SEPC Ltd — 10 Sep 2025 Credit Rating Summary

Section	Details
Agency	Infomerics Ratings (IVR)
Rating Change	**Assigned: IVR BBB- / IVR A3** (Previous status was Negative/Withdrawn; indicates stabilization)
Outlook (Current vs Previous)	**Stable** (Current) vs **Negative / Rating Watch with Developing Implications** (Previous)
Key Drivers of Change	1. **Equity Infusion:** ₹350 Cr rights issue (June 2025) + previous ₹200 Cr (July 2024) drastically reduced debt and improved TNW to ₹1,194.76 Cr. 2. **De-leveraging:** Total debt fell from ₹978.27 Cr (2022) to ₹273.57 Cr (FY25); Gearing improved to a comfortable **0.25x**. 3. **Order Book Visibility:** Robust ₹5,169.31 Cr book (8.65x FY25 revenue), driven by massive Saudi (ROSHN) and Uzbekistan contracts. 4. **Promoter Support:** Management control by Mark AB Dubai LLC provides GCC network access and financial backstopping.
Rated Instruments	• **Bank Guarantee:** ₹518.50 Cr (IVR A3) • **Letter of Credit:** ₹204.85 Cr (IVR A3) • **Cash Credit:** ₹69.40 Cr (IVR BBB-/Stable) • **Term Loans:** ₹23.54 Cr (IVR BBB-/Stable)
Key Observations	**Positives:** • Proven 20-year EPC track record in water/metallurgy. • EBITDA margins improved from 4.78% (FY24) to 8.51% (FY25). • Significant reduction in interest costs due to debt conversion (CCDs/NCDs at ~4% avg interest). **Risks:** • **Working Capital:** High collection cycle (269 days) and contract assets (₹1,076 Cr). • **Liquidity Stress:** Recent delays in LC servicing (April-July 2025) due to shortened vendor credit terms (90 days vs 180 days). • **Litigation:** Ongoing ₹125 Cr dispute with Gaja (though management claims indemnification).
Investor Impact	**Growth:** High revenue potential via 8x order book, but execution is hampered by working capital. **Margins:** Volatile due to raw material prices (DI pipes/Steel). **Leverage:** Minimal financial risk; gearing is very low. **Dilution Risk:** High—repeated rights issues (₹49 Cr, ₹49 Cr, ₹200 Cr, ₹350 Cr) have significantly expanded equity base.
Agency / Cross Analysis	**Same Agency (IVR):** Major shift from "Negative/Withdrawn" to "Stable." **Conclusion: Improvement.** The agency took a "deviation" from the standard 365-day curing period for recent LC defaults because the ₹350 Cr cash inflow fundamentally altered the credit profile. The rating transition reflects a "Capital-over-History" approach where new equity has cured structural liquidity issues.
Final Inference	**Balance Sheet turnaround via Equity.** While the massive order book and low gearing are bullish, the stock remains a "working capital play." Recent LC defaults indicate that despite low debt, operational cash flows are still tight. Real equity value depends on converting the ₹5k Cr order book into cash without further dilution.