Rolex Rings Private Limited

November 05, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	231.40	**CARE D (Single D)**	**Reaffirmed**
Short Term Bank Facilities	290.74	**CARE D (Single D)**	**Reaffirmed**
Total Facilities	**522.14 (Rupees Five Hundred Twenty Two Crore and Fourteen Lakh Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The ratings assigned to the bank facilities of Rolex Rings Private Limited (RRPL) continue to remain constrained due to on-going delays in servicing of its debt obligations as a result of its stressed liquidity arising from elongated working capital cycle.

Detailed description of the key rating drivers

Key Rating Weakness

On-going delays in debt servicing: Debt servicing of RRPL is irregular as reflected by delays in servicing of its term loan installment on the back of stressed liquidity position due to elongated working capital cycle.

Other factors considered by CARE for assessment of operational and financial performance

Experienced promoters with established track record of operations: RRPL's promoters, the Madeka family have a wide experience in the bearing industry. The members of the promoter family are also engaged in managing RRPL's daily operations. RRPL manufactures bearing rings/cages used for various types of bearings including ball bearings, tapered, cylindrical, spherical and railway bearings. It also manufactures various other components like gear blanks and chassis parts. The utilization of RRPL's manufacturing facilities also remained moderate at around 90% during FY18.

Reputed clientele comprising of leading auto component manufacturers: RRPL has established relationship with leading bearing and auto component manufacturers including Timken Group, Schaeffler Group (FAG Bearings), SKF, General Motors, NTN SNR Roulements, Getrag and Carraro Group. RRPL has an established relationship with them.

Improvement in networth base: The net worth of the company had turned negative in FY13 owing to accumulation of heavy losses however it turned positive during FY17. Networth of the company has improved from negative Rs.0.39 crore as on March 31, 2016 to Rs.149.63 crore as on March 31, 2018 backed by accretion of profits to reserve followed by increase in scale of operation and profitability which has remained around 20% at PBIDLT level over past three years ended FY18.

Profitability vulnerable to volatility in steel prices: The key raw material required for manufacturing of bearing races and auto components is round alloy steel bars, the prices of which is volatile in nature. Raw material consumption is the single largest cost component constituting around 60% of total cost of production hence any adverse movement in its prices can affect its profitability. The contracts with most of its clients are revised on a quarterly basis which mitigates its exposure to any adverse fluctuations in steel prices to a large extent, albeit the company remains exposed to risk associated with raw material price fluctuation.

Exposure to volatility in forex rates: RRPL is exposed to forex risk as exports contribute around 65-70% of the company's net sales. However, this risk is partly mitigated by use of forward contracts and by way of natural hedging as RRPL imports steel of specific grade and from overseas based approved suppliers.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology-Manufacturing Companies](#)

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Financial ratios – Non-Financial Sector

About the Company

RRPL was initially established as a partnership firm by Mr. Rupesh D. Madeka in 1980 and was later on reconstituted into a private limited company in 2003. The company is currently managed by Mr. Manesh Madeka, his brothers and their sons. The primary business of the company is manufacturing of bearing rings/races and automotive components through forging and turning processes. It caters to the requirement of automobile sector and has a reputed clientele comprising global bearing and auto manufacturers. The company has two manufacturing units, both located in Rajkot district of Gujarat, with a combined installed capacity of 85,000 MTPA for manufacturing forging rings, machined rings and automobile part, as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (Aud.)	FY18 (Aud.)
Total operating income	703.06	777.39
PBILDT	161.71	163.47
PAT	76.51	73.60
Overall gearing (times)	8.09	3.73
Interest coverage (times)	2.95	3.26

Status of non-cooperation with previous CRA: ICRA vide its press release dated October 30, 2018 reviewed ratings based on best available information.

Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2024	198.55	CARE D
Fund-based - LT-Cash Credit	-	-	-	32.85	CARE D
Fund-based - ST-Working Capital Limits	-	-	-	196.83	CARE D
Non-fund-based - ST-Letter of credit	-	-	-	93.91	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	198.55	CARE D	-	1)CARE D (25-Jul-17) 2)CARE B+; Stable (16-May-17) 3)CARE B+; Stable (18-Apr-17)	-	-
2.	Fund-based - LT-Cash Credit	LT	32.85	CARE D	-	1)CARE D (25-Jul-17) 2)CARE B+; Stable (16-May-17) 3)CARE B+; Stable (18-Apr-17)	-	-
3.	Fund-based - ST-Working Capital Limits	ST	196.83	CARE D	-	1)CARE D (25-Jul-17) 2)CARE A4 (16-May-17) 3)CARE A4 (18-Apr-17)	-	-
4.	Non-fund-based - ST-Letter of credit	ST	93.91	CARE D	-	1)CARE D (25-Jul-17) 2)CARE A4 (16-May-17) 3)CARE A4 (18-Apr-17)	-	-

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