaustubh Pawaskar:** So, in that case earlier we had targeted for EBITDA margins of close to 10% by FY24. So that target still remains considering the fact that your D2C business contribution is improving as well as branded jewellery business contribution, which now is about 23% and it is expected to further improve, and EBITDA margin of around 15% to 16%. So, considering these factors should we expect margins closer to 10% by FY24?
- Sumit Shah:** Our goal really is to get our EBITDA margins above 10%. I mean, our goal, medium to long term would be for our EBITDA margins to be in the 10% to 12% range, especially as the contribution from the branded jewellery segment increases. So, I would expect the next financial year and going forward margins to definitely be higher than 10%. So, nine months of the current year, we're at about 9.8%. Our expectation would be definitely to be greater than 10% for the next financial year.
- Moderator:** The next question is from the line of Gaurav Singh from Sarath Capital Management.
- Gaurav Singh:** You did mention a couple of concalls back that you're working on the customized orders kind of business as well. So, what percentage of business is coming from that right now in the quarter gone by?
- Sumit Shah:** We did launch personalization on our Star Wars fine jewellery website. And it's been operational for two months or so. And we are currently seeing about 4% to 5% contribution coming from the personalized segments. We planned during the current year to launch customized bridal on our Enchanted Fine Jewellery website, where we will offer the consumer the choice to make a

ring based on their preferences, choose a colour of the metal, size of the diamond and various other optionalities. And we also plan to launch personalization on the Enchanted Fine Jewellery websites. So, in a way although it's small, we're encouraged with the response of the customers to the personalization initiatives, and we expect this business to become a bigger business during the current calendar year.

**Gaurav Singh:** So, this would work on advanced payment, upfront payment and then you deliver within a specific period?

**Sumit Shah:** That's right.

**Gaurav Singh:** And what would be the delivery timelines for it, I mean in an order?

**Sumit Shah:** Usually two weeks.

**Gaurav Singh:** Two weeks. And you're launching new licenses now. So, what impact does that have on your working capital considering that you would require many more SKUs now you have 32 teams in NFL. So, it would require that many number of SKUs. So, does that increase your working capital requirements?

**Sumit Shah:** So, in general, our branded jewellery segment is less working capital intensive as compared to the customer brand segment, and especially D2C is significantly less working capital intensive than the other businesses. So, while obviously, growth does come with its required set of working capital. I would say that the working capital intensity of the business will go down in the years to come and the requirement of working capital will be lower as a percentage of sales, as the product shifts towards the branded jewellery segment.

**Gaurav Singh:** And what EBITDA margin do we do on our non-branded side of business?

**Sumit Shah:** So, the non-branded side of the business nine months is 8.3%. And the branded jewellery is 15.5%.

**Gaurav Singh:** Right. So as the branded becomes more like 50%, you get to a level of around 12% to 13%, would that be correct?

**Sumit Shah:** That's right.

**Gaurav Singh:** And then since you said that 50% would be in three to four years, 50% would be branded, what percentage of branded do you assume would be D2C at that point in time?

**Sumit Shah:** So, I think within that also, we would target a 50-50 mix between wholesale and direct-to-consumer because the direct-to-consumer is growing significantly faster than the B2B segment.

**Gaurav Singh:** Okay. So, in that case, the branded business's margins would in fact, increase by 17% or so?

**Sumit Shah:** That's right.

**Gaurav Singh:** So, then D2C is 22%?

**Sumit Shah:** That's right.

**Gaurav Singh:** Shouldn't your EBITDA margins get pulled to around 14%, then, at that timeline?



- Sumit Shah:** So, I think that the direct-to-consumer business there's a bit of push and pull within there, as we go along, the margins of the D2C business should go up. Given that our customer acquisition costs are a little bit elevated now since it's a new business. So, one of the things that will expand the margins of the D2C business would be the lowering of customer acquisition costs as the number of repeat customers increases. However, we may also get into newer categories within the D2C space, which may fundamentally have slightly lower gross margins. So, as we get into more bridal and higher AOV products, the gross margins maybe a little bit lower. But I think structurally, you are right, that depending on the penetration of D2C within the branded jewellery space, there is a potential for margins to be higher, higher because of the mix shift towards a branded jewellery segment.
- Gaurav Singh:** Okay. And in a non D2C business, which is through the large retailers, so are we only operating through the large retailers or are we also trying to get through the MOM-and-POP route as well, which would typically be higher margin? Do we have any share in that side of things, in the U.S. at least?
- Sumit Shah:** We do not have distribution among the small retailers. Generally, our customers would be 100 stores and above.
- Gaurav Singh:** Any plans to get into that segment because we were speaking to one of your peers, and they seem to be doing pretty well in that, and their margins are also higher in that.
- Sumit Shah:** No, we don't have any plans to have distribution in the independent through the space.
- Gaurav Singh:** Okay. And since you've spoken about price inflation on the raw material front, especially diamonds, any plans to get into something like a lab grown or at least for a part of your sourcing, which could help control a lot of your -- because you are scaling up your business. So, if you have significant part of your raw materials in house, it will help you.
- Sumit Shah:** Yes, so we currently do sell lab-grown diamonds, it's a small business for us and it's definitely a focus area and one which we are trying to grow.
- Gaurav Singh:** So, what percentage of your diamonds that you include in your jewellery will be lab-grown?
- Sumit Shah:** Currently under 5%.
- Gaurav Singh:** Under 5%. Any target towards that?
- Sumit Shah:** Nothing specific, I think it's a newer business for us. I think during the course of this year, we'll know how that business evolves. I mean, it's definitely a very fast-growing area of the market and one which we want to get focused on. So, I think that we'll have to see how it plays out during the course of this year and we hope to increase percentage share of that business going forward.
- Moderator:** Thank you. As there are no further questions, I'll now hand the conference over to the management for closing comments.
- Sumit Shah:** Thank you, everyone. I hope we've been able to answer all your questions. Should you need any further clarifications about the company, please feel free to contact our Investor Relations or the CDR team. We thank you for your valuable support and thank you again for joining us.

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*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.*