

Duncan Engineering Limited Revised

July 27, 2018

Duncan Engineering Limited: Ratings upgraded

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based – Working capital facility (SO)	9.00	9.00	[ICRA]A+(SO)/Positive; upgraded from [ICRA]A(SO)/Positive
Short term – Non Fund based (SO)	0.81	0.81	[ICRA]A1+(SO); upgraded from [ICRA]A1(SO)
Total	9.81	9.81	

*Instrument details are provided in Annexure-1

Rating action

ICRA has upgraded the long-term rating to [ICRA]A+(SO) [pronounced ICRA A plus (Structured Obligation)] to the Rs. 9.00-crore¹ from [ICRA]A(SO) [pronounced ICRA A (Structured Obligation)] for fund-based facilities of Duncan Engineering Limited (DEL or the Company²). ICRA has also upgraded the short-term rating to [ICRA]A1+(SO) [pronounced ICRA A one plus (Structured Obligation)] to the Rs. 0.81-crore from [ICRA]A1(SO) [pronounced ICRA A one (Structured Obligation)] for non-fund-based facilities of DEL. The outlook on the long-term rating is Positive.

The letters SO in parenthesis, suffixed to a rating symbol, stands for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. An SO rating does not represent ICRA's opinion on the general credit quality of the issuers concerned.

Rationale

The rating upgrade is based on the upgrade in the credit rating of the guarantor namely Oriental Carbon & Chemicals Limited (OCCL) to [ICRA]A+(Positive)/[ICRA]MAA-(Positive)/[ICRA]A1+ from [ICRA]A(Positive)/[ICRA]MA(Positive)/[ICRA]A1. The guarantors, OCCL and Cosmopolitan Investments Limited (CIL) has extended irrevocable guarantee for the Rs. 9.81-crore facilities of DEL and an undertaking to ensure that the debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary.

Outlook: Positive

The outlook may be revised if there is a change in the outlook of the guarantor, OCCL.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

Unconditional and irrevocable corporate guarantee provided by OCCL and CIL – OCCL and CIL (with effect from April 12, 2018) have jointly extended an irrevocable corporate guarantee to the debt lines of DEL. While evaluating the rating for DEL, ICRA has taken rating comfort from the rating of [ICRA]A+(Positive)/MAA-(Positive)/[ICRA]A1+ assigned to OCCL.

Credit challenges

Sensitive to guarantor's rating – Due to the corporate guarantee extended, the ratings primarily reflect the credit strength of the guarantor (OCCL). Hence, any adverse movement in the rating of the guarantor might be reflected on DEL's credit profile.

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

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Approach for rating debt instruments backed by third-party explicit support](#)

About the company:

Duncan Engineering Limited, incorporated as Schrader Duncan Limited in 1962, was promoted as a joint venture between Schrader Bridgeport International (SB International, a wholly owned subsidiary of Tomkins Plc), and the Duncan group (managed by the J P Goenka family). DEL is into manufacture of automotive tyre valves and pneumatic products such as air cylinders, valves, and accessories. The company shut down its tyre valves division in May 2016 following continual losses incurred by the division with focus currently on the pneumatic products division.

Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	34.2	41.1
PAT (Rs. crore)	-5.9	0.2
OPBDIT/OI (%)	-1.8%	8.5%
RoCE (%)	-10.4%	6.0%
Total Debt/TNW (times)	0.9	0.6
Total Debt/OPBDIT (times)	-24.2	2.7
Interest coverage (times)	-0.3	2.2
NWC/OI (%)	28%	15%

About the guarantors:

Incorporated in 1978 as Dharuhera Chemicals Limited (DCL), Oriental Carbon & Chemicals Limited (OCCL), a part of the Duncan J P Goenka Group, is currently engaged in the production of wide range of Insoluble Sulphur, Sulphuric Acid and Oleum which are being exported to leading tyre companies across the world. 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. OCCL commenced the production of Insoluble Sulphur in 1994 and driven by the increasing demand of Insoluble Sulphur OCCL expanded its production capacity from 5,000 MTPA to

10,000 MTPA in 2005 by installation of an Export Oriented Unit. OCCL is one of the leading producer of Insoluble Sulphur, marketed as 'Diamond Sulf', which is used as a vulcanizing agent in the rubber industry.

Cosmopolitan Investments Limited (CIL) is the other guarantor which has extended irrevocable corporate guarantee to the debt lines of DEL.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Date & Rating		Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
			July 2018	July 05, 2018	August 2017	January 2017	January 2016
1 Cash Credit (SO)	Long Term	9.00	[ICRA]A+ (SO) (Positive)	[ICRA]A(SO) (Positive)	[ICRA]A(SO) (Positive)	[ICRA]A(SO) (Stable)	[ICRA]A(SO) (Stable)
2 Non Fund Based (SO)	Short Term	0.81	[ICRA]A1 + (SO)	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A1(SO)
3 Term Loan (SO)	Long Term	-	-	-	[ICRA]A(SO) (Positive)	[ICRA]A(SO) (Stable)	[ICRA]A(SO) (Stable)
4 Fund Based (SO)	Short Term	-	-	-	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A1(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 Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	-	NA	9.00	[ICRA]A+(SO) (Positive)
NA	Non Fund Based facility – Letter of Credit, Bank Guarantee, Derivative / Forward Contract/CEL	NA	-	NA	0.81	[ICRA]A1+(SO)

Source: Duncan Engineering Limited

Corrigendum

Rating rationale dated July 27, 2018 has been corrected with revisions as detailed below:

Rationale and Outlook section on- Page 1 – The reason for rating upgrade has been added in the Rationale section and the outlook section has been re-worded.

ANALYST CONTACTS

K. Ravichandran

+91 44 4596 4301

ravichandran@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

Preeti Kumaran

+91 22 6169 3356

preeti.kumaran@icraindia.com

Yashowardhan Swami

+91 20 6606 9923

yashowardhan.swami@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91- 124- 2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents