Ref. No.: RGL/S&L/2024/10

February 16, 2024

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

Sub.: Transcripts of the Earnings Conference Call

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

Dear Sir

With reference to our letter **Ref. No.: RGL/S&L/2024/05** dated February 06, 2024; please find enclosed herewith the transcripts of Q3 & M9 FY24 Conference Call of the Company, held on **Wednesday, February 14, 2024.**

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**

Vishal Ashokrao Dhokar

Digitally signed by Vishal Ashokrao Dhokar
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Date: 2024.02.16 15:22:39 +05'30'

CS Vishal Dhokar
Company Secretary & Compliance Officer

Encl: As above

Renaissance Global Limited

Q3 & 9M FY24 Earnings Conference Call
February 14, 2024

Moderator: Ladies and gentlemen, good day and welcome to Renaissance Global Limited's Earnings Conference Call.

As a reminder, all participants' 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 Ms. Jenny Rose from CDR India. Thank you and over to you ma'am.

Jenny Rose: Good afternoon, everyone and thank you for joining us on Renaissance Global Q3 9M FY24 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 have been included in the results presentation shared with you earlier.

I would now like to invite Mr. Sumit Shah to make his opening remarks. Over to you, sir.

Sumit Shah: Good afternoon everyone. Thank you all for joining us on our Earnings Conference Call for Q3 & 9M FY24.

I would like to begin by providing 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 question and answers.

Our strong financial performance in this quarter was driven by notable improvements in our margins. This quarter we saw a 7.6% year-over-year increase in absolute EBITDA and 129 basis point increase in the EBITDA margins to 8.2%. Along with this we also saw expansion in our profit before tax and profit after tax levels of 56 and 33 basis points respectively. With these improved margins and coupled with a robust order book and outlook for our branded business in the quarters to come, we expect significant growth in our revenues and profits in the coming quarters and for the entirety of FY25.

The expansion of our branded segment revenue has been instrumental in steering us through these difficult times encountered in our key markets, exhibiting a year-over-year growth of 16% in Q3 and 12% on a nine-month basis. Furthermore, the launch of Wonder fine jewellery, which is our umbrella brand for Marvel, Disney Jewels and Star Wars with one of our big retail partners has shown early signs of success. We expect to launch this collection with other retail partners too along with our own Wonder fine jewellery website. These launches are anticipated to contribute notably to the revenue generated from this segment, further strengthening our financial position and enhancing our market presence.

Our direct-to-consumer vertical is experiencing strong growth and remains a central focus for our expansion strategy moving forward. In the 3rd Quarter we saw a steady year-over-year improvement of 8% and over a nine-month period around 18%. We are placing greater emphasis on nurturing the expansion of our D2C vertical, recognizing its pivotal role in our future growth plans. The sustained engagement and loyalty of our customers underscores the strategic importance of this segment for our long-term objectives.

An emerging trend in the jewellery industry is the widespread adoption of lab grown diamonds on a global scale, particularly in the realm of engagement rings and solitaire jewellery. At present LGD makes up around 50% of our direct-to-consumer sales highlighting the growing popularity among consumers. The surge in demand can be attributed in part to the significant price difference between lab grown diamonds and traditional diamonds making them an attractive option for budget conscious customers. To capitalize on this rapidly increasing market in a challenging environment, we have taken proactive steps over the last 9 to 12 months to offer customizable options through our D2C channels catering to an increasing desire among consumers for personalized and one-of-a-kind jewellery pieces. Our strategic approach to this segment not only leverages the potential of lab grown diamonds but also aligns with our commitment for innovation and customer centricity in the high-end jewelry market.

Looking forward, our focus will be to continue harnessing our strong partnerships with renowned brands, leveraging our extensive experience in product conceptualization, and utilizing our design skills. Coupled with a robust distribution network, these factors are expected to be the key drivers of future growth. With US inflation being at the fag-end and having tested the markets with our higher margins we expect our revenue trajectory to be upward and onward in the coming quarters and hence in FY25.

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

Hitesh Shah: Thank you, Sumit. Good afternoon, everyone. Renaissance has given a strong performance despite facing challenges in our key market.

While our total income during the quarter under review stood at Rs. 658 crore compared to Rs. 725 crore in Q3 of FY23. For the nine months of FY24, our total income came in at Rs. 1,577 crore as compared to Rs. 1,741 crore in the nine months of FY23.

On the profitability front, EBITDA came in at Rs. 53.9 crore for Q3 FY24 exhibiting a year-over-year growth of 7.6% in absolute terms and translating to a margin of 8.2% which is an improvement of 129 basis points year-over-year. For nine months ended December 2023, the EBITDA stood at Rs. 122.4 crore translating into an EBITDA margin of 7.8% which is an improvement of 29 basis points.

Further our D2C business registered a 14% EBITDA margins in Q3 of FY24, which is up 244 basis points year-over-year, whereas this number for the nine-month period stood at 13.7% which is up 131 basis points year-over-year. Our direct-to-consumer business is a high EBITDA margin business and with the growing share of direct-to-consumer revenues to total revenues, Renaissance is confident of its EBITDA margins showing further improvement going forward. In Q3 of FY24, our profit after tax stood at Rs. 27.9 crore versus Rs. 28.3 crore in the corresponding period last year. While for the nine months ended December 2023, the profit after tax came in at Rs. 52.6 crore against Rs. 68.1 crore in the same period of FY23.

Moving on to our segmental performance, In Q3 and 9M FY24, the revenue share of studded jewellery stood at 92% and 88% respectively. Of the total studded jewellery revenues in Q3 FY24 branded business contributed 45% and for the 9M FY24, the branded jewellery segment contribution was 37%.

In Q3 FY24, our B2B segment contributed 65% to studded branded jewellery while the direct-to-consumer business contributed 35%. During Q3 FY24, our direct-to-consumer business posted revenues of Rs. 94.9 crore as compared to Rs. 88.2 crore in Q3 FY23, up by 7.5%. For 9M FY24, our direct-to-consumer business revenue was up 18.4% to Rs. 204 crore. Further, based on our projection of the quarter's contribution to annual sales, the annual revenue run rate for the direct-to-consumer business is estimated at Rs. 270 crore for FY24. This is versus an actual revenue of Rs. 239 crore in FY23.

Lastly in terms of our Balance Sheet, our net debt to equity-ratio improved to 0.28 in December 2023 as against 0.30 in December 2022. Our total debt stands at Rs. 565 crore along with a healthy cash position with our cash and bank balances and current investments standing at Rs. 253 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 Darshit Vora from RoboCapital.

Darshit Vora: I would like to ask a couple of questions. One is it's been like two or three quarters and the demand especially the growth that we imagined for D2C business, it's rather slower than what we expected. When do you think we'd be reaching the Rs. 2,500 crore top line mark back?

Sumit Shah: I think the two questions, specifically one related to direct to consumer and then total revenue for the company. So specifically related to direct-to-consumer, Q3 was a little bit slower because we focused on improving margins in this quarter. We've taken significant price increases in this quarter to improve margins which impacted revenues for the quarter. These price increases have now stabilized and we are seeing revenue acceleration in the current quarter. So, we're not worried about the growth in direct to consumer returning. Our expectation is that we will see very meaningful growth based on the conversations and the order book that we have in FY25. So, without giving a specific number I think that our expectation is to have very significant and meaningful growth in FY25.

Darshit Vora: It's okay if we do not have a specific number but would we have a range wherein we are seeing B2B and D2C, the entire branded jewellery segment growing at a certain rate?

Sumit Shah: I would expect that from the current base our expectation would be sort of high teen's kind of growth for next year for the entire business.

Darshit Vora: For the next year?

Sumit Shah: Yes.

Darshit Vora: And post that for like 2–3-year, for the segments?

Sumit Shah: I would expect that growth momentum to continue. Our general expectation and growth cadence has been that for the B2B customer brand segment to grow in high single digits and for the branded segment to grow in double digits. So, there is nothing to suggest that this should not continue for the foreseeable future.

Darshit Vora: We have multiple businesses, and we see that plain gold and customer brands kind of pull-down valuation. So, are we having any plans of demerging the business into like 2-3 segments or two-three different entities?

Sumit Shah: We've discussed this with the board. No final decision has been made about any demerger. We're evaluating all strategic options for all of our businesses, but I have nothing specific to announce at this moment.

Darshit Vora: And finally, in the PPT we used to have the disclosure of ROEs that we are going to follow for the D2C business. So, do we currently have any targets or internal benchmarks of certain ROEs that we are looking for in the D2C business?

Sumit Shah: I think the direct-to-consumer business obviously is a significantly high return on equity business. I think that it would be in the high 20s or mid 30s. I think some of the other businesses that pull it down. I think the D2C business is obviously very low working capital intensity which results in high return on equity. We can provide disclosure specifically by businesses going forward on the ROE.

Moderator: The next question is from the line of Het Shah from Dalal & Broacha.

Het Shah: I wanted to have an understanding regarding what percentage of the total procurement of Signet group is done?

Sumit Shah: I think Signet Group is a $7 to $8 billion company. So, we would be a very small number in terms of their total procurement purchases. I mean even with a 50%-60% gross margin, their annual buying would be in the region of about $3 billion. So, we would be a very insignificant part. They have a diversified vendor base and we would be a very insignificant single digit number of their procurement.

Het Shah: One more question. Sterling Inc., if we see the revenues, this has dropped down considerably. It was around Rs. 400 crore in FY22. This dropped down to about Rs. 200 crore in FY23. So, any particular reason for that?

Sumit Shah: Sorry I didn't understand your question. Our sales to them or what specific?

Het Shah: Our sales to them.

Sumit Shah: We don't disclose this. I'm not sure where you're getting these numbers from.

Het Shah: I got it from the financials wherein we disclose sales that are more than 10% of total revenue.

Sumit Shah: I haven't reviewed these numbers. I think Signet Group is essentially Sterling. We can come back to you if you maybe contact Kanav, with sort of a breakup of whatever we've done. So, I don't have the numbers offhand, but we can come back to you with those numbers.

Het Shah: Any guidance on the number of Irasva chains to be opened in FY25-26?

Sumit Shah: So as of right now, we are opening one store in the next quarter or so. We are currently discussing which will open in Q4 or maybe early Q1 FY25. Any further plans of Irasva, we are actually just discussing with the management team and with the board, so we should be able to make a decision soon. We have one store which is opening in the next 2 to 3 months. The plans after that are not yet firmed up and we will probably announce the store opening cadence in the next quarterly call.

Het Shah: One last final question. What is the ROCE of the branded business in US?

Sumit Shah: Again, I don't have that number offhand for the current year. Obviously, our ROCEs are a little bit depressed now because of lower sales numbers but we will be happy to share those numbers with you along with the signet group at a later date. I can ask Kanav from IR to get back to you with those numbers.

Moderator: The next question is from the line of Ashish Shah from Centrum PMS.

Ashish Shah: Can you share some more color on the trend in terms of growth that you are seeking for the next financial year, slightly more segment wise? Because again this quarter we saw our B2B business again had a sharp drop YOY. Last quarter it had stabilized, so how is that looking out for the next financial year?

Sumit Shah: I think that for the next financial year our expectation would be for the direct-to-consumer business to grow in the mid-30s. That's our current expectation based on the plan that we've made. I think that this quarter specifically the drop-off in the growth rate was as I mentioned earlier, due to significant price increases that we've taken in order to improve profitability of that division. So, our expectation would be to go to the mid-30s growth rate for the direct-to-consumer business for the next financial year. At an overall level, I think that our plan is to grow in the high mid-teens for the entire business with the B2B branded as well as customer brand segment growing for FY25. So largely I think the challenges over the last four to six quarters were linked to, one US inflation and two the transition to lab grown diamonds. I think with US inflation easing, we're seeing a pickup in consumer demand. I think some of it is reflected in our current order book. If you look at our inventory levels, they are significantly higher year-over-year because of a higher order book. So, we would expect for FY25 high-teens growth for the entire business, each of the segments and mid 30s growth for the direct-to-consumer business.

Ashish Shah: With just a little color on this D2C, where do you draw so much of optimism that we will be able to continue this another +30% growth rate for next financial year? Like what do you have in pipeline to kind of see that through?

Sumit Shah: In the current quarter, we're basing it on some of the revenue run rates that we're seeing in the current quarter as well. I think that after the sort of Q4 performance, January-February numbers obviously suggest a much more meaningful pickup in revenue acceleration. Just in terms of a lot of this is also relating to performance marketing. At the beginning of January, we sort of moved over to a new agency based in the US and they see a lot of room for optimization in our campaigns. After them managing the account for six weeks or so, they've been able to make significant improvements and we've seen tangible improvements in the optimization that they've been able to manage. So based on a few factors in terms of the current run rate that we've seen and a few changes that we've made in the business and the significant product improvement launches that we have planned for the year, I feel very confident that we should be able to grow the business. I think there is also the other tailwind of the secular shift to lab grown diamonds. Our direct-to-consumer business is significantly exposed to the lab grown diamond space. And in general, in the US the lab grown space is growing very high double digits. So, I think that in addition to us being positioned competitively, new product launches as well as a secular tailwind that we have in lab grown diamonds, we feel very confident that we will be able to achieve significant growth in the direct-to-consumer segment in FY25.

Ashish Shah: This price increase that you have taken could you be able to share what has been the price increase on the D2C, is there a band or a range or anything?

Sumit Shah: So, we took price increases specifically on the direct-to-consumer segment to the tune of 20% to 25%.

Ashish Shah: And hence as we look forward Sumit for next year, do you think we could be benefited by both? I mean you've taken sharp price increases plus the growth outlook is looking fairly constructive. And hence the operating profit growth could be far higher in that sense.

Sumit Shah: Yes. I think that's really what the goal was. The goal was profitability growth. If you've seen in the last year or so, our margins have declined significantly. I think that with the operating leverage coming through and the price increases that we've taken, we should see very meaningful increases in operating profit much higher than revenue growth.

Ashish Shah: One small bookkeeping question, Sumit. This quarter again we saw the interest costs actually spiking up. I think the breakup shows that there was a spike interest cost on lease or something. Is there any one-off over there or is that a trend? Maybe I can take that offline.

Sumit Shah: I think that the interest on leases for the year seems relatively flat. I'm not sure if there is a one-off impact here. The finance cost obviously is due to interest rates being higher. The interest on leases one for this quarter is obviously meaningfully higher but on a nine-month basis, it's up 3%. So, I would think that there isn't anything meaningful or significant. I think there's probably some one-off accounting impact on the interest on leases in the previous quarter last year.

Ashish Shah: And just one, last year on working capital cycle you mentioned that you've actually had a slightly higher inventory because the order book is actually looking up for next year. So, you will see some bit of it getting rationalized over the next quarter or two, right?

Sumit Shah: Yes. I think historically working capital does normalize in the next quarter and a lot of it will flow through in terms of sales as well. So, our factory booking and current capacity is meaningfully higher this year compared to last year. Not all of it will translate into sales immediately because there is a lot of new tests and new projects going on which may take some time for the sales to materialize. But as we can confirm, the current factory order book is significantly higher due to which the inventory numbers are higher. This should obviously over the next two quarters normalize back down as we ship some of this stuff to customers.

Moderator: The next question is a follow up from Darshit Vora from RoboCapital.

Darshit Vora: I just had one question. Can we specify the amount or the range of the order book that we are carrying currently?

Sumit Shah: So, we haven't quantified it, and we haven't disclosed it, but I would say that the order book is currently 20% or so higher than what it was 1 year ago. I don't remember the number offhand but it's meaningfully higher than what it was 1 year ago.

Moderator: As there are no further questions, I would like to hand the conference back to the management team for closing comments.

Sumit Shah: Thank you, everyone for joining our call today. I hope we've been able to answer all your questions. In case there is any further queries please feel free to reach out to our Investor Relations team or CDR India. Look forward to seeing you on the next call. Thank you.

Hitesh Shah: Thank you.
