

SEPC Limited

April 03, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|---------------------|---|---|
| Long Term Bank Facilities | 561.98 | CARE D; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |
| Long Term / Short Term Bank Facilities | 6.36 | CARE D / CARE D; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |
| Short Term Bank Facilities | 899.52 | CARE D; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

SEPC Limited (SEPC) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on SEPC Limited's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings

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

Analytical approach:

Standalone

Detailed description of the key rating drivers:

At the time of last rating on September 15, 2022 the following were the rating strengths and weaknesses (updated for the information available from stock exchange):

Key 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 three years and during 9mFY23, the company reported operating loss of Rs. 74.29 crore on total income of Rs. 240.6 crore. 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).

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Construction](#)

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

About the company and industry

Industry classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|--------------------------|--------------|--------------|--------------------|
| Industrials | Construction | Construction | Civil Construction |

About the company

Chennai based Shriram EPC 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) | 9MFY23 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 529.07 | 302.77 | 240.6 |
| PBILDT | -63.66 | -20.53 | -74.29 |
| PAT | -182.89 | -249.01 | 8.04 |
| Overall gearing (times) | 0.85 | 1.32 | NA |
| Interest coverage (times) | -0.50 | -0.16 | NM |

A: Audited UA: Unaudited; NA: Not Available; NM- Not Meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

India Ratings has conducted the review on the basis of best available information and has classified SEPC Limited as "Not Cooperating" vide its press release dated July 29, 2022.

Any other information: Not Applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Cash Credit | | - | - | - | 432.76 | CARE D; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | Mar 2024 | 129.22 | CARE D; ISSUER NOT COOPERATING* |
| Fund-based - LT/ ST-Working Capital Limits | | - | - | - | 6.36 | CARE D / CARE D; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Working Capital Limits | | - | - | - | 899.52 | CARE D; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

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; ISSUER NOT COOPERATING* | 1)CARE D (15-Sep-22) | 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; ISSUER NOT COOPERATING* | 1)CARE D (15-Sep-22) | 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; ISSUER NOT COOPERATING* | 1)CARE D / CARE D (15-Sep-22) | 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; ISSUER NOT COOPERATING* | 1)CARE D (15-Sep-22) | 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 covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the 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: Lender details

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

Note on the 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.

Contact us

| Media Contact | Analytical Contacts |
|---|---|
| <p>Name: Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Name: Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28490876/0811/7812 E-mail: pradeep.kumar@careedge.in</p> | <p>Name: Sandeep P Director CARE Ratings Limited Phone: 044-28497812 E-mail: Sandeep.prem@careedge.in</p> <p>Name: Naveen Kumar S Assistant Director CARE Ratings Limited Phone: 0422- 4332399 E-mail: naveen.kumar@careedge.in</p> <p>Name: Kavitha Priya P Analyst CARE Ratings Limited E-mail: Kavitha.purushotham@careedge.in</p> |

About us:

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