NRB Bearings Limited

RESULT REVIEW Q1FY22
Declared On: 07 Aug 2021

About the Company:
NRB Bearings Limited (NRB) is a five decade old company in the sector of bearings and a provider of friction solutions. The company is the largest manufacturer of needle roller bearings in India, with segmental market share of approximately 70%. Many also estimate nearly 90% of Indian vehicles run on NRB parts. Nearly 65% revenues earned by the company come from the domestic OEMs. The company has a single reportable segment of ball and roller bearings as the primary business segment. The products offered under this umbrella include loose needle rollers, needle roller bushes & cages, ball & roller bearings, automobile components and other manufactured components. The company has three subsidiaries i.e. SNL Bearings Ltd, NRB Bearings Thailand Ltd, and NRB Bearings Europe GMBH. NRB offers a wide range of high-precision friction solutions for all mobility applications. It also manufactures ball bearings, taper roller bearings and all types of thrust bearings. Some of the offerings by the company include- drawn cup needle bearings, cylindrical roller bearings, polyamide and steel needle bearing cages, drawn cup cylindrical roller bearings, full complement needle bearings, special ball bearings, thrust bearings, formed strip cages for heavy gearboxes, tapered and spherical roller bearings, rocker arm bearings, crank pins, planetary shafts and other special pins etc.

Result: Quick Glance
- The company has reported net sales of Rs1948mn as compared to Rs608mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 10.9% as compared to (-25.5%) in the corresponding quarter last year
- The net profit came in at Rs138mn as against a loss of Rs129mn in the same quarter last year
- EPS for the quarter under review stood at Rs1.43 as compared to Rs(1.33) in the corresponding quarter last year

Financials:

<table>
<thead>
<tr>
<th>Performance (Q1FY22)</th>
<th>June-21</th>
<th>June-20</th>
<th>y-o-y</th>
<th>Mar-21</th>
<th>q-o-q</th>
<th>FY21</th>
<th>FY22E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>1948</td>
<td>608</td>
<td>220.4%</td>
<td>2508</td>
<td>(22.4%)</td>
<td>7359</td>
<td>7800</td>
</tr>
<tr>
<td>EBITDA</td>
<td>213</td>
<td>(155)</td>
<td>-</td>
<td>412</td>
<td>(48.3%)</td>
<td>873</td>
<td>981</td>
</tr>
<tr>
<td>Other Income</td>
<td>81</td>
<td>35</td>
<td>135.3%</td>
<td>31</td>
<td>160.1%</td>
<td>120</td>
<td>180</td>
</tr>
<tr>
<td>Interest</td>
<td>34</td>
<td>64</td>
<td>(46.7%)</td>
<td>33</td>
<td>4.9%</td>
<td>205</td>
<td>160</td>
</tr>
<tr>
<td>Depreciation</td>
<td>78</td>
<td>43</td>
<td>81.8%</td>
<td>80</td>
<td>(3.2%)</td>
<td>267</td>
<td>296</td>
</tr>
<tr>
<td>Exceptional Items</td>
<td>0</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tax</td>
<td>45</td>
<td>(98)</td>
<td>-</td>
<td>38</td>
<td>17.4%</td>
<td>84</td>
<td>163</td>
</tr>
<tr>
<td>Net Profit</td>
<td>138</td>
<td>(129)</td>
<td>-</td>
<td>293</td>
<td>(52.8%)</td>
<td>437</td>
<td>542</td>
</tr>
</tbody>
</table>

Outlook and Recommendations:
The company has shown gradual improvement on the revenues as well as at the operational front as the lockdowns are easing. Pick-up in demand is seen on the domestic as well as the international level coupled with the gradual reopening that is favoring the auto industry as well as auto ancillaries like NRB Bearings. Revival of the Auto sector would also be the key to growth. Negotiations with OEMs is witnessed across the sector and as and when the OEMs take a price hike to offset the inflationary costs, gradual pass through will be seen. Looking at the current scenario, many OEMs on a global level across the industry have agreed to review the prices on quarterly basis and some have agreed for monthly review as well. The company has a lot of exposure to export-oriented OEMs which can stretch the receivables cycles to some extent. One needs to wait for better clarity with regard to demand setting in and the overall consumer sentiment during the upcoming festive season. We continue to maintain our target price of Rs138.

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Declared On: 07 Aug 2021

As on 10th Aug, 2021

RECOMMENDATION SNAPSHOT

<table>
<thead>
<tr>
<th>*CMP</th>
<th>Initiation Price</th>
<th>Target</th>
<th>Potential Upside</th>
<th>Recommendation</th>
<th>MCap (Rs bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs124</td>
<td>Rs138</td>
<td>Rs138</td>
<td>11%</td>
<td>BUY</td>
<td>12</td>
</tr>
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