Atlas Cycles (Haryana) Limited

May 07, 2019

Summary of Rated Instrument:

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Cash Credit	45.00	45.00	[ICRA]D; Downgraded from [ICRA]C
Long-term – Non-fund Based – BGs/LCs	22.20	22.20	[ICRA]D; Downgraded from [ICRA]C
Short-term – Fund based – Bills Discounting	15.00	15.00	[ICRA]D; Downgraded from [ICRA]A4
Long-term – Unallocated	2.30	2.30	[ICRA]D; Downgraded from [ICRA]C
Total	**84.50**	**84.50**	

*Instrument details are provided in Annexure-1

Rating Action

ICRA has downgraded the long term rating of fund based bank facilities and unallocated limits of Atlas Cycles (Haryana) Limited (ACL) to [ICRA]D (pronounced ICRA D) from [ICRA]C (pronounced ICRA C). ICRA has also downgraded the short term rating of fund based bank facilities of ACL to [ICRA]D (pronounced ICRA D) from [ICRA]A4 (pronounced ICRA A four).

Rationale

The ratings downgrade follows the overdrawal of the drawing power sanctioned by the banks for a period of more than 30 consecutive days for bank facilities, which do not have scheduled repayment/maturity dates, as confirmed by ACL to ICRA.

Key rating drivers

Credit strengths

Long operational track record in cycle-manufacturing business: ACL has operational track record of over seven decades in the cycle manufacturing and related business. This has helped the company establish strong foot-hold and develop a wide customer base both in India and international market

Reputed brand name: ‘Atlas’ is an established name in the cycle business and enjoys a strong brand presence in India and abroad. Its wide product offerings and established name in cycle business give it a competitive advantage in the cycle market.

Credit challenges

Overdrawal of the drawing power sanctioned by the banks: The rating downgrade follows the overdrawal of the drawing power sanctioned by the banks for a period of more than 30 consecutive days for bank facilities, which do not have scheduled repayment/maturity dates.

Continued stretched liquidity position: The ratings are, further, constrained due to company’s stretched liquidity position, as reflected by continued high creditor position and high dependence on working capital borrowings.

Fragmented industry characterized by intense competition from large number of players: With the presence of large number of established as well as unorganised players the company faces high competition. The company also faces competition from cheaper Chinese imports in the Indian local market.

Liquidity Position:

ACL has stretched liquidity position as reflected by overdrawal of the drawing power sanctioned by the banks for a period of more than 30 consecutive days for bank facilities.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on default recognition
Parent/Group Support	Not applicable
Consolidation / Standalone	Standalone

About the company:

ACL was started by Mr. Janki Das Kapur in 1950. The company started with manufacturing bicycle saddles in 1951 and bicycles in 1952. Currently, it is one of the top bicycle manufacturers in India by virtue of its strong brand. The company manufactures bicycles from its units at Sonepat (Haryana), Sahibabad (Uttar Pradesh) and Malanpur (Madhya Pradesh), besides a steel tube manufacturing unit at Bawal (Haryana). As part of a family settlement, Mr. Janki Das Kapur's three sons signed an MoU, under which the company was divided into three profit centres, each under the management of one of his sons or their families. In late 2014, however, the Malanpur unit was shut down. The bicycles manufactured by the company range from necessity bicycles to high-end bicycles, including the e-Bike segment.

Key financial indicators:

	FY2017 Audited	FY2018 Audited	9MFY2019 Provisional
Operating Income (Rs. crore)	684.28	649.87	439.56
PAT (Rs. crore)	3.18	-1.61	-13.41
OPBDIT/ OI (%)	2.12%	1.47%	-3.05%
RoCE (%)	7.94%	4.75%	-
Total Debt/ TNW (times)	0.96	0.56	-
Total Debt/ OPBDIT (times)	6.33	5.54	-
Interest Coverage (times)	1.69	0.97	-
NWC/ OI (%)	8%	4%	-

Source: ACL, ICRA; OPBDITA: Operating Profit before Depreciation, Interest, Taxes; PAT: Profit after Tax; NWC: Net Working Capital; TNW: Tangible Net Worth; RoCE: Return on Capital Employed; OI: Operating Income

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

	Instrument	Current Rating (FY2020)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
					May 2019	January 2019	September 2017	December 2016
1	Cash Credit	Long Term	45.00	-	[ICRA]D	[ICRA]C	[ICRA]D	[ICRA]B+
2	Non-Fund Based	Long Term	22.20	-	[ICRA]D	[ICRA]C	[ICRA]D	[ICRA]B+
3	Bills Discounting	Short Term	15.00	-	[ICRA]D	[ICRA]A4	[ICRA]D	-
4	Unallocated	Long Term	2.30	-	[ICRA]D	[ICRA]C	[ICRA]D	[ICRA]B+

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	45.00	[ICRA]D
NA	BGs/LCs	NA	NA	NA	22.20	[ICRA]D
NA	Bills Discounting	NA	NA	NA	15.00	[ICRA]D
NA	Unallocated	NA	NA	NA	2.30	[ICRA]D

Source: ACL

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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