

NRB Industrial Bearings Limited

April 03, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities- Fund Based	66.20 (enhanced from 35.00)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long-term Bank Facilities – Term Loan*	-	-	Withdrawn
Total facilities	66.20 (Rs. Sixty-six crore and twenty lakh only)		

Details of instruments/facilities in Annexure-1

**rating assigned to term loan was based on corporate guarantee of NRB Bearings Ltd and the same has been withdrawn as the entire term loan is repaid.*

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of NRB Industrial Bearings Limited 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 rating also factors the increasing customer base as well as continuous improvement in its operations with positive EBIDTA during 9MFY19(provisional).

The rating strengths, however is constrained by continued net losses, exposure to volatility in raw material prices as well as inherent cyclicity 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.

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) 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.

The promoters have been continuously supporting the operations of the company (NIBL) through infusion of funds in the form of unsecured loans and preference capital.

Comfortable capital structure on account of promoter's support

The promoters have been continuously supporting the operations by way of infusion of interest free loans as well as preference capital which is Rs. 101.08 crore as on March, 2018. Including these as a part of net worth, the overall gearing as on March, 2018 stood at 0.61x as against 0.47x as on March, 2017.

Liquidity position

The average fund based utilization for past twelve months ending February, 2019 was moderate at 66%. The operating cycle improved to 139 days in FY18 as compared to 160 days during the previous year mainly due to fast movement of inventory coupled with timely recovery from debtors. The cash accruals are expected to improve with improved operations. As such, debt servicing will be done by a combination of cash accruals and promoters support, if required.

Key Rating Weaknesses

Improvement in financial performance; however, continued net losses

In FY18 (April 2017-March 2018), the company reported a total income of Rs. 45.76 crore with increase of 17% as compared to Rs. 39.20 crore during the previous year (April 2016-March 2017). The growth in FY18 was higher owing to strong demand in the bearings industry. However, the company continued to register negative PBILDT in FY18 owing to increase in the raw material costs as well as lower sales due to slowdown in industry. During 9MFY18, the company has achieved Rs. 43.24 crore of total income with positive PBILDT of Rs. 2.24 crore. The company has a current order book to the extent of about Rs. 20 crore and orders to the extent of Rs. 15 crore are in advance stages of negotiation. However, the company is yet to register net profits.

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).

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

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 inturn will support the bearings industry.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[Rating Methodology-Auto Ancillary Companies](#)

[Rating Methodology-Manufacturing Companies](#)

[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.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	39.20	45.76
PBILDT	-3.73	-2.89
PAT	-17.79	-18.35
Overall gearing (times)	0.47	0.61
Interest coverage (times)	-ve	-ve

A: 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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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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	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BBB-; Stable
Fund-based - LT-Working capital Term Loan	-	-	April, 2024	46.20	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	1)CARE AA-(SO); Stable (06-Apr-18)	-	1)CARE AA-(SO); Stable (10-Mar-17)	1)CARE AA-(SO) (26-Nov-15)
2.	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB-; Stable	1)CARE BBB-; Stable (06-Apr-18)	-	1)CARE BBB-; Stable (10-Mar-17)	1)CARE BBB-(26-Nov-15)
3.	Fund-based - LT-Working capital Term Loan	LT	46.20	CARE BBB-; Stable	1)CARE BBB-; Stable (06-Apr-18)	-	1)CARE BBB-; Stable (10-Mar-17)	-

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