

NRB Industrial Bearings Limited

March 18, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	16.80 (reduced from 66.20)	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. The ratings also factor in the fact that, 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. As on December 31, 2019, NIBL had long term external debt of Rs.6.80 crore as against that of Rs.41.25 crore as on March 31, 2019.

The rating strengths, however are constrained by continued net losses, exposure to volatility in raw material prices as well as inherent cyclicity of the bearings industry. In 9MFY20, NIBL reported decline in Total Operating Income (TOI) by 20.5% due to general economic slowdown. Further it reported negative PBILDT of Rs.3.14 crore and loss of Rs.16.25 crore.

Rating Sensitivities

Positive Factors

- *Company reporting positive PAT on a sustained basis*

Negative Factors

- *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 a substantial market share in the needle roller bearings segment in India and a sound market position in the cylindrical roller bearings segment. In FY19, the TOI of NRBL increased by 11.8% to Rs.965 crore from Rs.863 crore in FY18. NRBL reported PAT of Rs.110 crore in FY19 as against that of Rs.93 crore in FY18. In 9MFY20, NRBL reported TOI of Rs.599.80 crore (Previous period: Rs.751.50 crore), and PAT of Rs.28.78 crore (Previous period: Rs.97.00 crore). The deterioration in the performance in 9MFY20 was on the back of slowdown in demand experienced across auto industry in India as well as globally. However, NRBL has a strong financial profile marked by healthy debt coverage indicators.

Continued financial support from the promoters

The promoters of NIBL holding over 70% shareholding in the company 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. As on December 31, 2019, NIBL had long term external debt of Rs.6.80 crore as against that of Rs.41.25 crore as on March 31, 2019.

Key Rating Weaknesses

Continued losses in FY19 and 9MFY20

In FY19, NIBL reported TOI of Rs.57.99 crore, an increase of 27.2% over FY18 led by increase in ball and roller bearings. Though the company registered positive PBILDT in FY19, it continued to incur PAT loss in FY19. PAT loss in FY19 stood at Rs.13.98 crore as against that of Rs.18.35 crore in FY18. In 9MFY20, NIBL reported losses at the PBILDT level on account of decline in TOI as a result of general economic slowdown leading to un-absorption of fixed costs. The top-line declined by 20.5% in 9MFY20 as compared to 9MFY19. NIBL reported PAT loss of Rs.16.25 crore in 9MFY20 as against PAT loss of Rs.10.52 crore in 9MFY19 period.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in 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 and spending towards infrastructure development is likely to support growth of the industrial and manufacturing sector which in turn would 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: Poor

The liquidity profile of NIBL is poor as reflected by cash and cash equivalents of Rs.0.62 crore as on December 31, 2019. The company continues to have high average working capital utilization of 94.1% over the past 16 months (October 2018 to January 2020). However, comfort can be drawn from the fact that the promoters of NIBL have been supporting the loss making operations and debt repayments obligations of NIBL through infusion of funds on a need basis.

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 to support the operations and debt repayment obligations.

Applicable Criteria

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

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

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology: Consolidation and 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.

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

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	9MFY20 (UA)
Total operating income	45.58	57.99	33.96
PBILDT	(3.07)	2.87	(3.14)
PAT	(18.35)	(13.98)	(16.25)
Overall gearing (times)	0.61	0.72	*
Interest coverage (times)	Negative	0.35	Negative

A: Audited; UA: unaudited; * data 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

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-Cash Credit	-	-	-	10.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	March 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (03-Apr-19)	1)CARE AA-(SO); Stable (06-Apr-18)	-	1)CARE AA-(SO); Stable (10-Mar-17)
2.	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Apr-19)	1)CARE BBB-; Stable (06-Apr-18)	-	1)CARE BBB-; Stable (10-Mar-17)
3.	Fund-based - LT-Term Loan	LT	6.80	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Apr-19)	1)CARE BBB-; Stable (06-Apr-18)	-	1)CARE BBB-; Stable (10-Mar-17)

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

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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