

No. CARE/CRO/RL/2020-21/1350

Shri Chandrasekharan R S

Chief Financial Officer

Shriram EPC Limited

1st Floor, Rajah Annamalai Building, No.18/3,

Rukmini Lakshmipathi Road, Egmore

Chennai

Tamil Nadu 600008

September 23, 2020

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY20 (Audited) and Q1FY21 (Provisional),

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	561.98 (Enhanced from 548.71)	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
Short Term Bank Facilities	899.52 (Enhanced from 765.11)	CARE 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)		

2. Refer **Annexure 1** for details of rated facilities.

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

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3. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by September 25, 2020, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

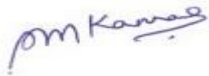
CARE Ratings Ltd.

9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.


If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



Kannan M
Analyst
kannan.m@careratings.com



Sudhakar P
Associate Director
p.sudhakar@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	Central Bank of India	129.22	FY18 - 3%, FY19 - 4%, FY20 - 10%, FY21 - 14%, FY22 - 20%, FY23 - 23.5%, FY24 - 23.5%
	Total	129.22	

1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	State Bank of India	57.57	CC
2.	IDBI Bank Ltd.	54.37	
3.	Punjab National Bank	53.19	
4.	Lakshmi Villas Bank	35.00	
5.	Central Bank of India	28.80	
6.	IndusInd Bank Ltd.	24.96	
7.	Bank of Baroda	23.64	
8.	South Indian Bank Ltd.	21.27	
9.	Bank of Maharashtra	19.20	
10.	Union Bank of India	19.20	
11.	Punjab National Bank	18.81	
12.	Axis Bank Ltd.	16.30	
13.	Indian Bank	15.36	
14.	Federal Bank	15.36	
15.	Yes Bank Ltd.	10.00	
16.	Bank of India	9.46	
17.	ICICI Bank Ltd.	5.76	
18.	IFCI Factors Ltd.	4.51	
	Total	432.76	

CC: Cash Credit

Total Long Term Facilities : Rs.561.98 crore

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2. Short Term Facilities

2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Punjab National Bank	285.66	LC: Rs.65.00 crore and BG: Rs.220.66 crore
2.	Axis Bank Ltd.	231.14	LC: Rs.60.21 crore and BG: Rs.170.93 crore
3.	ICICI Bank Ltd.	59.57	LC: Rs.5.45 crore and BG: Rs.54.12 crore
4.	State Bank of India	55.94	LC: Rs.19.88 crore and BG: Rs.36.06 crore
5.	Indian Bank	50.15	LC: Rs.12.59 crore and BG: Rs.37.56 crore
6.	Central Bank of India	48.33	LC: Rs.24.42 crore and BG: Rs.23.91 crore
7.	Bank of India	45.99	LC: Rs.19.29 crore and BG: Rs.26.70 crore
8.	Bank of Maharashtra	33.98	LC: Rs.9.92 crore and BG: Rs.24.06 crore
9.	Punjab National Bank	31.23	LC: Rs.8.97 crore and BG: Rs.22.26 crore
10.	IDBI Bank Ltd.	23.16	LC: Rs.12.65 crore and BG: Rs.10.51 crore
11.	South Indian Bank Ltd.	14.87	LC: Rs.10.04 crore and BG: Rs.4.83 crore
12.	IndusInd Bank Ltd.	13.20	LC: Rs.1.21 crore and BG: Rs.11.99 crore
13.	Federal Bank	1.74	LC: Rs.1.35 crore and BG: Rs.0.39 crore
14.	Lakshmi Villas Bank	1.72	LC: Rs.0.19 crore and BG: Rs.1.53 crore
15.	Union Bank of India	1.61	LC: Rs.1.34 crore and BG: Rs.0.27 crore
16.	Yes Bank Ltd.	1.23	LC: Rs.0.11 crore and BG: Rs.1.12 crore
	Total	899.52	

LC: Letter of Credit; BG: Bank Guarantee

Total Short Term Facilities : Rs.899.52 crore

3. Long Term / Short Term Facilities

3.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	IFCI Factors Ltd.	5.60	WCTL
2.	IFCI Factors Ltd.	0.76	FITL
	Total	6.36	

FITL: Funded Interest Term Loan; WCTL: Working Capital Term Loan

Total Long Term / Short Term Facilities : Rs.6.36 crore

Total Facilities (1.A+1.B+2.A+3.A) : Rs.1,467.86 crore

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Annexure 2
Press Release
Shriram EPC Limited

Ratings

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
Long-term Bank Facilities	561.98 (enhanced from 548.71)	CARE D (Single D)	Reaffirmed and removed from INC
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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

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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

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.

Contact us

Media Contact

Mradul Mishra

Contact no: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Mr. Sudhakar P

Contact no.: +91-44-2850 1000

Email ID: p.sudhakar@careratings.com

Relationship Contact

Mr. Pradeep Kumar

Contact no.: +91-44-2850 1000

Email ID: pradeep.kumar@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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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