

Arihant Capital values your support in the Asiamoney Brokers Poll 2021 for Institutional Team. We request your ballot



<http://www.asiamoney.com/brokers>

**Rating: Subscribe**

**Issue Offer**

**Fresh Issue of 622,222 equity shares upto INR 56Cr and OFS of 7,500,000 shares by Promoters group taking the total issue size at INR 731cr**

**Issue Summary**

|                             |               |
|-----------------------------|---------------|
| Price Band (INR)            | 880-900       |
| Face Value (INR)            | 10            |
| Implied Market Cap (INR Cr) | 2,214         |
| Market Lot                  | 16            |
| Issue Opens on              | July,28, 2021 |
| Issue Close on              | July,30, 2021 |
| No. of share pre-issue      | 23,981,090    |
| No. of share post issue     | 24,603,312    |
| Listing                     | NSE / BSE     |

**Issue Break-up (%)**

|                |    |
|----------------|----|
| QIB Portion    | 50 |
| NIB Portion    | 15 |
| Retail Portion | 35 |

**Book Running Lead Managers**

Equirus Capital  
IDBI Capital Markets  
JM Financial

**Registrar**

Link Intime India Pvt Ltd

**Shareholding Pattern**

|                 | Pre-Issue | Post-Issue |
|-----------------|-----------|------------|
| Promoters       | 100.00%   | 66.99%     |
| Public & Others | 0.00%     | 33.01%     |

**Objects of the issue**

- Funding long-term working capital requirements.
- General corporate purposes.

**Rolex Rings Ltd** was incorporated in 2003, one of the top five forging companies in India. The company manufactures bearing rings, automotive components that are used in commercial vehicles, electrical vehicles, passenger vehicles, 2-wheelers, wind turbines, industrial machinery and railways etc. it has installed 4.7 Mn MTPA forging capacity of India's forging industry and one of the key supplier of bearing rings in India. Rolex rings is one of the Tier-I supplier, supplies to global auto companies and some auto OEMs across automobile & automotive industry. it has in-house engineering, design tooling and die-making and raw materials are sourced from customer approved vendors. In most of the customer contracts, raw material cost pass through to the customers. The company supplies domestic as well as international automotive companies and having 60 customers across 17 countries including Germany, France, Italy, Thailand, Czech Republic, USA and others.

**Key Highlights:**

**Comprehensive Product Portfolio:** Rolex Rings has comprehensive product portfolios in Bearing Rings and Automotive components. It's one of the key manufacturers of bearing rings, supplies hot rolled and machined bearing rings to customers. Few of the key customers are Timken, Schaeffler, SKF, NRB and nbc. It has wide range of product offerings such as hot forged & machined alloy steel bearing rings weighting from 0.01 Kg to 163 Kg and 25 mm to 900 mm diameter caters to different industries such as Industrial infrastructure, railways, automotive and renewable energy etc. . It has a capabilities to cater to large rings requirements, offers high value added products with relatively lower competitive industry. It has a wide range of automotive component products portfolio's includes wheel hubs, shafts and spindles and gears among others.

**Manufacturing capacities with offer scale, flexibility and locational advantage:**

Rolex Rings has 3 manufacturing units at Rajkot with integrated forging, machining and heat treatment facilities. It has 22 forgings lines with a combined installed capacity of 1,44,750 tonnes per annum, 528 spindles with a combined installed capacity of 69 Million parts per annum. Manufacturing infrastructure includes combination of high speed hot formers from Sakamura & Hatebur and existing machine lines consists of spindles from DMG, FUJI, ACE, TSUGAMI, Hyundai, Mazak, Muratec. Manufacturing facilities located around 250 km from mundra and pipavav ports and 700km from Mumbai ports, locational advantage helps to serve marquee clientele.

**Long standing customer relationships and geographically diversified revenue base:**

Rolex rings supplies bearing rings and automotive components to domestic and international customers spread across 60 customers over 17 countries. It has derived ~44% revenue from domestic business and remaining ~56% from international business. It has a good supply relations with customers, 70% of top 10 customers having supply relationship with more than a decade. It has customers across multiple sectors including industrial machinery, wind turbines, automobile and railways.

**Valuation and View:**

**At a upper price band of INR 900 stock is trading at a P/E multiple of 24.8(x). We believe Rolex Rings Ltd is a good long term proven business model with Comprehensive product portfolio, Integrated manufacturing facilities, strong and long term relationship with key customers, experienced management team and recovery in auto & automotive industry will lead the growth for the company. We are recommending "Subscribe for long term" for this issue.**

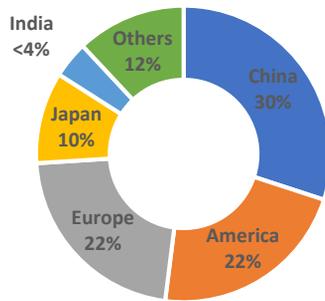
Industry Overview

**Overview of Global Bearings Market:** The Global bearing market was estimated at US\$ 50 bn in FY19, on the demand side, Asia accounts for ~50% of global demand, Europe (22%), America (22%) and remaining from others. The Asian countries demand market increased from 30% to 50% over a span of decade. China has become largest automotive market in globally, accounts for 30% of global demand followed by Japan (10%). On the supply side, the five players are Schaeffler, Timken, NSK, NTN, and JTEKT accounts for 60% of global bearings market share.

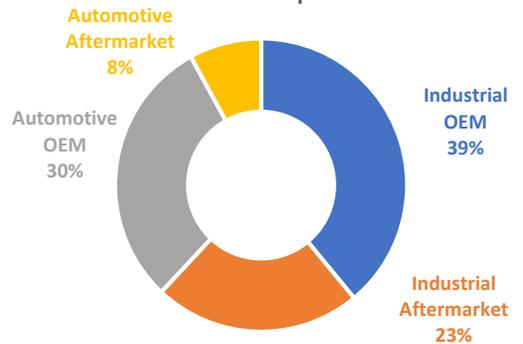
Indian bearings industry market was estimated less than 4% of the global bearings markets and expected to grow over the medium to long term. The growth supported by industrialization and healthy growth expected in automotive markets. The bearing market classified as Industrial and automotive segments, Industrial segments accounts for 61% to 63% of revenue and remaining from automotive segments.

Industrial OEM accounts for 39% of industry revenue, followed by automotive OEM accounts for 30% of industrial revenue, industrial & automotive after market constitutes of 23% and 8% respectively.

Global Bearings Markets Demand- FY19



Revenue Split- FY19



Source: ICRA, RHP, Arihant Capital Research

**Overview of Indian Bearings Market:**

Indian bearings market is estimated around INR 12000cr and constitutes less than 4% of global bearings demand. India’s bearings demand met through 60% from domestic production and remaining 40% from imports.

Industrial segment constitutes of 50-55% of bearings demand and remaining 45-50% from automotive segments. The industrial bearings demand largely driven by electrical equipment, general machines & motors and usage of heavy industries. The Indian automotive share is higher compared to global countries (<40%) due to higher industrial activity and large two-wheeler population in India.

Break-up of Domestic Production & Imports- FY19



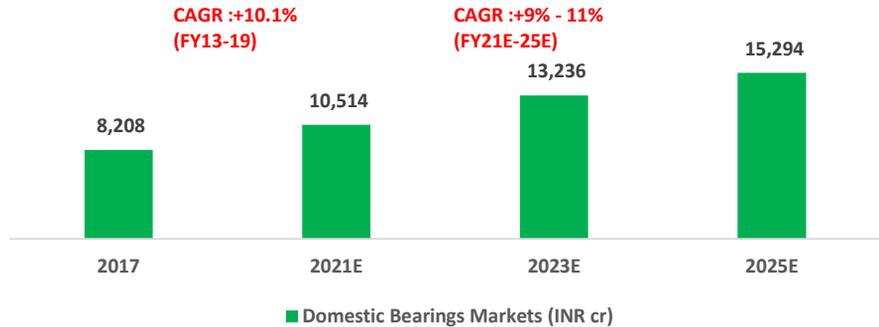
Demand- Segmental (FY19)



Source: ICRA, RHP, Arihant Capital Research

## Industry Overview

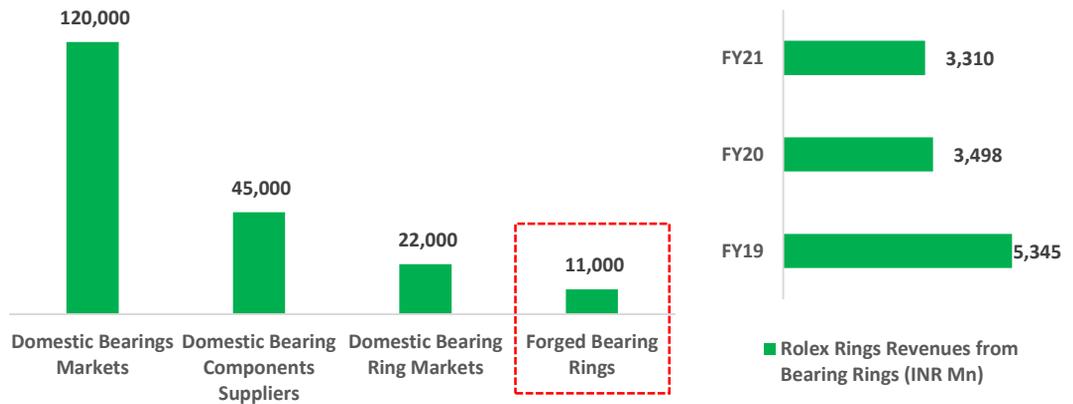
Domestic bearing market grew at a CAGR 10.1% to INR 10,514cr during the period of fiscal year 2013 to 2019 and expected to grow at a CAGR 9% to 11%, to reach INR 15,294cr during the period of fiscal year 2021 to 2025. The demand for roller rings is expected to grow at a CAGR 10% to 12% compared to bearings industry during the same period.



Source: ICRA, Company Reports, Arihant Capital Research

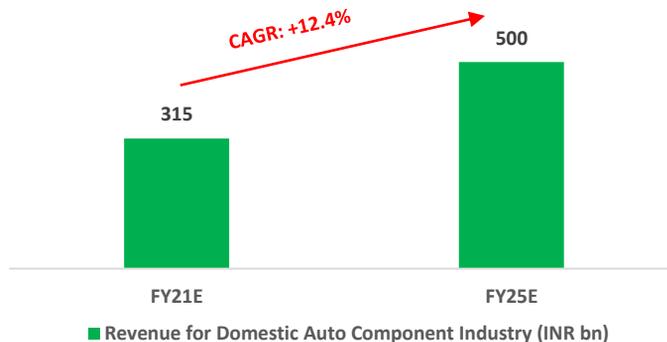
**Overview of Domestic Forged Bearings Market:** Domestic forged bearings market estimated ~INR 11,000mn in FY21, while Rolex Rings bearings revenues 5,345mn, 3,498mn, 3,310mn are in FY19, FY20, FY21 respectively.

Domestic market for forged bearing rings (INR mn)



Source: ICRA, Company Reports, Arihant Capital Research

**Overview of Domestic Auto Components Industry:** Domestic auto components industry market estimated INR 315bn in FY21 and expected to grow at a CAGR 12.4%, to reach INR 500bn during the period of FY21-FY25. This growth majorly expected to driven by increasing localization by OEM's, higher component content per vehicles and rising revenues from profitable aftermarket segments.



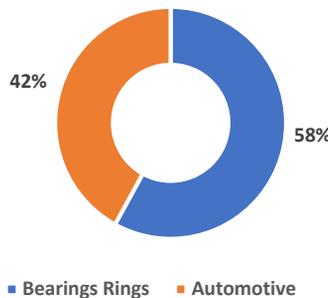
Source: ICRA, Company Reports, Arihant Capital Research

**Key Strengths**

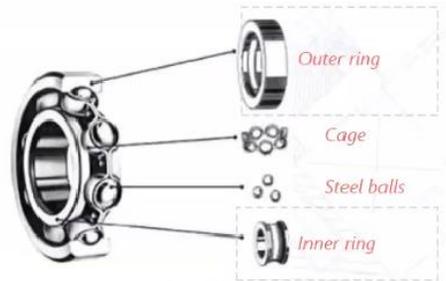
**Comprehensive Product Portfolio:** Rolex Rings has comprehensive product portfolios in Bearing Rings and Automotive components. The product portfolio’s consists of Bearings & Automotive segments. bearings segments derives 58% of revenue and remaining 42% of revenue from Automotive segments as on FY21. It’s one of the key manufacturers of bearing rings and supplies hot rolled and machined bearing rings to customers. Few of the key customers are Timken, Schaeffler, SKF, NRB and nbc.

It has wide range of product offerings such as hot forged & machined alloy steel bearing rings weighting from 0.01 Kg to 163 Kg and 25 mm to 900 mm diameter caters to different industries such as Industrial infrastructure, railways, automotive and renewable energy etc. . It has a capabilities to cater to large rings requirements, offers high value added products with relatively lower competitive industry. It has a wide range of automotive component products portfolio’s includes wheel hubs, shafts and spindles and gears among others. The company supplies automotive components to global OEM’s across segments including 2-wheeler, Commercial Vehicles, Passenger Vehicles, Heavy Vehicles and Electrical Vehicles.

Revenue-FY21 (INR cr)



Rolex Rings– Key supplier of Bearings Rings



Source: RHP, Arihant Capital Research

**Manufacturing capacities with offer scale, flexibility and locational advantage:** Rolex Rings has 3 manufacturing units at Rajkot with integrated forging, machining and heat treatment facilities. It has 22 forgings lines with a combined installed capacity of 1,44,750 tonnes per annum includes high speed hot formers from Sakamura and Hatebur; vertical forging lines from Manyo, Mistubishi, SMS Meer, Enomoto and Eunomo and conventional forging lines integrated with induction heating furnaces.

The manufacturing facilities has 528 spindles with a combined installed capacity of 69 Million parts per annum. Manufacturing infrastructure includes combination of high speed hot formers from Sakamura & Hatebur and existing machine lines consists of spindles from DMG, FUJI, ACE, TSUGAMI, Hyundai, Mazak, Muratec. It has wind mills across 3 locations and planning for solar projects in Taluka Muli, Gujarat. Manufacturing facilities located around 250 km from mundra and pipavav ports and 700km from Mumbai ports, locational advantage helps to serve marquee clientele. The Rajkot location helps to connect various automotive clusters in South, North and West India.

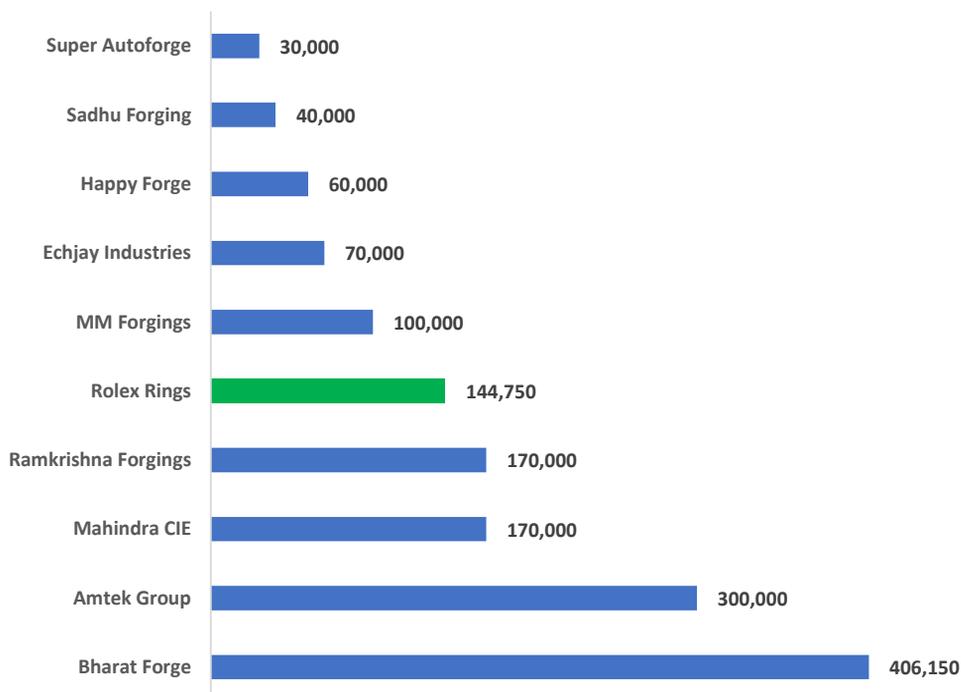
| Manufacturing Facilities |   |
|--------------------------|---|
| Unit 1                   | Forging, Heat Treatment and Shot Blasting   |
| Unit 2                   | Forging, Heat Treatment and Shot Blasting, Cold Rolling, Machining, Quality Control & Testing, Packing and Dispatch.      |
| Unit 3                   | Tool & Die Making, Shot Blasting, Machining, Quality Control and Testing, Finished goods Warehouse, Packing and Dispatch. |

Source: Company Reports, Arihant Capital Research

Key Strengths

| Details of Forging Lines including Capacity and Utilization |                                    |              |                                 |                        |               |               |
|---|------------------------------------|--------------|---------------------------------|------------------------|---------------|---------------|
| Category  | Line                               | No. of Lines | Achievable Annual Capacity (MT) | % of total Utilization |               |               |
|   |                                    |              | As on Mar -2021                 | FY19                   | FY20          | FY21          |
| Conventional  | Conventional                       | 6            | 11,250                          | 64.77%                 | 41.23%        | 42.01%        |
| Vertical Forging Lines                                      | SMS-MEER                           | 1            | 9,000                           | 26.03%                 | 36.84%        | 31.87%        |
|   | Enomoto Press                      | 1            | 6,250                           |                        | 6.40%         | 24.99%        |
|   | Eumoco                             | 1            | 2,250                           |                        |               | 9.78%         |
|   | Manyo                              | 6            | 25,000                          | 60.55%                 | 43.76%        | 33.91%        |
|   | Mitsubishi                         | 2            | 8,750                           | 52.77%                 | 40.67%        | 37.86%        |
| High-Speed Hot Formers                                      | Sakamura 160 Hot Former High Speed | 1            | 17,500                          | 45.61%                 | 22.40%        | 32.53%        |
|   | Sakamura 120 Hot Former High Speed | 1            | 12,500                          | 65.73%                 | 39.79%        | 48.90%        |
|   | Hatebur-HM75 Hot Former High Speed | 1            | 18,750                          | 47.42%                 | 29.85%        | 32.54%        |
|   | Hatebur-HM75 Hot Former High Speed | 1            | 12,500                          | 52.24%                 | 37.54%        | 35.68%        |
|   | Sakamura HFW-1000                  | 1            | 18,750                          | 38.46%                 | 15.46%        | 26.28%        |
| <b>Total</b>  |                                    | <b>22</b>    | <b>144,750</b>                  | <b>50.01%</b>          | <b>32.92%</b> | <b>33.48%</b> |

Installed Capacity of major forging companies in India (MTPA)



Source: ICRA, RHP, Arihant Capital Research

## Key Strengths

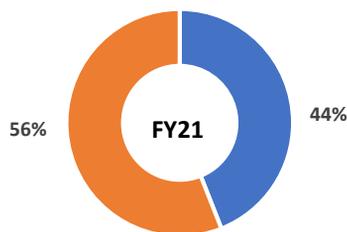
**Long standing customer relationships and geographically diversified revenue base:** Rolex rings supplies bearing rings and automotive components to domestic and international customers, spread across 60 customers over 17 countries. It has derived 44% revenue from domestic business and remaining 56% from international business. It has a good supply relations with customers, 70% of top 10 customers having supply relationship with more than a decade. It has customers across multiple sectors including industrial machinery, wind turbines, automobile and railways.

The company received multiple award from customers such as Q1 Preferred Quality Status from Ford in 2021, Supplier Quality Excellence award from General Motors in 2019, Excellence in New Product Development award from Timken in 2018 and many awards from customers.

### Rolex Rings - Customer Relationships with 17 Countries

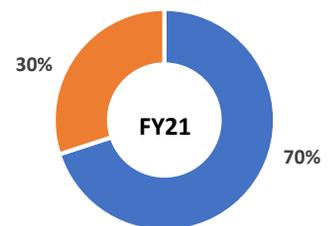


Revenue-FY21(INR cr)



■ Within India ■ Outside India

Supply Relations with top 10 customers



■ > decade ■ < decade

Source: RHP, Arihant Capital Research

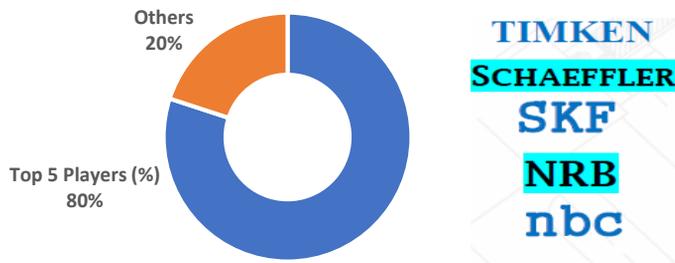
Key Strategies

**Increasing the share of business amongst existing customers:** Over the years, Rolex Rings developed longstanding and extensive relationship with customers and become one of the leading bearing manufacturers, Tier-1 & Tier 2 suppliers and some of the auto OEM's. The company intend to increase market share of the business from existing customers as well new customers by broadening product offerings, investment in infrastructure development, higher engagement with customers and continued with new product development as per customers requirements.

**Expand Customer Base:** Rolex Rings customers are part of the large groups with operations across geographies and legal entities, the management intend to leverage presence across other legal entities of customers in the same group. They focused to leverage products, long term relationships & credentials with existing customers and referrals from customers helps to develop and strengthen the customer base. They also focused to increase penetration of certain geographies are Europe and India for automotive components and strive to improve market share for going forward.

Top 5 players having ~80% domestic market share in bearings industry and Rolex supplies to most of the leading bearings manufacturers.

~80% of domestic market share with #5 players



Rolex Rings – Other Key Customers



Source: Company Reports, Arihant Capital Research

**Continuing focus on improving operational efficiency:** The company focused to improve profitability by change in product mix towards higher margin products, Out-sourcing of non critical operations, constant cost optimization and increasing capacity utilization. They also implemented automation solutions in machining centers to reduce cycle times & man power requirements. They indented to reduce production cost per unit basis by reducing fixed costs, that helps to reduce unit sales price which is enables to increase competitiveness.

## Key Strategies

**Reduce power costs and reduce carbon footprint:** Power & Fuel expense is one of the largest expense after raw material costs, the expenses are 7.9%, 8.1%, 8.5% of revenue from operations for FY19, FY20, FY21 respectively. Currently, the company depend on state board electricity for power requirements, the tariffs changes by state electricity board. The company intended to de-risk business in terms of changes in dependence on power tariffs and reduce carbon footprint through renewable energy. The company currently operates with installed windmill capacity of 8.75MW and solar capacity of 1.58MW. They are in the process of solar projects by an installed capacity of 16MW, already placed purchase orders for equipment's with installed capacity of 7.35 MW. This expansion initiatives helps to expanding profit margins.

Power & Fuel Costs as % of total revenue from operations



Source: RHP, Arihant Capital Research

**Further enhance manufacturing infrastructure and product portfolio:** The company focused to enhance machining & post machining processes, helps to increase the share of value added and high margin components. They continued to changes in technology, market trends and customer preferences by investments to cater to such change in market landscape. The company currently in the progress of expanding machining capacities, heat treatment & cold forging facilities.

## Key Risks

- **Performance depends on Automotive Sector:** Rolex rings heavily dependent on the performance of the automobile & automotive sector in India, Europe, North & Latin America and part of some Asian countries. Any impact on these markets, adversely impact the company business and revenues.
- **Revenue Concentration:** Top 10 customers accounted for major revenue, the revenues are 65.56%, 76.94%, 72.62% of revenue from operations in FY19, FY20, FY21 respectively. Out of top 10, 5 customers from India and remaining 5 from outside India. If any customers starting in-house manufacturing, changing preference, or deterioration of financial condition will lead adverse impact of company revenues.
- **International Market Conditions & Regulatory Risk:** Rolex rings exports to 17 countries, Exports revenue are 56.27%, 53.82%, 56.12% of revenue from operations in FY19, FY20, FY21 respectively. The demand for the products depends upon international market conditions and regulatory norms. Any impact on international markets could adversely impact the business and revenues.

## Peer Comparison

| Company (in Cr.)             | CMP | Revenue | EBITDA | EBITDA M (%) | PAT | D/E  | EPS  | RoE (%) | P/E   |
|------------------------------|-----|---------|--------|--------------|-----|------|------|---------|-------|
| Rolex Rings Ltd <sup>^</sup> | 900 | 616     | 109    | 17.7%        | 87  | 0.73 | 36.3 | 24.4%   | 24.8  |
| Ramkrishna Forgings Ltd      | 819 | 1,289   | 223    | 17.3%        | 21  | 1.29 | 6.4  | 2.4%    | 127.2 |
| M M Forgings Ltd             | 725 | 744     | 127    | 17.1%        | 47  | 1.09 | 19.4 | 9.7%    | 37.5  |
| NRB Bearings Ltd             | 137 | 762     | 104    | 13.6%        | 54  | 0.43 | 5.6  | 10.4%   | 24.6  |
| JBM Auto Ltd                 | 477 | 1,982   | 197    | 9.9%         | 49  | 0.95 | 10.4 | 6.6%    | 45.8  |
| Mahindra CIE Automotive Ltd  | 268 | 7,884   | 962    | 12.2%        | 319 | 0.25 | 8.4  | 6.3%    | 31.9  |

Financials are as on FY21; <sup>^</sup> at upper price band

CMP as on 26-07-2021

## Management

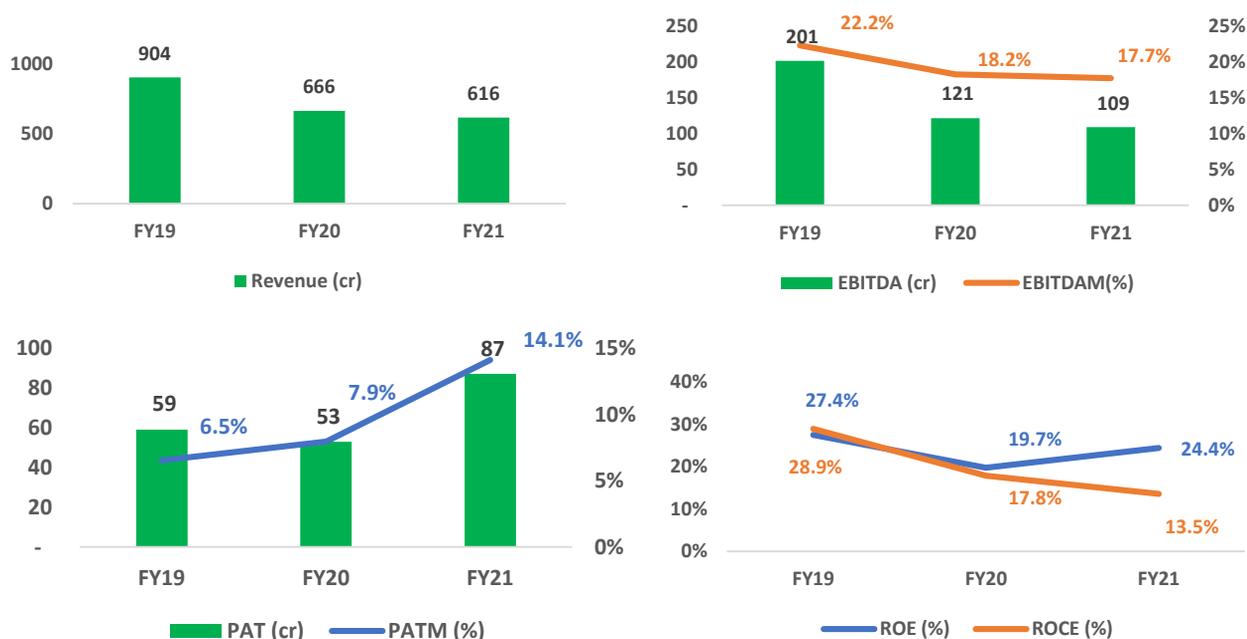
| Key Person                           | Description  |
|--------------------------------------|--|
| <b>Mr Manesh Dayashankar Madeka</b>  | Mr Manesh Dayashankar Madeka is the Chairman and Managing Director of the company. He started the business with Rupesh Dayashankar under partnership firm by the name of Rolex Industries in 1978. He has over 40 years of experience in the field of finance, production and marketing.   |
| <b>Mr Bhautik Dayashankar Madeka</b> | Mr Bhautik Dayashankar Madeka is the Whole Time Director of the company. 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 our Company on December 31, 2002 when it was still a partnership firm   |
| <b>Mr Mihir Rupeshkumar Madeka</b>   | Mr Mihir Rupeshkumar Madeka is the Whole Time Director of the company. He holds a bachelor’s degree in engineering from Nagpur University. He has over 18 years of work experience in marketing functions and in the development of new customers and products. He joined our Company on December 31, 2002 when it was still a partnership firm.   |
| <b>Mr Hiren Dilipbhai Doshi</b>      | Mr Hiren Dilipbhai Doshi is the Chief Financial Officer of the company. He joined our Company as Vice President – Finance with effect from February 1, 2009 and was designated as the Chief Financial Officer with effect from March 12, 2021. He is a certified chartered accountant of the Institute of Chartered Accountants of India. He has been responsible for the finance function of our Company. Prior to joining our Company, he worked with Atul Auto Limited for over 11 years. |

## Financial Performance

| Particulars (in cr.) | FY19  | FY20  | FY21  |
|----------------------|-------|-------|-------|
| Revenue              | 904   | 666   | 616   |
| EBITDA               | 201   | 121   | 109   |
| EBITDAM(%)           | 22.2% | 18.2% | 17.7% |
| PAT                  | 59    | 53    | 87    |
| PATM (%)             | 6.5%  | 7.9%  | 14.1% |
| EPS (as reported)    | 24.6  | 22.1  | 36.3  |
| Net Worth            | 215   | 268   | 357   |
| Total Debt           | 393   | 264   | 259   |
| Total Assets         | 782   | 686   | 797   |
| ROE (%)              | 27.4% | 19.7% | 24.4% |
| ROCE (%)             | 28.9% | 17.8% | 13.5% |

Source: RHP, Arihant Capital Research

## Charts



Source: RHP, Arihant Capital Research

**Arihant Research Desk**

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

| Head Office   | Registered Office  |
|---|--|
| #1011, Solitaire Corporate Park<br>Building No. 10, 1 <sup>st</sup> Floor<br>Andheri Ghatkopar Link Road<br>Chakala, Andheri (E)<br>Mumbai – 400093<br>Tel: (91-22) 42254800<br>Fax: (91-22) 42254880 | Arihant House<br>E-5 Ratlam Kothi<br>Indore - 452003, (M.P.)<br>Tel: (91-731) 3016100<br>Fax: (91-731) 3016199 |

| Stock Rating Scale | Absolute Return |
|--------------------|-----------------|
| BUY                | >20%            |
| ACCUMULATE         | 12% to 20%      |
| HOLD               | 5% to 12%       |
| NEUTRAL            | -5% to 5%       |
| REDUCE             | -5% to -12%     |
| SELL               | <-12%           |

| Research Analyst Registration No. | Contact                        | Website  | Email Id   |
|-----------------------------------|--------------------------------|--|--|
| <b>INH000002764</b>               | <b>SMS: 'Arihant' to 56677</b> | <a href="http://www.arihantcapital.com">www.arihantcapital.com</a> | <a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a> |

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880