SEPC Ltd — FY 2023 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	SEPC is a high-risk EPC turnaround story transitioning from a debt-laden legacy entity to a promoter-backed vehicle focused on the MENA region.	□
2	**Consolidated revenue grew 15% YoY to □379 Cr, yet the core business remains operationally unviable with a negative EBITDA of -□56 Cr.**	□
3	**Operating margins are deeply stressed at -15%, reflecting a business model currently unable to cover its execution costs.**	□
4	**Reported PAT of -□5 Cr is artificially buoyed by a □196.35 Cr non-cash exceptional gain from debt restructuring, masking underlying losses.**	□
5	**Total Debt was slashed from □981 Cr to □409 Cr via a Resolution Plan, though an interest coverage ratio of -0.92x indicates debt servicing remains impossible from operations.**	□
6	**Cash flow from operations is a meager □21 Cr, insufficient to fund growth or meaningful debt repayment without external capital.**	□
7	**Negligible capex of □0.14 Cr suggests a "survival-mode" allocation strategy that may compromise long-term technical capacity and competitiveness.**	□
8	**Earnings quality is poor, characterized by aggressive revenue recognition with unbilled contract assets and receivables totaling 3.38x annual revenue.**	□
9	**Governance is a mixed bag (Rating: 3/10); while new promoters infused □350 Cr, the auditor qualified □403 Cr in Deferred Tax Assets (37% of Net Worth).**	□
10	**Severe working capital risk exists with □162.69 Cr in receivables (43% of revenue) outstanding for over 3 years, threatening future liquidity.**	□
11	Outlook hinges on a strategic pivot to Saudi Arabia and an order book of □1,143 Cr (2.9x revenue visibility), provided execution improves.	□
12	Stance: WATCH; monitor for positive EBITDA for two consecutive quarters and the liquidation of legacy unbilled revenue.	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** SEPC operates as an end-to-end EPC (Engineering, Procurement, and Construction) player with core competencies in Water Infrastructure (turnkey treatment and distribution), Process Metallurgy (ferrous and non-ferrous projects), Mining & Minerals (underground mining infrastructure), and Power & Overseas (renewable energy and international contracts).
- **Revenue Drivers:** Revenue is entirely derived from Engineering and Construction Contracts, currently driven by the resumption of execution post-Resolution Plan implementation.

- **Cost Drivers:** The cost structure is heavily weighted toward raw materials, sub-contracting, and erection/ construction expenses. A significant structural shift in FY23 is the reduction in finance costs following debt restructuring.
- **Industry Position:** Transitioning from a "stressed asset" to a "recovery play" following a change in promoter control to Mark AB Capital Investment LLC.
- **Expansion Plans:** Significant strategic pivot toward the MENA (Middle East & North Africa) region through the incorporation of SEPC Arabia Limited in Saudi Arabia to capture high-margin infrastructure spending.
- **Acquisitions & Capacity:** As a service-based EPC, capacity is defined by balance sheet strength. The ₹350 Cr equity infusion and ₹49.90 Cr rights issue have "re-capped" the company to allow for performance bank guarantees (PBGs) required for larger bids.
- **Segment Performance:** Focus is shifting toward underground mining and specialized water projects to move away from "commodity" EPC work where competitive intensity erodes margins.
- **Geographical Presence:** Maintaining a domestic presence while aggressively expanding into Saudi Arabia to leverage the new promoter's regional influence.

2. MANAGEMENT COMMENTARY & OUTLOOK

- The leadership transition is the central theme, with the "Shriram" legacy being replaced by Mark AB Capital Investment LLC (Dubai).
- Strategy is focused on "calculated optimism," prioritizing a seamless transition and the fortification of working capital over aggressive growth.
- Management successfully converted ₹350 Cr of debt into long-dated securities (NCDs/CCDs), pushing out repayment pressures and de-risking the balance sheet.
- The Saudi Arabian market is viewed as a primary growth engine, intended to bypass the competitive intensity and margin pressures of the Indian domestic market.
- Execution momentum is highlighted by the commissioning of 12 stalled or ongoing projects immediately following the Resolution Plan implementation.
- Domestic demand is supported by the National Infrastructure Pipeline (NIP) and Smart Cities Mission, though the company is pivoting toward specialized niches like underground mining.
- The company continues to utilize an asset-light partnership model through Joint Ventures (JVs) to bid for large-scale projects while sharing financial risks.
- Management remains confident in the recoverability of legacy contract assets and the utilization of Deferred Tax Assets (DTA), despite auditor qualifications.
- A liquidity-first strategy is being prioritized to ensure the company moves from a "stressed" state to a self-sustaining entity.
- **Management Tone Verdict: The management tone is pragmatically reconstructive with high execution pressure. Leadership is focused on "fortifying" and "diversifying" rather than "growth at any cost." While transparent about the stressed past, there is perhaps over-optimism regarding the recoverability of legacy assets. The narrative suggests building a bridge to the Middle East to escape domestic pressures, but the "D" credit rating and heavy reliance on promoter loans indicate the company is still in an "intensive care" phase of recovery.**

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (Crores)

Line Item	Mar 2023	Mar 2022
Sales -	379.00	329.00
Sales Growth %	14.99	-43.47
Expenses -	435.00	366.00
Material Cost % -	0.00	1.00
Raw material cost	0.00	0.00
Change in inventory	0.00	2.48
Manufacturing Cost %	86.00	89.00
Employee Cost %	9.00	11.00
Other Cost %	20.00	10.00
Operating Profit	-56.00	-36.00
OPM %	-15.00	-11.00
Other Income -	155.00	-53.00
Exceptional items	134.79	-64.60
Other income normal	20.03	11.13
Interest	67.00	125.00
Depreciation	6.00	6.00
Profit before tax	25.00	-221.00
Tax %	119.00	19.00
Net Profit -	-5.00	-264.00
Profit from Associates	0.00	0.00
Exceptional items AT	105.00	-52.00
Profit excl Excep	-109.00	-212.00
Profit for PE	-109.00	-212.00
Profit for EPS	-5.00	-264.00
Profit Growth %	48.00	-26.00
EPS in Rs	-0.03	-1.88
Dividend Payout %	0.00	0.00

Balance Sheet (Crores)

Line Item	Mar 2023	Mar 2022
Equity Capital	1,322.00	972.00
Reserves	-235.00	-234.00
Borrowings -	409.00	981.00
Long term Borrowings	266.00	154.00
Short term Borrowings	140.00	825.00
Lease Liabilities	4.00	2.00
Preference Capital	0.00	0.00
Other Borrowings	0.00	0.00
Other Liabilities -	506.00	505.00
Non controlling int	2.00	1.00
Trade Payables	380.00	340.00
Advance from Customers	34.00	59.00
Other liability items	90.00	104.00
Total Liabilities	2,002.00	2,223.00
Fixed Assets -	36.00	41.00
Land	2.42	2.42
Building	8.19	7.30
Plant Machinery	52.17	55.78
Equipments	0.12	0.12
Computers	0.94	0.91
Furniture n fittings	0.68	0.68
Vehicles	0.12	0.52
Intangible Assets	0.54	0.54
Other fixed assets	0.43	0.43
Gross Block	65.61	68.70
Accumulated Depreciation	29.37	27.62
CWIP	0.00	0.00
Investments	0.00	1.00
Other Assets -	1,965.00	2,182.00
Inventories	0.00	0.00
Trade receivables -	292.00	372.00
Receivables over 6m	304.00	373.00
Receivables under 6m	78.00	90.00
Prov for Doubtful	-90.00	-91.00
Cash Equivalents	50.00	30.00
Loans n Advances	149.00	134.00

Line Item	Mar 2023	Mar 2022
Other asset items	1,474.00	1,645.00
Total Assets	2,002.00	2,223.00

Cash Flow Statement (Crores)

Line Item	Mar 2023	Mar 2022
Cash from Operating Activity -	21.00	-72.00
Profit from operations	39.00	-14.00
Receivables	83.00	32.00
Inventory	0.00	2.00
Payables	45.00	0.00
Loans Advances	0.00	28.00
Other WC items	-145.00	-101.00
Working capital changes	-17.00	-39.00
Direct taxes	-1.00	-19.00
Cash from Investing Activity -	12.00	1.00
Fixed assets purchased	-0.14	-0.01
Fixed assets sold	2.92	0.04
Investments purchased	0.00	0.00
Investments sold	0.00	0.00
Interest received	3.13	5.79
Investment in group cos	0.00	0.00
Other investing items	6.57	-4.79
Cash from Financing Activity -	-6.00	68.00
Proceeds from shares	350.00	0.00
Proceeds from borrowings	168.00	69.00
Repayment of borrowings	-482.00	0.00
Interest paid fin	-42.00	0.00
Dividends paid	0.00	0.00
Financial liabilities	-1.00	0.00
Other financing items	0.00	0.00
Net Cash Flow	27.00	-3.00
Free Cash Flow	24.00	-72.00
CFO/OP	-40.00	146.00

Key Ratios (₹Crores)

Line Item	Mar 2023	Mar 2022
Debtor Days	281.00	413.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	281.00	413.00
Working Capital Days	621.00	143.00
ROCE %	-3.00	-2.00

3.2 Financial Analysis Summary

- **Revenue** grew by 14.99% YoY to **₹379.00 Cr**, yet **Operating Profit** deteriorated to -**₹56.00 Cr** as **Other Cost %** doubled to 20.00% of **Sales**, largely driven by a **₹49.69 Cr Provision for Contract Assets**.
- The reported **Profit before tax** of **₹25.00 Cr** is fundamentally distorted by a **₹196.35 Cr** non-cash exceptional gain from a Resolution Plan debt restructuring; excluding this, the company would have incurred a loss of **₹171.35 Cr**, highlighting that **PAT** is not supported by core operations.
- **Finance Cost** decreased by 47.79% to **₹67.00 Cr** following the conversion of bank debt into **₹121.35 Cr** of **NCDs** and **₹119.85 Cr** of **CCDs**, which successfully reduced **Total Debt** from **₹981.00 Cr** to **₹409.00 Cr** on the **Balance Sheet**.
- **Working Capital** remains severely stressed with **Debtor Days** at 281 and **Trade Receivables** of **₹292.00 Cr**, of which **₹162.69 Cr** are undisputed and outstanding for over 3 years, directly impacting **CFO** which remains a meager **₹21.00 Cr** despite the massive debt restructuring.
- **Other Assets** of **₹1,965.00 Cr** dominate the **Balance Sheet**, primarily composed of **₹805.99 Cr** in **Contract Assets** (unbilled revenue) and **₹403.24 Cr** in **Deferred Tax Assets**; the latter is qualified by the auditor due to lack of evidence for future taxable profits, representing a 37% risk to **Net Worth**.
- **Contract Assets** include **₹226.51 Cr** of "materials at project site," representing 59.79% of annual **Revenue**, signaling high inventory risk and potential obsolescence, while a **₹58.20 Cr** write-off of these assets further eroded the **Asset** base.
- **Cash from Financing Activity** was -**₹6.00 Cr**, reflecting a massive **₹482.00 Cr Repayment of borrowings** funded by **₹350.00 Cr Proceeds from shares** and restructuring, shifting the capital structure toward **Equity Capital** which rose to **₹1,322.00 Cr**.
- **Trade Payables** increased to **₹380.00 Cr**, with 38.4% (**₹145.90 Cr**) outstanding for over 3 years, indicating that the company is effectively using vendor credit to fund its liquidity gap, which is reflected in the negative **Working Capital changes** of -**₹17.00 Cr** in the **Cash Flow Statement**.
- **ROCE** remains negative at -3.00% and **Interest Coverage** is critical at -0.92, proving that the business is currently unable to service its restructured **Finance Cost** from **Operating Profit**, necessitating the reliance on external capital and debt waivers.
- **Free Cash Flow** turned positive at **₹24.00 Cr** only because **Capex** was virtually non-existent (**₹0.14 Cr**) and the company sold **₹2.92 Cr** of **Fixed Assets**, suggesting a lack of reinvestment in growth despite an order book of **₹1,109.00 Cr**.
- **Other Assets** are dominated by the **₹403.24 Cr DTA** and **₹47.95 Cr** in government dues (GST/VAT); these are "soft assets" that do not generate cash flow. **Advances to Suppliers** at **₹148.51 Cr** (39% of revenue) suggests cash is locked up deep in the supply chain.

- **Other Expenses** are significantly impacted by a ₹**49.69 Cr** provision for contract assets and a ₹**58.20 Cr** write-off of contract assets due to NGT orders and wrongful terminations, reflecting high regulatory and contractual risk.
- **The dominant financial theme of the year is a balance sheet in survival mode, where a successful debt resolution plan and equity infusion have temporarily masked deep operational losses, chronic working capital stagnation, and significant asset quality risks.**

3.3 Contingent Liabilities & Commitments

- **Litigation & Arbitration:** The auditor highlights pending litigations and arbitration proceedings initiated due to wrongful termination of contracts, which pose significant future cash outflow risks.
- **Stalled Projects:** ₹79.27 Cr is tied up in projects with no progress due to statutory delays (₹73.52 Cr in Contract Assets and ₹5.75 Cr in Trade Receivables).
- **Tax Disputes:** While specific tables were not provided, the auditor refers to Note 58 for the impact of pending litigations on the consolidated financial position.
- **Guarantees:** Corporate guarantees are provided by the new promoter, Mark AB Capital, for restructured debt.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — non-cash debt restructuring gain of □196 Cr inflates PBT over CFO.	□	PBT □25 Cr vs CFO □21 Cr; Exceptional gain □196.35 Cr.	Note 42.1: Gain on restructuring masks a □171 Cr underlying loss.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — combined receivables and contract assets at 3.38x sales indicate aggressive recognition.	□	Receivables □474 Cr + Contract Assets □806 Cr vs Sales □379 Cr.	Note 16.1: □162.69 Cr of undisputed receivables are aged >3 years.
3	Revenue timing (unbilled / contract assets)	Revenue ↑ — unbilled contract assets of □806 Cr exceed annual revenue by 212%.	□	Contract Assets □805.99 Cr vs Revenue □378.85 Cr.	Note 2.6: POCM method used; Auditor qualified □73.52 Cr in stalled assets.
4	Revenue from related parties %	Neutral — related party receivables stable at □36 Cr; exposure transferred to SVL.	□	Trade Receivables from Related Parties: □36.36 Cr.	Note 10.2: Loans to LSML (□74.34 Cr) were taken over by SVL Ltd.
5	Inventory vs revenue growth	Profit ↑ — uninstalled materials at site represent 60% of revenue, delaying expense.	□	Materials at site □226.51 Cr vs Revenue □378.85 Cr.	Note 15.1: Massive inventory of uninstalled materials prone to damage/ obsolescence.
6	Inventory valuation method change	Neutral — no change in valuation policy reported; standard cost-based recognition used.	□	Inventory (BS) □0.00 Cr; Materials at site at cost.	Note 2.15: Restructured debt measured at fair value; inventory policy consistent.
7	Exceptional items in operating profit	Profit ↑ — non-cash restructuring gain of □196 Cr masks □171 Cr operating loss.	□	Exceptional items □134.79 Cr (P&L); Gain on restructuring □196.35 Cr.	Note 42.1: One-time gain from fair valuing restructured NCDs and CCDs.
8	Depreciation rate vs useful life policy	Neutral — depreciation consistent at □6 Cr; rates aligned with standard useful life.	□	Depreciation □6 Cr; Gross Block □65.61 Cr.	Note 2.11: Depreciation consistent YoY despite significant debt restructuring.
9	Provision reversals boosting PAT	Profit ↑↓ — net provision charge of □16 Cr reflects high asset quality risk.	□	Reversed □33.21 Cr ECL; added □49.69 Cr new provision.	Note 15.2: Volatile credit environment requiring continuous contract asset provisioning.
10	Tax rate consistency	Profit ↓ — high P&L tax vs □1 Cr cash tax due to DTA.	□	Tax % 119; Cash Tax Paid □1 Cr vs PBT □25 Cr.	Note 43B: Tax expense driven by adjustments to Deferred Tax Assets.
11	CWIP age and stalling projects	Profit ↓ — auditor qualification on □79 Cr stalled projects suggests imminent asset impairment.	□	Stalled project assets: □79.27 Cr (73.52 Contract + 5.75 Trade).	Auditor's Report: Unable to comment on carrying value of stalled projects.
12	Deferred tax asset recognition adequacy	Profit ↑ — □403 Cr DTA recognized without convincing evidence of future taxable profits.	□	DTA □403.24 Cr represents 37% of Total Equity.	Note 43B: Auditor qualified DTA due to lack of evidence for recovery.
13	RPT quantum and trend	Neutral — restructuring removed □74 Cr related party loan exposure from the balance sheet.	□	Loans to LSML reduced from □4.78 Cr to □0.00 Cr.	Note 10.2: SVL Limited took over related party loan obligations.
14			□		

#	Check	Impact	Status	Evidence	Notes Detail
	Dividend paid vs FCF adequacy	Neutral — no dividends paid; cash preserved for debt repayment and working capital.		Dividend Payout 0%; Free Cash Flow □24 Cr.	Cash Flow: Proceeds from shares (□350 Cr) used to repay debt.
15	Auditor Qualifications	Profit ↑ — Auditor unable to ascertain DTA utilization and stalled project carrying values.	□	Qualified Opinion on □403 Cr DTA and □79 Cr stalled assets.	Auditor's Report: Lack of "convincing evidence" for future taxable profits.
16	Supplier Advances	Neutral — High advances to suppliers relative to revenue.	□	Advances to Suppliers: □148.51 Cr (39% of Revenue).	Note 19.1: Cash locked up deep in the supply chain despite liquidity stress.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Qualified Opinion. * **Key Audit Matters (KAMs):** * ***ECL on Contract Assets:*** Auditor expressed concern over the complexity of estimating future cash flows and customer behavior for unbilled revenue. Management uses a provision matrix and historical trends. * ***Recoverability of Deferred Tax Assets (DTA):*** Auditor flagged the lack of "convincing evidence" for future taxable profits to offset □332.90 Cr of tax losses. Management remains confident based on the new Resolution Plan and order book. * ***Stalled Projects:*** □79.27 Cr is tied up in projects with no progress due to statutory delays. Management is in ongoing negotiations for recovery. * ***Emphasis of Matter:*** Auditor highlighted pending litigations and arbitration proceedings regarding wrongful termination of contracts, which pose significant future cash outflow risks. * ***Material Weaknesses:*** The auditor was unable to ascertain the extent to which DTA can be utilized and the carrying value of stalled project assets.

B. Related Party Transactions

Party	Relationship	Nature	Amount (□ Cr)	Concern
Mark AB Capital Investment LLC	New Promoter	Equity Infusion / Proposed Loan	350.00 / 250.00	Extreme dependency; loan is 66% of revenue.
SVL Limited	Erstwhile Promoter	Transfer of Advances/ Receivables	74.34	Settlement of old dues via asset transfer.
Shriram EPC FZE, Sharjah	Subsidiary	Receivables Balance	15.35	Potential recoverability risk.
Amrit Environmental Tech	KMP Controlled	Receivables Balance	19.66	Stagnant balance from old management entity.
Trade Receivables (RPT)	Related Parties	Outstanding Balance	36.36	Stagnant balance.

C. Shareholding * **Promoters:** 31.08% (Mar 2023) vs 29.25% (Mar 2022). * **DIIs:** 40.79% (Held largely by Bankers following debt-to-equity conversion). * **FIIs:** 0.19%. * **Public:** 27.94%.

D. Board Composition + KMP Compensation * **Total Directors:** 6 | **Independent %:** 66.67% | **Women Directors:** 1 (Ms. Gayathri Sundaram). * **KMP Compensation:** MD & CEO N K Suryanarayanan received □0.43 Cr. Former KMPs (T Shivaraman and M Amjat Shariff) saw a 51.67% decrease in pay to □0.29 Cr due to mid-year retirement. * **Analysis:** Aggregate KMP pay is decoupled from EBITDA as the company is in a loss-making phase. No family relations between KMPs or Directors were disclosed.

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Equity Issuance	350.00	0.00	1,666.67%	**Positive (Lifeline)**
Debt Repayment	482.00	0.00	2,295.24%	**Positive (De-leveraging)**
Impairments/Write-offs	107.89	18.31	513.76%	□

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex:** CFO/Capex ratio is 150x, but this is misleading as **Capex** is near zero (**□0.14 Cr**).
  - **Nature of Capex:** Purely maintenance; no growth capex.
  - **Deployment Efficiency: The lack of capex (□0.14 Cr) against a □379.00 Cr revenue base suggests the company is liquidating its asset base to survive.**
  - **Key Takeaways:** Capital allocation is focused entirely on balance sheet repair rather than growth.

H. Risks * ***Asset Quality (High):*** **□403.24 Cr Deferred Tax Asset (DTA)** lacks evidence of future profits; potential 37% erosion of Net Worth if written off. * ***Stalled Projects (High):*** **□79.27 Cr** tied up in projects with no progress; direct hit to liquidity. * ***Collection Risk (High):*** **□162.69 Cr of receivables** are outstanding for >3 years; 43% of revenue is "old" money. * ***Inventory Risk (Medium):*** **□226.51 Cr of materials** sitting at project sites (60% of revenue); risk of theft/damage. * ***Litigation (Medium):*** Pending arbitrations for wrongful contract terminations; unquantified future cash outflows.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	2	→	Order book 2.9x revenue; negative OPM -15%	Stressed EPC model with high execution and regulatory risks.
Financial Health	2	↑	D/E 0.38x; Interest Coverage -0.92x; CFO □21 Cr	Improved leverage via restructuring, but operations cannot service debt.
Earnings Quality	1	→	Exceptional gain □196 Cr; DTA □403 Cr qualified	Profits are accounting-driven; massive unbilled revenue risks.
Management & Governance	3	↑	New promoter infusion □350 Cr; Qualified Audit	New promoter provides a lifeline, but legacy governance issues persist.
Capital Allocation & Earnings Visibility	2	→	Capex □0.14 Cr; Order book □1,109 Cr	Survival-mode allocation; visibility hampered by stalled projects.

BUSINESS POSITIVES (for this company this year) * □**Debt Reduction:** Total Debt reduced from □981 Cr to □409 Cr via a successful Resolution Plan. * □**Equity Infusion:** New promoter (Mark AB Capital) infused □350 Cr, providing a critical liquidity lifeline. * □**Revenue Growth:** Consolidated revenue grew 15% YoY to □379 Cr post-restructuring. * □**Order Book:** Order book of □1,143 Cr provides ~2.9x revenue visibility. * □**Finance Cost Reduction:** Interest expenses dropped 47.8% YoY due to debt-to-equity conversion and waivers.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Operational Losses:** Reported an operating loss of □56 Cr; PBT is only positive due to a □196 Cr non-cash restructuring gain. * □**Asset Quality:** Auditor qualified □403 Cr of Deferred Tax Assets (37% of Net Worth) and □79 Cr in stalled projects. * □**Working Capital Stress:** □162.69 Cr of receivables (43% of revenue) are outstanding for more than 3 years. * □**High Unbilled Revenue:** Contract Assets + Receivables stand at 3.38x annual revenue, indicating aggressive recognition. * □**Lack of Reinvestment:** Capex was a negligible □0.14 Cr, suggesting the company is not investing in future growth.

OVERALL SCORECARD SUMMARY SEPC Ltd is currently a "balance sheet repair" story where financial health has improved superficially through debt restructuring and promoter equity, but operational health remains critical. Earnings quality is poor, with net profits driven by one-time non-cash gains while core operations remain loss-making and unable to generate meaningful cash flow. Governance has stabilized under new promoters, but the heavy reliance on promoter loans and significant auditor qualifications on asset recoverability signal a high-risk trajectory. The business is in a stable but fragile recovery phase, entirely dependent on the successful execution of its MENA expansion and the liquidation of legacy unbilled revenue.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Qualified opinion on DTA and stalled projects.
2	Promoter pledge = 0?	□	No explicit pledge disclosed; 40% held by bankers.
3	KMP pay < 5% of PAT?	□	PAT is negative/distorted; pay is decoupled from performance.
4	RPT quantum < 5% of revenue?	□	Proposed promoter loan (□250 Cr) is 66% of revenue.
5	Board > 50% independent?	□	66.67% Independent (4 out of 6).
6	At least 1 woman director?	□	Ms. Gayathri Sundaram.
7	No statutory dues outstanding?	□	□2.23 Cr statutory dues payable.
8	No fraud reported?	□	No fraud reported in the annual report.
9	Audit trail enabled?	□	Reported as enabled.
10	Frequent Auditor change	□	MSKA & Associates re-appointed for 2nd term.

Final line: "Total: 6/10 □— Governance Rating: 3"

Part C: Investor Verdict

THESIS: SEPC is a high-risk turnaround play transitioning from a debt-laden legacy entity to a promoter-backed EPC vehicle focused on the MENA region. **OVERALL STANCE:** WATCH **RATIONALE:** While the balance sheet has been de-leveraged, the core business remains loss-making with significant auditor qualifications on 37% of its net worth. **RE-EVALUATE WHEN:** Operating Profit (EBITDA) turns positive and stays positive for two consecutive quarters without exceptional items. **BULL CASE:** Successful execution of the Saudi Arabian pivot leads to high-margin revenue growth and recovery of □800 Cr+ in contract assets. **BEAR CASE:** Auditor-mandated write-down of □403 Cr DTA and □79 Cr stalled projects wipes out a significant portion of equity. **KEY MONITORABLE:** Trade Receivables > 3 years: □162.69 Cr → Watch for any further aging or write-offs.

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