

NRB Industrial Bearings Limited

March 10, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long Term Bank Facilities - Term Loan (ECB)*	5.00 (reduced from 39.00)	CARE AA-(SO);Stable [Double A Minus (Structured Obligation), Outlook: Stable]	Reaffirmed
Long Term Bank Facilities - Cash Credit	20.00	CARE BBB-; Stable (Triple B Minus, Outlook: Stable)	Reaffirmed
Long Term Bank Facilities – Working Capital Loan	21.00	CARE BBB-; Stable (Triple B Minus, Outlook: Stable)	Assigned
Total	46.00 (Rs. Forty six Crore only)		

Details of facilities in Annexure-1

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

Detailed Rationale & Key Rating Drivers

The reaffirmation of 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 continues to derive 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 improve its capital structure coupled with sustained revenues and profitability remains the key rating sensitivity.

The rating assigned to the bank facilities of NIBL continues to derive strength from the experience of the promoter group in the bearings business as well as their consistent financial support coupled with improvement in the capital structure of the company. The rating is, however, constrained by a weak standalone financial profile as reflected by continuing losses and lower capacity utilization of the plant, exposure to volatility in raw material prices as well as inherent cyclicity of the bearings industry.

The ability of the company to break even in the near term, increase the capacity utilization and achieve the envisaged revenues and profitability are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong financial profile of guarantor i.e. NRB Bearings Ltd. (NRBL): The ECB loan of NIBL is backed by an unconditional and irrevocable corporate guarantee provided by NRB Bearings Ltd. (NRBL), which is the flagship company of the NRB group. NRBL is a market leader with 70% market share in the needle roller bearings segment in India and a sound market position in the cylindrical roller bearings segment. NRBL has a strong financial profile with adequate coverage ratios and liquidity, marked by improving cash flows.

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

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

segments. The promoters have a strong vision of growth in the industrial bearings segment. They have been continuously supporting the operations of the company (NIBL) through infusion of funds in the form of unsecured loans and preference capital.

Improvement in capital structure of NIBL: The overall gearing of the company has improved to 0.51x as on March 31, 2016 from 1.02x as on March 31, 2015 owing to repayment of major part of the ECB loan by the company as well as increase in networth led by infusion of funds by the promoters in the form of preference capital and unsecured loans.

Key Rating Weaknesses

Improvement in the operations and revenue of NIBL; however, company yet to break even: In FY16 (April 2015-March 2016), the company reported a total income of Rs. 40.37 crore as compared to Rs. 39.59 crore during the previous year (January 2014-March 2015). The capacity utilization in FY16 was about 23% which has improved to about 28% during 9MFY17. With increase in operations, the company is expected to break-even in FY18.

Susceptible to volatility in raw material prices: The company is exposed to the volatility in the global steel price movement since the principal raw material required is bearing steel followed by other components like rolled steel (hot rolled and cold rolled).

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 which will support the bearings industry.

Analytical approach:

Standalone and Guarantor's (NRBL) assessment since the ECB loan is collateralized by corporate guarantee of NRBL

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology-Auto Ancillary Companies](#)

[Rating Methodology-Factoring Linkages in Ratings](#)

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

About the Company

NRB Industrial Bearings Limited (NIBL) incorporated in November 2011, 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 flagship company of the NRB group, 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 NRBL. 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. The promoters have a stake of about 70% in the company. NIBL registered a net loss of Rs. 19.20 crore on a total operating income of Rs. 40.37 crore in FY16 (refers to the period April 1 to March 31) and a total operating income of Rs. 29.46 crore with a loss of Rs. 11.09 crore during 9MFY17 (refers to the period April 1, 2016 to December 31, 2016).

Status of non-cooperation with previous CRA: Not Applicable

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	-	-	September 2018	5.00	CARE AA- (SO); Stable
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BBB-; Stable
Fund-based - LT-Working capital Term Loan	-	-	September 2018	21.00	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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	5.00	CARE AA- (SO); Stable	-	1)CARE AA- (SO) (26-Nov-15)	-	-
2.	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB-; Stable	-	1)CARE BBB- (26-Nov-15)	-	-
3.	Fund-based - LT-Working capital Term Loan	LT	21.00	CARE BBB-; Stable	-	-	-	-

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