



ROLEX RINGS LIMITED

[CIN: L28910GJ2003PLC041991]

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Ref. RolexRings/Reg30/AnalystMeeting/Nov2023/1

November 10, 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
November 09, 2023	Investor/Analyst Call scheduled by Equirus Securities with the management of the company to discuss the company's results for Q2FY24	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No Unpublished Price Sensitive Information (UPSI) was shared/discussed in the meeting with the investors/analysts.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

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

Rolex Rings 2QFY24 Results Call Transcript

Aashin: Good afternoon, everyone. On behalf of Equirus Securities, I welcome you all to the Q2-FY24 earnings conference call of Rolex Rings Limited. From the management side, we have with us today, Mr. Manish Madeka, Chairman and Managing Director, Mr. Mihir Madeka, Full-time Director, Mr. Hiren Doshi, Chief Financial Officer. So, over to you, Hiren for your opening remarks.

Hiren Doshi: Yeah, good afternoon, ladies and gentlemen. Thank you very much for sparing your valuable time for the feedback or updates on the earnings calls for the quarter 2 as well as the first half of FY24. Before taking you to financial numbers, we would like to update that there are still, the European markets are still under pressure and what we are expecting or the industry is expecting to revert is not at the path. And the way it has gone down, it is not coming up. Gradual improvement in certain regions, it is there, but the other region where the existing customers are there, the things are not moving positively. It's us, you know, why? Because we are able to add a couple of more customers in the European market. That's why we have the same kind of stable numbers. But the reduction from existing customers is still under pressure and still has not moved up. I would like to take you through the financial numbers. In this quarter 2, FY24, the company has recorded a running profit of 321 crore almost. With this service, it was 311 crores in the first quarter of this fiscal. It has a marginal growth of one and a half to two percent only because certain additional number is because of the change of delivery terms with the customer and that has been added over there, though it has also added into the expenditure. So, the actual growth in terms of numbers and top line is somewhere about one and a half to two percent compared to the previous quarter. In terms of EBITDA, we were able to record EBITDA for the second quarter at 22%, which was 23% in the previous quarter. It has been suppressed that is because of the change of some product mix, certain revenue, what it was not significant in the very first quarter and it has shoot up in the second quarter, which are low value-added processes. So, that is why EBITDA margin has suppressed. But down the line, we are very much confident for 22 and a half to 23 and a half odd percentage of EBITDA to maintain our or rather the consistency of EBITDA, what we are having for last couple of years. In terms of PBT and PAT, in the second quarter, company has recorded PBT of 63 crores with the PAT of 47 crore, which was 48 crore PAT and 65 crore PBT in the previous quarter. Broadly, the revenue sharing, revenue segments in terms of bearing ring and auto components, almost 40% is bearing auto components and 60% near to the bearing ring segment. Same in case of exports, domestic exports has been decreased. At the same time, domestic revenue has increased. As I was mentioning that a couple of domestic bearing ring customers has increased their level, what it has been suppressed in the first quarter. That is why the export percentage has been gone down. Otherwise, it is in the range of 58 to 59% of overall revenue. The updates for the new customer, couple of customers for the hybrid and EV car project, particularly the one of the European German customer, they have started picking up the initial supply and we expect that this supply would be ramped up somewhere in the first quarter of next fiscal. Apart from that, there is another customer based at Italy. Again, for the hybrid and regular passenger vehicle, they are starting their supply by December 23 or January 24. In Latin countries, rather Brazil and Mexico, we have also been able to start supply with the couple of customers, the new customers and the regular supply. We expect something to be from January 24 onwards. The Indian customer who has already awarded the certain components for the EV to our customer and our customers are going to source the initial batches from January 24 onwards. The solar power project, 11.5 megawatts, it is about to be commissioned in the next 30 to 35 days, latest by the end of December 23. All the things have been placed off, only the certain execution of documents with the government authorities and nodal agencies that is in process and we expect it to be completed by 15 to 20 December 23. I would like to tell you that the company is not a zero-debt company or rather we can say it's a net debt negative

company. We do have surplus in terms of cash flow that we are parking temporarily with the overnight fund and with the fixed deposits with the banks. In terms of the revenue mix, by forgetting into end-user industries or other segments, almost 40% or something is still there from the passenger vehicle segment, 22.5% is from the industrial segments, 27% from the commercial vehicle and heavy commercial vehicle segment and a bit incremental revenue in the EV and hybrid segment. The company is constantly (inaudible 08:32) and put their wholehearted efforts to increase the capacity as well as to increase the top line and bottom line of the company. Overall revenue operations for the first half of this fiscal, that 632 crore revenue vis-a-vis the 1179 crore revenue of previous fiscal in which the export is somewhere about 321 crore and domestic is 311 crores. In terms of EBITDA, precisely 143.6 crore in the first half of FY24 which was 280 crores for the full year of previous year. PBT what we have in the first half of FY24 is 128 crore vis-a-vis PAT of 95 crore and the same it was 243 crore PAT in FY23 and 198 crore PAT in FY23. Operating cash flow as it is very much comfortable and having a sound cash flow which is very much able to manage my entire capex as well as other operations and apart from that additional cash flow company is able to generate that is why the net debt is negative or rather a company is having positive cash balance. As I was mentioning that net debt is zero it's a negative. The return on equity for the FY23 it was somewhere about 27 percentage on the half year number if we calculate it is somewhere about 23.5 to 24%. These are the detailed numbers for the operating this quarter 2 as well as quarter 1 vis-a-vis the first half of previous fiscal and balance sheet numbers. Now I would like to open this session for the queries.

Aashin: Thank you Hiren sir for the detailed opening remark. We'll now open the floor for question-and-answer session. Anyone who wishes 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. We'll wait for a couple of minutes for the question queue to assemble. We have our first question from Mr. Sonal. Please unmute your line and ask your question.

Sonal: Hi, good afternoon, sir and thanks for taking my question. Can you hear me?

Hiren Doshi: Yeah.

Sonal: Okay, great sir. Thank you. So, could you give us the product revenues for this quarter and for the first half?

Hiren Doshi: For the first half, the product revenue is 513 crore, 513 crore.

Sonal: Okay and this quarter is?

Hiren Doshi: Sorry, sorry. It's my bad. It's 588 crores for the first half.

Sonal: Okay.

Hiren Doshi: Yes.

Sonal: And so with this quarter, what would be the number?

Hiren Doshi: For the second quarter, it is 297.

Sonal: 297. Okay, sir. Great. And any rest (inaudible 12:26) and scrap would be how much?

Hiren Doshi: Scrap for the second quarter, it is about 20 crores. In total, 36 crores for the first half.

Sonal: Got it. And so you also mentioned in your opening comments that there is some counter-entry which is coming both in sales and in other expenses. Could you just elaborate on that?

Hiren Doshi: Yeah. See, with the couple of customers, the delivery terms have been changed. What earlier it was is a kind of FOB and now it is with the our DDP terms. So, entire OCEA and other destination freight and import duties at destination, all has been added to the revenue as well as it has been added to my expenditure. So, the pricing has been changed.

Sonal: Okay. And that is why, is that having an impact on your margins also, right? Like that would be...

Hiren Doshi: In terms of percentage, it is a bit overall the amount is almost same what has been incurred by us. It is already been added to the, on the product price. But any monthly fluctuation that I'll not be able to pass it on all these things. So, that may have some nominal or impact on the margin.

Sonal: Got it. And just lastly, in terms of your outlook, like you mentioned that the conditions are challenging. So, what are we expecting, like in terms of full year growth expectations, is that, I mean, like we are clearly seeing for some of the large customers as well, that there is a downgrade in their own guidance, etc. So, what are you expecting in terms of growth for this year now?

Hiren Doshi: See, by and large, for the current fiscal, we would be, or rather we are a bit confident to having growth of somewhere about 12 odd percentage that would be there. And that is looking possible because of the new customer entry and their lifting schedule, what they have given. And particularly the pressure, what I was talking earlier, that is mainly from the European segment and from my existing customer. But at the same time, we are able to add new customers in the European segments, Mexico. So, that will give me some additional boost and we will be able to have the annual numbers, what we have when we said somewhere about 12 odd percentage annual growth.

Sonal: Got it, sir. And just lastly, sorry, one more question. Like you mentioned that, and we are seeing that the India mix has increased, is that one of the reasons for lower margins?

Hiren Doshi: Not exactly India mix, it is the product mix, as I was mentioning, that one of the, our customers, one of the main customers in domestic market, as far as the bearing ring is concerned, in the first model, they were a bit on the lower side or whatever the regular lifting was there, they were a bit down on that. Now, in this second quarter, they have almost doubled their sourcing, and which gave me incremental revenue, but those products are with the very less value-added processes. So, obviously, the margins are a bit on lower side. So, that is a temporary phase kind of thing, that's why.

Sonal: Got it. Great, sir. Thanks. I'll join back the queue. Thank you.

Hiren Doshi: Yeah, Ashim.

Aashin: Yeah, we have our next question from Mr. Garvit. Please unmute your line and ask your question.

Garvit: Hello. Hello. Am I audible?

Hiren Doshi: Yes.

Garvit: Thanks for the opportunity. Like you mentioned, Europe is still facing the headwinds, and I think it is continuously to be there, looking at the PMI data as well. So, my question is on, like you mentioned, 12% on growth for FY24, but you are saying that we are continuously adding on the new customers. So, what is the outlook for FY25?

Hiren Doshi: FY25, looking to the schedule and the indications given by the new customer and the existing customer, we do not expect much of the revert from my existing customer, which has been

pressured or rather down from the European segment. But in spite of that, we are expecting somewhere above, somewhere of heighting growth, that is maybe in between 16 to 18% growth for FY25.

Garvit: And what kind of margins do we expect from that growth?

Hiren Doshi: The margin definitely would be more than 22.5% or rather it would be in the range of 22.5% to 23.5%.

Garvit: Understood. And so, based on the negotiations, what are happening with the end customers? So, how do you see, means how do you look at the headwinds going in Europe and by when we can expect some recovery there? Because in last quarter also we were expecting it from Q3 onwards, but now I think situation has changed. So, what is the near-term outlook there?

Hiren Doshi: Near-term outlook, definitely we are not expecting much of the growth from the European segment. And even my customers are, not able to tell me that down the line in the first quarter of next fiscal, what would be the scenario, because you better know in geopolitical situation, there are certain other issues came up, which has also restricted this thing. But we do not expect much of the, or rather the significant improvement at least for next couple of quarters. That is quarter 3 and quarter 4 of this fiscal.

Garvit: Understood. And sir, on the order book side, like you mentioned in the last time also, we were at a monthly run rate, you have shared the monthly run rate of 120 CR. So, can you share a ballpark number for this quarter as well? What kind of order book do we have?

Hiren Doshi: We do have a monthly run rate or order book somewhere about 114 to 118 odd crores.

Garvit: 140 to 180?

Hiren Doshi: 114, 114.

Garvit: Okay, 114 to 118.

Hiren Doshi: Yes, yes. So, more or less, it is the same order book what we do have. But there are certain changes at the last moment by customer for certain forecast, certain dispatches, which may differ for a fortnight or a month, that things.

Garvit: So, with this order book, like it is muted one only as compared to last quarter, do you think H2 will be better than H1?

Hiren Doshi: H2, definitely, it will be better than the H1. And generally, it is the scenario in our history. So, we are expecting some better numbers compared to this first half.

Garvit: That thing, that makes sense. And lastly, on the product portfolio side, so are we, because obviously, a tough phase is going on in the industry. So, are we spending anything on the product improvement side or the innovation side or bringing the new products to our portfolio to cater to a larger growth when the situation improves?

Hiren Doshi: See, consistent improvement in terms of production strategies, in terms of production process, it is consistently going on in terms of better yield and to get the precision, high precision level of components. But as far as innovation is concerned, it is my customer who is giving all kinds of R&D or other, coming with me the design and specification of their requirement. So, we are supposed to give them a product with a maximum yield and with the high precision level. So, obviously, if you ask me, we are developing a couple of new components for the EV. My components,

what we are selling to EV and hybrid vehicles, those are very well accepted and a couple of new customers who are going to join maybe in the first quarter of our next fiscal as well as in the last quarter of this fiscal. That will further added in the EV segment, hybrid segment, the products would be added.

Garvit: Okay, you mentioned about EV segment. I think our target for FY25 was somewhere around 12% to 14% contribution from EVs. So, what is the current contribution and are we intact on the plan?

Hiren Doshi: Currently, my contribution to EV hybrid both put together is 9 to 10%. So, obviously, by FY25, it will be increased and maybe 15% definitely because the couple of new customers from US as well as domestic market, the maximum supply will be going to EV. So, that percentage will definitely go up.

Garvit: Understood sir, on Europe side, those headwinds, can you put some colour on what particular segment those headwinds are more like, it is towards the auto side or it is towards the industrial side, if you can share that highlights.

Hiren Doshi: It's on both the side, even in the auto and bearing ring, particularly the bearing ring segment is having bit more pressure. And we are able to increase our certain segmental or other the automotive components for the European customer for the regular passenger vehicle EV and hybrid.

Garvit: Okay, sir. Okay, that's it from my side, sir, all the best.

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

Abhishek: Hi, sir. Thank you for the opportunity. First of all, that if you can share that what percentage of our revenue came from new customers in this particular quarter?

Hiren Doshi: In this particular quarter, if you say quarter 2, somewhere about 7 to 8% of my overall revenue, it is from the new customer. And which have started for me a new customer is something what it has been started in the first quarter. And in this quarter, so both put together seven, eight odd percentage something has been. Yes.

Abhishek: Okay. And what what's the same percentage for FY 23? It was I think, above 15%?

Hiren Doshi: For the particular period, I'm sorry, I don't have that number readily available with me, but definitely I'll let you know.

Abhishek: Okay. And the second thing in previous calls, you were mentioning that there is a shift in bearing manufacturing from tube to the forging side. And we're expecting some orders from because of this divergence. Any progress on that side?

Manesh Madeka: We have already submitted more than 70 type of product. And they have certain inventory. So, from next month, they will start giving us a schedule for this tube part.

Abhishek: Okay. And as you were saying that there is a pressure on the Europe side and you are mitigating to that. So, is it, your mitigation is from the new customers from the European market only or you are getting new customers or new product order from some new territories which were not with you till FY 23?

Hiren Doshi: Not new territory, but definitely the new customers are coming or other have been added from the US, Mexico, Brazil, then a couple of them from Europe, particularly from Germany and Italy, and even in the domestic.

Abhishek: And just one last question on that. What is the current capacity utilization rate?

Hiren Doshi: It is somewhere about 67-68%.

Abhishek: Okay. So, is it fair to assume that we are not going for a heavy capex at least for next one to two years, given that current capacity utilization is low?

Hiren Doshi: Yeah, definitely. But not for till FY 25 or mid of FY 26 or something, not a major capex. But what we are doing is what we are trying to adopt is a gradual expansion of adding value-added processes and increasing our existing capacity. So, there would not be any heavy capex definitely for next 18 months, but it would be in the range of somewhere about 30 to 50 crore rupees on an annual basis.

Abhishek: Okay. And is there any one-off included in other expenses other than that what you said that the change in this pricing policy?

Hiren Doshi: Sorry, can you please come again?

Abhishek: Is there any one-off included in say, for example, something which will not come on any expenses which will not recur in the coming quarters in other expenses?

Hiren Doshi: Yes, certain expenses, as we were mentioning and even in last quarter and this quarter also, we are developing good amount of new products where the trial and runs are happening. So, for that, the certain kind of resources that is, the tool steels, the other resources like electricity, etc., which we are spending, which is there on my current operating numbers. Definitely it will not have significantly in the later part of this fiscal and in the next year because much of the development is being operationalized over here. And in the coming quarters, once the product has been stabilized or approved by the customer, they are also trying to pass and tolling cost to me to reimburse the tolling cost. So, that will be credited to my operating numbers.

Abhishek: Is it possible to quantify this number?

Hiren Doshi: No, sir, that's not possible because multiple customers and multiple products are under process. But broadly, if I say in this, my current quarter numbers, somewhere about 15 to 17 odd million rupees is being towards the certain development cost, tolling cost and other resources.

Abhishek: Okay. Okay, sir. Thank you, sir. This is all from my side.

Aashin: I would like to remind the participants, anyone who wants to ask a question, can use the raise your hand option. We have our next question from Ayush. Please unmute your line and ask your question.

Ayush: Hello, am I audible?

Hiren Doshi: Yes.

Ayush: Good afternoon, sir. So, thanks for taking my questions. My question is more on the strategy side. So, I believe 12 to 14% revenue for FY24 and FY25, 16 to 18%. So, we are still picking on the guidance, which we can see. So, where is the growth coming from? Like, what do you think, like,

because the exports market is also a bit down and you feel there's pressure on the EU side also. So, where are we seeing growth predominantly coming from?

Hiren Doshi: See, first of all, as we were mentioning that this fiscal, we would be able to or rather we are a bit comfort to have a growth of somewhere about 12 odd percentage. And that growth is, again, a mixed bag from the various continents that is from even from the US, Europe, we are adding new customers in domestic market, we are adding customers. And when I'm saying adding customer again, it bifurcated or rather in the couple of customers from the bearing ring, and even for the auto components in particularly in Europe, in Mexico, Brazil, one of the customers in Germany, they broadly are for the hybrid and EV kind of vehicles in domestic, again, and passenger vehicle and EV segment. In the US, we are able to add a new customer who are there into a non-automotive bearing manufacturing. So, it's a mixed bag of growth from the territory as well as the product mix.

Ayush: All right. So, another question on this thing, you had mentioned the earlier call, there were some customers who are shifting from tube route to the forging route. So, are we seeing any new customers for this particular process?

Hiren Doshi: Not a new customer for this particular process. One of the main major customers from a domestic market who has already, rather they are under the (inaudible 30:02) of somewhere about 60-70 components, different components, what we have submitted, and they are into process of certain, change of design, or might be they are approving certain products and certain changes what they are suggesting. But that is from the one customer who have a good amount of market share.

Ayush: All right. All right. That's it. All the questions are answered. Thank you.

Aashin: Anyone would want to ask a question, please use the raise your hand option. Yeah, we have a follow up question from Sonal sir, please unmute your line and ask a question.

Sonal: Yeah, hi. Thanks for taking my question again. Sir, if I look at the numbers and given that the mix shift is quite drastic, right? Like this quarter, it seems the exports have actually declined. And it's really the very strong growth in India, which is sort of helped. And similarly, like you said, bearing ring seems to have grown very fast, but auto components have declined very sharply. So, I'm just trying to understand, right, like, like, while we have been talking about deterioration in demand and weakness in demand, is there something in this quarter where there's been some major inventory correction, and you expect these things to improve? Or I mean, like, just trying to understand or are we, given that there has been a drastic reduction on the export side, we are taking more orders on the domestic side to sort of keep the utilization levels? Just trying to understand what is it?

Hiren Doshi: Yeah, Sonal, let's not see initially, I already mentioned that one of the domestic customer who source bearing ring from us and in this particular quarter, they have almost doubled their sourcing for which it was suppressed in the last quarter. And that is one of the reasons why the bearing ring numbers are a bit on the higher side. But as far as auto components are concerned, let me tell you the number what we had in Q1 and Q2, hardly there is a difference of somewhere about, 40 to 50 million rupees in terms of domestic auto. Let me tell you what we have in quarter one. Again, it has increased by somewhere about 15% in domestic one only. So, it is a temporary, order scheduling and the ordering pattern. It's not like that any customer who were sourcing auto component, they went down, export customer I'm talking about, they went down drastically. It's not like that. So, we have the stable, even the numbers for the export side also.

Sonal: Sorry, I'm just calculating because the mix that you've given in the presentation is on a first half basis.

Hiren Doshi: Yes.

Sonal: So, yeah, so because so according to that, my calculation says that we have only 101 crores of auto component revenue this quarter versus say about almost 140 crores in the first quarter.

Hiren Doshi: No. If you say take total domestic as well as export both, let me tell you in the second half, we have overall almost 141 crore revenue in the second quarter rather. And it was in the first quarter is somewhere about domestic and overseas both. Again, it was 140 crores in the first quarter and second quarter, 141 crore. But with that, the number. Yeah, please.

Sonal: Sorry, I'm just because the revenues are approximately the same in the first and second quarter. And if you're saying because the mix in the first quarter was only, I think, 48% auto component. I'm sorry. Okay. Maybe my numbers are slightly off. I'll have to double check that. But I mean, like you're saying, because 41%, right? In the first quarter. 41%.

Hiren Doshi: Yes, yes.

Sonal: Okay. Maybe I'll take that offline. I'll double check on that.

Hiren Doshi: Even the bearing numbers, it was somewhere about 155 crores in the first quarter. And again, it is somewhere about, yes, 156 crores in the second quarter.

Sonal: Okay. Okay. So, then I'll double check on my numbers.

Hiren Doshi: Yeah, please, please.

Sonal: Yeah, thanks. Thanks. Thanks for the clarification.

Aashin: As it was the last question of the day, I now hand over the floor to the management for any closing remarks. Over to you, sir. Thank you.

Hiren Doshi: Thank you very much, all the analysts and the investors who have attended the call. I hope we tried to clarify their queries and concerns. And as usual, we were telling that we are very much confident to have the certain low team growth definitely for this fiscal FY24. And maybe a higher team growth for the next fiscal. And we are able to achieve it. But there are certain fluctuations in terms of a couple of percentage here and there. That is because of the customer the rescheduling of their products. And down the line, their end customers are also frequently changing their pattern. But because of geopolitical reasons, as well as the certain correction in the inventory pileup and all these things. From the company side and management side, we would like to wish a very happy Diwali and a prosperous new year to all our stakeholders. Thank you. Thanks a lot.