

APRIL 07, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SHRIRAM EPC LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1975.08	CARE BB (Double B)	Reaffirmed
Short-term Bank Facilities	667.14	CARE A4 (A Four)	Reaffirmed
Long-term/ Short-term Bank Facilities	48.00	CARE BB/ CARE A4 (Double B/ A Four)	Reaffirmed
Total Bank Facilities	2690.22 (Rupees Two Thousand Six Hundred Ninety crore and Twenty Two lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Shriram EPC Limited (SEPC) continue to factor in highly leveraged capital structure of the company, continuation of weak financial performance during FY15 (refers to the period April 1 to March 31), challenging business environment and moderation in infrastructure spending in the domestic economy. The ratings also take into account the implementation of Corporate Debt Restructuring (CDR) in the company.

The ratings, however, favourably factor in the benefits derived by SEPC being part of the Shriram group, established track record of operations of SEPC, its experienced management team, its position as the flagship entity of the group in the non-financial services vertical and demonstrated financial support from the group.

Going forward, the ability of SEPC to rationalise its debt level, effectively manage its working capital requirements and continued financial support from the group will be key to its financial risk profile. The ability of the company to increase its operating income and improve the profitability will be the key rating sensitivities.

Background

SEPC specialises 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. SEPC is a part of the Chennai-based Shriram group, which has varied business interests.

SEPC reported a net loss of Rs.253 crore on a total income of Rs.667 crore in FY15. During 9MFY16, SEPC reported a net loss of Rs.46 crore on a total operating income of Rs.489 crore.

Mr P.P Pattanayak, Member of CARE's Rating Committee is an independent director on the board of Shriram City Union Finance Limited and to comply with the regulations, the member did not participate in the rating process and the Rating Committee Meeting.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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