

# Shubh Nivesh



## Well positioned to capture healthy demand...

**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
- Domestic markets contribute ~75% of total revenues while exports contribute the balance ~25%. In domestic markets, company cater to auto industry including 2W, PV, CV
- Company exports its products to approx. 45 countries worldwide including France, Italy, the US, Mexico, Brazil, Thailand, Bangladesh etc

### Investment Rationale:

- **Strong position upheld in auto bearings with focus on expanding product portfolio:** NRB Bearings has been able to retain its leadership position in auto bearings & components segment led by continued focus on expanding its product portfolio. NRB is the market leader in needle roller bushes & cages which contributes 56% to revenues (as of FY23). In other segments also like ball & roller bearings (29% of revenue) and auto components (15% of revenue), company has sizable share. Company claims that 90% of vehicles on Indian roads are run on its parts. Going ahead, company remains focused on maintaining its competitive edge in Indian auto space with venturing into more efficient bearing products for electric vehicles (EVs) and internal combustion engine vehicles
- **Diverse market presence continues to drive growth:** NRB Bearings, which sells 75% in domestic markets and ~25% in foreign markets, has benefited significantly from its diverse market presence. With exporting its products to about 45 countries worldwide, the company's exports share has been increasing gradually led by its focus on growing presence through new products. Going ahead, with no major volatility expected in steel prices and double digit growth in export markets, margins are expected to improve further in 2HFY24E and FY25E. The recent land deal with Oberoi Realty for ₹ 196 crore will help company to strengthen its balance sheet to some extent (gross debt stood at ~₹ 300 crore as of Q2FY24) and also help the company to execute its capex on EV products range

### Rating and Target Price

- We believe that NRB is strongly positioned to benefit from growing demand in both domestic and export markets. With a visibility of ~23% PAT CAGR over FY23-25E and a controlled leverage, NRB is highly undervalued at 19x across the bearings space (other players quoting at 30x-40x on 2 year forward EPS). Even discounting the fact that it has one segment exposure unlike other bearings companies, the stock still remains undervalued and look attractive considering the multiple growth drivers
- We value NRB Bearings at ₹ 345 i.e. 23x FY25E P/E



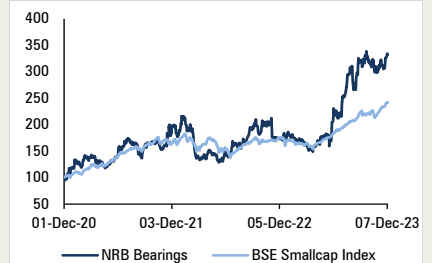
### Particulars

Particular	Amount
Market Capitalization	2,743
Total Debt (FY23)	322
Cash and Investments (FY23)	83
EV (FY23)	2,889
52 week H/L (₹) (BSE)	294 / 125
Equity capital	19.4
Face value (₹)	2

### Shareholding pattern

	Dec-22	Mar-23	Jun-23	Sep-23
Promoters	49.9	50.1	50.2	50.6
FII	21.3	21.3	21.9	14.3
DII	11.8	11.5	11.2	19.5
Others	17.0	17.1	16.7	15.6

### Price Chart



### Key risks

- Lower than expected growth in auto sector
- Volatility in raw material prices

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### Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	FY23	3 Year CAGR (FY20-23)	FY24E	FY25E	2 Year CAGR (FY23-25E)
Revenue	776.0	762.4	944.2	1,057.2	10.9%	1,175.6	1,307.9	11.2%
EBITDA	85.8	103.9	146.5	172.2	26.1%	196.6	230.8	15.8%
EBITDA margin (%)	11.1	13.6	15.5	16.3		16.7	17.6	
Net Profit	32.1	54.1	73.3	96.5	44.3%	120.5	146.2	23.1%
EPS (₹)	3.3	5.6	7.6	10.0		12.4	15.1	
P/E (x)	85.5	50.7	37.4	28.4		22.8	18.8	
EV/EBITDA	34.8	27.8	20.2	17.3		15.0	12.6	
RoCE (%)	8.7	11.8	13.7	15.4		17.3	19.3	
RoE (%)	7.0	10.4	12.4	14.4		16.3	17.5	

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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