

NRB Bearings (NRBBEA)

CMP: ₹ 160

Target: ₹ 220 (35%)

Target Period: 12 months

BUY

December 29, 2021

Strong deal momentum to drive revenues...

About the stock: NRB was incorporated in 1965 as an Indo-French venture and pioneered the production of needle and roller bearings in India.

- NRB is India's largest needle and cylindrical roller bearings producer. Today 90% of vehicles on Indian roads run on NRB parts
- It exports its products to many countries such as France, Italy, the US, Mexico, Brazil, Thailand and Bangladesh. It has a revenue break-up of 78% from domestic sales and 22% from exports

Rationale:

- NRB is planning to invest heavily in R&D as the bearings industry is seeing new opportunities from EV segments
- The company will not only focus on products, which are EV based but also expand to newer areas of business development that includes products for steering systems, hybrid and electrical transmission and other applications for EV and hybrid vehicles
- NRB has also been chosen as the exclusive supplier for Ola's two-wheeler segment and has been working on customised needle bearings it requires. The company is also focusing on new products with adoption of BS-6 norms

What should investors do? NRB has been making strides towards innovation and R&D. Going ahead, boost in e-vehicle sales will help the company to grow

- We remain positive on the stock and maintain BUY rating

Target Price and Valuation: We roll over valuations to FY24E and value NRB at ₹ 220 i.e. 18x P/E on FY24E EPS

Key triggers for future price performance:

- The company recently announced a capex of ₹ 200 crore, focusing on R&D of new products related to EV and also bagged a deal with Ola to exclusively supply needle bearings
- Upcoming e-markets and the company's strategy to have overseas business with organisations having a strong presence in the EV segment

Alternate Stock Idea: Apart from NRB, in our capital goods coverage we also like Action Construction Equipment.

- It offers a play on construction equipment, material handling and agri equipment
- BUY with a target price of ₹ 320 per share i.e. 15x EV/EBITDA(FY23E)



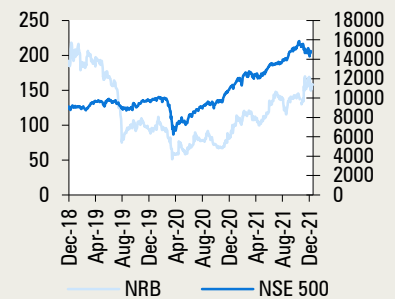
Particulars

Particular	Amount
Market Capitalization	1,551
Total Debt (FY21)	222
Cash and Investments (FY21)	76
EV (FY21)	1,697
52 week H/L (₹) (BSE)	175 / 96
Equity capital	19.4
Face value (₹)	2.0

Shareholding pattern

	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	49.5%	49.6%	49.6%	49.8%
FII	19.1%	20.1%	22.7%	22.6%
DII	14.9%	13.7%	11.9%	11.9%
Others	16.6%	16.5%	15.8%	15.7%

Price Chart



Recent event & key risks

- Upcoming e-market and exports
- Key Risk:** (i) Commodity inflation, (ii) Sluggish supply in auto due to chip shortage

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Key Financial Summary

(₹ Crore)	FY20	FY21	5 Year CAGR(FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (FY21-24E)
Revenue	776.0	762.4	1.2%	930.2	1,076.5	1,270.1	18.5%
EBITDA	85.8	103.9	-1.6%	148.8	183.0	222.3	28.9%
EBITDA margin (%)	11.1	13.6		16.0	17.0	17.5	
Net Profit	32.1	54.1	5.2%	79.2	95.2	117.0	29.3%
EPS (₹)	3.3	5.6		8.2	9.8	12.1	
P/E (x)	48.3	28.7		19.6	16.3	13.3	
EV/EBITDA	20.9	16.3		11.4	9.2	7.6	
RoCE (%)	8.7	11.8		15.8	16.8	19.2	
RoE (%)	7.0	10.4		13.4	13.9	14.8	

Source: Company, ICICI Direct Research

Exhibit 1: Profit and loss statement ₹ crore

(₹ Crore)	FY21	FY22E	FY23E	FY24E
Revenue	762.4	930.2	1,076.5	1,270.1
% YoY Growth	(21.0)	22.0	15.7	18.0
Other Income	15.1	12.0	5.0	6.0
Total Revenue	777.5	942.2	1,081.5	1,276.1
Cost of materials consumed	276.9	364.7	419.8	489.0
Change in inventories	11.0	2.8	10.8	12.7
Employee cost	137.7	151.6	172.2	203.2
Other Expenses	232.9	262.3	290.7	342.9
Total expenditure	658.5	781.4	893.5	1,047.8
EBITDA	103.9	148.8	183.0	222.3
% YoY Growth	(43.9)	43.3	23.0	21.5
Interest	21.8	15.4	13.8	21.0
Depreciation	30.7	35.0	42.0	44.0
PBT	66.4	110.5	132.2	163.2
Tax	10.7	29.3	35.0	43.3
PAT	54.1	79.2	95.2	117.0
% YoY Growth	(41.0)	46.5	20.2	22.9
EPS	5.6	8.2	9.8	12.1

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(₹ Crore)	FY21	FY22E	FY23E	FY24E
Profit after Tax	54.1	79.2	95.2	117.0
Depreciation	30.7	35.0	42.0	44.0
Interest	21.8	15.4	13.8	21.0
Other income	(15.1)	(12.0)	(5.0)	(6.0)
Prov for Taxation	10.7	29.3	35.0	43.3
Change in Working Capital	28.0	(63.1)	(53.6)	(74.5)
Taxes Paid	(9.6)	(29.3)	(35.0)	(43.3)
Cashflow from Operations	121	54	92	102
(Purchase)/Sale of Fixed Assets	(19.8)	(49.7)	(71.8)	(81.3)
(Purchase)/Sale of Investments	(6.0)	-	5.5	(3.0)
Other Income	15.1	12.0	5.0	6.0
Cashflow from Investing	(11)	(38)	(61)	(78)
Issue/(Repayment of Debt)	(98.2)	(30.0)	(20.0)	(20.0)
Changes in Minority Interest	1.7	2.0	2.0	3.0
Changes in Networth	6.8	(4.8)	(4.8)	(9.7)
Interest	(21.8)	(15.4)	(13.8)	(21.0)
Others	-	-	-	-
Cashflow from Financing	(112)	(48)	(37)	(48)
Changes in Cash	(1.6)	(31.4)	(5.6)	(24.5)
Opening Cash/Cash Equivalent	77.8	76.2	44.8	39.2
Closing Cash/ Cash Equivalent	76	45	39	15

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(₹ Crore)	FY21	FY22E	FY23E	FY24E
Share Capital	19.4	19.4	19.4	19.4
Reserves & Surplus	498.3	572.7	663.0	770.3
Total Shareholders fund	517.7	592.1	682.4	789.7
Minority Interest	11.2	13.2	15.2	18.2
Total debt	222.1	192.1	172.1	152.1
Deferred tax liability (net)	16.3	16.3	16.3	16.3
Total Liabilities	767.3	813.6	885.9	976.2
Gross Block	814.4	864.4	934.4	1,014.4
Acc: Depreciation	456.6	491.6	533.7	577.7
Net Block	358.1	372.8	400.7	436.7
Capital WIP	8.2	8.2	10.0	11.3
Investments	55.5	55.5	50.0	53.0
Inventory	203.4	249.8	289.0	344.5
Sundry debtors	208.7	241.9	279.9	330.2
Cash	76.2	44.8	39.2	14.8
Loans & Advances	1.5	6.5	7.5	8.9
Other current assets	42.1	41.9	48.4	57.2
CL& Prov.	189.3	210.5	241.7	283.1
Net Current Assets	342.7	374.4	422.4	472.4
Total Assets	767.3	813.6	885.9	976.2

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY21	FY22E	FY23E	FY24E
EPS	5.6	8.2	9.8	12.1
Cash EPS	8.7	11.8	14.2	16.6
BV	53.4	61.1	70.4	81.5
DPS	-	0.5	0.5	1.0
Operating Ratios				
EBITDA Margin	13.6	16.0	17.0	17.5
PBT / Net Sales	9.6	12.2	13.1	14.0
PAT Margin	7.1	8.5	8.8	9.2
Inventory days	97	98	98.0	99.0
Debtor days	100	95	94.9	94.9
Creditor days	85	78	78.0	66.1
Return Ratios				
RoE	10.4	13.4	13.9	14.8
RoCE	11.8	15.8	16.8	19.2
RoIC	11.5	15.9	17.9	19.1
Valuation Ratios				
P/E	28.7	19.6	16.3	13.3
EV / EBITDA	16.3	11.4	9.2	7.6
EV / Net Sales	2.2	1.8	1.6	1.3
Market Cap / Sales	2.0	1.7	1.4	1.2
Price to Book Value	3.0	2.6	2.3	1.9
Solvency Ratios				
Debt/EBITDA	2.1	1.3	0.9	0.7
Net Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	2.2	2.4	2.4	2.8
Quick Ratio	1.1	1.2	1.2	1.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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