

## Milton Cycle Industries Limited

Instrument	Amount (Rs. Crore)	Rating Action
Fund Based Facilities	10.0	[ICRA]BB+ (Stable); Upgraded
<b>Total</b>	<b>10.0</b>	

ICRA has upgraded its long-term rating on Rs. 10-Crore bank lines of Milton Cycle Industries Limited (MCIL)<sup>†</sup> to [ICRA]BB+ (pronounced ICRA double B plus) from [ICRA]BB (pronounced ICRA double B). The outlook on the long-term rating is 'Stable'<sup>†</sup>.

The rating upgrade is driven by healthy operational performances where in its sales volumes for cycles under own brand name 'Milton' have increased especially in 5M FY2015 as the company has gained from geographical expansion. Further, the volumes in bicycles components has growth at healthy pace as its principal customer, Atlas Cycles (Sahibabad unit) has started catering to additional geographies which were earlier caters by Atlas Cycles (Malanpur unit), which closed operations in 2014. The liquidity position of MCIL is comfortable as also reflected in low utilization of working capital limits and improved capitalization indicators. ICRA expects that sales volumes of MCIL shall increase in double digits in the current financial year aiding its profitability. Further, the rating continues to take into account the long track record of the promoters in the bicycle industry.

The rating however continues to be constrained by the relatively low margins as well as the significant competition faced by the company from well entrenched domestic players, as well as Chinese imports in the growing fancy segment. Further the client concentration of MCIL is high as the entire business related to bicycle components is derived from single customer.. Additionally, the ability of the company to strengthen its dealer network and manage its working capital intensity would remain key rating sensitivities.

### Company Profile

MCIL was started in 1960 in order to function as a group ancillary to Atlas Cycles' manufacturing units. The promoters of MCIL are also promoters of Atlas Cycles (Haryana) Limited. The company started as a component manufacturer involved in the manufacturing of bicycle parts like chains, freewheels, and BB Axles. After a family settlement in 2003, MCIL was attached to the Sahibabad division of Atlas Cycles (Haryana) Limited. In 2006, MCIL developed into a complete bicycle manufacturing unit besides being an ancillary to Atlas Cycles' Sahibabad division. MCIL has now a plethora of models catering to the markets of Uttar Pradesh, Bihar, Jharkhand, and Andhra Pradesh, Nepal etc through a strong dealer network.

### Recent Results

The company reported a net profit of Rs. 0.89 crore on an operating income (OI) of Rs. 102.4 crore in FY2016 as compared to a net profit of Rs. 0.46 crore on an OI of Rs. 97.2 crore in FY2015.

**September 2016**

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

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