



RENAISSANCE GLOBAL LIMITED

(FORMERLY RENAISSANCE JEWELLERY LIMITED)

CIN.: L36911MH1989PLC054498

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Ref. No.: RGL/S&L/2020/18

February 21, 2020

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/2020/11 dated February 10, 2020; please find enclosed herewith the transcripts of earnings call on Q3 & 9MFY20 results, held on Wednesday, February 12, 2020.

The aforesaid information is also being uploaded on the website of the Company at <http://www.renjewellery.com/investor-relations/investor-relations.asp>

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

Thanking you,

Yours faithfully,

For Renaissance Global Limited

G. M. Walavalkar
VP – Legal & Company Secretary

Encl.: As Above

Renaissance Global Limited

Q3 FY'20 Results Conference Call

February 12, 2020

Moderator: Good evening, ladies and gentlemen. I am Margaret, the moderator for this conference. Welcome to the Q3 FY'20 Results Conference Call of Renaissance Global Limited, organized by Dickenson Seagull IR. 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. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aakash Mehta from Dickenson Seagull IR. Thank you and over to you, Mr. Mehta.

Aakash Mehta: Good afternoon. I welcome you all to the Q3 & 9M FY20 Earning Call of Renaissance Global Limited. We have with us Mr. Sumit Shah -- Vice Chairman. Mr. Hitesh Shah -- Managing Director. The discussion today may include some forward-looking statements and must be reviewed or considered in conjunction with the risk with industry in general and our business in particular. Now, I hand over the call to Mr. Sumit Shah. Over to you, sir.

Sumit Shah: Good afternoon, gentlemen. On behalf of Renaissance Global, I welcome everyone to the earning conference call to discuss overall performance during the quarter, and for the nine months ended 31st December 2019.

For the benefit of audiences, who are joining our conference call for the first time, I would like to give a "Quick Overview of the Company," followed with a "Review of the Financial Performance during the Quarter and Nine Months," after this we shall take "Questions from the Participants."

Renaissance is a highly differentiated luxury lifestyle products company and is the largest manufacturer and distributor of branded jewellery to global retailers. We are known for designing compelling jewellery lines that allow our global retail clients to stand out and thrive in a competitive market. The company is focused on the License Jewelry segment through enchanted Disney Fine Jewellery and Hallmark Jewellery Collections and our own brand, Irasva, through a joint venture with Times of India.

We have exciting new product launches in FY21 with Disney Treasures and Star Wars Line of Jewellery.

As known to most of you, we acquired a US-based company Jay Gems in August 2018, which has the license for Enchanted Disney Fine Jewelry. Disney Enchanted is one of the premium

brands with princess brands being a \$3 billion-plus brand. Our other leading brand, Hallmark, is a consumer brand with global reach in more than 100-countries.

Going forward, our strategy is to grow our branded jewellery sales in the existing markets, which is the US, UK, Canada as well as to capture market share for Hallmark and Enchanted Disney Fine Jewelry in New geographies, such as China, Middle East, India, Singapore, Malaysia, South Africa, and the Philippines, where we are potentially having discussions with retailers and currently distributing these products.

We already have a subsidiary set up in China to market the Disney Franchise. Further, in the current quarter, we have signed an agreement with Lao Feng Xiang, the second-largest jewellery retailer in China, for the distribution of Enchanted Disney Fine Jewelry across Mainland China.

Hallmark Moments has been rolled out to over 2,000 stores now and will continue to contribute meaningfully to revenue growth this year.

In addition to our branded play, we also intend to expand our gold jewellery products through further product development, innovation, 3D printing, and wedding bands for western markets.

The company launched its own in-house brand Irasva into the Indian market through a joint venture with Bennett Coleman and Company Limited, which has committed to Rs.350 crores of advertising in exchange for a 49% share in the domestic joint venture. The Irasva Essentials line typically starts at Rs.15,000, while the gifting collection is priced at Rs.8,000. We are happy to announce that customers have shown a positive response to the Irasva store, and at the store level, we broke even in the third month of operations. Based on the current performance of the first store, we plan to open three more stores in Q1 FY'21.

I now hand over the call to "Hitesh to Discuss the Financial Performance."

Hitesh Shah:

Thank you, Sumit. Good afternoon, everyone. Moving towards the financial performance of the company during the third quarter of FY20, the company reported a total income of Rs.893 crores against Rs.831 crores during the corresponding period last year. This is a growth of 8% year-over-year.

The slowdown in the Dubai gold business due to rising gold prices and the conscious decision of the company to move away from low margin product categories has contributed to low revenue growth. Gold business remained flat during the quarter while the Studded Jewelry business has grown by around 10%.

In line with our vision, our EBITDA witnessed a robust growth of 18% to Rs.69 crores with the EBITDA margin of 7.8% and a net profit of Rs.44 crores, which is a growth of 17% over last year.

Looking at “Nine Months Performance.” Our total income grew by 9% year-over-year to Rs.2,055 crores. Once again, our EBITDA witnessed a robust growth of 26% to Rs.145 crores with an EBITDA margin of 7.1%. Our net profit increased to Rs.83 crores, registering a growth of 16% on a year-over-year basis. Our net debt-to-equity levels were elevated in March ‘19 to 0.92 due to the acquisition of Jay Gems. However, we have been able to bring it down to 0.51 as of December ‘19. Our long term goal is to be at a net debt-to-equity ratio of 0.5. Due to our strong cash flow generation and disciplined working capital management, our consolidated year-over-year net debt has reduced by over Rs.102 crores while our inventory levels have reduced by Rs.243 crores. Further, our trailing 12-month return on equity stands at 13.7%, which was at 12.7% for the year ended March ‘19.

Revenue for the full financial year is expected to be muted against last financial year due to us exiting the independent division, Simply Diamonds, and also on account of slowdown in the Dubai gold business, impacted by the rise in gold prices. However, as we increase our share in the high margin branded jewellery business, we expect EBITDA to grow at 16% to 20% for the year.

In terms of geographic bifurcation, the US contributed around 65% to our overall revenue during Q3 FY’20, with 24% coming in from the Middle East. In the general product category, Studded Jewelry contributed 81% to the overall revenue during the same quarter while the balance was from the plain gold segment.

Thank you very much for your kind attention. Now the floor is open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nimesh Mehta from Oyster Capital Management. Please go ahead.

Nimesh Mehta: At present, we have one IRASVA store in Mumbai. How many are you planning to target in India or in a particular region?

Sumit Shah: Currently, there is one store, and we sell products through our website as well. The current expansion plan is going to be first focused on Mumbai in order to make operating costs and advertising efficient. We have currently signed three locations in Mumbai, which are slated to open in Q1 of FY’21 and the long-term five-year plan was to open 25-stores over a five-year period; however, we will be reviewing the plans based on the profitability of the current slate of four stores and then plan the long-term expansion strategy. We are quite happy with the performance of the current store, and in line with the current performance, if the new stores continue to perform, we may accelerate the expansion for the stores. But currently, we have no further plans besides three stores in Q1 of FY21.

Nimesh Mehta: So how much CAPEX are we targeting for the investments?

Sumit Shah: So, each store involves the capital expenditure of around Rs.50 lakhs and about Rs.20 lakhs or Rs.25 lakhs for the security deposit. This is just fixed CAPEX, and then there would be working

capital, which would be in addition to this. So the three stores would involve a capital expenditure and security deposit of around Rs.2.5 crores.

- Nimesh Mehta:** So this will be through our internal accruals or through debt or any kind of structure?
- Sumit Shah:** Internal.
- Nimesh Mehta:** Sir, there were some allegations on Times of India for having not paid tax of around 28,000 crores. So, such kind of a thing do we have an impact on our store brand or actually is that the case?
- Sumit Shah:** I am not aware of any allegation against our company of any tax. I am not sure what you are referring to.
- Nimesh Mehta:** We have recently had a tie-up in China and looking at the scenario of the coronavirus, so are we seeing any order getting canceled or any of that sort?
- Sumit Shah:** Our agreement with LFX was signed only recently, and our distribution plans will get delayed slightly due to the coronavirus. So, we were anticipating rollout in May, June of the calendar year '20; however, this may get pushed back by two or three months depending on how the coronavirus plays out. So currently, we do not have any ongoing orders from China. We just signed the agreement, and the brand was supposed to launch in the first half of the current calendar year. This, however, will get delayed due to the coronavirus.
- Nimesh Mehta:** Any change in the outlook for this year due to this, or would there be any impact on our outlook?
- Sumit Shah:** Since it was the first year of operations, we had not factored significant revenue in our outlook. We had kept the very minimal number. So any impact on the numbers will be minimal or negligible.
- Nimesh Mehta:** Something on the working capital situation, as I was going through the presentation, there was stress looking in FY'19. So how do you see FY'20 to be panning out on the working capital as well as on the debt side?
- Sumit Shah:** So, as we mentioned, we have reduced inventory by Rs.240 crores year-over-year, due to which there has been a significant reduction in debt as well. We continue to foresee disciplined execution against the working capital and debt. And as we have said, our debt-equity was at 0.75, and we have managed to reduce it down to 0.5 debt-to-equity, and we feel comfortable at these numbers, and we will continue to be disciplined with working capital. It was elevated last year due to the acquisition, and we have managed to liquidate a lot of the excess inventory that came with the acquisition because of which we feel like where the inventory and working capital are now in good shape, and the debt numbers are also extremely manageable.

Moderator: Thank you. The next question is from the line of Siddharth Oberoi from Prudent Equity. Please go ahead.

Siddharth Oberoi: You mentioned about net debt. So what would be the gross debt?

Hitesh Shah: Gross debt is around Rs.486 crores and the cash on the books of Rs.93 crores as on that date.

Siddharth Oberoi: Minus this, you have come to the net debt?

Hitesh Shah: Yes, and there is around Rs.20 crores of current investment, deducting the two is net debt.

Siddharth Oberoi: Also, EBIT margins reported this quarter is 7.76%. How sustainable are these? Is this a quarter effect due to probably the seasonal effect in the US?

Sumit Shah: Usually, the margins are highest in Q3 due to the Christmas quarter. So I would not annualize the margins for this quarter for the whole year. But I think that the nine months margin will give you a more sustainable view of our margins, which are at 7.1% versus 6.1% last year. Although you do have to remember that there is an element of the mix here against the gold and studded business as well, the gold business has been muted this year, and the growth primarily has come from the studded business. So, given the studded jewellery and the gold jewellery mix and seasonality, we feel that nine months is reflective of what would be sustainable on an annual basis.

Siddharth Oberoi: Also, last time, you had mentioned that the company has now ventured into 2,000-plus stores in the US. So, what has been the contribution of that in this quarter?

Sumit Shah: Specifically, Siddharth, the reference to the 2000-stores, was for the Hallmark brand. The Enchanted brand is in 3,000-plus stores. The hallmark brand now has been rolled out to about 2,000 stores; a significant part of the rollout happened in Q3. It is not yet meaningful because we have not yet received annualized sales. So, it would not be a very meaningful number in Q3'20, but we foresee that going forward from Q4'20, as well as FY'21, for it to be a meaningful percentage of revenue.

Siddharth Oberoi: Also last year in Q4 FY'19 you had a write off because you had taken over Jay Gems, that was a one-time write off of inventories. There is some pending write-off that is there. Do you think that would probably affect the Q4?

Sumit Shah: After the acquisition, we mentioned that there would be some inventory reduction and some write-downs due to the inventory reduction as there was excess inventory in the acquired company. We feel like a lot of the inventory cleanup has already been done, 90% of whatever had to be written off, has been written off and deducted through gross margin and the inventories in a relatively healthy position. We do not foresee any meaningful write-offs going forward due to the acquisitions from any inventory-related issues other than the normal course of business.

Siddharth Oberoi: Well, in that case, then the margins probably may be sustainable with 7%?

Sumit Shah: So, 7% is sustainable, 7.8%, which was in Q3, is not sustainable on an annual basis is what I would say.

Siddharth Oberoi: Also, you have mentioned three new stores that had to come up in Q1, and you have already given the CAPEX. So what has been the revenue of the store, the one that is currently that made you think that it is time to probably expand further?

Sumit Shah: Currently, at this point, we have not disclosed it; probably next quarter, we will come out with further disclosure around the revenue and profitability of each of the stores. But essentially the store that we have discussed is that the store was profitable from the third month onwards at a store level. So, the unit economics are favorable. And due to the unit economics being favorable, we feel like expanding the store base would be accretive to earnings. We are not looking at growing the store base just to add to revenues. We are extremely clear that if the unit economics make sense, only then will we expand on the store count of Irasva.

Siddharth Oberoi: Also, regarding this China situation, there was a notification on the exchange where it is mentioned that the company has 2000-stores, etc., So, have you signed any contract with them beforehand of some kind of an inventory pickup or something?

Sumit Shah: Yes, there has been a contract, and the contract has a test period, and beyond the test period, there are some minimum commitments that LFX would have to make. The numbers obviously are not disclosed yet. But yes, there is an agreement, and we have been negotiating the agreement over a long period of time. LFX obviously is keen to sell the Disney brand in China because it is a very popular brand in China, or Disney Shanghai attracts a significant number of people to the theme park. So it is a big brand in China, and LFX has committed to minimum quantities and purchases over three years. However, those will kick in after year one, which is a test period when both us and LFX will invest behind the brand to create awareness, and if successful, then the minimum commitments would kick in.

Moderator: Thank you. The next question is from the line of Mihir Desai from Desai Investments. Please go ahead.

Mihir Desai: Just I wanted a follow-up question on our EBITDA margin. I just wanted to gauge an idea of yours on a bigger margin outlook from three years now, so will it be sustained at this level, which is 7.5%, 8%, or you look at expanding from these levels?

Sumit Shah: Our long-term strategy is to change our business mix towards license brands and our own brand. Primarily, our business two years ago used to be manufacturing jewellery for retailers without brands. So, the margin expansion that we see currently is due to the shift to the license brands and our view is that over a three-year period, our margins should gradually expand as a percentage of sales, and we continue to believe that margins will gradually grow,

they would grow at a faster rate than sales due to our gradual transition towards branded jewellery.

Mihir Desai: Basically, what would be our revenue bifurcation between our license on branded products and the other products currently?

Hitesh Shah: Around 20% of our studded jewellery sales are branded, and the rest is generic.

Mihir Desai: Going forward, how do you see this mix changing from say three years from now?

Sumit Shah: So our view is that over a three year period, we would like the mix between our own brand and license brands to be 50:50 between branded and generic.

Mihir Desai: I saw your products on Disney, and I feel it was good. But just wanted to understand, sir, do we see a slowdown in the economy currently or I would say the slowdown in consumption, what is your view on-demand pick up for these products?

Sumit Shah: Currently, our largest market obviously for the Disney products is in the US, we also sell in other markets, but the bulk of the Disney products are obviously being sold in the US, and the US has record low unemployment rates right now, and the consumer market is very strong. So currently, we see extremely strong traction on the branded jewellery side in the US. And we do not currently see any significant slowdown on the branded jewellery side. However, our revenue growth overall does not look extremely strong because of primarily three reasons -- One is the Middle East gold business has seen a slowdown due to volatility in gold prices. In the US, Jay Gems had a business of distribution of jewellery to independent retailers, which is small retailers with one and two stores across the country. We divested the business and sold the business during Q2, so because of which, the revenue growth in this quarter was muted, and we consciously made a decision to walk away from low margin product categories, which did not make sense from a return on investment. So I think that while the branded business has been strong, the overall studded jewellery growth is about 9% to 10% because of the fact that there are certain areas of the business which are not contributing meaningfully to profit which were consciously deciding to walk away in order to improve cash flow and reduce debt.

Mihir Desai: Just on the market side, do you see your sales going lucrative towards the eCommerce side or on the stores business?

Sumit Shah: For the jewellery category in general, eCommerce is not a very meaningful percentage of overall revenue. So while our eCommerce revenues are growing, they are not a very meaningful part of the overall business.

Mihir Desai: And you do not see this eCommerce market for jewellery going big in the coming years?

Sumit Shah: Currently, it is in I would say high single digits. I would think that probably the penetration over a three, four year period would get to maybe 15% or 20%. But we do not foresee the majority of the sales coming through eCommerce.

Mihir Desai: I just wanted to ask you about the ROEs of the company. Basically, I understand that currently, our ROEs are not that attractive, and that is why I see that even markets are not living up to the mark. So I just wanted to understand from your end that if you want to see our return on equity going forward, how we should look at this?

Sumit Shah: We are aware of the fact that the return on equity has been on the lower side. And if we look at a three-year chart, we have improved our return on equity in FY'17 at 9.7% to 13.7% in the current year on a TTM basis, and we would like to sustain our return on equity over 15%, and that is something we feel reasonably confident that we should be able to achieve. This has been our stated goal for the last couple of years to get to 15%. I think once we get to 15%, we will look at ways to improve it further.

Mihir Desai: What differentiates Renaissance from other jewellery sector companies?

Sumit Shah: I would say that broadly, currently, our differentiation is through two broad areas -- #1 is our focus on license brands which gives us moat on our overall business. So, it is a very competitive market out there with large global retailers. We have marquee customers such as Wal-Mart, Signet Group, Macy's that we sell to. Having licensed brands in the mix which are desirable and required by retailers puts us in a competitive position, which is favorable as compared to our competitors, and as a company, we have been extremely focused on working capital management, jewellery is a working capital-intensive business. And that if a company does not keep a very keen eye on managing working capital, levels, then growth becomes extremely challenging. So, I would say that our focus on these two areas we have clearly demonstrated success with some of the license brands where it has been successful for retailers. This gives us a little bit of differentiation compared to other competitors in our industry.

Moderator: Thank you. The next question is from the line of Pratik Vora, an individual investor. Please go ahead.

Pratik Vora: My first question is on how are the Disney brands being distributed in China till now before our entry?

Sumit Shah: Currently, Enchanted Disney Fine Jewelry is not distributed in China at all. Disney does have licenses for costume jewellery in China, but no fine jewellery brand in a diamond-studded space. So it will really be the first entry of fine studded jewellery into China.

Pratik Vora: And what was the reason for no distribution in China till now, like any particular reason, because China is a big market and Disney is a very strong brand, so a bit surprising it did not have any presence in China till now?

Sumit Shah: Disney has had licensees in the past to sell fine jewellery, but some of the licensees have not been able to make the brand successful. This is the first time that fine jewellery has been a successful category for Disney, and since we are the licensee that has actually made it successful in the US, Canada, and in the UK, we were given the license to do the distribution in China as well.

Pratik Vora: In terms of Jay Gems acquisition, is there any inventory write-off still due, or is it completed now?

Sumit Shah: There may be some inventory write-downs that are pending, which would happen in the current quarter, but I would say that 90% of the write-offs that had to be done due to the acquisition have been done already.

Pratik Vora: And on this EBITDA margin you just mentioned, I just wanted to clarify again that you are saying that on an annual basis, 7% is a sustainable EBITDA margin. Is that correct understanding?

Sumit Shah: That is right.

Pratik Vora: And 7% in FY'20, and you are also seeing a scope of improvement in this as the product mix changes, so 7% in a way remains lower now?

Sumit Shah: That would be sort of our goal. Again, with just a single caveat with the current gold and studded jewellery business, so the current mix is a little bit favorable because the gold business has not grown, but generally, I would say that 7% would remain sustainable EBITDA margin going forward.

Pratik Vora: You also mentioned that because there is the product mix change happening, that is why we are seeing this EBITDA margin growing up, but it would have an impact on sales, so is it possible for you to quantify like going forward, how much is growth or degrowth?

Sumit Shah: We continue to expect sales to meaningfully grow; however, we have not yet come up with guidance for FY'22; maybe in the next quarter, we will be in a better position to come up with sales expectations for FY'21. So, in the next conference call, we will be able to have some guidance around FY'21.

Pratik Vora: And also I wanted to understand the dividend policy. So, because of the acquisition, the debt had gone up, and that is why we choose to like go slow on the dividend or the buyback thing? And we are nearing the end of this financial year, so are we doing anything on that?

Sumit Shah: The board has decided for the current year not to have a dividend because our primary goal was obviously to get the debt in line with what our historical numbers have been and get it under control. So I think that for the next financial year, this is something that we would consider, but currently, there is nothing planned because our primary focus was working

capital management and getting the debt-equity in line with our historical numbers, which has been below 0.5. There is obviously a number which is due to the erstwhile owners of Jay Gems; the number is around Rs.86 crores, which is due to IND AS classification, which has been classified as other liabilities. That carries no interest cost. Once you add that back in as a liability for the company, currently the debt-equity is at 0.64. So, we feel that when the debt-equity is below 0.5, that would be a good time for the board to consider a dividend. Currently, the focus would remain on cash flow generation and improving the debt-equity ratio of the company.

Moderator: Thank you. The next question is from the line of Dhirav Sachdev from Roha Asset Managers. Please go ahead.

Dhiraj Sachdev: I just wanted to know what is the operating cash flow after working capital for the nine months?

Sumit Shah: I do not have the number here in front of me, but we have meaningfully reduced liabilities by about Rs.220 crores on a year-over-year basis between reduction in trade payables. So there is Rs.100 crores reduction in debt and trade payables reduced by Rs.120 crores. So, there is about Rs.220 crores reduction in liabilities. Most of this was paid through operating cash flows of the company.

Dhiraj Sachdev: But is that a figure which is positive after working capital change in operating cash flows, because as I see the last two years and last six months, the cash flows have been negative after working capital?

Sumit Shah: That is right, the last two years because of the acquisition, and due to the working capital is being elevated, there was negative operating working capital, but in the current financial year operating cash flow is positive, which has resulted in a reduction of net debt.

Dhiraj Sachdev: And how the receivables and inventory in terms of the number of days reduction?

Sumit Shah: The overall working capital year-over-year is down by 40-days. So, the receivables are relatively stable, payable days have gone from 78 to 45, and inventory days have gone from 186 to 112. So, there has been a meaningful improvement in working capital overall with receivables being relatively stable in terms of a number of days. Receivable one year ago was 80-days, it is 75 days right now.

Dhiraj Sachdev: Not much of an improvement, marginal improvements?

Sumit Shah: Yes, the reduction is in inventory, which has gone from 186-days to 112-days.

Dhiraj Sachdev: But just to understand the business is still highly working capital intensive in nature because when we look at branded businesses, retail businesses, the character of business has to be cash-flow generating and lower working capital cycle. So we have not really achieved that

part despite being high-value items and Disney brand, etc., that ultimately the business is not throwing up cash flows at the operating level meaningfully for us to sustain scalability at a faster rate?

Sumit Shah: In the current year, if you look at the trailing 12-months, we have generated Rs.220 crores of cash flow, which has been used to repay some of the liabilities. While I understand that over the last couple of years, the numbers did not look positive due to the acquisition and a lot of the negative operating cash flow was due to the fact that they were elevated levels of inventory at the acquired company which after we have brought down have come under control. And inventory being at 112-days, to me, would be comparable to most jewellery retailers. I am not sure what the number would be for our competitors, but I think that at 110, 112-days, which is under three months of inventory, I do not think we are in a very inefficient position. So, this is the nature of the jewellery business, and I do not think that we would be meaningfully below the current number on a sustainable basis going forward. So, as the share of branded jewellery increases, probably there may be some room for improvement, but 112-days at being under three months of inventory, I think, is a relatively healthy situation from our standpoint.

Dhiraj Sachdev: Networking capital, if I add and deduct the payable days, it is about 142 days, which is still high from a cash flow perspective. On Disney, what is the license fee that we pay to them for using their Disney logo brand?

Sumit Shah: This is a number that we have not disclosed for competitive reasons; this is a number that we have kept confidential. Obviously, it is a meaningful number for Disney to be able to allow us to use our brands because the performance of Enchanted has been good, they have given us a license for the iconic characters which is Disney Treasures which includes Mickey and Minnie, Winnie the Pooh and all of the iconic characters which is a new brand that we are currently working on as well as Star Wars which is Lucasfilm and we plan to launch these brands. So, we have not disclosed the royalty rate, but Disney is quite happy with the performance of our license brands and due to which we have been extended licenses for other Disney properties as well.

Dhiraj Sachdev: Just one related question on cash flow itself. Assuming you are expanding by 15%, 20%, you will constantly require 140-days of net incremental working capital. How will you fund that?

Sumit Shah: We foresee that we should be able to manage working capital and funded, which, if you look at our last four or five years growth, we have meaningfully kept our debt-equity at 0.5 barring the acquisition. So, through internal accruals as well as managing through borrowing from banks, we feel that we should be able to continue to grow at a healthy pace while maintaining our debt-equity level below 0.5.

Dhiraj Sachdev: Sorry to just stretch this argument, borrowing from banks, but we cannot have a business which is debt-free like many other jewellery retailers in India have been debt-free in the balance sheets, which they want to maintain 0.5x, so that means there will be incremental

borrowings to fund our working capital cycle. So, is this business qualitatively hygienic enough to warrant being a branded, scalable cash-flow generating business?

Sumit Shah: You have to understand that we are in the process of transformation, right. I mean, today, our branded jewellery business is growing as a percentage of overall revenue, and you are seeing that reflected in the numbers by the return on equity, return on equity increasing from 9.7% to 13.7%. We feel that as the business mix changes, the working capital days will improve over time. And you also have to understand that most of our debt is US-dollar denominated because there is a natural hedge against the US dollar because most of our revenue is in that. So our cost of borrowing is 5% or below. So, debt in the context that it is all US-dollar borrowing and the cost of which being sub-5% we feel that currently, 0.5% is the best number that we can get to and sustain. And as the business becomes healthier and the EBITDA margins improve, we may look at lowering our targeted number.

Moderator: Thank you. The next question is from the line of Dhvani Mehta from Mehta Investments. Please go ahead.

Dhwani Mehta: So my first question is on the deal signed with LFX. Can you please explain the deal structure?

Sumit Shah: So we have a deal with LFX to exclusively distribute the Disney brand through their stores for a three year period, there is a one year test period. If the brand is successful during the one year test period, it will get rolled out to all of their stores, and during this period, the brand will be exclusive to LFX in brick-and-mortar stores, we have the right to sell the product online directly on our own, but the distribution for Enchanted will be exclusive through LFX for a three-year period.

Dhwani Mehta: What would be the commercial margins for this?

Sumit Shah: It would be at similar margins to how we sell to other retailers worldwide.

Dhwani Mehta: As you mentioned earlier that due to the coronavirus, our targets would be pushed and all. So, what we will be targeting for FY'21 and '22 if you have the numbers?

Sumit Shah: So, FY'21 and '22, the specific revenue and EBITDA numbers we have not yet finalized, and we will get to those numbers in the Q4 conference call.

Dhwani Mehta: As you mentioned earlier that we are planning to enter into the new geographies, like Singapore, the Middle East, and all. I mean any preferences which geography we will be entering in first and through which mode we will be entering, we will be doing a tie-up over there, or we will go for the exclusive stores?

Sumit Shah: In all of these geographies, it will be through tie-ups with retailers. Currently, we are in the process of testing the product in the Middle East with a major retailer there as well as in South Africa. So there are multiple conversations that we are having with retailers in different

regions, and we have received positive feedback in the Middle East from the retailers. So, it is likely to expand into more doors in the Middle East. South Africa is under Test, and the Philippines is also under test. So during the course of FY'21, we should see some geographic diversification of Enchanted Disney. However, having said that, our expectation continues to be that the US and China will, in the long run, be the largest market since they are the largest consumer markets in the world. Some of the other geographies, although will contribute positively to revenue growth, will not be extremely meaningful to the overall top line.

Dhwani Mehta: So what percentage are we targeting from the US and China?

Sumit Shah: Currently, North America is 75% of sales, and China is obviously in the initial phase. If successful, it will become a meaningful part of the number, but currently, it is a little bit early to tell. The US is about 61% on a nine-month basis and 65% on Q3 basis of our overall geographic mix.

Dhwani Mehta: We have a licensing agreement for selling the Enchanted Disney Jewelry. So are we looking for any more such exclusive tie-ups?

Sumit Shah: Yes, currently, we have a master's license for Disney and for Hallmark. We are in conversations for more license brands that we are talking to. Nothing to announce at this point, but we are definitely looking at other licenses that, if meaningful that could add to our retailer's line of brands. We are having those conversations, but nothing has been finalized yet.

Moderator: Thank you. The next question is from the line of Karunakar Gokhale; he is an individual investor.

Karunakar Gokhale: My question is related to this geographical distribution. So, when we see the rest of the world sales distribution, we are at about 11%. So, of the 11%, how much will be India's share of the sales?

Sumit Shah: India is not a meaningful number right now because we currently have only one store in India, which is our joint venture with Times of India. So, currently, India is not a meaningful number to our overall revenue.

Karunakar Gokhale: Irasva is the cornerstone for branded sales in India. That is my understanding. Is that correct?

Sumit Shah: Yes.

Karunakar Gokhale: So, our one store was launched, and it had a sales ratio of about 30,000 sq.ft. So, has it crossed 50,000 as we had anticipated it would in six to nine months' time?

Sumit Shah: Because sales per square foot have been favorable and at a profitable level, which is why we are looking at expanding new stores.

Karunakar Gokhale: So, our partnership with Bennett Coleman and their commitment of Rs.350 crores is also something which is going to be the fuel for expansion of Irasva. So, considering that we may be going for three more stores in the first Q1 of next financial year, what is the commitment because the store expansion is directly proportional to advertising expenses when it comes to retailing, so have they spent anything till now out of the commitment and what is the plan for expansion related to the advertising expense?

Sumit Shah: We have already started drawing on this, I mean, we have been advertising regularly in Mumbai because that is where the current store is. So we have already started utilizing the advertising as part of the joint venture agreement with Times of India. And that based on the performance of the new stores, we will take a call to expand the store base faster than our original plan. Our original plan was to open 25-stores during the joint venture period. Since it is early days and we have only eight, nine months of data, currently, since the store is profitable, we plan to expand three more stores. But we have not made any concrete plans for the long term growth of the business because we want to keep the option to evaluate and make sure that we do it in a profitable manner. The growth of the Irasva brand is something that we will discuss further during the course of FY21.

Karunakar Gokhale: Since we have this expansion of Irasva, what kind of steps have you taken or were taken to get the stores sales up in the one store that we have, which can be perhaps replicated in the other stores whenever the expansion happens in the three more stores?

Sumit Shah: Obviously, there is creating brand awareness, so I mean, it is a 360 deg. approach to growing the brand and growing awareness. Between print advertising between digital efforts, having a digital team to increase digital awareness of the brand as well as try at home service to the customers, we have engaged in multiple manners to create brand awareness and we are happy with the results of the brand awareness that we have done so far because of which the store has been performing well.

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

Sumit Shah: Thank you, everyone, for participating in the call this afternoon. I appreciate your interest in Renaissance Global. Thank you.

Moderator: Thank you. On behalf of Dickenson Seagull IR, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.