

## SEPC Limited (Formerly known as Shriram EPC Limited)

September 15, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	561.98	CARE D (Single D)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term / Short Term Bank Facilities	6.36	CARE D / CARE D (Single D / Single D)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	899.52	CARE D (Single D)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
<b>Total Bank Facilities</b>	<b>1,467.86</b> <b>(₹ One Thousand Four Hundred Sixty-Seven Crore and Eighty-Six Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of SEPC Limited (SEPC) takes into account the delay in debt servicing.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Satisfactory track record of timely servicing of debt obligations

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Delays in debt servicing:** Being an EPC contractor, the operations of SEPC Limited are working capital intensive with the project cycle generally ranging from six months to three years. The higher receivables position and delays associated with projects have increased the pressure on the cash flow position of the company. The resultant tight liquidity position of the company had led to delays in servicing of term loan and working capital facilities.

**Continued decline in operational performance:** There has been continuous decline in the TOI for the past few years. The company has recorded a 43% decline in revenue in FY22 to Rs. 302 crore from Rs. 529 crore in FY21. The company has been making operating losses for the past two years with drop in revenue. Net loss has also increased from Rs. 183 crore in FY 2021 to Rs. 206 crore in FY 2022, due to higher provisions and write-offs.

#### Liquidity: Poor

The company had cash and bank balance (excluding margin money) of Rs.6.97 crore as on March 31, 2022. Working capital cycle for FY22 remains stretched at 245 days (PY: 162 days) due to high collection period. During FY22, collection period stood at 516 days (PY: 358 days).

#### Analytical approach: Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### About the company

Chennai based SEPC Limited (SEPC) was incorporated in June 2000, after merging companies engaged in similar businesses, consolidating their operations. Initially, setup as an EPC contractor to carry out the construction works of associate entities within the group, SEPC has been able to establish its presence in undertaking jobs for external parties and government/quasi government entities. SEPC specializes in executing EPC contracts, providing integrated solutions encompassing design, engineering, procurement, construction and project management services. The company's services are primarily spread across municipal services, process & metallurgy, power and mineral processing segments.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (Prov.)
Total operating income	529.07	302.77	59.24
PBILDT	-63.66	-20.53	-8.13
PAT	-182.89	-249.01	-37.72
Overall gearing (times)	0.85	1.32	NA
Interest coverage (times)	-ve	-ve	-ve

A: Audited; Prov.: Provisional

**Status of non-cooperation with previous CRA:** India Ratings has conducted the review on the basis of best available information and has continued to classify SEPC Limited as "Not Cooperating" vide its press release dated July 29, 2022.

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Mar 2024	129.22	CARE D
Fund-based - LT-Cash Credit		-	-	-	432.76	CARE D
Fund-based - LT/ ST-Working Capital Limits		-	-	-	6.36	CARE D / CARE D
Non-fund-based - ST-Working Capital Limits		-	-	-	899.52	CARE D

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT**	129.22	CARE D	-	1)CARE D; ISSUER NOT COOPERATING* (29-Mar-22) 2)CARE D (05-Apr-21)	1)CARE D (28-Sep-20) 2)CARE D; ISSUER NOT COOPERATING* (06-Apr-20)	1)CARE D (05-Apr-19)
2	Fund-based - LT-Cash Credit	LT	432.76	CARE D	-	1)CARE D; ISSUER NOT COOPERATING* (29-Mar-22) 2)CARE D (05-Apr-21)	1)CARE D (28-Sep-20) 2)CARE D; ISSUER NOT COOPERATING* (06-Apr-20)	1)CARE D (05-Apr-19)
3	Fund-based - LT/ST-Working Capital Limits	LT/ST	6.36	CARE D / CARE D	-	1)CARE D / CARE D; ISSUER NOT COOPERATING* (29-Mar-22) 2)CARE D / CARE D (05-Apr-21)	1)CARE D / CARE D (28-Sep-20) 2)CARE D / CARE D; ISSUER NOT COOPERATING* (06-Apr-20)	1)CARE D / CARE D (05-Apr-19)
4	Non-fund-based - ST-Working Capital Limits	ST***	899.52	CARE D	-	1)CARE D; ISSUER NOT COOPERATING* (29-Mar-22) 2)CARE D (05-Apr-21)	1)CARE D (28-Sep-20) 2)CARE D; ISSUER NOT COOPERATING* (06-Apr-20)	1)CARE D (05-Apr-19)

\*Issuer did not cooperate; Based on best available information; \*\*Long term; \*\*\*Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities – Not Applicable****Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Non-fund-based - ST-Working Capital Limits	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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