

SEPC Ltd — 13 Feb 2026 Credit Rating Summary

Section	Details
Agency	Infomerics (IVR)
Rating Change	BBB- → BB+ (Downgraded 1 notch to Sub-Investment Grade); ST: A3 → A4+
Outlook	Negative (Revised from Stable)
Key Drivers of Change	<ol style="list-style-type: none"> Revenue Contraction: 9M FY26 TOI fell ~18% YoY to ₹394.08 Cr (vs ₹479.85 Cr) due to international execution delays. Liquidity Stress: Reported LC devolvments (defaults on trade payments) and 92% utilization of bank limits. WC Trap: Stagnant collection cycle of 269 days; Contract Assets (unbilled revenue) bloated to ₹1,076 Cr. Fund Diversion: Rights issue proceeds (₹140 Cr) diverted from debt repayment to working capital, signaling cash flow distress.
Rated Instruments	<p>Total: ₹882.50 Cr</p> <ul style="list-style-type: none"> Bank Guarantee: ₹18.50 Cr (IVR A4+) Letter of Credit: ₹204.85 Cr (IVR A4+) Cash Credit: ₹69.40 Cr (IVR BB+/Neg) Term Loans: ₹16.16 Cr (IVR BB+/Neg)
Key Observations	<p>Strengths:</p> <ul style="list-style-type: none"> Massive Order Book: ₹5,169 Cr (8.65x FY25 revenue) provides theoretical long-term visibility. Strong Equity Support: Net worth rose to ₹1,194.76 Cr (Mar-25) via Rights Issues and Promoter (Mark AB) infusion. Low Gearing: Adjusted gearing at a comfortable 0.23x. <p>Risks:</p> <ul style="list-style-type: none"> Execution Failure: 74% of order book tied to two delayed international projects. Legal Contingency: Ongoing Supreme Court litigation with Gaja (₹120 Cr+ deposited by co-respondent, risk of spillover). Operational Efficiency: EBITDA margin (10.24%) is improving, but net PAT remains thin (~-3.4%) and vulnerable to cost volatility.
Investor Impact	<ul style="list-style-type: none"> Growth: Execution bottlenecks in high-value Saudi/Sharjah projects stall top-line conversion. Dilution: Massive ₹350 Cr Rights Issue (FY26) provides liquidity but significantly dilutes existing shareholders. Leverage: While debt is low, the inability to service interest/LCs from internal accruals (Int. Coverage: 1.14x) signals high financial fragility.
Agency / Cross Analysis	Same Agency (IVR): Drastic shift from "Stable" to "Negative." In previous reviews (May 2024), IVR relied on the "Turnaround" story post-resolution. However, the 9M FY26 numbers proved the turnaround has stalled. The pivot from using capital for "Debt Paring" to "Survival Working Capital" is the primary reason for the downgrade.
Final Inference	Risk Signal: SEPC is a "Balance Sheet" success but an "Operations" failure. Despite high equity infusion, the company cannot convert its massive order book into cash, leading to LC devolvments. For equity investors, the negative outlook suggests a "Value Trap" where constant dilution is used to fund inefficient working capital.