

January 23, 2017

## Duncan Engineering Limited (erstwhile Schrader Duncan Limited)

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Long Term: Fund Based Limits	21.50	[ICRA]A(SO)(Stable) reaffirmed
Short Term: Fund Based Limits	3.00	[ICRA]A1(SO) reaffirmed
Short Term: Non Fund Based Limits	5.50	[ICRA]A1(SO) reaffirmed
<b>Total</b>	<b>30.00</b>	

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has reaffirmed the rating assigned to the long term fund based facility of Rs. 21.5 crore of Duncan Engineering Limited (erstwhile Schrader Duncan Limited) (DEL/the Company)† at [ICRA]A(SO) (pronounced ICRA A, Structured Obligation). The long term rating has a stable outlook. ICRA has also reaffirmed the ratings assigned to the short term fund based facility of Rs. 3.0 crore and the short term non fund based facility of Rs. 5.5 crore of DEL to [ICRA]A1(SO) (pronounced ICRA A one, Structured Obligation).

### Rationale

The ratings continue to reflect corporate guarantees extended by Oriental Carbon & Chemicals Limited (OCCL, rated [ICRA]A/Stable/A1). The guarantee covers the principal and interest payment obligations on the rated debt. The above ratings address the servicing of the loan to happen as per the terms of the underlying loan and the guarantee arrangement and the rating assumes that the guarantee will be duly invoked, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower. SO rating does not represent ICRA's opinion on the general credit quality of the issuers concerned. Please note that in the event that the Guarantor cancels or discontinues the guarantee, the captioned rating will not apply. In that event, the rating on the facility will have to be reviewed.

### Analytical approach:

For arriving at the ratings, ICRA has taken into account the irrevocable and unconditional nature of the corporate guarantee extended by OCCL to the aforementioned bank facilities of DEL.

**Links to applicable Criteria**  
**[Corporate Credit Rating –A Note on Methodology](#)**

† For complete rating definition, please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications.

## 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

### **Credit Challenges:**

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

### **Description of key rating drivers highlighted above:**

Oriental Carbon & Chemicals Limited is the majority stake holder in DEL. It has provided unconditional and irrevocable corporate guarantee for the bank facilities of Duncan Engineering Limited.

OCCL has around 50.01% stake in DEL; the value of OCCL's investment in DEL works out to be ~ Rs. 1.85 crore as in FY2016. Against the value of this investment, there is no any major debt repayment obligation from DEL, as the outstanding term loan has already been repaid. OCCL has strong net cash accruals (Rs. 58.11 crore in FY16) ensuring strong financial flexibility to meet future debt repayments.

### **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 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-16, 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. OCCL commenced the production of Insoluble Sulphur in 1994 and driven by the increasing demand of Insoluble Sulphur OCCL expanded its production capacity from 5000 MTPA to 10,000 MTPA in 2005 by installation of an Export Oriented Unit. The company is currently engaged in the production of Insoluble Sulphur, Sulphuric Acid and Oleum. OCCL is the leading producer of Insoluble Sulphur, marketed as 'Diamond Sulf', which is used as a vulcanizing agent in the rubber industry. The company produces wide range of insoluble sulphur grades, which are being exported to leading tyre companies across the world.

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

Any other information: Not Applicable  
 Rating History for last three years:

**Table: Rating History**

Sr.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 2 years				
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month- year & Rating in FY2016		Month- year & Rating in FY2015		
				January 2017	January 2016	July 2015	October 2014	August 2014	
1	Fund Based	Long Term	21.50	[ICRA]A(SO)/Stable	[ICRA]A(SO)/Stable	[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)	[ICRA]A2+(SO)	
3	Non Fund Based	Short Term	5.50	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A1(SO)	[ICRA]A2+(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](http://www.icra.in)

**Annexure-1**
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Term Loan	2008	12.35%	2016	6.50	[ICRA]A(SO)/Stable
Cash Credit	-	10.55%	-	15.00	[ICRA]A(SO)/Stable
Short Term, Fund Based	-	-	-	3.00	[ICRA]A1(SO)
Short Term, Non Fund Based	-	-	-	5.50	[ICRA]A1(SO)

Source: DEL

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About ICRA Limited:

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