November 26, 2015

CARE ASSIGNS 'CARE AA-(SO)/CARE BBB-' RATINGS TO THE BANK FACILITIES OF NRB INDUSTRIAL BEARINGS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long Term Bank Facilities - Term Loan (ECB)*	39	**CARE AA-(SO) [Double A Minus (Structured Obligation)]**	Assigned
Long Term Bank Facilities - Working Capital Loan	20	**CARE BBB- (Triple B Minus)**	Assigned
Total	**59 (Rupees Fifty Nine crore only)**		

Note: * The above rating is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by NRB Bearings Limited

Rating Rationale

The rating assigned to the ECB loan of NRB Industrial Bearings Limited (NIBL) is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by NRB Bearings Limited (NRBL). The credit profile of NRBL derives strength from the experience of the promoters in the bearings business, NRB group's dominant market share in the needle roller bearings segment in India, diversified client base and strong financial parameters. These strengths, are however, partially constrained by the company's moderate capital structure, elongated operating cycle and presence in the cyclical automotive bearings segment.

The ability of NRBL to maintain the capital structure at moderate levels and any debt funded capex being planned remain the key rating sensitivities.

The rating assigned to the working capital facility of NIBL derives strength from the experience of the promoter group in the bearings business as well as their consistent financial support to NIBL and its comfortable overall gearing. The rating is, however constrained by a weak standalone financial profile as reflected by continuing losses, lower capacity utilization of the plant and high dependence on working capital related borrowings.

The ability of the company to break even in the near term, increase the capacity utilization and efficiently manage its working capital requirements are the key rating sensitivities.

Background

NRB Bearings Industrial Limited (NIBL), incorporated in November 2011; is promoted by Mr. Trilochan Singh Sahney family and is engaged in the bearings business for about five deacades. The promoters have a rich experience in this industry and also have an established clientele. NIBL is a part of the NRB group. The NRB group is India's largest needle roller bearings and cylindrical roller bearings producer which find application in the automobile industry. NIBL was formed to take over the Industrial Bearings division in October 2012 from NRB Bearings Limited (NRBL) which is the flagship

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

company of the NRB group. The company is engaged in the business of manufacturing and selling of all types of industrial bearings. NIBL has a state-of-the-art manufacturing facility in Shendra, Aurangabad.

During FY15 (refers to the period January 1, 2014 to March 31, 2015), NIBL posted a total income of Rs. 39.59 crore with a loss of Rs. 19.62 crore. Further, the company posted a total income of Rs. 20.90 crore with a loss of Rs. 10.75 crore in H1FY16 (refers to the period April 1, 2015 to September 30, 2015).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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