SEPC Ltd — 11 Mar 2026 Credit Rating Summary

Section	Details
Agency	Infomerics Ratings
Rating Change	**BB+** → **D** (Multi-notch downgrade to **Default** status)
Outlook (Current vs Previous)	**None** (Defaulted) vs **Negative**
Key Drivers of Change	1. **Debt Servicing Failure:** Actual delays in interest servicing (due Feb 2026) and Letter of Credit (LC) devolvements. 2. **Legal Asset Freeze:** Madras High Court (Feb 19, 2026) attached **₹154.63 Cr** of receivables (34% of total trade receivables). 3. **Liquidity Lock:** Lead bank froze the Trust and Retention Account (TRA), blocking access to all operational funds. 4. **Funding Mismatch:** Delays in shareholder approval to repurpose **₹150 Cr** rights issue proceeds for working capital rather than NCD redemption.
Rated Instruments	• **Bank Guarantee:** ₹518.50 Cr (IVR D) • **Letter of Credit:** ₹204.85 Cr (IVR D) • **Cash Credit:** ₹69.40 Cr (IVR D) • **Term Loans:** ₹16.16 Cr (IVR D) • **Total Rated: ₹882.50 Cr**
Key Observations	• **Order Book vs Execution:** Massive order book of **₹5,169.31 Cr** (8.65x FY25 revenue), but 74% tied to delayed international projects. • **Weak 9M FY26:** Revenue fell 18% YoY to ₹394.08 Cr; PAT fell 10% to ₹13.48 Cr. • **Working Capital Trap:** Avg. collection period is a staggering **269 days**; Contract Assets elevated at **₹1,076 Cr**. • **Capital Structure:** Technically strong Net Worth (**₹1,194.76 Cr**) and low gearing (**0.25x**) rendered irrelevant by lack of cash access. • **Promoter Support:** Mark AB Dubai LLC infused ₹350 Cr equity and ₹54 Cr loans, but interim liquidity remains broken.
Investor Impact	• **Dilution Risk:** High; company survives on repeated rights issues (₹49 Cr, ₹200 Cr, and ₹350 Cr tranches). • **Margins:** EBITDA margins improved (10.24% in 9M FY26), but meaningless without cash flow realization. • **Equity Value:** High risk of value erosion as legal disputes (Gaja case) now directly impact daily banking operations.
Agency / Cross Analysis	**Same Agency:** Drastic volatility in assessment. In May 2024, rating was **BBB- (Investment Grade)**. By Feb 2026, it moved to **BB+**, and within a month to **D**. This indicates a rapid liquidity collapse that the agency failed to anticipate in earlier "Stable" or "Negative" outlooks. The core driver is the Madras HC order, which transformed a "stretched" liquidity situation into a "default" event almost overnight.
Final Inference	**Technical vs. Fundamental Default:** While the balance sheet looks "clean" (low gearing, high TNW), the business is functionally paralyzed by a legal freeze on its TRA account. For equity holders, the massive order book is a "mirage" until the legal deadlock with Gaja/TCPL is resolved and the 269-day receivable cycle is fixed.