

NRB Industrial Bearings Limited

February 18, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities- Fund Based	16.80	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total facilities	16.80 (Rs. Sixteen crore and eighty lakh only)		

Details of instruments/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 ratings also positively factor in the improvement in overall gearing on the back of substantial reduction in the external long term debt in FY20 and the improving operating performance of NIBL in 9MFY21. The company reported Total Operating Income (TOI) of Rs.38.12 crore in 9MFY21 which is an improvement of 12.3% over the previous period. NIBL also reported positive operating margin in 9MFY21 on the back of improved TOI and cost control measures undertaken.

The rating strengths, however are constrained by continued net losses at the PAT level due to general economic slowdown, exposure to volatility in raw material prices, working capital intensive nature of operations as well as inherent cyclicality of the bearings industry. The ability of the company to register net profits based on improved operations as well as continued promoter support are the key rating sensitivities.

Rating Sensitivities

Positive rating sensitivities

- Company reporting positive PAT on a sustained basis.

Negative rating sensitivities

- Any increase in debt level than what is envisaged.
- Delay in infusion of funds by promoters on a 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 FY20, the TOI of NRBL declined by 18.5% to Rs.790.17 crore from Rs.969.08 crore in FY19. NRBL reported PAT of Rs.33 crore in FY20 as against that of Rs.110 crore in FY19. The deterioration in the financial performance in FY20 was on the back of lower demand in the auto sector coupled with onslaught of COVID-19. In 9MFY21, NRBL reported TOI of Rs.514.27 crore (Previous period: Rs.599.60 crore), and PAT of Rs.20.41 crore (Previous period: Rs.28.78 crore). The improvement in the performance in 9MFY21 was 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. In FY20, the company prepaid substantial portion of its external long term debt and replaced the same with unsecured loans and preference share capital from the promoters. The long term external debt reduced from Rs.41.25 crore as at the end of FY19 to Rs.6.80 crore as at the end of FY20. As on December 31, 2020, NIBL had external long term external debt of Rs.8.10 crore. The reduction in external long term debt led to substantial improvement in the overall gearing from 0.72x in FY19 to 0.18x in FY20. Although no funds have been infused into NIBL in FY21 so far, the promoters would continue to provide need based financial support to NIBL.

Key Rating Weaknesses

Continued losses in FY20 and in 9MFY21:

In FY20, NIBL reported TOI of Rs.42.71 crore, a decline of 25% as compared to FY19 on the back of slowdown witnessed in the economy coupled with COVID-19. The company registered negative PBILDT in FY20 due to negative operating leverage and it continued to incur PAT loss in FY20. However, in 9MFY21, with revival in economic activity, NIBL reported revenue

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

of Rs.38.12 crore which is an improvement by 12.3% over the previous period led by sales of Wide Inner Ring Bearing (WIR) to the agricultural sector. NIBL also reported positive PBILDT in 9MFY21 driven by improved revenue and several cost control measures which are sustainable going forward as well.

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 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. 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 as reflected by cash and cash equivalents of ~Rs.0.80 crore as on September 30, 2020. The company continues to have high average working capital utilization of 93.96% over the past 15 months (October 2019-December 2020). However, comfort can be drawn from the fact that NIBL has minimal external debt outstanding as on December 31, 2020 and there is a demonstrated track record of the promoters infusing funds into the company on a need basis which is expected to continue. The company had availed moratorium for its Cash Credit limits as per RBI notification dated March 27, 2020.

Analytical approach: Standalone

CARE has analysed the Standalone financials of NIBL and has factored in the continued financial support extended by promoter group in the form of inter-corporate interest free loans and preference share capital to support the operations and debt repayment obligations. The interest free loans and preference share capital has been considered as quasi equity.

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. The promoters have a stake of ~72% in the company as on December 31, 2020.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	9MFY21 (UA)
Total operating income	56.94	42.71	38.12
PBILDT	1.82	(2.34)	5.07
PAT	(13.98)	(18.91)	5.94
Overall gearing (times)	0.72	0.18	*
Interest coverage (times)	0.22	Negative	0.96

A: Audited; UA: Unaudited; * details not available

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 (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	10.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	December 2024	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
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-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-Mar-20) 2)CARE BBB-; Stable (03-Apr-19)	1)CARE BBB-; Stable (06-Apr-18)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not available

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

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.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact 1

Group Head Name – Arti Roy

Group Head Contact no.- 98192 61115

Group Head Email ID – arti.roy@careratings.com

Analyst Contact 2

Rating Head Name – Sudarshan Shreenivas

Rating Head Contact no.- 022 6754 3566

Rating Head Email ID- sudarshan.shreenivas@careratings.com

Relationship Contact

Name: Mr. Saikat Roy

Contact no. : 022 6754 3404

Email ID: Saikat.roy@careratings.com

About CARE Ratings:

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