



ROLEX RINGS LIMITED

(Formerly known as Rolex Rings Private Limited)

[CIN: L28910GJ2003PLC041991]

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Ref. RolexRings/Reg30/AnalystMeeting/May2023/1

May 31, 2023

To,
Corporate Relationship Department,
BSE Limited,
Phiroze JeeJeebhoy Towers, Dalal Street,
Mumbai-400001

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051

Script Code: 543325

Script Symbol: **ROLEXRINGS**

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we wish to inform you that the company participated in Investor/Analyst Call as given below:

Date	Type of Meeting/Event	Location
May 29, 2023	Investor/Analyst Call scheduled by Equirus Securities with the management of the company to discuss the company's results for 4QFY23	Zoom Meeting (Virtual)

No Unpublished Price Sensitive Information (UPSI) was shared/discussed in the meeting with the investors/analysts.

However, as a matter of better compliance & investors' services, the Transcripts of the said Analyst Call is attached herewith, for reference & record please.

Please take the same on your records

Thanking You,

Yours faithfully
For Rolex Rings Limited
(Formerly known as Rolex Rings Private Limited)

Hardik Dhimantbhai Gandhi
Company Secretary and Compliance Officer
{Membership No. A39931}

Rolex Rings 4QFY23 Results Call Transcript

Ashutosh: Yeah, it is visible. Yeah. Hello, everyone. On behalf of Equiris Securities, I welcome you all on the fourth quarter FY23 conference call of Rolex Rings. From the management side, we have Dr. Manish Madekar and CEO Mr. Hiren Doshi. Without further ado, I hand over the call to Mr. Hiren Doshi for opening remarks, post which we will open up for Q&A. Over to you, Hiren Bhai.

Hiren Doshi: Thank you, Ashutosh. Good evening, ladies and gentlemen. Heartily welcome, all of you, on update on the Q4 of FY23. We'd like to update the numbers for the Q4-FY23, as well as entire fiscal FY23. In terms of revenue from operations, we have recorded gross revenue of almost 300 crores in Q4 of FY23, vis-a-vis Q3 of FY23, which was 307 crores. There is a slight decline of 4.5% or something over here, but it is compared to almost 5% more with Q4 of FY22. In terms of EBITDA margins, we have recorded 648 million in Q4 of FY23, which was in terms of percentage 21% and 6%, which was there in quarter 3 of FY23, was 752 million, almost touching to 24%. In terms of PBT and PAT, would like to inform that in Q4, company has recorded PBT of 57-odd crores, vis-a-vis 65 crores of previous quarter, and 46 crores PAT, compared to 53 crores PAT of FY23. There is a slight decline in PAT and PBTs both, that is because of overall EBITDA margin has also reduced. We'll try to justify that thing later on. In terms of overall segment-wise revenue, Baring Ring, almost 52% O2 component, 48% of our overall revenue, which consists 60% of my export's revenue and 40% of my domestic revenue. We'd like to inform that during Q4 of FY23, as you people are very much aware, it was a bit sluggish and not having positive momentum. Our revenue was also declined by 4.5%, something what we were envisaged and we have already indicated the same. Particularly in the reduction of, or rather dip in the margin, EBITDA margin or PBT margin, that is mainly because of one change of methodology for the calculating cost reversal by the auditor, particularly for the sales in transit volume, which is having impact of somewhere about 82.5 million odd on my EBITDA level. So, that has dropped my EBITDA for this particular quarter to the extent of 2.5 to 3 odd percentage. But the same will be regularized in the next quarter, as it will be a continuous kind of thing. Apart from that, we would like to inform that company got certain auto component business of US based car manufacturer through our tier one supplier, as well as certain other new customers, which we will take up later on. My MD would like to brief on that. And again, one Indian leading car manufacturer has also awarded a program for their EV, as well as EV version of SUVs, as well as normal SUVs. Further, we would like to update that the net debt of the company has reduced to below 50 million as on 31st March, 23. Again, if we check it as on date, it has gone down to less than 300 million. Company has witnessed a strong cash flow generation, which was 210 crores in FY23. In terms of revenue segmentation, for the year FY23, our revenue from the passenger vehicle segment is ranging to 42%-43%, along with industrial segment of 24%, and with an increase in commercial vehicle and heavy commercial vehicle, which has about 27% of my revenue, and with a contribution for 5.6% all from the EV and hybrid vehicle.

In terms of overall revenue from the operations, we'd like to inform that for the fiscal FY23, we have recorded 1,179 crores out of that 652 crores something from overseas business and 527 crores from domestic business. The same numbers which was there in FY22 was 1,010 crores, which consists 547 crores of overseas revenue and 463 crores of domestic revenue. Here, the company had an overall revenue jump of 17 odd percentage. In terms of EBITDA margin, initially, if I tell you for FY23, the absolute number is 280 crores, which was 240 crores in FY22, though the overall percentage remains 23.4% that has not increased just because of some quarterly impact of that reversal of sales in transit, what I have just informed. In terms of profit before tax and profit after tax for FY23, company has recorded 198 crores PAT with 243 crores of PBT, which was in FY22, 132 crores PAT and 194 crores with the PBT margin. As you must have seen, that company has generated strong cash flow. In FY23, company has generated almost 230 crores of operating cash flow vis-a-vis out of those 42 odd crores something has spent for the Capex. In the same numbers for the previous fiscal, it was 59 crores only operating cash flow and the Capex was 69 crores. But this year, these numbers have completely changed and operating cash flow has completely strengthened the financial position of the company that will reflect or rather that is being reflected in my net debt position. In terms of net debt, as on FY23, March 23, it was 47 crores only, which was 203 crores in FY22. As of now, company is having this number again. As I was mentioning, it is 30 crores only. So, hardly 0.04% what we can say at that equity ratio. In terms of ROE return on equity, company has recorded 27% ROE at FY23, vis-a-vis 24% in what it was during FY22. In terms of my quarterly numbers, it has already been informed to you all must have seen it. These are the detailed numbers along with my revenue

numbers for the last five fiscal, which is there with you. You can very much check and the financial balance sheet, wherein the significant reduction of my borrowings and financial strength position has improved.

This is what as far as the brief of the overall financial activity is concerned. Before I would like to open a session for Q&A, would like to inform that, again just for the repeating that in particular last quarter, we had EBIDTA hit of somewhere about 82.5 million odd. That is just because of change of considering this cost of sales reversal, which is in transit. But the same would be compensated, same would be adjusted and we would be at the same level of EBITDA 23-23.5 odd percent hit something in the current fiscal and in current quarter also. Now, I think I would like to invite your questions.

Aashin: Thanks, Hiren, sir, for the opening remarks. Anyone who wants to ask a question can use the raise your hand option. Once you are done asking a question, please use the lower your hand option. Anyone who wishes to ask a question can use the raise your hand option now. We'll wait for a couple of minutes for the question queue to assemble. We have a first question from Mr. Jason. Please unmute your line and ask your question.

Jason: Yeah, hello. Am I audible?

Hiren Doshi: Yeah.

Jason: Yeah, thank you so much for taking my question. I just wanted to know in terms of 60% of your sales comes from exports and of course, the US and EU are very key markets for you. So, just wanted to know the business outlook in terms of both bearing rings as well as automotive components in terms of both these markets.

Hiren Doshi: You mean to say US and EU, both this market or both the segment?

Jason: Yeah, so in terms of what I wanted to ask is the business outlook, how are you seeing the demand panning out for automotive companies? You can say it one by one. How are you seeing both these markets growing in both the segments?

Hiren Doshi: See, definitely market is growing. But the pace at what we have expected or rather what we have envisaged, it's not that at par. And even in our earlier discussions, I was just mentioning that the particularly first half of this current fiscal, it is more or less on the same line. We do not expect a significant growth. But particularly from second half of this fiscal and in next fiscal, the numbers or rather the projections and estimates shared by our customer, which they have already given us maybe before four months back also, they are still sticking on that and now we expect to have the same momentum in terms of our monthly run rate and the overall growth rate what we have already shared earlier. Because the certain, let me tell you, for the Q4, a couple of my European customers who were not aggressive in the Q2 and Q3 of the last fiscal. But in Q4, again they revived or rather again they came back with these things and we are also getting some good responses from the new customers. So, the initial, before a few months back, also what we have indicated that the momentum or rather the growth rate of overall top line from US and Europe and overall my business, we are expecting somewhere in the range of 50-odd percentage and we are getting definitely better numbers for the US. But European customers are also, we expect that slightly it will, that they are going to move in a positive way.

Jason: Okay, sure, sir. Thank you. Thank you so much for that. And sir, just your thoughts also on, there is definitely talk about India being the sole shining light of growth and recession hitting the developed economies, especially US, Europe. Now I just wanted your thoughts on this that, of course, when recession is there, customers look at more, look at more outsourcing. And so that, and towards cost-effective investments such as India and Indian suppliers. So, what is your view on that? I mean, if sometimes when recession happens, customers look at cutting costs as well. So, this is, this should actually help our business. It bodes well for Indian suppliers. So, just wanted your views on that.

Manesh: Yeah, definitely. That is the reason our existing customers are increasing their plant in different, different countries. Like I give you an example, one of our customers, they started with Italy, sorry, Poland. And now we are submitting sample for their Brazil plant, then USA plant, and Germany and Europe. Same way

varying customers, they are also adding new and new facility, facility in Europe and US. Like we started with USA, one of our customers, the end customer is Tesla. Now they already started well supplying Italy, Germany, two plant, and Mexico. So, only because of the cost cutting, and I think because of China plus one, they are adding this new plant and recently, we have eight new customers where bulk has started in last two, three months. And one of our OEM customers in USA, in last quarter of 23, there was no supply because of the inventory and from this quarter, they have again started at the same rate, 70%, 80%. What they were lifting before in the third quarter, they have already started. So, that is the reason we are expecting 15% growth in this year also, both in auto component and bearing.

Jason: Okay, sure, sure. Sure, sir. So, those are all the questions from my side for now. I'll join back again. Thank you so much.

Aashin: Anyone who wants to ask a question can use the raise your hand option. We have our next question from Shiro. Please unmute your line and ask your question.

Shiro: Hi, thank you for the opportunity. I had a couple of questions. Firstly, looking at your PAT for this year and your tax rate, we're seeing an effective tax rate of about 18.6%, which is in line with what we saw in the PAT couple of quarters, as well as on a full year basis. And that seems to have really helped the PAT and PAT margin drive. But in FY22, we had a significantly high effective tax rate of over 30%. So, going forward, what would be a sustainable effective tax rate that we can expect? Is it going to remain at this level of about 18.5%? Will it increase to 24%, 25%?

Hiren Doshi: Basically, we should consider current tax and deferred tax both separately. Because the current tax is the line item which I'm supposed to pay to the government and that is the tax rate what is applicable to me. Prior to this fiscal year, FY22, we were in the higher tax regime, or rather the marginal tax rate, which was 34.94%. And from this year onwards, FY23, we have chosen the 115 BDA section of income tax, where my effective tax rate, tax payment rate would be 25.17%. So, my current tax would remain 25.17% and again, we have certain, because of this tax regime change and certain Capex timing differences, we have certain deferred tax reversals, which was there at 16 crores, particularly in FY23, and which was very less, or rather not there in FY22. So, the effective rate would, what you are showing in, rather what you are getting on FY23 numbers. So, current tax would be at 25.17%.

Shiro: Okay, understood. But do we expect this kind of deferred tax credit to continue?

Hiren Doshi: We will be having at least in the next three quarters in the current fiscal also.

Shiro: Okay, got it. Got it. Thanks. Thank you. My next question is on, so we saw a sharp fall in other expenses, as well as in other income in Q4. I think other expenses fell about 25% and other income also only at about 2 million. So, could you shed some light on why both of these numbers have fallen considerably in Q4?

Hiren Doshi: See, first of all, I would like to tell you that other income, which was generally 6.5 million for the last three quarters almost and in this particular quarter, it was 2.48. Now, the main crux is that that is because of the currency, foreign currency fluctuation what we had. As you better know, that in Q4 of FY23, the fluctuation in US dollar and euro was very less compared to the earlier quarters. Apart from that, as you better know, to comply the accounting standards of India, we need to reinstate my all-receivables papers. So, particularly in Q3, I had a big, rather huge amount of gain, which was somewhere about 95 million in terms of my restatement of debtors. Now, when I'm coming back to Q4, I need to reverse that thing and for the Q4, I need to work out. But as I told you, that opening of Q4 and closing of Q4, there the currency gap was not that much. That's why we didn't have much of the other income in this particular quarter.

Shiro: Okay, so we could look at this on a more of a foliar basis as opposed to quarterly basis. Is that a better way to look at it?

Hiren Doshi: No, it would not be even less. As I told you, 95 million something I got in this quarter, what I have already recognized in the US on December quarter. This is a national entry something. But if you check me, my

realized gain in terms of forex, it was to the entire fiscal, it is somewhere about 16 to 17 million of this entire year. And you better know that last year, particularly in dollar and euro, we had a huge fluctuation. That's why.

Shiro: Got it. Got it. That's helpful. Thank you. And just my last question is, I remember on your previous call you mentioned that you'll see the share of revenue from the industrial segment move up going forward. So, which sectors or areas do you see this demand from the industrial sector coming from? Which specific subsectors are you seeing the demand coming from?

Manesh: It is mainly from the bearing. See, recently in India also, there are two, three methods of making the bearing components are required. One is through folding root, one is from tube root, and one we call it tripping root. Tripping root means solid bar, very small bearing, like 62010203. These types of bearings are produced from the direct barrel. But there are many industrial types of bearings which our customers, major customers making through tube. So, now there is a shortage in the tube, and prices are very, they have increased drastically in the price, because they have got some other opportunity for long term. So, all the customers in India, now they are diverting this inter-industrial bearing which they are making from tube (inaudible 22:05). So, already we have been awarded that business of more than 40, 50 crores rupees in current year, in the subsegment. Same way, one of our customers in the USA, they make only industrial bearings. We are supplying them more than 32 parts, and now they are going to add another 27 parts. These all parts are so-called industrial bearing.

Shiro: OK, got it and within industrial, is there any particular sector, like railways or power?

Manesh: Let's see, one thing more, the railway now in India, you may have listened that this railway bearing and railway coaches now, because of this Vande Bharat Train and this and that, and of course this wagon, we are getting good business for railway also from last one quarter. And from this quarter again, they have increased the volume. So, railway, windmill, then industrial bearing, we don't know the end use, but it may be using machine tools and (inaudible 23:24) -moving equipment of highway vehicle.

Shiro: Okay.

Manesh: And in automotive also, in EV, we have got one very big order from US-based company that bulk has not started. But once the bulk will start within two, three quarters, that volume is more than 150 crores annually.

Shiro: Okay, great. Okay, understood. Thank you. That's very helpful and that's all for now. I'll get back in the queue for further questions. Thank you so much.

Aashin: Yeah, anyone who wishes to ask a question can use the raise your hand option. We have our next question from Ashutosh. Please unmute your line.

Ashutosh: Yeah, hi, Manish bhai. You just mentioned about this new order from auto EV segment where the peak could be 150 crores. Can we throw more light? By when we can reach this revenue? This will happen in 25 or 26, will it be? FY 25 or FY 26?

Manesh: Total, there are eight parts. It is for the gearbox for EV and we have already shipped the sample two times. So, they call it beta and like something they call like that. So, first we shipped the 300 parts. Now again, last week we shipped another 300 parts. So, I think they are going to start the SOP from third quarter, means from December of this year. SOP will start. So, that impact, major impact will come in next year.

Ashutosh: Okay, Okay. And on domestic side, you mentioned about railways, one segment where you see.

Manesh: Yes, railway and conversion of tube into forgy. See, one of our customers was using 13,000 ton tube every year. So, if they convert into forgy, then the requirement will be 26,000 ton of forgy. But out of that, some 3,000, 4,000 ton, they have diverted to China for the small item. And slowly, slowly, they will increase the volume. So, that will be 100 crores business every year. This year, the impact may be 20 to 30 to 35 crores. But from next year, once they will completely change from tube to forgy, then that volume will be also 100 crores in revenue.

Ashutosh: And this is for industrial applications?

Manesh: All industrial, all industrial. Double roll bearing, single roll bearing, CRB, SRB. See, one of our customers, as I said, who have awarded us the business for EV in USA, they are also going to source eight components for their post requirement. And that also PPAP order we have already issued. Once we issue the PPAP or this sample order means, we are going to continue in their SOP requirement also.

Ashutosh: Okay. And can you provide some colour, like say in FY23, the year passed by, or maybe last quarter of FY23, how much revenue came from the new customers, which we added in, say, last one year or one and a half year? The new customers only, if you have data.

Manesh: Because there is a recession, but because of by adding this new customer, we have maintained our momentum.

Hiren Doshi: So, in the FY23, the revenue from the completely new customer, I would like to bifurcating one is the customer who has started sourcing certain components in last fiscal and added new component in this FY23, and certain other customers who have completely started in FY23. I would like to tell you that almost 15% to 18% of my total revenue, it is from the new customers and maybe another 5% to 7% of my existing customer who have just had a lower volume in FY22. So, broadly, we can say somewhere about 16% to 18% of my revenue, it is from the new customers.

Ashutosh: Okay, 16% in FY23 as a whole.

Hiren Doshi: Yes.

Ashutosh: In the customers, Okay. And so, are these customers, the orders are going to ramp up further in FY23?

Hiren Doshi: Yes, it would be ramped up in this year also

Manesh: Few customers may have started in the middle of FY22, FY23. Few may have started in last quarter. Few may have started in first quarter. So, now, if we consider that customer for the whole year, that itself will increase our revenue by 25% to 30%.

Hiren Doshi: Couple of customers from Europe in the bearing ring segments, they have started from February 23 and March 23 only. So, now, their bulk supply or rather that value would be available for the next 12 months.

Ashutosh: Okay. And so, considering all this, you already mentioned the first half. We don't expect a big ramp up. But will there be a Q-1-Q growth happening in first quarter versus the fourth quarter?

Hiren Doshi: Marginal gap would be there. We expect at least somewhere about 8% to 10% growth compared to the last quarter of FY23.

Manesh: This quarter also, we may have growth compared to last quarter. But because of the summer, there is an absenteeism. So, that is also hampering our production.

Ashutosh: No, you're saying that Q1 will see 18% growth versus Q4?

Hiren Doshi: No, no, no, not 18%. I was just saying.

Ashutosh: 8% to 10%.

Hiren Doshi: I was saying 8% to 10%. In Q1 versus Q4, you're saying?

Hiren Doshi: Yes.

Ashutosh: Okay. And margin is coming back to normal?

Hiren Doshi: Yes, yes, yes.

Ashutosh: And how much Capex will do this year? The new machine will come, right?

Hiren Doshi: A new machine will be coming. So, that portion somewhere around 25-odd crores something dedicated for that (inaudible 30:47) line. Apart from that, another 15 to 18 crores or something for maintenance as well as for certain new equipment, small press machines. So, all put together somewhere about 40-odd crores or something what we are expecting.

Ashutosh: And our solar plan, the remaining 12 megawatts, will come up by when? And what can saving be?

Hiren Doshi: This 4 megawatt has already operationalized. Though I'll be getting the revenue from April, 23 onwards and the remaining 12 megawatt, what we are expecting, somewhere in mid of July, we expect to be operationalized. All the things have completed, their inspection, physical verification, everything has been done by the government officials. Now just we are waiting for their certain other formalities and to just get plugged in. Yeah.

Ashutosh: But there's some delay, I think, earlier it was supposed to come up in June.

Hiren Doshi: Yes, yes. We need to get it done from various nodal agencies, government authorities, and many of them. So, there might have some delay because.

Ashutosh: So, there is no delay from our side in terms of equipment?

Hiren Doshi: No, no, not at all, not at all. We have already in terms of this equipment acquisition, et cetera, it has already been done. And even the, let me tell you, in the month of February only, 80% was election of everything, it was completed and their initial inspection got even a positive indication. But there are certain litigative in terms of getting done through government agencies, nodal agencies, and that is why it got delayed. We are trying to get it done maybe before 15th of July or something like that.

Ashutosh: Okay. And this 4 megawatt, while you said that probably the savings or bookings will happen for April month, what kind of monthly savings with these 4 megawatts?

Hiren Doshi: 4 megawatts in terms of, let me tell you, somewhere about 50 lakh odd rupees per month.

Ashutosh: 50 lakh per month?

Hiren Doshi: Yes.

Ashutosh: But that's a very high number because then from that 16 megawatt, it would be almost like 2 crores per month, right? That's a very high number. We've already talked about the saving of around 14, 16 crores per year from the full plant.

Hiren Doshi: Conservatively, I'll tell you it would be. It's my bad. I think 30 lakh rupees per this thing will be able to save. It's my bad.

Ashutosh: 30 lakh per month from 4 megawatt?

Hiren Doshi: 4 megawatt, yeah.

Ashutosh: Around 1.2 cr from the entire 16 megawatt once it becomes 4 megawatt.

Hiren Doshi: Yes, yes, yes. So, broadly, somewhere about 15 to 17 crores, something what we are expecting from overall.

Ashutosh: Okay, got it. That's all from my side.

Aashin: Anyone who wishes to ask a question can use the raise your hand option. We have a repeat question from Shiro. Please unmute your line and ask your question.

Shiro: Hi, thanks again. Just had a couple of follow-ups. So, despite the difficulties that you're expecting in Europe in H1, are you still sticking to your guidance of about 15% to 18% growth in FY24 and 20% to 25% in FY25? Any response to that?

Hiren Doshi: On the basis of the current order book as well as the indicators from the new customers from Europe and even in the domestic market and adding new from a couple of from the US market, we expect to have 15% something for FY24 and maybe 18% to 20% something for FY25.

Shiro: Okay, so that means your guidance is a little bit lower than what you mentioned on the previous call of about 20%, 25%.

Hiren Doshi: As I was just saying, we are just waiting to even revamp or rather just come back to the normal level for my existing customers, which is getting delayed or rather it is not happening.

Shiro: Oh, I get it. Okay, understood. And just okay, actually, I think that's all for me. Lastly could you give some kind of margin guidance as well for FY24, FY25?

Hiren Doshi: Margin guidelines broadly, I'll tell you, rather our EBITDA would be more than 23%, 23.5% for FY24. And again, maybe another 3% to 5% higher than that number in FY25.

Shiro: Okay, and this 20, 20, 23 to 23.5, is this inclusive of other income the way you did close in your?

Hiren Doshi: Yeah, yeah, it's on a gross level, I mean.

Shiro: Okay, understood, understood. Yeah, that's all from my end. Thank you so much.

Aashin: So that was the last question for the day. I'd like to hand the floor to the management for closing remarks.

Hiren Doshi: Yeah, thank you. Thank you very much for spending your valuable time and showing your interest. We would like to inform the investors as well as stakeholders of our company that management is very much keen to increase this PAT capacity and trying to achieve the numbers what we have envisaged. And we would be having better profitability and top line growth in the current fiscal as well as in next year. Thank you and thanks for joining. Thank you very much.