August 17, 2017

# Duncan Engineering Limited

**Summary of rated instruments**

| Instrument* | Rated Amount (Rs. crore) | Rating Action |
|---|---|---|
| Long-term Fund-based Cash Credit | 15.00 | [ICRA]A(SO); Reaffirmed Outlook revised from Stable to Positive |
| Long-term Fund-based Term Loan | 6.50 | [ICRA]A(SO); Reaffirmed Outlook revised from Stable to Positive |
| Short-term Fund-based | 3.00 | [ICRA]A1(SO); Reaffirmed |
| Short-term Non Fund-based | 5.50 | [ICRA]A1(SO); Reaffirmed |
| **Total** | **30.00** | |

*Instrument details are provided in Annexure-1

**Rating action**

ICRA has reaffirmed the long term rating of [ICRA]A(SO) (pronounced ICRA A, SO) on the Rs. 21.5 crore long term fund based facilities of Duncan Engineering Limited (erstwhile Schrader Duncan Limited) (DEL/the Company)†. . The outlook on the long term rating has been revised from Stable to Positive. ICRA has also reaffirmed the short term rating of [ICRA]A1(SO) (pronounced ICRA A one, SO) on the Rs. 3.0 crore short term fund based facility and the Rs. 5.5 crore short term non fund based facility of DEL. The letter SO in parenthesis suffixed to the rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. "SO" ratings do not represent ICRA‟s opinion on the general credit quality of the issuers concerned.

**Rationale**

The rating is based on the strength of the corporate guarantee provided by Oriental Carbon & Chemicals Limited (OCCL / the guarantor, rated at [ICRA]A (Positive) / [ICRA]A1) to the rated bank facilities of Duncan Engineering Limited. The outlook on the long term ratings of DEL has been revised from Stable to Positive, following the revision in the outlook for OCCL's long term rating from Stable to Positive.

**Key rating drivers**

**Credit Strengths:**

- OCCL – with its majority stake in DEL – has provided an unconditional and irrevocable corporate guarantee to the bank facilities of DEL
- Financial flexibility provided by being part of JP Goenka (Duncan) Group

† For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.

## Credit Challenges:

- OCCL's financial flexibility may get impacted due to volatility in stock prices of DEL

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

**Links to applicable criteria**
Corporate Credit Rating Methodology
Impact of Parent or Group Support on an Issuer's Credit Rating

**About the Company:**

Schrader Duncan, incorporated in 1962, was promoted as a joint venture between Schrader Bridgeport International (SB Intl, a wholly owned subsidiary of Tomkins Plc), and the Duncan group (managed by the J P Goenka family). Schrader Duncan currently manufactures pneumatic products such as air cylinders, valves, and accessories. The company had shut down its tyre valves division in May-2016, and also changed the name from Schrader Duncan Limited to Duncan Engineering Limited.

**About the Guarantor:**

Oriental Carbon & Chemicals Limited (OCCL), a part of the Duncan J P Goenka Group, was incorporated in 1978 as Dharuhera Chemicals Limited (DCL). In 1983, DCL was merged with Oriental Carbon Limited (OCL), a group company engaged in the production of Carbon Black, to form OCCL. OCCL's production facility is located at Dharuhera Industrial Unit in Haryana. The company is currently engaged in the production of Insoluble Sulphur, Sulphuric Acid and Oleum.

**Key Financial Indicators**

| | FY2016 | FY2017 |
|---|---|---|
| Operating Income (Rs. crore) | 63.51 | 36.76 |
| PAT (Rs. crore) | -6.93 | -5.89 |
| OPBDIT/ OI (%) | 1.1% | -7.2% |
| RoCE (%) | -10.2% | -9.8% |
| | | |
| Total Debt/ TNW (times) | 0.84 | 0.89 |
| Total Debt/ OPBDIT (times) | 26.83 | -5.51 |
| Interest coverage (times) | 0.28 | -1.11 |
| NWC/ OI (%) | 24.8% | 26.1% |

*OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);*
*NWC: Net Working Capital*

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

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**Rating history for last three years**

**Table**

| Sr. No | Name of Instrument | Current Rating | | | Chronology of Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|
| | | Type | Rated amount (Rs. Crores) | Month-year & Rating | Month- year & Rating in FY2017 | Month- year & Rating in FY2016 | Month- year & Rating in FY2015 |
| | | | | August 2017 | January 2017 | January 2016 | October 2014 |
| 1 | Fund Based | Long Term | 21.50 | [ICRA]A(SO) /Positive | [ICRA]A(SO)/Stable | [ICRA]A(SO)/Stable | [ICRA]A-(SO)/Stable |
| 2 | Fund Based | Short Term | 3.00 | [ICRA]A1 (SO) | [ICRA]A1 (SO) | [ICRA]A1 (SO) | [ICRA]A2+ (SO) |
| 3 | Non Fund Based | Short Term | 5.50 | [ICRA]A1 (SO) | [ICRA]A1 (SO) | [ICRA]A1 (SO) | [ICRA]A2+ (SO) |

**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 | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| NA | Cash Credit | - | - | - | 15.00 | ICRA]A(SO)/Positive |
| NA | Term Loan | 2008 | - | 2016 | 6.50 | ICRA]A(SO)/Positive |
| NA | Short Term, Fund Based | - | - | - | 3.00 | [ICRA]A1(SO) |
| NA | Short Term, Non Fund Based | - | - | - | 5.50 | [ICRA]A1(SO) |

Source: the company

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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