

## Shriram EPC Limited

April 05, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	548.71	CARE D [Single D]	Reaffirmed
Short-term Bank Facilities	765.11	CARE D [Single D]	Reaffirmed
Long-term/ Short-term Bank Facilities	48.00	CARE D/ CARE D [Single D/Single D]	Reaffirmed
<b>Total Bank Facilities</b>	<b>1,361.82</b> <b>(Rupees One thousand three hundred and Sixty One crore and Eighty Two lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

*The ratings assigned to the bank facilities of Shriram EPC Limited (SEPC), takes into account ongoing delays in servicing debt obligation.*

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### **Weak financial performance in FY17 and Instances of delays in debt servicing**

The company reported a PBILD of Rs.22 crore (Rs.139 crore) on a total income of Rs.526 crore (PY: Rs.659 crore) in FY17. During FY17, the operations of the Company continued to be under stress primarily due to payment and approval delays from customers and tight liquidity position affecting the operations and cash flows. Due to high debt, the interest cost remained high, resulting in net loss of Rs.232 crore in FY17 (PY: 244 crore). During FY17 there was equity infusion by the promoters and conversion of FITL, WCTL and interest sacrifice to lenders into equity to ease the liquidity position to an extent. Further, during 9MFY18 also the company has received equity infusion and converted FITL, WCTL and interest sacrifice to lenders into equity which improved the net worth.

The losses in the last three years have significantly affected the net-worth of SEPC for few years ending March 2016 impacting its leveraged capital structure. However with equity infusion by promoters and conversion of FITL and WCTL into equity in FY17 and 9MFY18 the networth of the company improved.

Being an EPC contractor, the operations of SEPC are working capital intensive with the project cycle generally ranging from six months to three years. The higher receivables position and the delays associated with implementation of certain projects have increased the pressure on the cash flow position of the company compounded by the cash losses incurred in the past three years ended March, 2017. This has resulting in tight liquidity position of the company and instance of delays in debt servicing. During 9MFY18 the revenue and profitability of the company has improved. During the period SEPC registered PAT of Rs.10 crore (PY: Net loss Rs.139 crore) on TOI of Rs.563 crore (PY:Rs.360 crore).

**Analytical approach:** Standalone

**Applicable Criteria**

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

### About the Company

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 Shriram group, SEPC has been able to establish its presence in undertaking jobs for external parties and government/quasi government entities. 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	659	526
PBILDT	139	22
PAT	-244	-232
Overall gearing (times)	4.43	0.61
Interest coverage (times)	0.51	0.09

A: Audited

**Status of non-cooperation with previous CRA:** India Ratings has conducted the review on the basis of best available information and has classified the Shriram EPC Limited as "Not Cooperating" vide its press release dated September 08, 2017.

**Any other information:** NA

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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### 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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	401.17	CARE D
Fund-based - LT-Term Loan	-	-	March 2024	147.54	CARE D
Non-fund-based - ST-Working Capital Limits	-	-	-	765.11	CARE D
Fund-based - LT/ ST-Working Capital Limits	-	-	-	48.00	CARE D / CARE D

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	147.54	CARE D	-	1)CARE D (17-May-17)	1)CARE BB (07-Apr-16)	-
2.	Fund-based - LT-Cash Credit	LT	401.17	CARE D	-	1)CARE D (17-May-17)	1)CARE BB (07-Apr-16)	-
3.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	48.00	CARE D / CARE D	-	1)CARE D / CARE D (17-May-17)	1)CARE BB / CARE A4 (07-Apr-16)	-
4.	Non-fund-based - ST-Working Capital Limits	ST	765.11	CARE D	-	1)CARE D (17-May-17)	1)CARE A4 (07-Apr-16)	-

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