

Shriram EPC Limited

September 28, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long-term Bank Facilities	561.98 (enhanced from 548.71)	CARE D (Single D)	Reaffirmed and removed from INC
Short-term Bank Facilities	899.52 (enhanced from 765.11)	CARE D (Single D)	Reaffirmed and removed from INC
Long-term/Short-term Bank Facilities	6.36 (reduced from 48.00)	CARE D / CARE D (Single D / Single D)	Reaffirmed and removed from INC
Total Facilities	1,467.86 (Rs. One Thousand Four Hundred Sixty-Seven Crore and Eighty-Six Lakhs Only)		

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 ongoing delays in servicing of debt obligations.

Rating Sensitivities

Positive Factors

- Satisfactory track record of timely servicing of debt obligations on sustained basis.
- Sustained improvement in operational and financial performance.

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. The resultant tight liquidity position of the company has led to ongoing delays in servicing of term loan and working capital facilities.

For FY20, total income of SEPCL declined 11% y-o-y to Rs.723 crore from Rs.813 crore in FY19. Revenue from operations declined 8% y-o-y to Rs.681 crore from Rs.741 crore in FY19, majorly due to slower execution on account of Covid19 impact during Q4FY20. PBILDT margin of the company stood at 13.85% in FY20 as against 17.61% in FY19.

For FY20, the company reported net loss of Rs.81 crore against PAT of Rs.29 crore in FY19, due higher provisions and write-offs on account of Covid19. The company had recognized impairment loss (exceptional items) of Rs.66.07 crore and Rs.34.14 crore as loss on write-off of contract work-in-progress during 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 (excluding margin money) of Rs.13.4 crore as on March 31, 2020. Working capital cycle for FY20 remains stretched at 116 days (PY: 113 days) due to high collection period. During FY20, collection period stood at 317 days (PY: 293 days). Scheduled repayment for FY21 is Rs.25.8 crore as against GCA of Rs.25 crore reported in FY20.

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.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Rating Methodology – Construction Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Short Term Instruments](#)

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

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

About the Company

Chennai based Shriram EPC Limited (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 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 spread across municipal services, process & metallurgy, power and mineral processing segments.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	813	723
PBILDT	143	100
PAT	29	(81)
Overall gearing (times)	0.59	0.65
Interest coverage (times)	1.35	0.88

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 February 10, 2020.

Any other information: Not applicable

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

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	-	-	Mar 2024	129.22	CARE D
Fund-based - LT-Cash Credit	-	-	-	432.76	CARE D
Fund-based - LT/ ST-Working Capital Limits	-	-	-	6.36	CARE D / CARE D
Non-fund-based - ST-Working Capital Limits	-	-	-	899.52	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	129.22	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-20)	1)CARE D (05-Apr-19)	1)CARE D (05-Apr-18)	1)CARE D (17-May-17)
2.	Fund-based - LT-Cash Credit	LT	432.76	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-20)	1)CARE D (05-Apr-19)	1)CARE D (05-Apr-18)	1)CARE D (17-May-17)
3.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	6.36	CARE D / CARE D	1)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)	1)CARE D / CARE D (17-May-17)
4.	Non-fund-based - ST-Working Capital Limits	ST	899.52	CARE D	1)CARE D; ISSUER NOT COOPERATING* (06-Apr-20)	1)CARE D (05-Apr-19)	1)CARE D (05-Apr-18)	1)CARE D (17-May-17)

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 the 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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to 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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