

NRB Industrial Bearings Limited

September 16, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.10 (Reduced from 16.80)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Total Facilities	16.10 (Rs. Sixteen Crore and Ten Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has revised the rating assigned to the bank facilities of NRB Industrial Bearings Limited (NIBL) keeping in view the continued losses at the PBT level and increasing exposure to external borrowings which has not led to expected improvement in the profitability metrics till date. 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 share capital which is expected to continue on need basis.

The rating strengths are tempered by exposure to volatility in raw material prices, working capital intensive nature of operations as well as inherent cyclicity of the bearings industry.

Rating Sensitivities:

Positive factors – Factors that could lead to positive rating action/upgrade

- Ability of the company to turnaround its operations and post consistent profit at the PBT level

Negative factors – Factors that could lead to negative rating action/downgrade

- Any delay in turning around operations beyond FY23
- Delay in infusion of funds by the promoters on need basis and continued increase in dependence on external borrowings

Detailed description of the key rating drivers

Key Rating Weaknesses

Profitability affected by volatility of raw material prices in FY22

In FY22, NIBL reported 20% increase in TOI to ~Rs. 69.58crore on account of recovery in sales in H1FY22. However, the profitability declined by more than 16% in FY22. According to the management, raw material prices have increased considerably and as NIBL had increased prices earlier in April 2021, it could not pass on the increase in raw material prices on to customers, as any further increase in bearing prices would be detrimental to sales. Further freight charges increased considerably by 30% during the year, causing further difficulty to manage the costs.

As per management, normally the bearing manufacturers have a gestation period of 8 to 10 years. The company reported cash profit in Q4FY22 led by the increase in turnover and cost control measures exercised in the company. However, NIBL reported decline in sales in Q1FY23 as compared to Q4FY22. According to management, since it recognizes sales only on completion of delivery to customers, goods in transit of Rs.3.70crore as on June 30, 2022 could not be recognized as sales until delivery till first week of July 2022. Expenses on stores and spares, repairs and maintenance, electricity, contract labor cost etc. which are variable to production was incurred and recognized in June 2022, however corresponding sales could not be recognized. The company reported cash profit of Rs.5crore in FY22 and Rs.5.50crore in FY21 and thus company did not require financial support from promoters for the last 2-3 years. The company has already achieved sales of Rs.17crore in July and August 2022 and expects to surpass projections for FY23.

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

Moderate capital structure

Due to increase in term loans from bank and higher utilization (91% maximum utilization and 74% average utilization in the 12 months ended August 2022) of working capital limits as on March 31 2022, there has been a deterioration in the overall gearing which stood at 1.70 x as on March 31, 2022 (PY: 1.37x).

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. NIBL is substitute for import of industrial bearings and with the reduction in low cost import from China, it has benefitted the company. NIBL plans to increase export to GCC countries, Nepal, Bangladesh, Brazil, Canada, US, Turkey and South Africa in addition to Europe where the company is exporting ~35% of total sales.

High working capital intensity

NIBL has working capital intensive nature of business due to 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. Inventory has remained constant at Rs. 21.12crore as on March 31 2022, against inventory of Rs.21.80crore as on March 31, 2021 in spite of increase in turnover. Inventory turnover has improved by 16%.

Key Rating Strengths**Experienced promoter and continued financial support**

The promoters have an experience of more than five decades in the industry. Mr. Devesh Singh Sahney, the Managing Director of NIBL, has an experience of over 20 years in the industry. The promoters have established long standing relationship with prominent players in the automotive and industrial equipment segments. The promoter of NIBL has been continuously supporting NIBL's loss making operations by infusing funds mainly in the form of interest free loans and redeemable cumulative non-convertible preference shares. The preference shares which are subscribed to by the promoters are considered as quasi equity. As indicated by the company, the promoters will continue to support NIBL on need basis as NIBL is strategically important to the NRB group's operations.

Liquidity: Adequate

The liquidity profile of NIBL is adequate as reflected by cash and cash equivalents of ~Rs.5.84crore as on March 31, 2022 and Rs.4.24crore as on June 30, 2022. Also, 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. Promoter support in the form of interest free loans and redeemable non-convertible preference shares carrying an interest rate of 2% with redemption after 10 years are considered in our analysis.

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](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

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)	FY21 (A)	FY22 (A)	Q1FY23 (UA)
Total operating income	57.76	69.58	16.03
PBILDT	7.46	6.23	(0.82)
PAT	4.22	(9.82)	(5.33)
Overall gearing (times)	1.37	1.70	NA
Interest coverage (times)	1.04	0.79	NM

A: audited; UA: Un-audited; NA: Not available; NM: not meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 31, 2024	6.10	CARE BB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (03-Apr-19)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable	-	1)CARE BBB-; Stable (10-Dec-21)	1)CARE BBB-; Stable (18-Feb-21)	1)CARE BBB-; Stable (18-Mar-20) 2)CARE BBB-; Stable (03-Apr-19)
3	Fund-based - LT-Term Loan	LT	6.10	CARE BB+; Stable	-	1)CARE BBB-; Stable (10-Dec-21)	1)CARE BBB-; Stable (18-Feb-21)	1)CARE BBB-; Stable (18-Mar-20) 2)CARE BBB-; Stable (03-Apr-19)

*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

To 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@careedge.in for any clarifications.

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