

NRB Industrial Bearings Limited (Revised)

December 10, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.80	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	16.80 (Rs. Sixteen Crore and Eighty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of NRB Industrial Bearings Limited (NIBL) continues to derive strength from the experience of the promoter group (NRB Bearings Limited) in the bearings business, as well as their consistent financial support by way of infusion of interest free loans and preference capital which is expected to continue on need basis.

The rating strengths, however, are tempered by continued losses at the PBT level, though the quantum has reduced over the years, exposure to volatility in raw material prices, working capital intensive nature of operations as well as inherent cyclicality of the bearings industry.

Rating Sensitivities:

Positive sensitivities

- Company reporting sales greater than Rs.100crore and PBILDT Margin greater than 20% on a sustained basis

Negative sensitivities

- Any delay in turning around operations beyond FY23
- Delay in infusion of funds by promoters on need basis

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter group and strong support

The promoters have a vast experience in the bearings industry. They have established a long standing relationship with prominent players in the automotive and industrial equipment segments. The flagship company of the group NRB Bearings Ltd (NRBL) has substantial market share in the needle roller bearings segment in India and a sound market position in the cylindrical roller bearings segment. In FY21, the total operating income of NRBL declined by ~2% to Rs.777.48crore from Rs.792.02crore in FY20. NRBL reported PAT of Rs.55.70crore in FY21 as against that of Rs.33.19 crore in FY20. In H1FY22, NRBL reported TOI of Rs.451crore (PY: Rs.255crore), and PAT of Rs.36crore (PY: loss of Rs.3.62crore). Recovery in demand was witnessed in H2FY21 onwards especially on the back of revival in demand in the auto industry. NRBL has strong financial profile and robust liquidity.

Continued financial support from the promoters

The promoters of NIBL hold ~72% shareholding in the company and have been continuously supporting the loss making operations of NIBL as well as its debt repayments through infusion of funds in the form of unsecured loans and preference capital. Since the company has not earned any substantial cash accrual till date, no interest has been paid to preference shareholders. The promoters will continue to support NIBL on need basis as NIBL is strategically important to the group's operations.

Key Rating Weaknesses

Profitability affected by volatility of raw material prices in H1FY22 post recovery in FY21

In FY21, NIBL reported 35% increase in TOI to ~Rs.58crore from Rs.42.71 crore in FY20 on account of recovery in sales post normalization of lockdown in H2FY21. Further, the company also reported positive PBILDT in FY21 due to improved top-line coupled with tight control over fixed expenses. According to the company, major portion of these cost savings are sustainable in nature. However, the profitability declined by more than 50% in H1FY22. The raw material prices have increased considerably which the company was not able to completely pass on. Further freight charges have increased considerably by 30% over the last 6 months causing further difficulty to manage the costs.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE publications

Susceptible to volatility in raw material prices

The principal raw material for NIBL is the bearing steel, which is a high carbon high chromium steel followed by other components like rolled steel (hot rolled and cold rolled). However, NIBL has relatively better pricing flexibility due to technological knowhow and they are able to pass on the increase in raw material prices to their customers with some time lag.

Presence in the cyclical bearings segment

The demand for bearings is dependent on the industrial activity in the country. During the last few years, the industrial activity has been subdued in the country which has affected the demand for industrial bearings. However, increasing automation in manufacturing units, thrust by Government's 'Make in India' program, spending towards railways and metros will support growth of the industrial and manufacturing sector. This in-turn will support the bearings industry.

High working capital utilization

NIBL's business is working capital intensive in nature due to the requirement of maintaining stock to cater to minimum batch requirement. Also, a higher amount of inventory has to be kept for industrial bearings segment as compared to the automotive bearings so that the company can cater to demand from replacement segment. Further, the inventory level is also higher as the company needs to keep a stock of wide variety of bearings with different sizes and specifications to cater to the specific demands of the end user industries.

Liquidity: Stretched

The liquidity profile of NIBL is stretched. The company continued to have high working capital utilization of 96% over the past 12 months. However, comfort can be drawn from the fact that There is a demonstrated track record of the promoters infusing funds into the company on a need basis. Cash and cash equivalents remained at ~Rs.5.04 crore as on September 30, 2021.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Incorporated in November 2011, NRB Industrial Bearings Limited (NIBL) is promoted by Mr. Trilochan Singh Sahney family and is engaged in the bearings business for about five decades. The promoters have a rich experience in this industry and also have an established clientele. NIBL is a part of the NRB group. The group's flagship company, NRB Bearings Ltd, 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). NIBL is engaged in the business of manufacturing and selling of all types of industrial bearings. NIBL has a manufacturing facility in Shendra, Aurangabad.

Brief Financials (Rs. crore)	FY20(A)	FY21 (A)	H1FY22(UA)
Total operating income	42.71	57.76	31.86
PBILDT	(2.34)	7.46	2.85
PAT	(18.91)	4.22	-5.48
Overall gearing (times)	2.06	1.37	NA
Interest coverage (times)	Negative	1.04	0.75

A: Audited; UA: Un-audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	-	6.80	CARE BBB-; Stable

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (03-Apr-19)	1)CARE AA-(SO); Stable (06-Apr-18)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (18-Feb-21)	1)CARE BBB-; Stable (18-Mar-20) 2)CARE BBB-; Stable (03-Apr-19)	1)CARE BBB-; Stable (06-Apr-18)
3	Fund-based - LT-Term Loan	LT	6.80	CARE BBB-; Stable	-	1)CARE BBB-; Stable (18-Feb-21)	1)CARE BBB-; Stable (18-Mar-20) 2)CARE BBB-; Stable (03-Apr-19)	1)CARE BBB-; Stable (06-Apr-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated facilities: Not available**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

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

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