

# All you need to know about ROLEX RINGS LIMITED IPO



Face Value: INR 10  
Issue Size: INR 731 Cr  
Bid Lot: 16 Equity Shares  
Issue Type: 100% Book Building  
Post money market cap of ₹ 2,451 crores-at upper price band.

Price Band:  
INR 880 –  
INR 900

**APPLY NOW**

Issue Opens: 28<sup>th</sup> July 2021; Issue Closes: 30<sup>th</sup> July 2021

Shareholding (%)	Pre IPO	Post IPO
<b>Promoter &amp; Promoter Group</b>	58.99	30.10
<b>Public</b>	41.01	69.90

\*Source: RHP

Company Leadership	
<b>Manesh Dayashankar Madeka</b>	Chairman & Managing Director
<b>Bhautik Dayashankar Madeka</b>	Whole Time Director
<b>Hiren Dilipbhai Doshi</b>	CFO

Share Reservation	Net issue (%)
<b>QIB</b>	50
<b>NII</b>	15
<b>Retail</b>	35

Issue Managers	
<b>BRLMs</b>	Equirus Capital, IDBI Capital Markets and Securities, and JM Financial
<b>Registrar</b>	Link Intime India Pvt. Ltd.

## Company Overview:

Rolex Rings Limited is one of the top five forging companies in India in terms of installed capacity and a manufacturer and global supplier of hot rolled forged and machined bearing rings, and auto-motive components for segments of vehicles including two-wheelers, passenger vehicles, commercial vehicles, off-highway vehicles, electric vehicles), industrial machinery, wind turbines and railways, amongst other segments. The company supplies domestically and internationally to large marquee customers including some of the leading bearing manufacturing companies, Tier-I suppliers to global auto companies and some auto OEMs. The company's product portfolio includes a wide range of bearing rings, parts of gear box and automotive components, among others.

This document summarizes a few key points related to the issue and should not be treated as a comprehensive summary. Investors are requested to refer the Red Herring Prospectus for further details regarding the issue, the issuer company and the risk factors before taking any investment decision. Please note that investment in securities is subject to risks including loss of principal amount and past performance is not indicative of future performance. Nothing herein constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so. This document is not intended to be an advertisement and does not constitute an invitation or form any part of any issue for sale or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever.

## Objects of the Offer

The offer comprises of an offer for sale and a fresh issue. The OFS is comprised of 75,00,000 equity shares amounting to INR 675cr while fresh issue of INR 56cr. Out of the fresh issue, INR 45cr would be used for funding long-term working capital requirements and the balance would be used for general corporate purposes. The proceeds from the OFS would go directly to such selling shareholders.

## Consistent Track Record of Financial Performance

Rolex Rings' revenue from operations have declined from INR 9,043.23mn in FY19 to INR 6,163.32mn in FY21 due to the pandemic. Despite that, EBITDA margin profile has been steady at 18-19%. It has delivered strong return ratios i.e., ROE for fiscal years 2019, 2020, 2021 stood at 27.42%, 19.75% and 24.38%, respectively. The company has reduced its debts, which can be seen through the falling debt equity ratio over the years.

(₹ in million)	FY19	FY20	FY21
<b>Revenue from Operations</b>	9,043.23	6,659.94	6,163.32
<b>Revenue Growth (%)</b>		(26.35)	(7.45)
<b>EBITDA</b>	2,080.19	1,307.76	1,122.93
<b>EBITDA Margin (%)</b>	22.83	19.36	18.12
<b>PAT</b>	590.41	529.41	869.55
<b>PAT Margin (%)</b>	6.53	7.95	14.10
<b>EPS</b>	24.62	22.08	36.26
<b>ROE (%)</b>	27.42	19.75	24.38
<b>Debt/Equity</b>	1.79	0.97	0.70



## Competitive Strengths



### **Comprehensive product portfolio used across different industries**

Rolex Rings offers a diverse range of hot forged and machined alloy steel bearing rings weighing from 0.01 kilograms to over 163 kilograms, and with inner diameter of 25 millimeters to outer diameter of 900 millimeters. This makes their products suitable for a wide range of end-user industries such as automotive, railways, industrial infrastructure, renewable energy, among others. The company also offers auto components such as wheel hubs, shafts and spindles, gears, etc.

### **Manufacturing capabilities which offer scale, flexibility and locational advantage**

Rolex Rings is one of the top five forging companies in India in terms of installed capacity. The company has three manufacturing units that are all in Rajkot with an annual achievable capacity of 144,750 MTPA in forging and 69 million parts per annum in machining. The company is one of the key manufacturers of bearing rings in India and their investment in infrastructure gives them the flexibility to manufacture high volume parts in a cost-effective manner. The manufacturing facilities at Rajkot helps Rolex Rings in accessing the various automotive clusters in North India, West India and South India as well as caters to the export markets through close proximity to the ports of Kandla, Mundra and Pipavav.

### **Long-standing customer relationships and geographically diversified revenue base**

Rolex Rings supplied bearing rings and automotive components to over 60 customers in 17 countries, primarily located in India, United States of America and in European countries such as Germany, France, Italy, and Czech Republic, and Thailand. The company has been able to maintain long standing relations with their customers and 70% of their 10 largest customers for Fiscal 2021 have been with the company for over a decade.

### **Investment in wind and solar energy to reduce cost of power**

Rolex Rings has made investments in wind and solar energy, which helps it to mitigate risks posed by changes in cost of power and fuel and helps in reducing the company's carbon footprint. The company is in process of setting up a 16 MW ground mounted solar power facility at Taluka Muli (Gujarat), which should further de-risk their business vis-à-vis the cost of power and fuel. For FY21, the power generated by their windmills and existing solar power facilities was approximately 10.1 million units as compared to the overall power units consumed of approximately 57.1 million units.

## Strategies Going Forward



### **Increasing share of business amongst existing customers**

Rolex Rings intends to continue focusing on increasing its share of business from existing customers by broadening the portfolio of products they offer, higher engagement with their existing customers, investment in their manufacturing infrastructure, and to continue to engage with such customers during new product development. The company intends to leverage its long-standing relationships, knowledge of requirements and preferences of their customers, to develop and supply more complex, higher margin products. Further, the company would try to consolidate its relationship by continuing to provide quality products at competitive prices and focus on developing their products in line with the changing customer requirements.

### **Expanding the customer base**

Rolex Rings believes that there are certain geographies including Europe and India where they are under-penetrated on automotive components and will strive to improve their market share in such geographies. Historically, the company's ability to enter into new customer relationships has been critical to their growth. Certain customers are part of large groups with operations across geographies and legal entities. While many of such legal entities take decisions on a standalone basis with respect to vendors, Rolex Rings believes that pre-approval for certain other entities across the same group including adherence to quality standards and track-record should enable it to expand into such units where it does not have a supply relationship as on date.

### **Continuing focus on improving operational efficiency**

Rolex Rings aims to continue to improve profitability by constant cost optimization, improving product mix by enhancing contribution of higher-value added machined products and increasing capacity utilization. The company also constantly aims to identify opportunities to implement product improvements and dedicated research and development resources to optimize production processes. The company continuously evaluates the cost-benefit of outsourcing non-critical operations so that it can focus efforts on delivering the best quality products within their core areas.

### **Further enhance the manufacturing infrastructure and product portfolio**

Rolex Rings should be able to successfully manufacture and sell a larger variety of forged and machined bearing rings and automotive components, at competitive prices. The company also intends to enhance capabilities in machining and post machining processes so that they can increase the share of value-added and high-margin components. They are in the process of expanding machining capacities and heat treatment facilities. In the long run, the company also intend to enter into new product lines and target new consumer segments.

## Management

### **Manesh Dayashankar Madeka (Chairman and Managing director):**

He, together with Rupesh Dayashankar Madeka, started the business under the partnership firm by the name of Rolex Industries in 1978. He has over 40 years of work experience in marketing, production and finance.

### **Bhautik Dayashankar Madeka (Whole Time Director):**

He holds a bachelor's degree in commerce from Ranchi University, Ranchi. He has over 18 years of work experience in production, planning and control. He joined the company on December 31, 2002 when it was still a partnership firm.

### **Hiren Dilipbhai Doshi (Chief Financial Officer):**

He is a certified chartered accountant of the Institute of Chartered Accountants of India. He has been responsible for the finance function of Rolex Rings. Prior to joining the company, he worked with Atul Auto Limited for over 11 years.



## Valuation

At the higher price band of Rs. 900, the company is demanding a PE multiple of 24.82X on FY21 earnings, which is much lower than the industry average of ~77.52X. The company has increased its profit margin from 7.95% in FY20 to 14.10% in FY21 and has a decent ROE of 24.38% for FY21.

**APPLY NOW**

## RISKS

1. The entire Non-Convertible Redeemable Preference Share holding of the promoter and promoter group will be pledged with the lenders.
2. The consortium lenders have removed pledged for some portion of the above securities to comply with the minimum promoter contribution as per SEBI ICDR Regulations. Post listing, the company might have to pledge the same.
3. The company is dependent on the performance of the automotive sector in India, Europe, North America, Latin America and some part of Asia. Any adverse changes in the conditions affecting these markets can adversely impact their business.
4. The continuing impact of the outbreak of the COVID-19 could have a significant effect on the company's operations, and could negatively impact their business, revenues, financial condition, cash flows and results of operations.
5. Top 10 customers accounted for 72.62% of the total revenue from operation. Any change in demand from these customers can negatively impact the business.
6. The company has substantial working capital requirements and if they are unable to secure adequate working capital on commercially reasonable terms, their business and financial condition may be adversely affected.
7. The geographical concentration of the company's manufacturing facilities may restrict their operations and adversely affect their business, cash flows and financial conditions.
8. Absence of long-term agreements with the customers can have a negative impact on the business if the customers choose not to do business with them.

\*For complete list of risk factors referring to the Red Herring Prospectus.

## Disclaimer

IIFL Securities Limited shall not be in any way responsible for the contents hereof, any omission there from or shall not be liable for any loss whatsoever arising from use of this document or otherwise arising in connection therewith, including with respect to forward looking statements, if any. IIFL makes no representation/s or warranty/ies, express or implied, as to the contents hereof, accuracy, completeness or reliability of any information compiled herein, and hereby disclaims any liability with regard to the same. Neither IIFL Securities Limited nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. You shall verify the veracity of the information on your own before using the information provided in the document. Investors are requested to review the prospectus carefully and obtain expert professional advice. IIFL Group | IIFL Securities Ltd (CIN No.: U99999MH1996PLC132983) IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane - 400604. Tel.: (91-22) 2580 6650 \*Customer Service: 40071000 \*Stock Broker SEBI Regn: INZ000164132 \*NSE: 10975 \*BSE: 0179 \*MCX:55995 \*NCDEX:378 \*Depository: INDP185 2016 \*MF Distributor ARN: 47791, \*PMS SEBI Regn.: INP000002213, \*Investment Adviser SEBI Regn. : INA000000623, \*Research Analyst SEBI Regn:- INH000000248 | Kindly refer to [www.indiainfoine.com](http://www.indiainfoine.com) for detailed disclaimer and risk factors.

IIFL Group | IIFL Securities Ltd (CIN No.: U99999MH1996PLC132983) IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane - 400604. Tel.: (91-22) 2580 6650 \*Customer Service: 40071000 \*Stock Broker SEBI Regn: INZ000164132 \*NSE: 10975 \*BSE: 0179 \*MCX:55995 \*NCDEX:378 \*Depository: INDP185 2016 \*MF Distributor ARN: 47791, \*PMS SEBI Regn.: INP000002213, \*Investment Adviser SEBI Regn. : INA000000623, \*Research Analyst SEBI Regn:- INH000000248 | Kindly refer to [www.indiainfoine.com](http://www.indiainfoine.com) for detailed disclaimer and risk factors.

For Research related queries, write at [research@iifl.com](mailto:research@iifl.com)