



# Pick of the Week

**NRB Bearings Ltd.**

December 2, 2024



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Auto Ancillaries	Rs 292	Buy in Rs 290-295 band and add on dips in Rs 258-262 band	Rs 324	Rs 348	2-3 quarters

HDFC Scrip Code	NRBBEAEQNR
BSE Code	530367
NSE Code	NRBBEARING
Bloomberg	NRBBR IN
CMP Nov 29, 2024	292.0
Equity Capital (Rs Cr)	19.4
Face Value (Rs)	2
Equity Share O/S (Cr)	9.7
Market Cap (Rs Cr)	2830
Book Value (Rs)	96.2
Avg. 52 Wk Volumes	291,000
52 Week High	401.6
52 Week Low	242.6

Share holding Pattern % (Sep 2024)	
Promoters	51.2
Institutions	30.8
Non Institutions	18.0
Total	100.0



**HDFCsec Retail research  
stock rating meter**  
for details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst**

Atul Karwa

[atul.karwa@hdfcsec.com](mailto:atul.karwa@hdfcsec.com)

### Our Take:

NRB Bearings (NRB) remains a key beneficiary of the increasing volume in the automobile segment. It has posted robust results in H1FY25 driven by higher other income and lower interest expenses. The company has a strong product portfolio and is investing to expand its R&D facilities to grow market share as the shift to EVs increases. Exports by the company has been a key growth driver and its share is 26% of sales in FY24. We believe the revival of demand in Europe and North America could further improve its export revenues and enhance margins.

The Company along with its subsidiaries, with agility and speed has been steadily investing in and developing innovative process technology and building / customizing its machines for low volume, custom-designed products and high range production techniques and is leveraging its fast-paced, on-going investment approach has led NRB to become the first choice supplier for EVs and EVs agnostic friction solutions the world over. NRB is leading the way by supplying its global customers in 45 countries and is now a key supplier in advanced mobility applications that will revolutionize and propel the Indian auto component industry forward both domestically and internationally.

### Valuation & Recommendation:

Compared to MNC peers like SKF, FAG and Timken, NRB is the only company with in-house R&D and no does not have to shell out royalty payments. It commands better EBITDA margins due to absence of traded products and offers customization to its customers. NRB is on track to achieve its Hybrid / E-Mobility strategy and further strengthen its leadership position in the sector.

The company has reduced its debt with the help of sale proceeds from surplus land and this debt reduction has also helped company to save the finance costs and improve PBT. Promoter's regular purchase of the share from open market to shore up their holding is a vote of confidence in the long-term prospects of the company.

**We believe investors can buy the stock in the band of Rs 290-295 and add on dips in Rs 258-262 band (16.5x Sep'26E EPS) for a base case fair value of Rs 324 (20.5x Sep'26E EPS) and bull case fair value of Rs 348 (22x Sep'26E EPS) over the next 2-3 quarters.**

## Financial Summary:

Particulars (Rs cr)	Q2FY25	Q2FY24	YoY-%	Q1FY25	QoQ-%	FY24	FY25E	FY26E	FY27E
Operating Income	302	279	8.1	289	4.2	1,094	1,187	1,324	1,489
EBITDA	52	46	13.9	42	22.4	176	191	217	247
APAT	35	24	46.6	25	41.4	96	115	139	166
Diluted EPS (Rs)	3.6	2.5	46.6	2.6	41.4	9.9	11.9	14.3	17.1
RoE-%						12.6	12.7	13.9	14.9
P/E (x)						29.4	24.6	20.4	17.1
EV/EBITDA						16.4	14.9	12.9	11.1

## Q2FY25 Result Update

NRB reported strong numbers in Q2FY25 with PAT increasing by 47% YoY to Rs 35cr aided by improved EBITDA margin. Net sales grew 8% to Rs 302cr. Gross margins expanded ~140bps as steel prices continued to moderate during the quarter. EBITDA increased 14% YoY to Rs 52cr and EBITDA margin expanded ~90bps to 17.2% on account of lower raw material expenses partially offset by employee and other expenses.

Promoter holdings stood at 51.16% in Sep'24 versus 50.69% in Jun'24. Promoters have further raised their stake in Nov'24. No promoter holdings have been pledged.

## Recent developments

### Government targeting to make India automobile manufacturing hub

The government's mission is to make India the number one automobile manufacturing hub in the world and make the auto sector a Rs 25 lakh crore industry. India has surpassed Japan to become the third largest manufacturer of automobiles. There is a huge potential in the auto sector as demand is not just in the domestic market but also in international markets. The size of the industry stood at ~Rs 12.5 lakh crore in 2023 and the Indian government has set a target of Rs 25 lakh crore for the country's automobile sector, as part of its USD 5 trillion economy vision. The contribution of the auto sector to the national GDP has risen to about 7-8% now from 2.7% in 1992-93. Increasing production of automobiles in the country would benefit ancillary companies like NRB.

### Healthy automobile sales growth in FY25

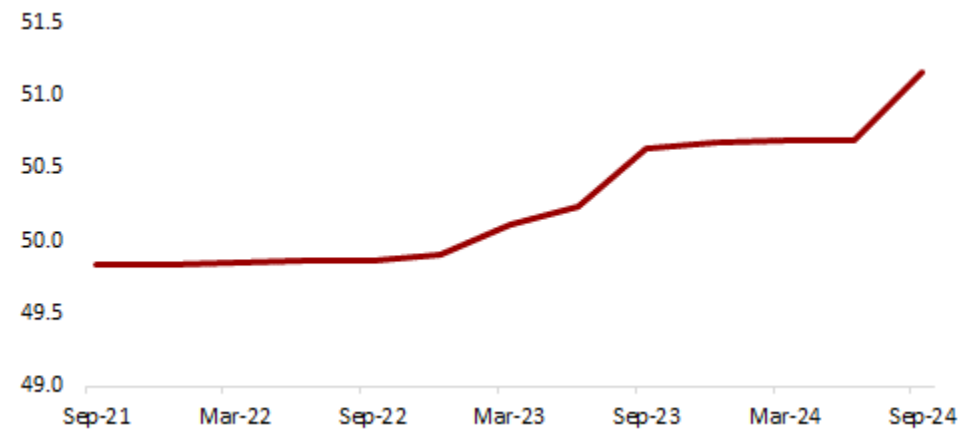
Indian car dealers enjoyed a 32.4% YoY rise in Oct'24, driven by the festive season, attractive discounts and competitive financing rates. There was a robust 14% growth in two-wheeler retail sales during the festive season, aided by festive cheer and an improvement in rural demand. However, there is a slowdown in despatches from manufacturers to dealers on account of high inventory in the system. I cra has thus revised the outlook for the wholesale volume growth for the industry in FY2025 downwards to 0-2% from 3-6% earlier.

Nevertheless, FY25 is expected to be another record year for automobile sales. Over the longer term India's automotive market is expected to grow at a CAGR of 9.7% from 2023 to 2030, reaching 8,363,344 units by 2030 according to Grand View Research.

### Creeping acquisition by promoters

After largely staying away between Sep'23 and Jun'24, the promoters have started increasing their stake in the company through creeping acquisition in the last quarter. Their holding has increased from 49.9% in Dec'22 to 51.2% in Sep'24. Promoters have further raised their stake in Nov'24.

Promoter holding (%)

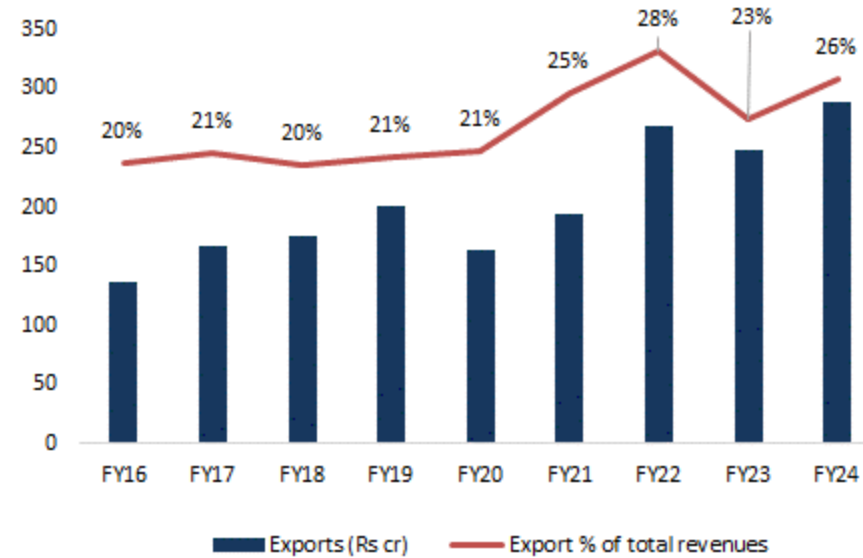


(Source: Company, HDFC sec)

### Increasing share of export sales

NRB is present in virtually every light to heavy vehicle - for hybrid and E-Drive in Europe, America and Japan (through NRB Thailand) and Korea (through the Hyundai Group). It has been nominated by the leading players globally for their new electric power trains. As a result, its contribution from exports has been increasing gradually. NRB's focus and embracing of future technologies along with re-inventing and altering its capabilities has led to supplying the world's foremost EVs, in Europe, America and Japan and Korea. As per Automobile Component Manufacturers Association (ACMA), automobile component export from India is expected to reach US\$ 80 billion by 2026.

## High share of exports



(Source: Company, HDFC sec)

## Risks & Concerns

- Vulnerable to cyclicity in demand from automobile OEMs
- Export sales to a large extent dependent on Truck sales trend in America and PV sales trend in the Europe.
- Working capital-intensive operations
- Rapid adoption of EVs could reduce overall bearings requirements
- Threat from spurious / counterfeit products
- Continuous investment in R&D could be a drag on P&L account in some years
- Raw material price volatility. NRB imports around 60-70% of the key raw material (steel) from Europe (mainly Germany), Japan and other countries.
- Forex risk may impact financial performance.

## Company Background

Founded in 1965, NRB was the first company to manufacture needle roller bearings in India. For over 40 years, NRB has pioneered the leading edge of bearing technology. Today most of the vehicles on Indian roads run on NRB parts. Since its inception, NRB has grown beyond its signature product to offer a wide range of high-precision friction solutions not only in the automotive sector, but across all mobility applications. NRB has plants in Thane, Aurangabad (2 plants), Jalna, Waluj, Hyderabad and Pantnagar.

NRB is known for quality and innovative design in high-precision friction solutions. NRB Bearings is a recognised leader in needle roller bearings, conventional cylindrical roller bearings and has developed a new generation of lightweight drawn cup bearings. It has two Government accredited R&D centers that focus on quality engineering and disruptive technologies which will drive future growth.

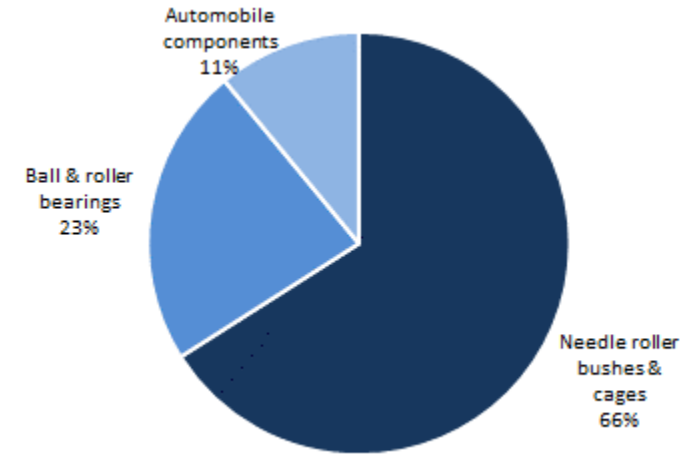
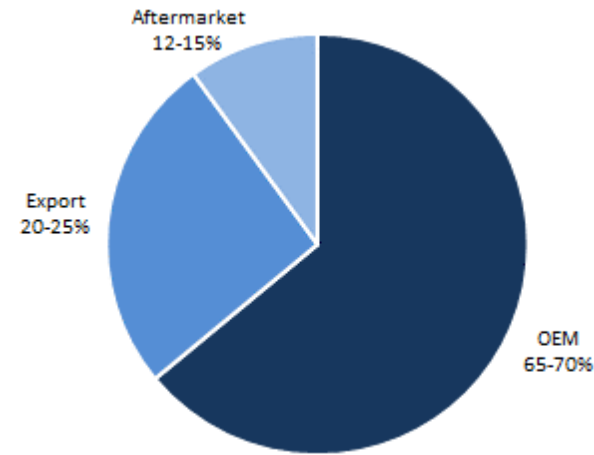
In FY24, 66% of its sales were of Needle Roller Bushes and Cages, 23% were from Ball and Roller bearings and 11% were from Automobile components. NRB derives nearly 65-70% of its revenues from domestic automobile original equipment manufacturers (OEMs), while about 12-15% and 20-25% are derived from domestic aftermarket and exports respectively. The Company has an estimated market share of 60% in the needle bearing industry in India, with a strong presence in the cylindrical roller, special tapered roller, and special ball bearings segments. Despite the large proportion of revenue from OEMs, no single customer with its tier-1 supplier accounts for more than 7% of the total revenue, thereby limiting customer concentration risk. The company's product range spans over 3000 designs, which are also made to suit its customer's requirements.

As of FY24, NRB had two subsidiaries viz. SNL Bearings Ltd and NRB Holdings Ltd.

**SNL Bearings Ltd (SNL)**, in which NRB holds 73.45% equity, reported PAT of Rs 7.8cr (previous year Rs 8.2cr), a decrease of 4.4%. Net sales decreased by 0.4% to Rs 47.7cr. SNL is working on projects to improve its financial results in the coming years by enhancing operational efficiencies and scaling up manufacturing capacities.

**NRB Holdings Ltd. (NHL)**, a wholly owned subsidiary, was incorporated in Oct'21, in Dubai, UAE for the growth of the global business. As a part of comprehensive international strategy of the Company, NRB Bearings Europe GmbH, NRB Bearings (Thailand) Limited and NRB Bearings USA Inc., which were set up to support increasing exports to Europe, Thailand and North America respectively, were acquired by NHL. The income during FY24 is Rs 103cr/114cr/43cr respectively and the resultant profit after tax is Rs 3.6cr/7.3cr/2.8cr.

## Sales breakup



(Source: Company, HDFC sec)

## Financials

### Income Statement

(Rs cr)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>1057</b>	<b>1094</b>	<b>1187</b>	<b>1324</b>	<b>1489</b>
<i>Growth (%)</i>	<i>12.0</i>	<i>3.5</i>	<i>8.5</i>	<i>11.5</i>	<i>12.5</i>
Operating Expenses	882	918	996	1106	1242
<b>EBITDA</b>	<b>175</b>	<b>176</b>	<b>191</b>	<b>217</b>	<b>247</b>
<i>Growth (%)</i>	<i>19.3</i>	<i>0.9</i>	<i>8.4</i>	<i>13.6</i>	<i>13.9</i>
<i>EBITDA Margin (%)</i>	<i>16.5</i>	<i>16.1</i>	<i>16.1</i>	<i>16.4</i>	<i>16.6</i>
Depreciation	41	43	46	48	49
Other Income	24	18	25	28	31
<b>EBIT</b>	<b>158</b>	<b>151</b>	<b>170</b>	<b>197</b>	<b>229</b>
Interest expenses	20	22	14	9	5
<b>PBT</b>	<b>128</b>	<b>316</b>	<b>157</b>	<b>189</b>	<b>225</b>
Tax	33	74	39	48	57
<b>PAT</b>	<b>95</b>	<b>242</b>	<b>117</b>	<b>141</b>	<b>168</b>
Share of Asso./Minority Int.	2	2	2	2	2
<b>Adj. PAT</b>	<b>101</b>	<b>96</b>	<b>115</b>	<b>139</b>	<b>166</b>
<i>Growth (%)</i>	<i>32.0</i>	<i>-4.4</i>	<i>19.5</i>	<i>20.8</i>	<i>19.3</i>
EPS	10.4	9.9	11.9	14.3	17.1

### Balance Sheet

As at March (Rs cr)	FY23	FY24	FY25E	FY26E	FY27E
<b>SOURCE OF FUNDS</b>					
Share Capital	19	19	19	19	19
Reserves & Surplus	649	841	927	1031	1155
<b>Shareholders' Funds</b>	<b>668</b>	<b>860</b>	<b>946</b>	<b>1050</b>	<b>1174</b>
Minority Interest	14	16	18	21	23
Total Debt	322	173	123	67	35
Net Deferred Taxes	13	22	22	22	22
<b>Total Sources of Funds</b>	<b>1017</b>	<b>1071</b>	<b>1109</b>	<b>1159</b>	<b>1254</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	351	337	371	385	399
CWIP	28	43	13	7	3
Investments	36	44	44	44	44
Other Non-Curr. Assets	52	48	65	73	82
<b>Total Non-Current Assets</b>	<b>468</b>	<b>472</b>	<b>494</b>	<b>509</b>	<b>528</b>
Inventories	369	418	455	471	490
Debtors	223	172	208	239	265
Cash & Equivalents	83	101	78	65	104
Other Current Assets	69	76	74	87	99
<b>Total Current Assets</b>	<b>744</b>	<b>767</b>	<b>815</b>	<b>863</b>	<b>957</b>
Creditors	129	96	111	120	131
Other Current Liab & Provisions	66	72	89	93	101
<b>Total Current Liabilities</b>	<b>194</b>	<b>168</b>	<b>199</b>	<b>213</b>	<b>232</b>
Net Current Assets	550	599	616	650	725
<b>Total Application of Funds</b>	<b>1017</b>	<b>1071</b>	<b>1109</b>	<b>1159</b>	<b>1254</b>



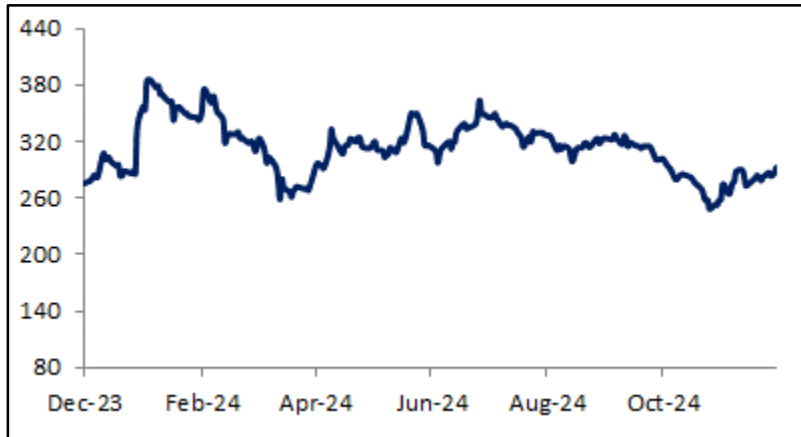
## Cash Flow Statement

(Rs cr)	FY23	FY24	FY25E	FY26E	FY27E
PBT	128	316	157	189	225
Non-operating & EO items	0	-163	-15	-8	-9
Interest Expenses	20	23	14	9	5
Depreciation	41	43	46	48	49
Working Capital Change	-90	-67	-43	-47	-37
Tax Paid	-37	-37	-39	-48	-57
<b>OPERATING CASH FLOW ( a )</b>	<b>62</b>	<b>115</b>	<b>119</b>	<b>143</b>	<b>176</b>
Capex	-40	-49	-50	-55	-60
Free Cash Flow	21	66	69	88	116
Investments	-2	-3	0	0	0
Non-operating income	-2	152	0	0	0
<b>INVESTING CASH FLOW ( b )</b>	<b>-44</b>	<b>100</b>	<b>-50</b>	<b>-55</b>	<b>-60</b>
Debt Issuance / (Repaid)	28	-149	-50	-57	-32
Interest Expenses	-20	-21	-14	-9	-5
FCFE	26	45	6	22	80
Share Capital Issuance	0	0	0	0	0
Dividend	-14	-35	-29	-35	-41
Others	-9	-16	0	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-14</b>	<b>-220</b>	<b>-92</b>	<b>-100</b>	<b>-78</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>3</b>	<b>-5</b>	<b>-23</b>	<b>-12</b>	<b>38</b>

## Key Ratios

	FY23	FY24	FY25E	FY26E	FY27E
<b>Profitability Ratios (%)</b>					
EBITDA Margin	16.5	16.1	16.1	16.4	16.6
EBIT Margin	14.9	13.8	14.3	14.9	15.4
APAT Margin	9.5	8.8	9.7	10.5	11.1
RoE	16.0	12.6	12.7	13.9	14.9
RoCE	16.9	14.9	16.2	18.0	19.7
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	1.4	0.4	0.2	0.0	-0.3
Net D/E	0.4	0.1	0.0	0.0	-0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	10.4	9.9	11.9	14.3	17.1
CEPS	14.6	14.4	16.6	19.2	22.2
BV	68.9	88.7	97.6	108.4	121.2
Dividend	1.0	4.1	3.0	3.6	4.3
<b>Turnover Ratios (days)</b>					
Inventory days	76	66	58	62	62
Debtor days	114	131	134	128	118
Creditors days	41	38	32	32	31
<b>VALUATION (x)</b>					
P/E	28.1	29.4	24.6	20.4	17.1
P/BV	4.2	3.3	3.0	2.7	2.4
EV/EBITDA	17.5	16.4	14.9	12.9	11.1
EV/Revenues	2.9	2.6	2.4	2.1	1.8
Dividend Yield (%)	0.3	1.4	1.0	1.2	1.5
Dividend Payout (%)	9.6	41.3	25.0	25.0	25.0

## Price chart



## HDFC Sec Retail Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

## Disclosure:

I, **Atul Karwa, Research Analyst, MMS**, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

## Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

## Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

**HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066**

**Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600**

**For grievance redressal contact Customer Care Team Email: [customercare@hdfcsec.com](mailto:customercare@hdfcsec.com) Phone: (022) 3901 9400**

**HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475;**

**SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193**

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.