



Farsight

## MORNING FARSIGHT

Friday, September 21, 2018

**NRB BEARINGS**

**CMP:RS 173**

**TRGT:RS 200**

**TIME HORIZON: 1 YEAR**

NRB Bearings, after recording stellar growth in FY17 and FY18, has started FY19 on a strong footing, while company has rare combination of High EBITDA Margin (19%) + High RoE (25%), which can allow the stock to command high multiples. For FY17, NRB Bearings had recorded PAT growth of 28% at Rs 55 cr and EPS of Rs 5.6. In FY18, it achieved PAT growth of 45% at Rs 93 cr with EPS of Rs 9.4. Recently declared Q1 FY19 earnings have also been robust with 30 % Revenue growth at Rs 233 cr, 62% EBITDA growth at Rs 44 cr and EBITDA margin of 19%, and PBTE (before tax & exceptional item) growth of whopping 95% at Rs 35.8 cr. There is an unwritten thumb-rule in the market that if a company delivers 30% PAT growth for 3 yrs, stock should more than double during this period. Company is having 70% market share in Needle Roller Bearings, with its plants located at Thane, Aurangabad, Jalna, and Waluj (Maharashtra); Hyderabad (Telangana); Pantnagar (Uttarakhand); and Ranchi (Jharkhand); and in Rayong in Thailand. Currently, company caters to entire automotive industry, with revenue mix being 2W 33% of Revenue, CV 20% of Revenue, PV 20% of Revenue, Farm / Off Highway 10% and rest coming from Railways, Defence Vehicles, Aircraft and Aerospace Industry, Race Boats etc. Company is increasing its focus on exports wherein it caters to global players such as Daimler Trucks, Renault, Volvo and Getrag. With a focus on exports, the company has demonstrated a strong exports performance and the company's export, which formed —15% of topline in FY09, constituted —20% of revenues in FY18 and the share is expected to rise further. Company's 3 subsidiaries viz., SNL Bearings and NRB Bearings Thailand, NRB Bearings Europe are showing good performance QoQ as well and consolidated EBITDA and EPS are coming in higher than standalone operations. Promoters are currently holding —53% stake in the company while —32% is held by institutional houses. On an estimated EPS of Rs 11 for FY19 and Cons EBITDA of Rs 200 cr, stock is trading at PE of 15.3x and EV/EBITDA of 8.7x, which are seen attractive and can rise to 20x / 11x respectively. Also, company is expanding its capacity of Needle Roller Bushes & Cages to 88 million units from 79 million units, Ball and Roller Bearings capacity to 54 million units from 49 million units and Others Automobile Components capacity to 36 million units from 30 million units. Share ruling at Rs 173 can move to Rs 200 in 1 year. Buy as an investor.

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Disclosure of interest statement – • Analyst interest of the stock / Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.