

## Shriram EPC Limited

March 29, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	561.98	CARE D; ISSUER NOT COOPERATING* (Single 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* (Single D / Single D ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	899.52	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>1,467.86</b> <b>(Rs. One Thousand Four Hundred Sixty-Seven Crore and Eighty-Six Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Shriram EPC Limited (SEPC) to monitor the rating vide e-mail communications dated December 27, 2022, February 05, 2022 and February 21, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, SEPC has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on SEPC's bank facilities will now be denoted as **CARE D/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.**

### Detailed description of the key rating drivers

At the time of last rating on [April 05, 2021](#) the following were the rating strengths and weaknesses (updated for the information available from stock exchange):

#### Key Rating Weaknesses

##### ***Delays in debt servicing with tight liquidity position***

Being an EPC contractor, the operations of Shriram EPC Limited (SEPCL) 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 has led to ongoing delays in servicing of term loan and working capital facilities. For FY21, total income of SEPCL declined 23% y-o-y. The company reported net loss of Rs.183 crore in FY21 as against loss of Rs.81 crore in FY20.

#### **Liquidity: Poor**

Poor liquidity marked by lower accruals when compared to repayment obligations, elongated working capital cycle, fully utilized bank limits and modest cash balance. The company had cash and bank balance of Rs. 2.65 crore as on March 31, 2021. Working capital cycle for FY21 remains stretched at 162 days (PY: 116 days) due to high collection period. During FY21, collection period stood at 358 days (PY: 317 days). As part of COVID-19 relief package announced by RBI, the company had availed moratorium on its debt obligations between March-August 2020 from all lenders.

<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

**Analytical approach:** Standalone**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](#)  
[Short Term Instruments](#)  
[Construction](#)  
[Infrastructure Sector Ratings](#)

**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 (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating income	723.33	553.01	216.14
PBILDT	100.16	-39.73	-31.26
PAT	-80.99	-182.89	-120.90
Overall gearing (times)	0.65	0.85	NA
Interest coverage (times)	0.88	-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 classified Shriram EPC Limited as "Not Cooperating" vide its press release dated May 07, 2021

**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 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 (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Mar 2024	129.22	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	432.76	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 of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT**	129.22	CARE D; ISSUER NOT COOPERATING *	1)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)	1)CARE D (05-Apr-18)
2	Fund-based - LT-Cash Credit	LT	432.76	CARE D; ISSUER NOT COOPERATING *	1)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)	1)CARE D (05-Apr-18)
3	Fund-based - LT/ST-Working Capital Limits	LT/ST	6.36	CARE D / CARE D; ISSUER NOT COOPERATING *	1)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)	1)CARE D / CARE D (05-Apr-18)
4	Non-fund-based - ST-Working Capital Limits	ST** *	899.52	CARE D; ISSUER NOT COOPERATING *	1)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)	1)CARE D (05-Apr-18)

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

**Annexure-3: Detailed explanation of covenants of the rated instrument / 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 instrument:** CARE Ratings Ltd. 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 CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**