

## Shriram EPC Limited

April 05, 2019

### 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
Total Facilities	<b>1,361.82</b> <b>(Rupees One thousand three hundred and Sixty One crore and Eighty Two lakhs 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 factors in the delays in servicing of debt obligations.

### Detailed description of the key rating drivers

#### 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 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 FY18 the company registered TOI of Rs.635 crore as against TOI of Rs.526 crore in FY17 increase in income is majorly on account of higher revenue booking from orders. The company also reported PAT of Rs.11 crore and GCA of Rs.30 cr on TOI of Rs.635 cr as against net loss of Rs.232 cr and cash loss of Rs.197 cr on TOI of Rs.526 cr in FY17. The decrease in the interest expenses during FY18 is due to further conversion of FITL, WCTL and interest sacrifice to lenders into equity and share premium. However the interest remained high. During 9MFY19, the company reported revenue of Rs.760 crore (Rs.563 crore in 9MFY18) with a PBILD level of Rs.106 crore and a PAT of Rs.27 crore.

**Analytical approach:** Standalone

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

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

[Rating Methodology-Infrastructure Sector Companies](#)

[Financial Ratios - Non-Financial Sector](#)

#### About the Company

SEPCL 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, SEPCL has been able to establish its presence in undertaking jobs for external parties and government/quasi government entities. SEPCL specializes in executing EPC contracts, providing integrated solutions encompassing design, engineering, procurement, construction and project management services. The company's services are primarily

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

spread across municipal services, process & metallurgy, power and mineral processing segments. SEPCL is a part of the Chennai-based Shriram group, which has varied business interests.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	526	635
PBILDT	22	134
PAT	(232)	11
Overall gearing (times)	0.61	0.48
Interest coverage (times)	0.09	1.29

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 Shriram EPC Limited as “Not Cooperating” vide its press release dated November 13, 2018.

**Any other information:** Not Applicable

**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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**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.

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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-Term Loan	-	-	March 2024	147.54	CARE D
Fund-based - LT-Cash Credit	-	-	-	401.17	CARE D
Fund-based - LT/ ST-Working Capital Limits	-	-	-	48.00	CARE D / CARE D
Non-fund-based - ST-Working Capital Limits	-	-	-	765.11	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 (05-Apr-18)	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 (05-Apr-18)	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 (05-Apr-18)	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 (05-Apr-18)	1)CARE D (17-May-17)	1)CARE A4 (07-Apr-16)	-

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