SEPC Ltd — 09 Mar 2026 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	**BB+** → **D** (Downgrade to Default)
Outlook	**Negative** → **None** (Outlook removed upon reaching 'D' rating)
Key Drivers of Change	• **Servicing Defaults:** Delay in interest payment on ~□6 Cr term loans and >30-day delays in Letter of Credit (LC) dues. • **Legal Impoundment:** Madras High Court (Feb 2026) ordered attachment of **□154 Cr** in receivables, freezing operational cash flow. • **Account Freeze:** Lenders froze the Trust & Retention Account (TRA) following the court order, causing a severe liquidity "lock-out." • **Working Capital Strain:** Slow realizations from government bodies exacerbated the inability to fund operations despite having orders.
Rated Instruments	• **Bank Guarantee:** □509.91 Cr
Key Observations	• **Order Book Strength:** Robust pipeline of **>□5,000 Cr** provides revenue visibility but execution is stalled by liquidity. • **Promoter Support:** Mark AB infused **~□60 Cr** as quasi-equity in Feb 2026, showing commitment despite legal hurdles. • **Utilization:** Fund-based limits of **~□110 Cr** are currently overutilized. • **Legal Liability:** Litigation involving GPE (India) Ltd vs. SEPC/TCPL is the primary trigger for the current liquidity freeze. • **Margin Risk:** Fixed-price contracts remain susceptible to volatility in petroleum-linked raw materials (polyethylene/PVC). • **Financial Profile:** Reported Debt/Networth is low (**0.24x**), suggesting the crisis is liquidity-driven, not solvency-driven.
Investor Impact	• **Growth:** Stalled. Execution of the □5,000 Cr order book is impossible until TRA accounts are unfrozen. • **Margins:** Expected to compress due to delay-related cost overruns and inability to pass on RM spikes. • **Leverage:** Interest coverage is weak (**1.5x**) and will likely drop further as penalties for default accrue. • **Dilution Risk:** High. Continued reliance on promoter quasi-equity/equity infusion is the only viable path to normalization.
Agency / Cross Analysis	**Same Agency:** CRISIL shifted from a "Stretched" view (BB+/Negative) to "Default" (D) within a single review cycle. The trigger was not just operational weakness but a sudden legal event (court attachment) and lender-initiated account freezes. **Conclusion: Rapid Deterioration.** The rating action reflects a "Technical/Liquidity Default" caused by external legal intervention rather than a total collapse of the business model.
Final Inference	**Operational Paralysis.** While the low debt-to-equity (0.24x) and large order book look attractive on paper, the 'D' rating signals that cash is trapped. Equity investors face high risk until the legal attachment on □154 Cr is vacated and bank accounts are unfrozen.