

## 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.

**Analyst Contact:**

Name: Sudhakar.P

Tel: 044-28501003

Email: [p.sudhakar@careratings.com](mailto:p.sudhakar@careratings.com)

**\*\*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.

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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)	-

**CONTACT****Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062

Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

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