

Renaissance Jewellery Ltd. Corporate Presentation

FY2015

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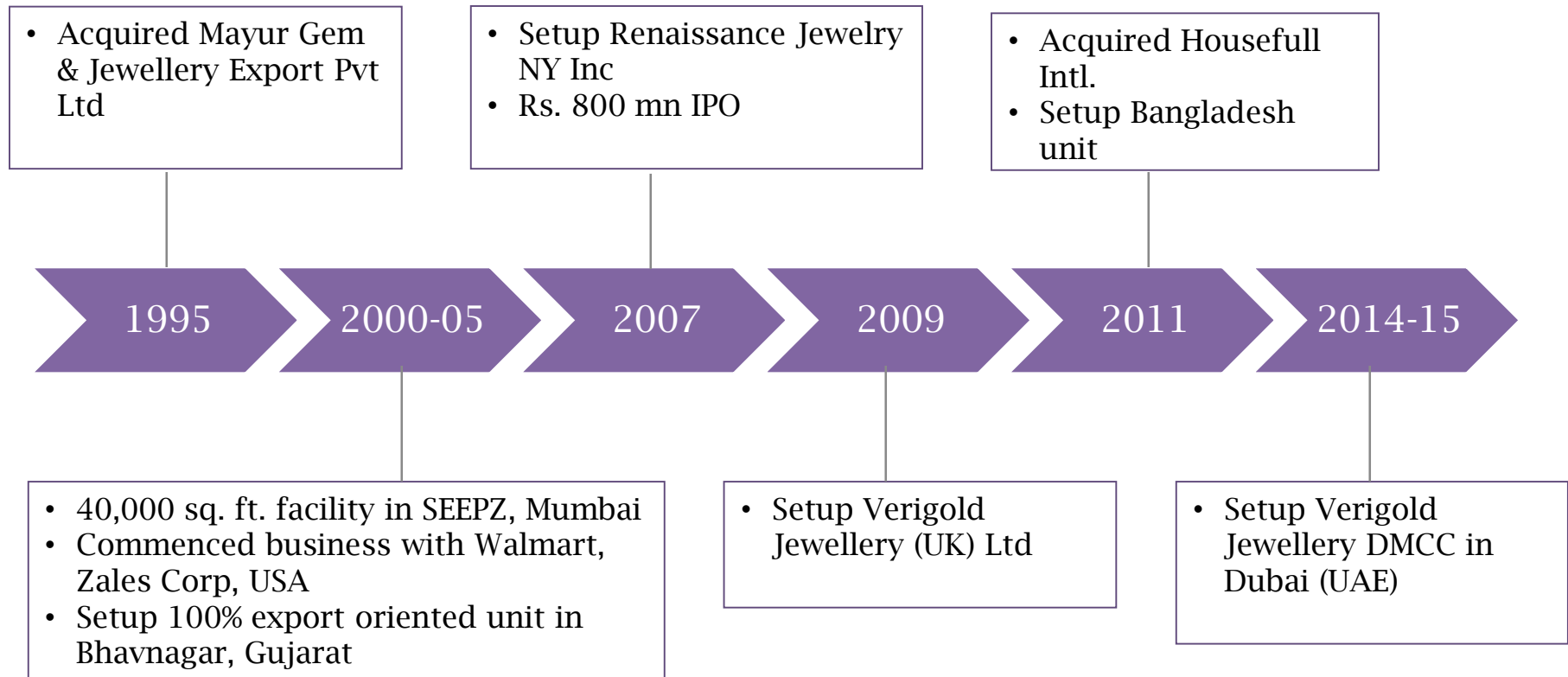


About Renaissance Jewellery Ltd

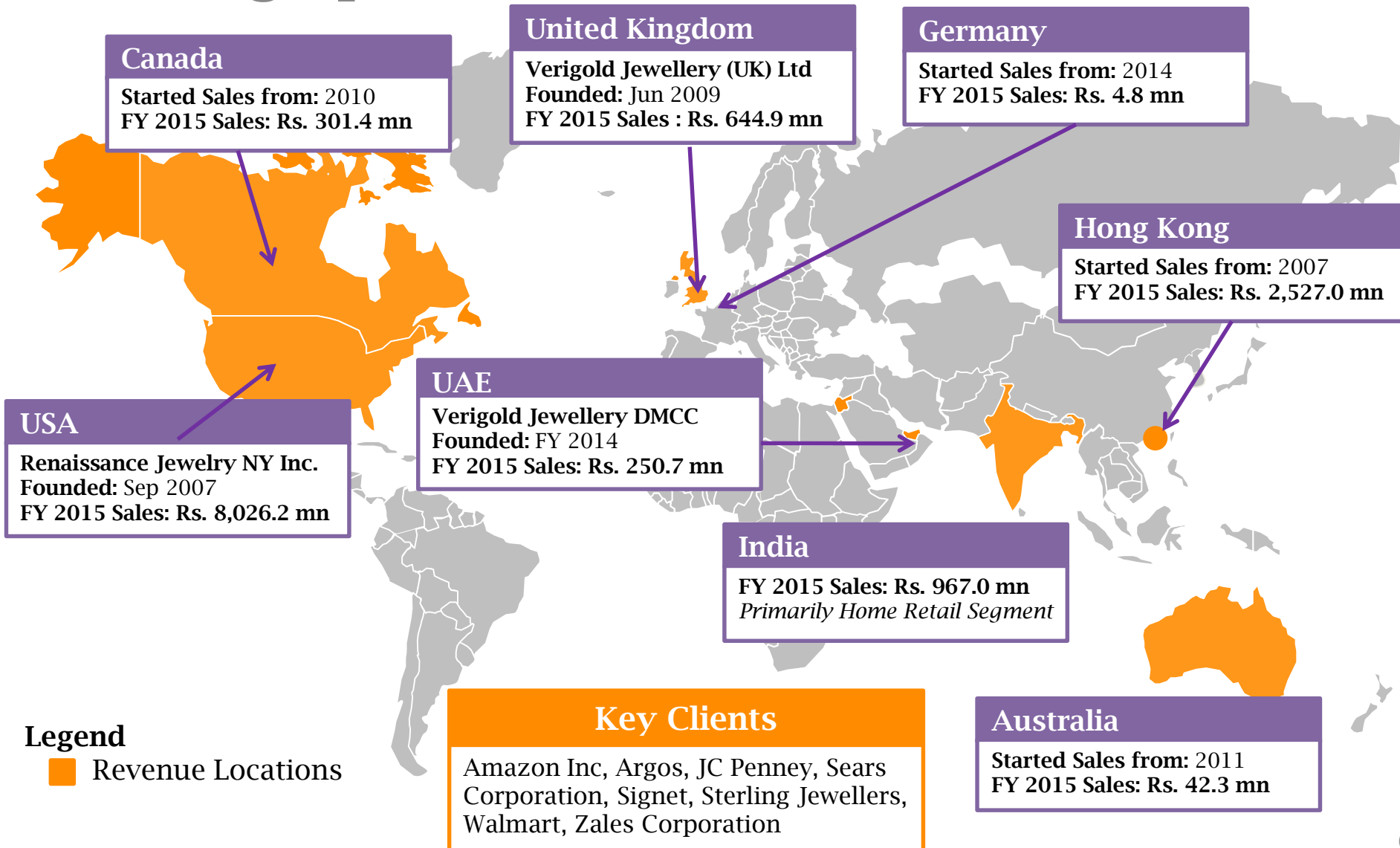
Corporate Overview

- Renaissance Jewellery Ltd is engaged in the business of design, manufacturing, and sales of various types of jewellery
 - Gold, silver, platinum jewellery, studded with diamonds and other precious and semi-precious stones
 - Products include rings, earrings, pendants, bracelets, necklaces, and bangles
- Categories under which the products sell are Diamond Fashion, Diamond Bridal and Gemstones
- Manufacturing facilities in SEEPZ (Mumbai), Bhavnagar (Gujarat) and Bangladesh, with a total area of 190,000 sq.ft and manpower count of over 4,300
- Products are exported to USA, UK, Hong Kong, UAE, Australia, Canada, and sold domestically
- Subsidiary Housefull International is engaged in retailing furniture domestically

Our Journey



The Geographies We Sell



Our Manufacturing Facilities

Bhavnagar (Gujarat)

Started: 2005
Area: Approx 65,000 sq feet
Manpower: 1800

SEEPZ (Mumbai)

Started: 2000
Area: Approx 95,000 sq ft
Manpower : 2,100

Bangladesh

Started: 2011
Area: Approx. 30,000 sq.ft
Manpower : 400

Legend

- Manufacturing Locations
- Manpower includes employees and contractual persons*

Market Size and Opportunity

- The IMF expects global GDP to grow by 3.8% in 2016
 - US and UK expected to grow at 3.1% and 2.3% respectively; India at 7.5%
 - This, along with lower oil prices, will lead to higher disposable incomes in key markets, increasing demand for Jewellery
- The value of the sector is expected to grow at the CAGR of over 5% over the next five years with revenues of over \$257 billion by 2017⁽¹⁾
- The market is predominantly driven by the Asia Pacific and the Middle Eastern markets, but U.S. continues to remain the dominant player in the industry
- The gems and jewellery sector contributes about 6-7% to Indian GDP
- The sector contributed \$40 billion towards Indian's foreign exchange earnings in FY2014⁽²⁾

(1) Global Gems and Jewellery Market Forecast & Opportunities-2018

(2) Gem Jewellery Export Promotion Council



Financial Snapshot

Key Consolidated Financials

Rs. in millions, except per share numbers and ratios	Year ended March 31,				
	2011	2012	2013	2014	2015
Revenues	8,623.3	9,517.2	9,519.3	12,221.6	12,764.4
EBITDA	514.3	708.8	462.6	620.9	752.3
Operating Profit	451.7	611.6	357.3	500.8	578.7
Net Profit	306.2	335.3	147.7	294.8	401.6
Diluted EPS	16.05	17.40	7.74	15.45	21.05
Net Debt	2,163.3	2,405.5	2,002.4	2,833.7	1,949.9
Net Worth	2,637.4	3,129.4	3,248.7	3,738.9	3,989.8
EBITDA Margin	6.0%	7.4%	4.9%	5.1%	5.9%
Debt / Equity	1.1x	0.9x	0.7x	0.9x	0.7x
Book Value per Share	138.23	164.00	170.27	195.96	209.15

Revenues grew at a CAGR of 10.3% over FY 2011 – 2015. Marginal decrease in Net debt.
Book value currently close to Rs.209.

Segmental Financials

Rs. in millions, except per share numbers and ratios	Year ended March 31,				
	2011	2012	2013	2014	2015
Jewellery Segment					
Revenues	8,489.9	8,486.9	8,418.4	11,094.5	12,044.3
EBITDA	498.2	674.5	407.7	561.5	709.0
Operating Profit	438.7	605.0	331.1	480.0	593.3
EBITDA Margin	5.9%	7.9%	4.8%	5.1%	5.9%

Home Retail Segment					
Revenues	133.3*	1,029.3	1,100.9	1,127.1	720.1
EBITDA	16.1*	37.8	54.9	59.5	43.3
Operating Profit	13.0*	13.4	28.6	33.5	5.9
EBITDA Margin	12.1%	3.7%	5.0%	5.3%	6.0%

* Housefull acquired as a step-down subsidiary in Jan 2011;(Figures represent period from Jan 2011 - Mar 2011)

Analysis for FY2015

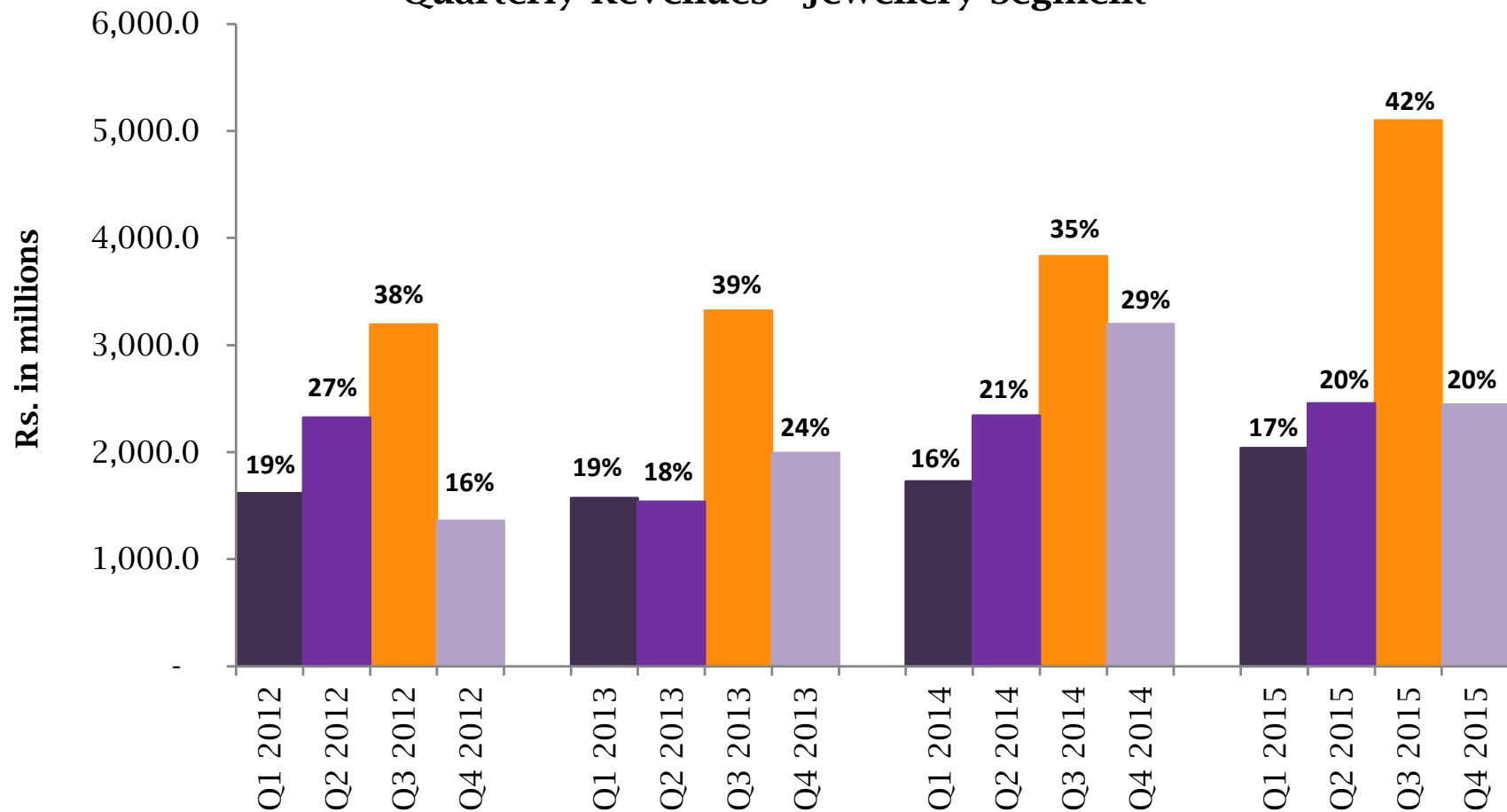
- Consolidated Sales grew by 4.4% over FY2014. Jewellery segment sales grew by 8.56% in the same period
 - Increased focus towards profitability, hence rejecting certain low margin business, leading to moderate sales growth and improved margins
- EBITDA margins increased to 5.9% in 2015 from 5.1% in 2014, while PAT grew by 36.2%
 - Better mix of geographical sales - margins in Europe are higher
 - Manufacturing costs are in rupees. Stable dollar in the 61-64 range, led to improved margins
- Efficient working capital / inventory management
 - Net Debt has reduced from ~Rs.2800 mn to ~ Rs.1950 mn due to efficient cash and inventory management
 - Renewed thrust to sell unsold goods at sales subsidiaries at marginal loss rather than melting these goods



Jewellery Segment

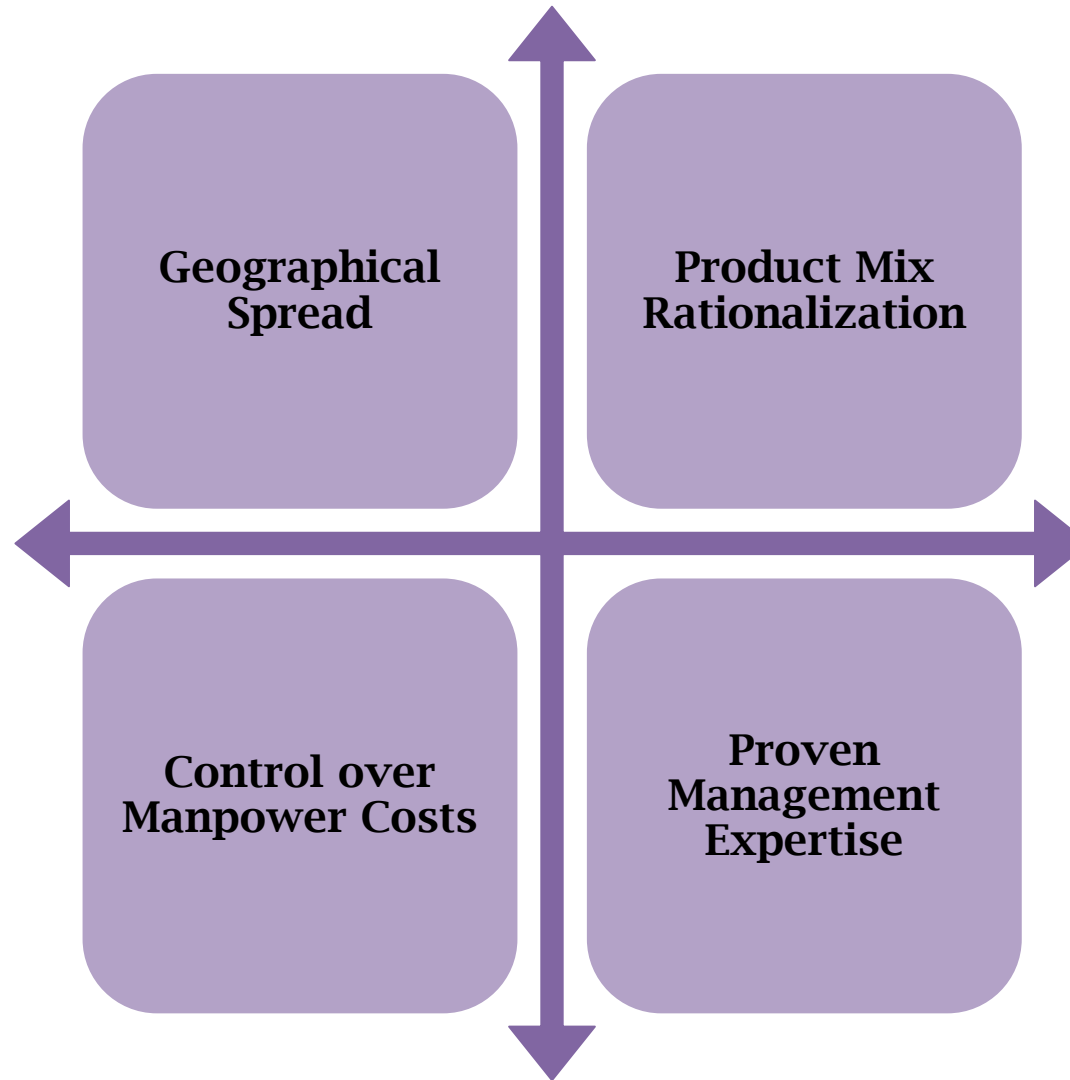
Seasonality – Quarterly Sales Contribution

Quarterly Revenues - Jewellery Segment



Jewellery sales are seasonal, with Q3 sales being highest every year due to festive season in key export market

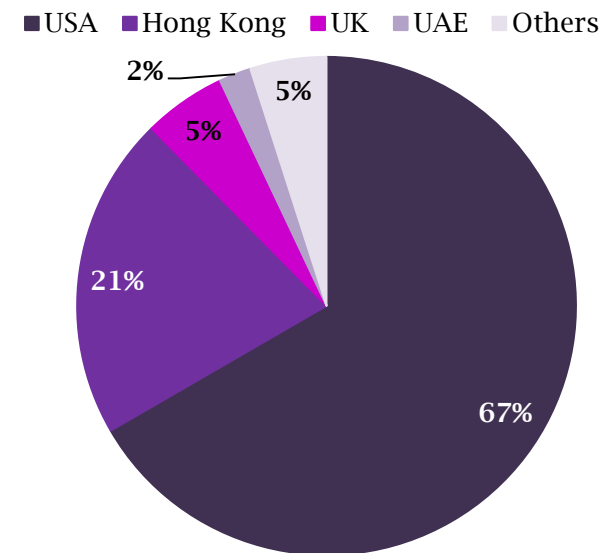
Business Drivers



Geographical Spread

Penetration in New Markets along with strong base in US

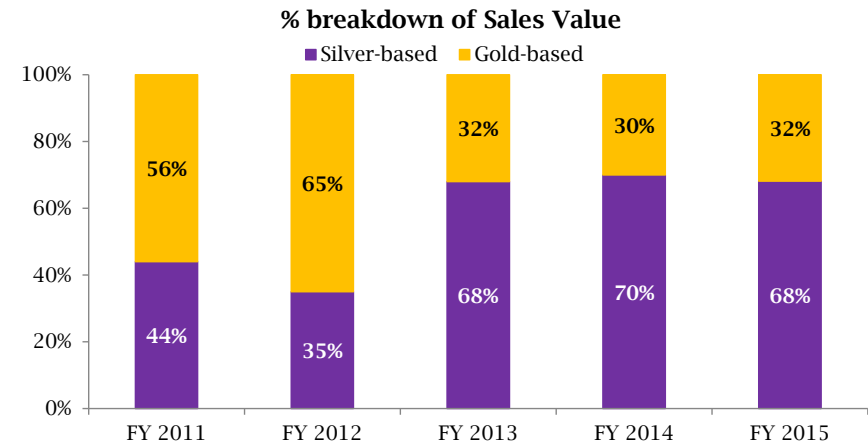
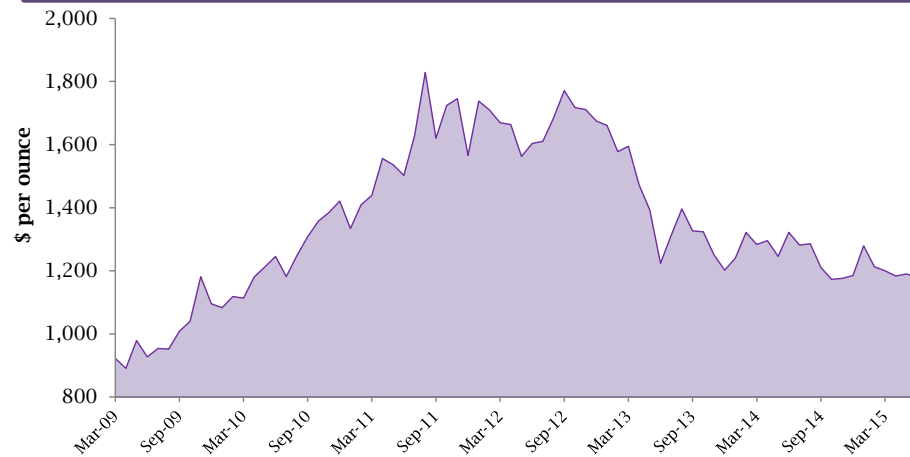
- Continued penetration in Australia, UK, Hong Kong and other markets has gradually reduced dependence on US.
- Sales contribution of US has reduced from ~85% in FY2011 to ~67% in FY2015 while overall sales has increased
- Sales in UAE have grown exponentially from Rs. 112.7 mn in FY2014 to Rs. 250.7 mn in FY2015
- Sales in Hong Kong and UK has increased by 88% and 74% respectively over FY2014



Product Mix Rationalization

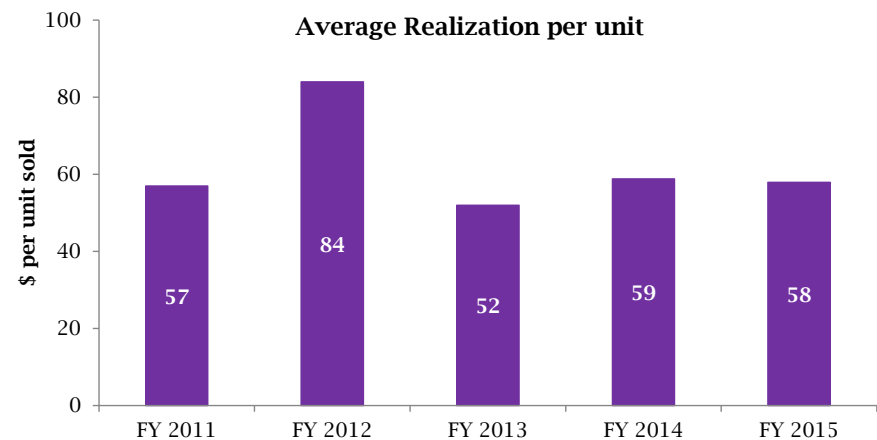
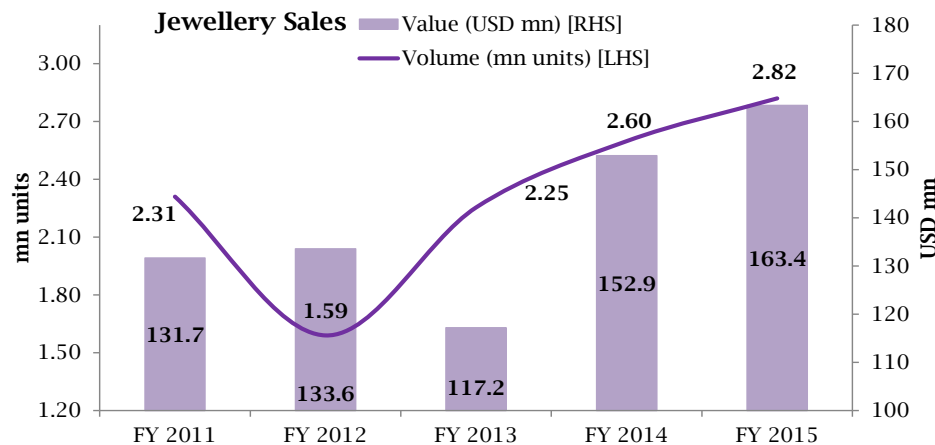
High gold prices in FY 2012 & 2013 ...

... required product mix change



.. to arrest decline in sales units & ...

... resultant moderation in realization



Other Value Drivers

Control over Manpower Costs

- The company set up its 1st manufacturing unit in SEEPZ (Mumbai)
- Subsequent unit was setup in Bhavnagar (Gujarat), to benefit from low manpower costs and other expenses
- Bangladesh unit set up in 2011 to manufacture cost effectively
- Company has certain manpower needs on a contractual basis working on its sites, resulting cost savings during off-season

Proven Management Expertise

- Promoters have years of experience in diamond industry
 - Purchase diamonds in bulk opportunistically. Cost saving in diamonds and gems, which is key input in most products
- Strong management team with expertise in sales, managing diverse client base, with proven product and design innovation.
- Promoter family completely involved and invested in various aspects of the business
 - Stability in operations and focus on business minutiae in an industry highly characterized by trust

The Way Ahead

Branding & Online Initiatives

- Licensed Product segment to add to sales – Exclusive licensing arrangement with Cover Girl brand of Next Step Group
- Pipeline of similar arrangements being worked on
- Sales to large online players to boost growth

Deepening Geographical Reach

- Deepen US reach with new market segment to sustain and strengthen position
- Use US and UK template to grow business in other EU countries by selling to major retailers
- Middle East operations started; consolidate sales in the region

Awards & Recognitions

Recognitions



Awards Received

- 2001: SEEPZ-SEZ Star Award
- 2005: Walmart's International Supplier of the Year
- 2007: Three Star Export House
- 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



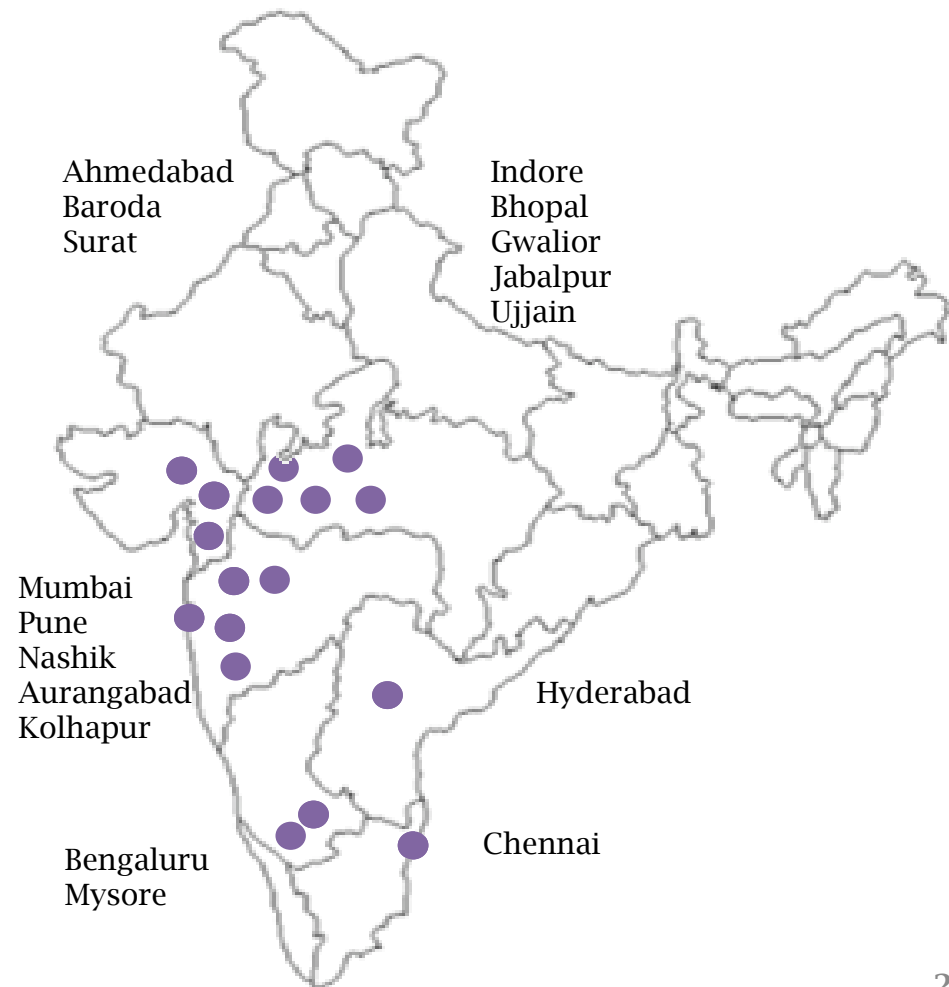
Home Retail Segment

HouseFull International

Business Overview

- The Home Retail segment, under the brand Housefull, sells furniture and accessories
 - **Furniture:** sofa sets, dining tables, bedroom sets, and wardrobes
 - **Accessories:** shoe cabinets, book cases, bean bags
- **Click and Mortar model:** Presence through physical stores and online, derive synergies from each other
- 38 stores across India and deliver to 36 cities online
 - Online sales contributed 23% to sales

38 Stores across 36 Cities



Financials

<i>Rs. in millions, except ratios</i>	Year ended March 31,			
	2012	2013	2014	2015
Number of Stores	28	27	31	37
Revenues	1,029.3	1,100.9	1,127.1	720.1
Cost of Goods Sold	645.3	613.7	574.9	386.3
Gross Profit	384.0	487.2	552.2	333.8
Employee Cost	86.8	112.5	112.3	79.4
Other Expenses	259.4	319.8	380.4	226.2
EBITDA	37.8	54.9	59.5	43.3
Depreciation	24.4	26.3	26.0	37.4
Finance Cost	21.4	22.1	17.9	13.2
Profit Before Tax	(8.0)	6.5	15.6	(7.3)
Employee Cost Margin	8.4%	10.2%	10.0%	11.0%
Advertisement Cost Margin	7.9%	8.2%	11.5%	9.6%
Rent Cost Margin	11.3%	12.4%	12.8%	11.9%

Analysis & The Way Ahead

Store Rationalization

- Aggregate area of the stores has reduced from 2.1 lacs sq. ft. vis a vis now at 1.25 lacs sq. ft. to improve per store economics
- Growing online presence reduces need for large stores
- Loss making stores have been shut down

Metrics

- Average transaction ticket size is ~Rs. 13,100 for store sales
- Average ticket size for online sales is ~Rs. 7,400 (FY2014 - Rs. 6250)
- Average weekly sales for online have doubled to Rs 3.2 mn, leading to annualized sales of ~Rs 165 mn

Online Initiatives

- Rapid online scale-up to be huge opportunity in the medium to long term
- Operating profit margin substantially higher than physical stores
- Launched new website; Mobile App to be launched in August 2015

Product Rationalization

- Focus on accessories to improve profitability
- Introduction of solid wood in addition to particle board furniture to broadbase product range
- Expansion to be driven by untapped opportunity in Tier 2 & 3 towns

* Peak season sales were lower than the previous year due to fire in warehouse. Loss of goods was insured but delay in replenishing inventory impacted sales.



Management Team



Niranjan Shah - Chairman

- Four decades plus industry experience
- BoD in 1995 & CM since 2003.
- Strategy planning



Sumit Shah - MD

- 20 years industry experience
- Long term business plan
- New business initiatives



Hitesh Shah – ED & CFO

- 19 years industry experience
- In charge of finance, accounting functions and merchandising



Neville Tata - ED

- 18 years industry experience
- In charge of Production and HRM



Suhel Kothari

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



Suvendu Rath

- CEO, House Full International Ltd
- 20 years of experience in areas of finance. Accounts, consumer businesses

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