Shriram EPC Limited

May 17, 2017

Ratings

Facilities	**Amount (Rs. Crore)**	**Ratings[1]**	**Rating Action**
Long-term Bank Facilities	739.41 (reduced from 1,975.08)	CARE D [Single D]	Revised from CARE BB [Double B]
Short-term Bank Facilities	927.27 (Enhanced from 667.14)	CARE D [Single D]	Revised from CARE A4 [A Four]
Long-term/ Short-term Bank Facilities	57.77 (Enhanced from 48.00)	CARE D/ CARE D [Single D/Single D]	Revised from CARE BB/ CARE A4 [Double B/ A Four]
Total Bank Facilities	**1,724.45 (Rupees One thousand Seven hundred and Twenty four crore and Forty Five lakh only)**		

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 instances of delays in servicing debt obligation.

Detailed description of the key rating drivers

***Weak financial performance in FY16 and 9MFY17 and* Instances of delays in debt servicing**

SEPC was put under Corporate Debt Restructuring (CDR) during September 2014, with cut-off date of April 1, 2014. The company reported a PBILDT of Rs.139 crore on a total income of Rs.659 crore in FY16. However, due to the leveraged capital structure and interest cost associated with it, the company reported a net loss of Rs.244 crore during FY16 as against a net loss of Rs.253 crore during FY15. During FY16, there was equity infusion by the promoters (including conversion of preference share and accrued interest), conversion of Funded Interest Term Loan (FITL) & Interest sacrifice to lenders into equity. During 9MFY17, SEPC has further converted portion of FITL, WCTL and interest sacrifice to lenders into equity which improved the net worth.

The losses incurred by the company in the last three years have significantly affected the net-worth of SEPC, notwithstanding conversion of debt into equity, the capital structure still remains to be highly leveraged.

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, 2016. This has resulting in tight liquidity position of the company and instance of delays in debt servicing.

Analytical approach: Standalone

Applicable Criteria

[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.

The company reported a net loss of Rs.244 crore on a total income of Rs.659 crore in FY16 and net loss of Rs.166 crore on total operating income of Rs.312 crore in 9MFY17.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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

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	315.71	CARE D
Fund-based - LT-Cash Credit	-	-	-	423.70	CARE D
Fund-based - LT/ ST-Working Capital Limits	-	-	-	57.77	CARE D / CARE D
Non-fund-based - ST-Working Capital Limits	-	-	-	927.27	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	315.71	CARE D	-	1)CARE BB (07-Apr-16)	-	1)CARE BB (01-Jul-14)
2.	Fund-based - LT-Cash Credit	LT	423.70	CARE D	-	1)CARE BB (07-Apr-16)	-	1)CARE BB (01-Jul-14)
3.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	57.77	CARE D / CARE D	-	1)CARE BB / CARE A4 (07-Apr-16)	-	1)CARE BB / CARE A4 (01-Jul-14)
4.	Non-fund-based - ST-BG/LC	-	-	-	-	-	-	1)CARE A4 (01-Jul-14)
5.	Fund-based/Non-fund-based-Short Term	-	-	-	-	-	-	1)CARE A4 (01-Jul-14)
6.	Non-fund-based - ST-Working Capital Limits	ST	927.27	CARE D	-	1)CARE A4 (07-Apr-16)	-	1)CARE A4 (01-Jul-14)
7.	Fund-based/Non-fund-based-LT/ST	-	-	-	-	-	-	1)CARE BB / CARE A4 (01-Jul-14)

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