RENAISSANCE JEWELLERY LTD.

**Ref. No.: RJL/S&L/2018/137**

**November 5, 2018**

| | |
|---|---|
| **Bombay Stock Exchange Limited**<br>Listing Department<br>Phiroze Jeejeebhoy Towers<br>Dalal Street, Fort,<br>Mumbai – 400 001 | **National Stock Exchange of India Ltd.**<br>Exchange Plaza, Plot no. C/1,<br>G Block, Bandra Kurla Complex,<br>Bandra (East),<br>Mumbai - 400 051 |

**Sub.: Investor Presentation for Q2 FY 19 .**

Dear Sir

We are enclosing herewith the Investor Presentation for the Q2 FY 19, for the purpose of updating our investors.

We request you to upload the same under the suitable section of your website.

Thanking you,

Yours faithfully,
For **Renaissance Jewellery Ltd.**

**G. M. Walavalkar**
**G. M. – Legal & Company Secretary**

**Encl.:** As Above

# RENAISSANCE JEWELLERY LIMITED

INVESTOR PRESENTATION

NOVEMBER 2018

# Discussion Summary


1 Company Overview

2 Business Strategy & Outlook

3 Financial Overview

4 Annexure

RENAISSANCE
JEWELLERY LIMITED

## COMPANY OVERVIEW

A Highly Differentiated Luxury Lifestyle Products Company, built on:

- Established Design House & Supplier to Global Jewellery Retailers
- Proven history of Successful and Accretive Acquisitions
- Robust and Disciplined Balance Sheet to Fuel Future Growth

# Largest Exporter of Branded Jewellery To Leading Global Jewellery Retailers

## Focus on Licensed Brands

- Licensing agreement to sell "Enchanted Disney Fine Jewellery" and "Heart of Hallmark" jewellery collections
- Branded jewellery sales to bring significant value addition, higher margins & profitability

## Acquisition Strategy

- Track record of successful acquisitions
- Expansion of Product portfolio and geographies via strategic Acquisitions
- Opportunities continue to be available due to turmoil in market

## Largest Exporter of Studded Jewellery

- GJPEC Award for "Largest Exporter of Studded Metal Jewellery" for 7th time in 2017
- 3.3 Mn pieces of jewellery sold in FY18, backed by robust manufacturing (166,000 sq. ft., 2,916 employees)

## Robust Financials *

- Total Revenues, EBITDA & PAT of Rs 18,251 Mn, Rs 1,016 Mn & Rs 638 Mn in FY18, grown at 4yr-CAGR of 11%, 13%, 21% respectively
- Low leverage: Net Debt / Equity – 0.51
- Return Ratios: ROCE: 9.9%, ROE: 11.4%

## Strong Design Capabilities

- ~95% of sales based on in-house designs
- ~12,000 new designs developed in FY18
- 151 member design team based in US, UK, Hong Kong, Dubai & Mumbai
- Strong R&D to drive product innovation

## Global Marketing Presence

- Dedicated marketing across key markets in USA, UK & Middle East through own subsidiaries
- Continued focus on geographical diversification
- Share of revenues from US reduced from 85% in FY11 to 41% in FY18

## Marque Clientele

- Amazon, Argos, Helzberg, J.C Penny, Malabar Gold, Monica Vinader, Signet, Wal-Mart, Zales Corp. etc.
- No single client contributes more than 10% of total revenues



* FY18 Financials

# Focus on Branded Jewellery Sales Through Licensing Agreements

**Benefits of Branded Jewellery Sales**

- Superior Product Positioning
- Increased Competitiveness Through Design Exclusivity
- Higher Value Addition With Focus on Studded Jewellery
- Better Pricing Leading to Higher Margins
- Comprehensive Offerings Across Bridal & Fashion Collections

  Rings, Earnings, Bracelets, Pendants, Necklaces

**Licensing Agreement with Disney**

**Licensing Agreement with Hallmark**

# Licensed Jewellery

## Enchanted Disney Fine Jewellery

- Disney, one of the world's best loved brands
- Thousands of brides & grooms are adding romance to their engagement and wedding occasion with the magic of the Disney brand
- According to a study by the Knot/ XO Group, 1 in 4 brides want something from Disney for their wedding day
- Disney - biggest licensing company in world with USD 55.1 Bn sales in 2017
- Disney Princess is now USD 3 Bn annual global business

### Disney's Wedding Connection

| ~50,000 | ~5,000 | #1 |
|---|---|---|
| Vows Exchanged at Disney Weddings | Weddings Annually | Honeymoon Destination |

### Social Media Outreach

| 100+ Mn Followers | 12+ Mn Followers | 5+ Mn Followers | 3+ Mn Subscribers | 40+ Mn Website Visitors |
|---|---|---|---|---|

## Hallmark Jewellery

- Hallmark has a global presence in more than 100 countries
- Hallmark is a leading consumer brand
  - Top 2% of Brands (2017 Equitrend/Harris Interactive)
  - #5 Most Reputable Company (2017 U.S Reptrak 100)
  - #1 Rated & Most Watched Weekend Primetime & Primetime Entertainment Channel (Holiday)
- Brand Footprint: 6 billion annual brand interactions
- Brand reaches 99% of women ages 25-54 (U.S.)
- Over half of adult women interacted with at least 3 Hallmark touch points in the past 6 months (U.S.)
- 500+ bloggers with reach of +24 million
- Hallmark Brand Vision: We will be the company that creates a more emotionally connected world by making a genuine difference in every life, every day.

### Social Media Outreach

| 64.1 Million | 16 Million | 150 Million | 92 Million | 16.7 Million |
|---|---|---|---|---|

# Growth Through Acquisitions

### Vogue DMCC

- Renaissance Jewellery DMCC acquired the assets of Vogue DMCC in 2016.
- Vogue DMCC was engaged in manufacturing and wholesaling of Plain Gold jewellery to major retailers and wholesalers in the Middle East.
- The acquisition enabled the company to expand its business in GCC markets.

### Jewel America Inc

- Acquired assets of Jewel America in 2013.
- Jewel America had a strong Gem stone business to large retailers in US.
- Enabled the company to expand its Gem stone business with existing as well as certain new customers.

### Jay Gems Inc

- Renaissance Jewellery New York Inc (RJNY), a wholly owned subsidiary of RJL acquired Jay Gems Inc in August 2018 for USD 25.62 Mn
- Jay Gems has been in existence for 25 years, focused on diamond jewellery, and generated revenues of USD 79.5 Mn in 2017
- Jay Gems has a licensing agreement with “Enchanted Disney Fine Jewelry”
- The acquisition further expands the product offerings of RJL thus enabling to capture higher wallet share from global clients

# Established Partner to Global Jewellery Retailers

**Strong Design Team With Expertise on Global Fashion Trends**

- 151 member design team based in US, UK, Hong Kong, Dubai & Mumbai
- Design bank of over 200,000 styles build over two decades
- Over 12,000 new designs launched every year based on international styles and fashion trends
- Partner of choice of marquee global brands like Monica Vinader, Links of London and Kendra Scott
- Partner of choice for Global retailers.
- Designs are provided by  Renaissance Jewellery and remain the intellectual property of the Company.

**Strong R&D Thrust to Drive Product Innovation**

- 25 member Research & Development team who have developed multiple patented products
- 5,000 sq. ft dedicated Research & Development facility constantly developing products for international design houses
- Investment R&D acts as a key differentiator in global markets
- Currently, RJL owns over 100 patents / copyrights globally

# Preferred Partner to Marquee Global Retailers Across The World

- 50+ Customers Across USA, UK & Middle East
- Top 10 Customers Associated For More Than 10 Years
- No single Customer Contributes More Than 10% of Total Revenues
- Minimal Credit Risk Due to Reputed Clientele & Disciplined Credit Terms

**E-commerce/ Television**

amazon

QVC

jewelry television

**Speciality Jewellers**

SIGNET JEWELERS

RIDDLE'S JEWELRY

REEDS Jewelers

H.SAMUEL

PEOPLES THE DIAMOND STORE

HELZBERG DIAMONDS

CHARM DIAMOND CENTRES

Fred Meyer Jewelers

MALABAR GOLD & DIAMONDS

KAY JEWELERS Every kiss begins with Kay

ZALE CORPORATION

Joyalukkas

**Multi-Brand Retailers**

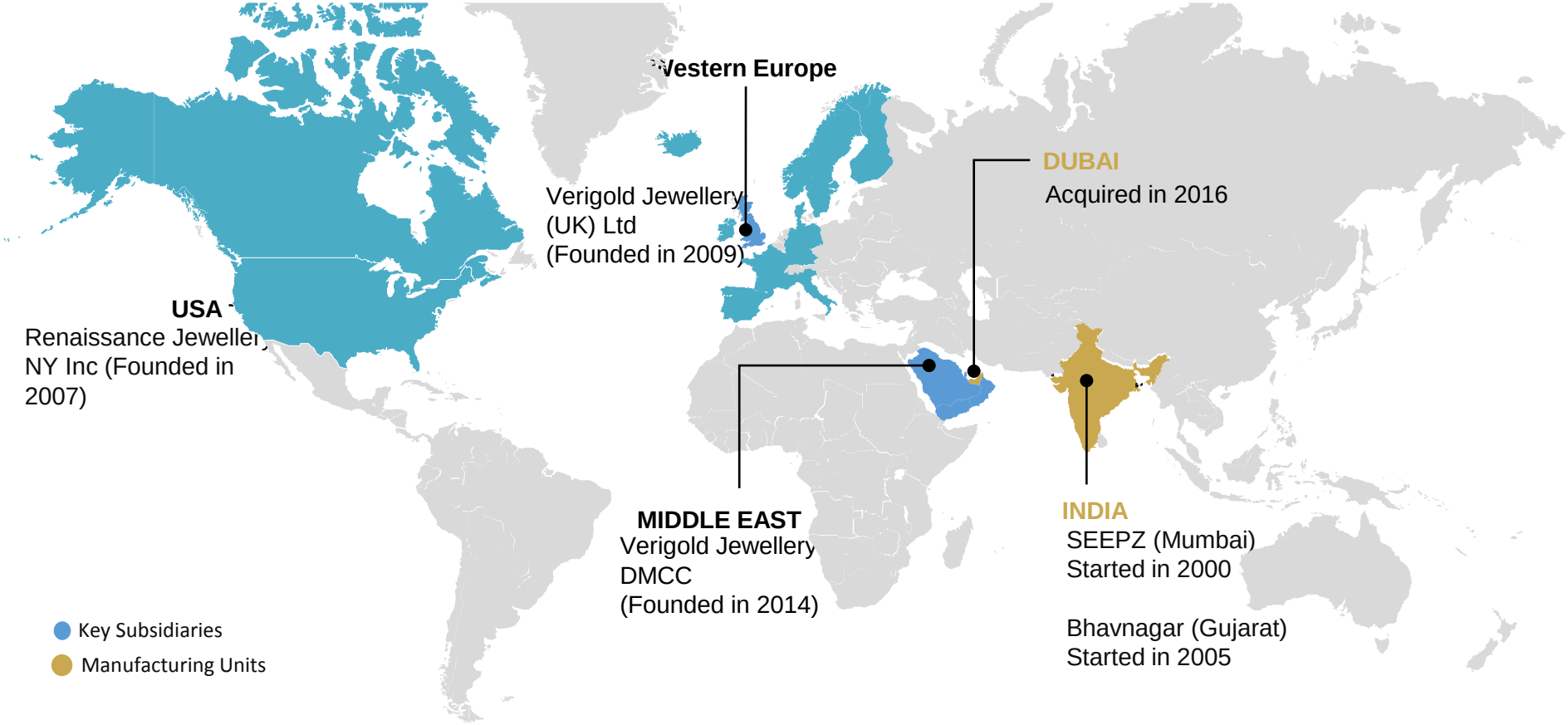
Walmart

JCPenney

Argos

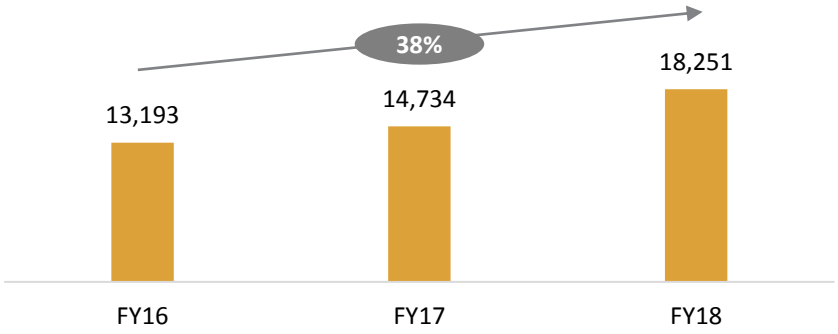
macy's

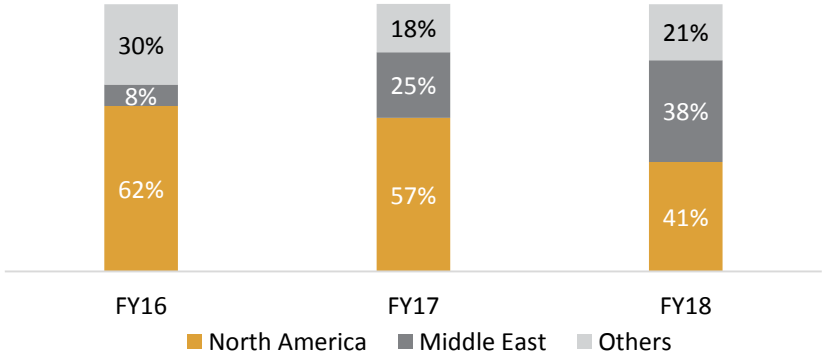
# Global Marketing Presence To Serve Key Jewellery Markets



# Geographical Diversification Through Entry Into New Markets

**Robust Sales Growth & Geographical Diversification Achieved Over FY16 to FY18 Driven by Entry in GCC Market**




- Over the years, RJL has reduced its dependence on USA and diversified its presence in key jewellery markets across Middle East, Asia Pacific and Europe
- In addition to having a direct marketing presence through own subsidiaries in USA, UK and Middle East, RJL has also diversified its manufacturing base across India and Dubai
- Acquisition of manufacturing facility in Dubai has helped RJL to penetrate in the Gulf Cooperation Council (GCC) market

**RJL has consciously worked towards geographical diversification**

- In FY 2011, the Company had 85% of its revenues from USA which has now reduced to 41% in FY18
- Acquisition in Dubai also helped to substantially increase the contribution from the Middle East from 8% in FY16 to 38% in FY18

# State-Of-The-Art Manufacturing Facilities With Highly Skilled Workforce

- Robust manufacturing setup spread over 166,000 sq. ft. across 8 manufacturing facilities with 2,916 skilled employees
- Global standard manufacturing technologies including Casting, CNC Machining and 3D Printing
- Each piece of jewellery is handmade and made exclusively as per customer requirements, backed by strong internal processes
- Right balance between on-roll and contractual manpower, resulting in cost savings during the off season
- Customized ERP solution for effective monitoring and efficient inventory management

Mumbai (across all 6 units)
Area: 95000 sq ft
Manpower: 1312

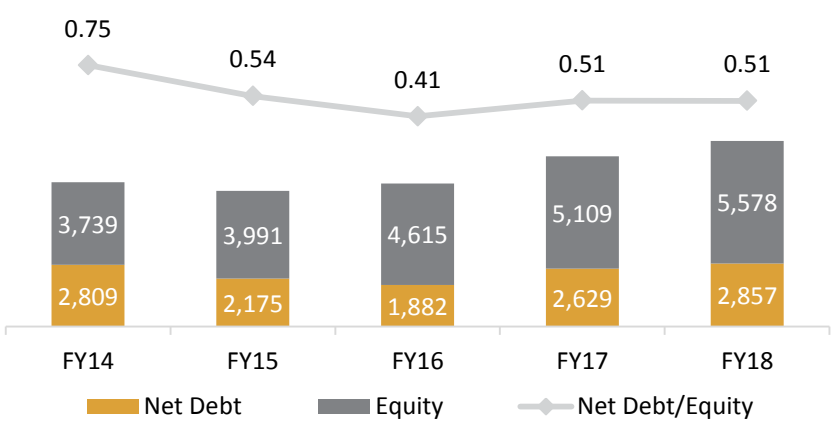
Bhavnagar
Area: 65,000 sq ft
Manpower: 1512

Dubai
Area: 6000 sq ft
Manpower: 92

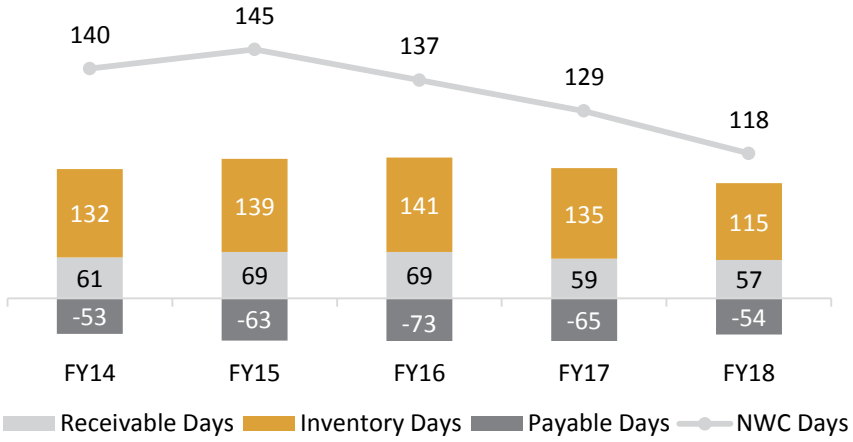
**Manufacturing Facilities in Maharashtra & Gujarat**

# Strong Balance Sheet Position To Support Business Growth

## Low Leverage (Rs Mn)




## Working Capital Analysis




**Balance Sheet Discipline - Low Leverage & Efficient Working Capital Management**

- The Gems & Jewellery sector in India, especially Jewellery Exports Business, has been impacted by gross capital mismanagement & highly levered balance sheet
- RJL, on the other hand, has been able to steadily grow its business following a highly disciplined approach based on prudent capital allocation and efficient working capital management
- Lower inventory & receivables days has been possible by close monitoring of the entire cycle from placing orders to delivery till the receipt of money
- RJL has been able to grow its revenues by 52% and EBITDA by 64% over last 5 years, whilst reducing its net debt and leverage position
- **The recent acquisition of Jay Gems Inc was also managed through internal accruals**



Working capital calculated with Total Income as denominator

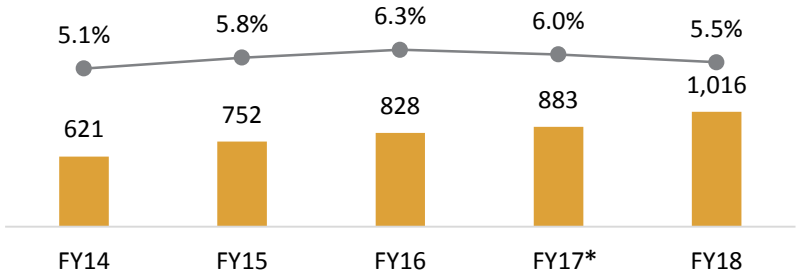
# Limited Exposure to Currency & Commodity Fluctuations

## Business Offers Significant Natural Hedge Leading to Limited Exposure to Currency & Commodity Risk

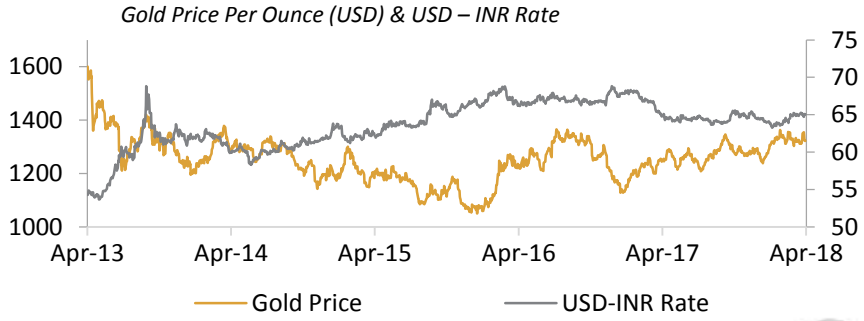
**The Company's functional Currency is USD since majority of the business transactions are undertaken in USD currency**

- Operating margins have been largely stable despite currency & commodity price volatilities
- Majority of the sales are in USD currency while few sales in European market are in their local currency
- Globally, sales are on MRP basis, leading to limited exposure to commodity prices & inventory price risk
- All the raw material purchases including gems, diamonds and gold, even in India, are in USD currency
- The incremental sales take into account the currency and commodity price at the time of order confirmation from customer
- A small portion of manufacturing expenses in India are booked in INR, for which commensurate hedging is undertaken
- Majority of the loans are under PSFC & PCFC are also in USD

**Healthy EBITDA Growth & Stable EBITDA Margin over Last 5 Years**




**Despite Volatile Currency & Commodity Price Movements**






* Excluding extraordinary items

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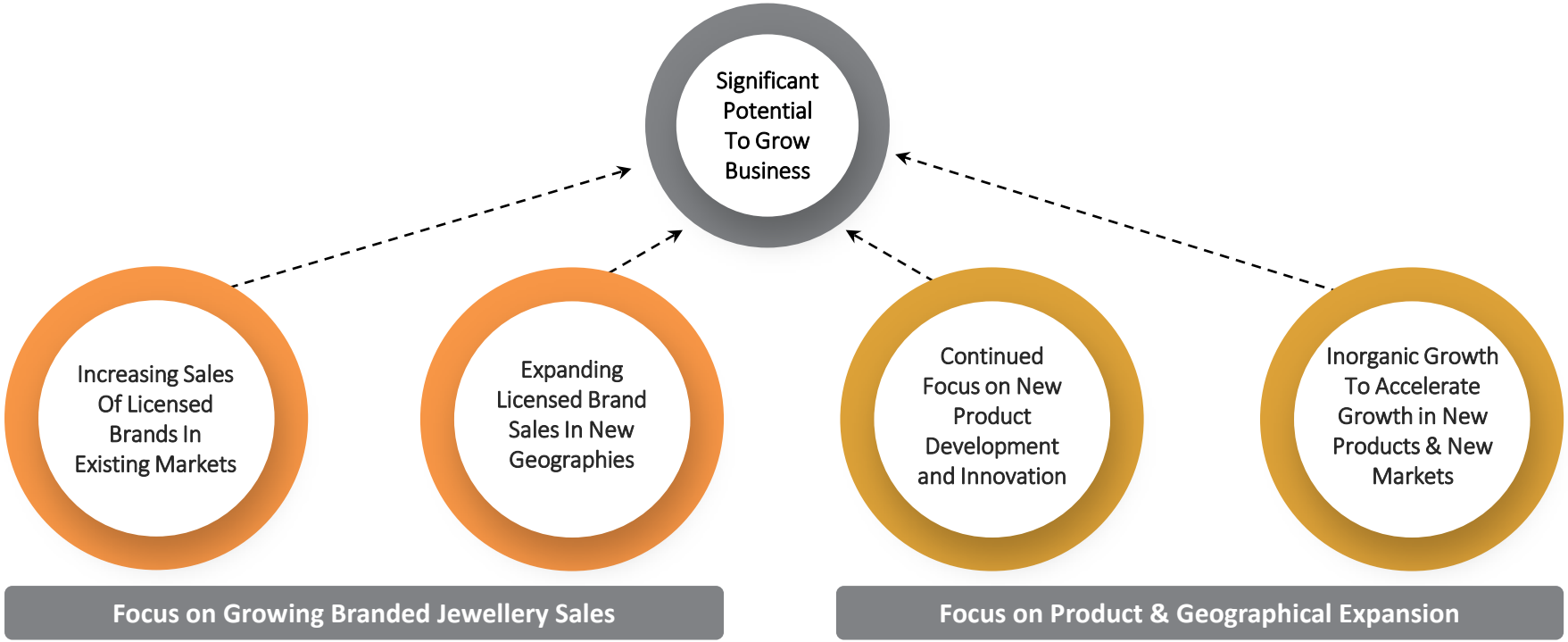
# BUSINESS STRATEGY & OUTLOOK

# Business Strategy & Outlook




**Renaissance Jewellery Is Well Positioned To Double its Business over Next 4-5 Years**

# Business Strategy & Outlook

**Increasing Sales Of Licensed Brands In Existing Markets**

- Grow branded jewellery sales under “Enchanted Disney Fine Jewelry” & “Heart of Hallmark” licensing agreements, leading to increased customer wallet share and market penetration
- Develop new products under Disney license – Mickey, Minnie and Star Wars

**Expanding Licensed Brand Sales In New Geographies**

- Introduce wide range of Enchanted Disney Fine Jewelry in new markets where there is a strong Disney brand recall
- Launch Hallmark Jewelry in new markets

**Continued Focus on New Product Development and Innovation**

- Expand Gold Jewellery portfolio in Middle East by introducing newer technologies like 3D printing
- Introduce products like wedding bands in the US, and later replicate across other geographies

**Inorganic Growth To Accelerate Growth in New Products & New Markets**

- Continue to look for suitable acquisition opportunities, new brand licenses for product expansion & geographical expansion
- Leverage strong balance sheet position for faster growth

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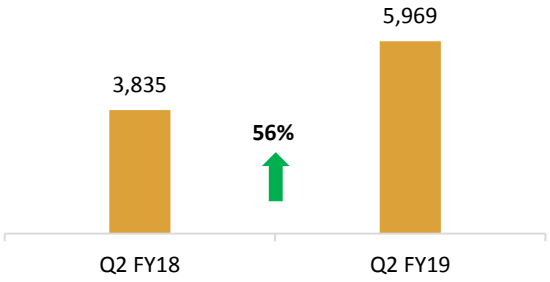
# FINANCIAL OVERVIEW

# Q2 & H1 FY19 Results: Key Highlights

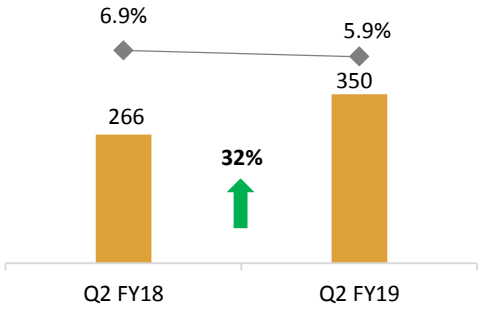
## Q2 FY19 YoY Analysis

In Rs Mn

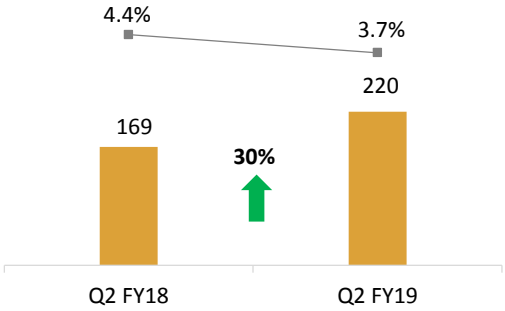
### Total Income



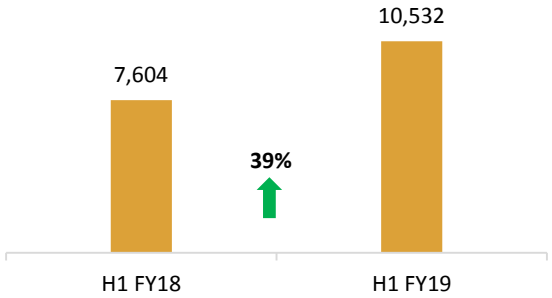

### EBITDA & EBITDA Margin

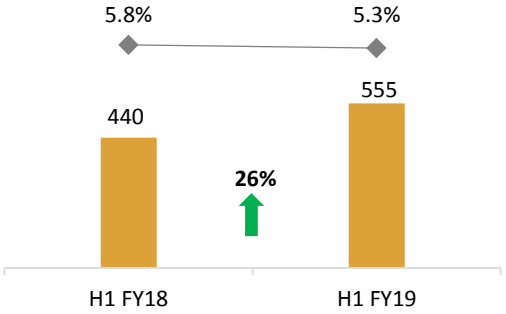


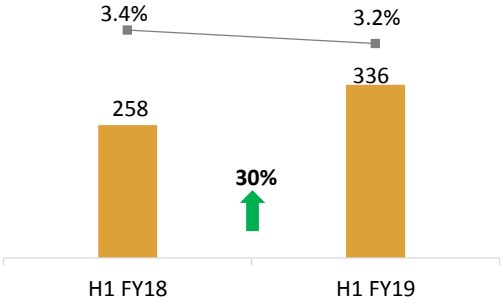

### PAT & PAT Margin




## H1 FY19 YoY Analysis



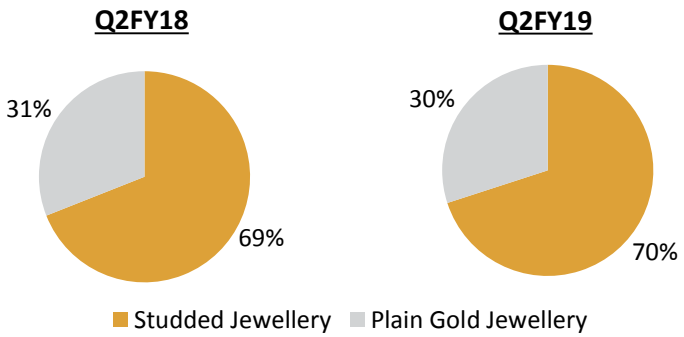



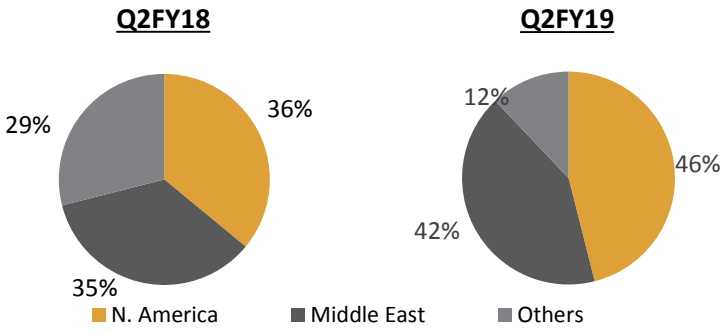
# Q2 & H1 FY19 Results: Segment Analysis

## Q2 FY19 YoY Analysis

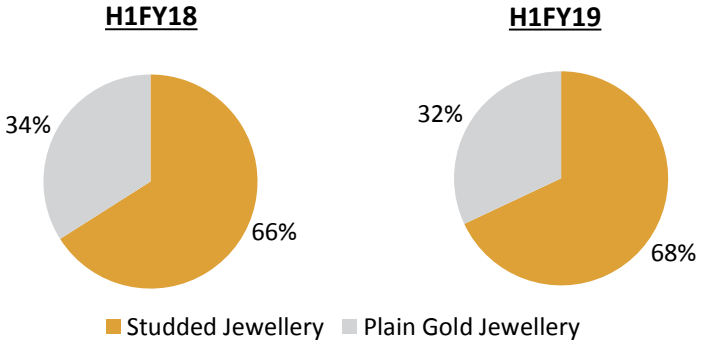
### Studded & Plain Gold Jewellery

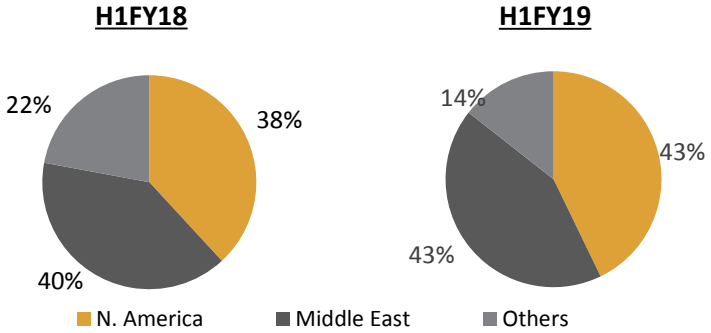



### Geographical Mix




## H1 FY19 YoY Analysis



# Consolidated Profit & Loss Statement

| Particulars (In Rs Mn) | Q2 FY19 | Q2 FY18 | YoY % | H1 FY19 | H1 FY18 | YoY % |
|---|---|---|---|---|---|---|
| Revenue From Operations | 5,969.4 | 3,834.9 | 55.7% | 10,531.9 | 7,604.4 | 38.5% |
| Other Income | -4.6 | 7.0 | NM | 6.0 | 14.7 | -58.5% |
| **Total Income** | **5,964.8** | **3,841.9** | **55.3%** | **10,537.9** | **7,619.1** | **38.3%** |
| COGS | 4,752.0 | 3,036.0 | 56.5% | 8,560.4 | 6,110.8 | 40.1% |
| **Gross Profit** | **1,212.9** | **805.8** | **50.5%** | **1,977.6** | **1,508.2** | **31.1%** |
| **Gross Margin %** | **20.3%** | **21.0%** | | **18.8%** | **19.8%** | |
| Employee Expenses | 246.1 | 195.6 | 25.8% | 434.8 | 401.8 | 8.2% |
| Other Expenses | 617.1 | 344.6 | 79.1% | 987.5 | 666.3 | 48.2% |
| **EBITDA** | **349.6** | **265.7** | **31.6%** | **555.2** | **440.1** | **26.1%** |
| **EBITDA Margin %** | **5.9%** | **6.9%** | | **5.3%** | **5.8%** | |
| Depreciation | 34.8 | 30.7 | 13.2% | 63.2 | 60.5 | 4.4% |
| Finance Cost | 71.3 | 35.4 | 101.4% | 96.9 | 66.7 | 45.3% |
| **PBT** | **243.6** | **199.6** | **22.1%** | **395.2** | **312.9** | **26.3%** |
| Tax Expense | 24.0 | 30.3 | -20.7% | 58.7 | 54.7 | 7.4% |
| **PAT** | **219.6** | **169.3** | **29.7%** | **336.5** | **258.3** | **30.3%** |



* Excluding extraordinary items

# Consolidated Balance Sheet

| Particulars (In Rs Mn) | Sep-18 | Sep-17 |
|---|---|---|
| **Shareholder's Funds** | | |
| Equity Share Capital | 186.8 | 188.8 |
| Reserves & Surplus | 5,413.7 | 5,151.4 |
| Minority Interest | -3.5 | -8.3 |
| **Non-Current Liabilities** | | |
| Borrowings | 9.9 | 1,322.1 |
| Long Term Provisions | 23.2 | 18.4 |
| **Current Liabilities** | | |
| Income Tax Liabilities (net) | 44.9 | 16.3 |
| Short Term Borrowings | 7,233.2 | 2,481.6 |
| Trade Payables | 5,574.6 | 3,224.6 |
| Other Current Liabilities | 743.3 | 181.6 |
| Short Term Provisions | 18.7 | 20.1 |
| **Total Equity & Liabilities** | **19,244.8** | **12,596.6** |

| Particulars (In Rs Mn) | Sep-18 | Sep-17 |
|---|---|---|
| **Non-Current Assets** | | |
| Fixed Assets – Tangible & Intangible | 1,204.6 | 827.6 |
| CWIP & Intangibles under development | 0.4 | 8.5 |
| Other Non Current Assets | 14.0 | 5.3 |
| Deferred Tax Assets (Net) | 367.9 | 193.4 |
| **Current Assets** | | |
| Current Investments | 120.5 | 690.9 |
| Inventories | 11,446.4 | 6,787.6 |
| Trade Receivables | 4,817.4 | 2,953.9 |
| Cash & Bank Balances | 553.6 | 475.5 |
| Short Term Loans & Advances | 5.9 | 4.5 |
| Other Current Assets | 643.6 | 649.4 |
| Asset Classified for Sale | 69.9 | - |
| **Total Assets** | **19,244.8** | **12,596.6** |

RENAISSANCE
JEWELLERY LIMITED

# ANNEXURE

# Key Milestones

**1995**

- Acquired Mayur Gem and Jewellery Export Pvt Ltd

**2000-05**

- 40,000 sq. ft. facility in SEEPZ, Mumbai
- Commenced business with Walmart, Zales
- Setup 100% export oriented unit having 65,000 sq. ft. facility in Bhavnagar, Gujarat

**2006-10**

- Set up Renaissance Jewelry NY Inc
- Set up Verigold Jewellery UK
- Renaissance Jewellery Ltd went public with Rs 800 Mn IPO

**2010-15**

- Acquired the assets of Jewel America Inc.
- Setup Verigold Jewellery DMCC (UAE)

**2016-18**

- Licensing agreement with Hallmark
- Acquired the assets of VOGUE DMCC
- Acquired Jay Gems Inc
- EBITDA crosses Rs 1,000 Mn

**2018+**

- Focus on growing branded jewellery sales across existing and new markets

# Experienced Management Team

**Niranjan Shah,** Chairman

- Associated with the company since inception
- Over 4 decades of experience in the gems & jewellery industry
- Responsible for the overall strategic planning and decision making

**Sumit Shah, Vice Chairman**

- 22 years of industry experience
- Responsible for long term business plans and new business initiatives

**Hitesh Shah, Managing Director**

- 22 years of industry experience
- Responsible for Finance, Accounting and Merchandising operations

**Suhel Kothari, Director**

- President, RJNY Inc (Verigold)
- Manages operations of USA division

**Neville Tata,** – Executive Director

- 21 years of industry experience
- He is responsible for Production and HRM

# Experienced Independent Directors: Strong Corporate Governance

**Veer Kumar Shah, –** Independent Director **(ICAI, 1969; )**

- Practicing Chartered Accountant with more than 4 decades of experience
- Expert in Accounting, Auditing , Taxation, Company Law matters, Arbitration matters and management consultancy in diverse sectors

**Anil Chopra, Independent Director**

- 30 years experience in marketing of consumer products, Prior worked in Tata Sons and their group company, Voltas
- Exp. in Commercial, Human Resource Development and Administration functions

**Arun Sathe, Independent Director**

- Practicing Lawyer in High court & Supreme Court & Veteran Economist
- Governing Council Member of Mah. Chamber of Commerce, Finance & Taxation Committee of the Chamber & FICCI; Part time member of SEBI

**Vishwas Mehendale, Independent Director**

- Practicing Chartered Accountant in Taxation and appellate matters, including drafting and arguing appeals before Commissioners of I.Tax & Appellate Tribunal
- Expert in Direct & Indirect Tax Laws, Accounts & Audits, Finance & Corporate Laws

**Madhavi Pethe, Independent Director**

- Former Independent Director of Bombay Commodity Exchange Ltd. by Forward Markets Commission, Central Govt
- Member of Board of Studies of Banking & Insurance University of Mumbai

# Consolidated Profit & Loss Statement

| Particulars (In Rs Mn) | FY18 | FY17* | FY16 | FY15 | FY14 |
|---|---|---|---|---|---|
| Revenue From Operations | 18,251.0 | 14,734.5 | 13,195.8 | 12,764.4 | 12,221.6 |
| Other Income | 339.1 | 179.7 | 41.9 | 181.9 | 14.5 |
| **Total Income** | **18,590.1** | **14,914.2** | **13,237.7** | **12,946.3** | **12,236.1** |
| COGS | 15,160.7 | 11,577.4 | 9,959.1 | 9,907.2 | 8,796.6 |
| **Gross Profit** | **3,429.4** | **3,336.8** | **3,278.0** | **3,039.1** | **3,439.5** |
| **Gross Margin %** | **18.5%** | **22.4%** | **24.7%** | **23.4%** | **28.1%** |
| Employee Expenses | 838.6 | 803.2 | 792.4 | 779.6 | 864.6 |
| Other Expenses | 1,574.7 | 1,651.0 | 1,658.5 | 1,507.3 | 1,953.9 |
| **EBITDA** | **1,016.1** | **882.6** | **827.6** | **752.2** | **620.9** |
| **EBITDA Margin %** | **5.5%** | **5.9%** | **6.3%** | **5.8%** | **5.1%** |
| Depreciation | 124.5 | 140.3 | 150.2 | 173.5 | 120.1 |
| Finance Cost | 144.9 | 132.1 | 105.3 | 115.9 | 116.7 |
| **PBT** | **746.8** | **610.1** | **572.1** | **455.8** | **384.1** |
| Tax Expense | 108.9 | 114.9 | 98.6 | 57.2 | 89.4 |
| **PAT** | **637.9** | **495.2** | **473.5** | **405.6** | **294.7** |

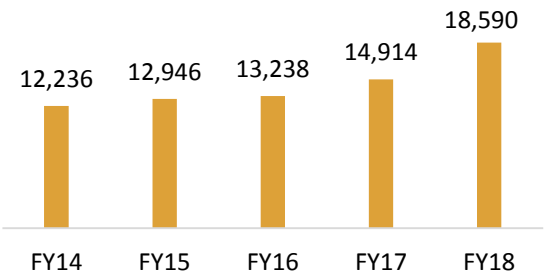


* Excluding extraordinary items

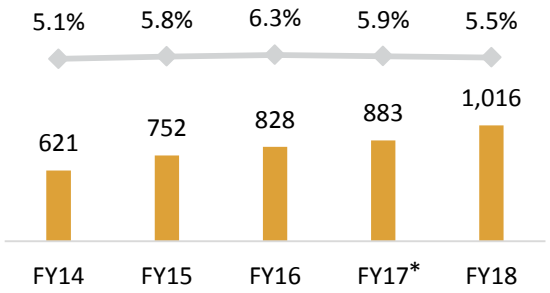
# Financial Summary

In Rs Mn

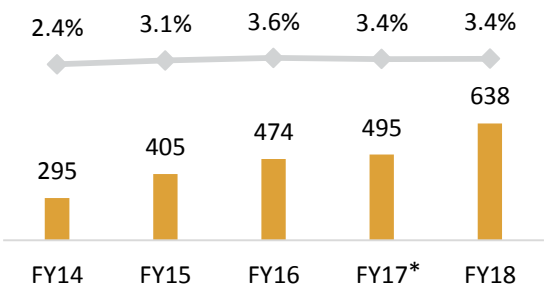
## Total Income



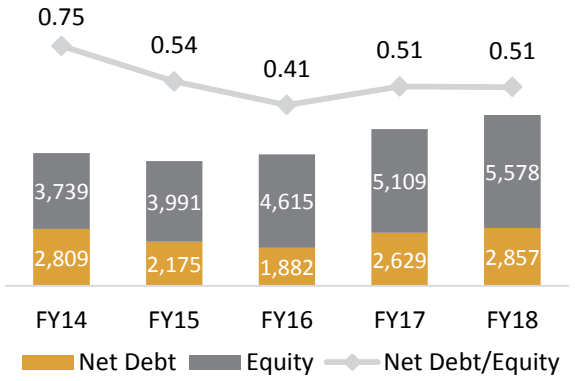

## EBITDA & EBITDA Margin



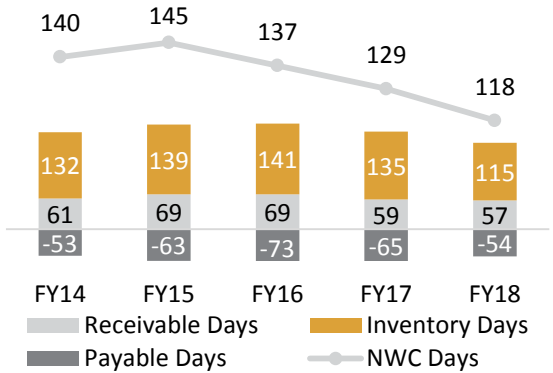

## PAT & PAT Margin



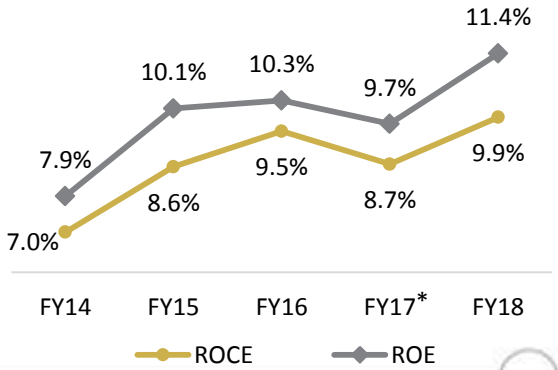

## Leverage Analysis




## Working Capital Analysis




## Return Ratios

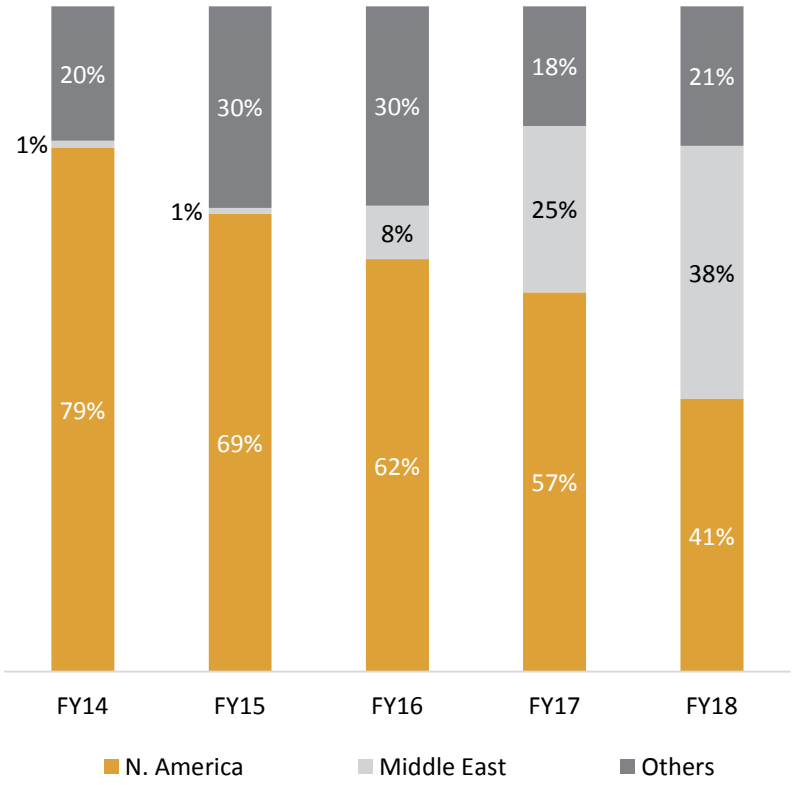



Working capital calculated with Total Income as denominator in all ratios
ROCE = EBIT / Cap. Employed (Equity inc. minority & Debt)

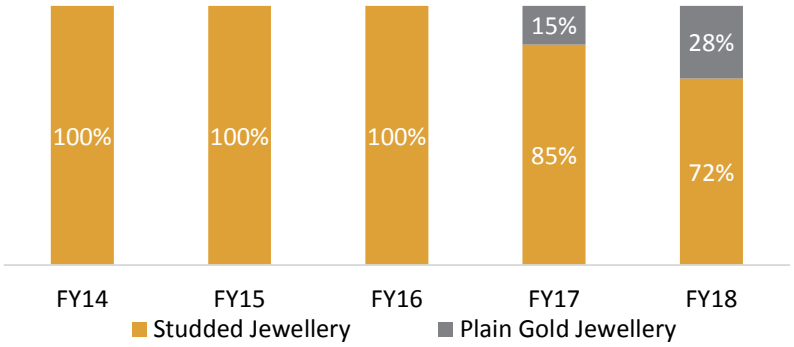
* Excluding extraordinary items

# Operational Summary

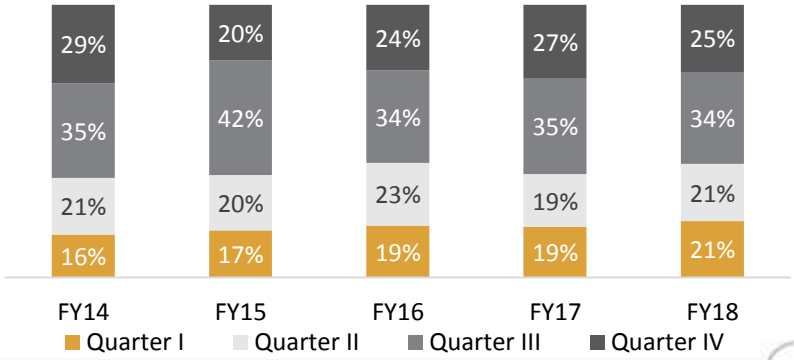
## Geographical Mix




## Studded Jewellery vs. Plain Gold Jewellery




## Seasonality



# Awards

**2001**
SEEPZ-SEZ Star Award

**2005**
WM Int'l Supplier of the Year

**2006**
GJEPC Award for largest exporter of studded metal jewellery

**2008**
GJEPC Award for largest exporter of studded metal jewellery

**2009**
Emerging India Award

**2011**
GJEPC Award for largest exporter of studded metal jewellery

**2012**
GJEPC Award for largest exporter of studded metal jewellery

**2015**
GJEPC Award for largest exporter of studded metal jewellery

**2016 & 2017**
GJEPC Award for largest exporter of studded metal jewellery

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# THANK YOU

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