Press Release

SEPC Limited

February 13, 2026

Ratings

Instrument/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	85.56	IVR BB+/ Negative (IVR Double B Plus with Negative Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating downgraded and outlook revised	Simple
Long Term Bank Facilities-Proposed	2.65	IVR BB+/ Negative (IVR Double B Plus with Negative Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating downgraded and outlook revised	Simple
Short Term Bank Facilities	723.35	IVR A4+ (IVR A Four Plus)	IVR A3 (IVR A Three)	Rating downgraded	Simple
Short Term Bank Facilities-Proposed	70.94	IVR A4+ (IVR A Four Plus)	IVR A3 (IVR A Three)	Rating downgraded	Simple
Total	**882.50 (Rupees Eight hundred and eighty-two crore and fifty lakh only)**				

Details of Facilities/ Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has downgraded the ratings and revised outlook to negative for the bank facilities of SEPC Limited (SEPC) following lower-than-envisaged performance in 9M FY26 (FY refers to the period April 01 to March 31) on account of delays in execution of international projects and stretched liquidity position. The rating continues to factor in long track record & established presence in the construction sector, experienced management and moderate financial risk profile. The rating strengths are, however, constrained by working capital intensive operations, susceptibility of revenues and profitability to availability of raw material and volatility in input prices, tender-based nature of operations in a highly fragmented & competitive industry and any adverse implication of the ongoing litigation that may have a bearing on the financial risk profile of the company.

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The Negative Outlook reflects the subdued performance of SEPC in 9M FY26 as against envisaged, thereby resulting in increased dependency on external borrowings to fund the working capital requirements.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in revenues and profitability on a sustained basis.
- Sustenance of the capital structure and improvement in debt protection metrics.
- Improvement in working capital cycle resulting in improved liquidity cushion.

Downward Factors

- Decline in revenues and/or profitability impacting cash accruals and liquidity of the company.
- Adverse sharp changes in indebtedness of the company.
- Stretch in working capital cycle impacting liquidity of the company.
- Any non-provisioned claims or liabilities, impacting cash accrual and liquidity of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record & established presence in the construction sector

SEPC has an established presence in the Engineering Procurement Construction (EPC) industry with a proven track record of over two decades. The company is primarily focused on providing turnkey solutions in the water & sewerage and process & metallurgy (P&M) segments, both in India and overseas. In the water segment, SEPC has executed projects like Comprehensive Water Supply Scheme for Tamil Nadu Water Supply Board, projects for Chennai Metro Water Supply & Sewerage Board, Kerala Water Authority, Gujarat Water Supply and Sewerage Board and the Conditional Assessment & Rehabilitation of old trunk sewers for UP Jal Nigam. In the P&M segment, the company has executed several large projects such as a green field cement plant for Sree Jayajothi Cements Ltd in Andhra Pradesh, a new coal chemical plant for Steel Authority of India Ltd in Odissa, the design, sinking & lining of vertical shaft project for Hutti Gold Mines in Karnataka, and a cattle feeds plant for Kerala Feeds Ltd.

Experienced management

Mark AB Dubai LLC (Mark AB), based in the United Arab Emirates (UAE) is the single largest shareholder of the company and is engaged in investments in commercial enterprises and managing them. Promoted by Mr. Abdulla Mohammad Ibrahim Hassan Abdulla, a member of the Royal Family of Al Ain Emirate of the UAE, Mark AB is backed by a qualified and experienced management team and has experience in investing and managing EPC businesses in the Middle East. As per the resolution plan, Mark AB assumed operational and management control of SEPC and infused Rs. 350 crore as equity in FY2X, which was utilised towards debt repayment. Additionally, as of March 31, 2025, it infused Rs. 54.38 crore unsecured loan carrying a nominal interest of 0.01%, repayable through a single bullet payment in FY35. In the period April 2025 to June 2025 the promoters have also supported by arranging short term funds to fund the liquidity. Mark AB is expected to extend financial support to SEPC, in case of exigencies.

Also, Mark AB has access to networks in the GCC countries and to technical qualifications which has enabled SEPC to bid for projects. This is reflecting in SEPC securing order worth Rs.2025 crore in Saudi Arabia and Rs.1823 crore through its Sharjah subsidiary and increase in scale of operations in the Sharjah subsidiary.

Moderate financial risk profile supported by equity infusion and rights issues

The company's financial risk profile improved post the implementation of the resolution plan on September 30, 2022. As part of the plan, the new promoter, Mark AB infused Rs 350 crore in equity which was utilised for debt repayment. Additionally, the lenders converted Rs. 175 crore debt into Compulsorily Convertible Debentures (CCDs, treated as quasi-equity) and Rs 175 crore into Non-Convertible Debentures (NCDs) with stepped-up repayment schedule (repayment of Rs. 0.87 crore annually till 2027). The effective interest rate on NCD and CCD is ~4 p.a.% (with a step-up mechanism having 0.1% p.a. rate in first 2 years) while the remaining term loans have effective interest rate of ~9% p.a. Consequently, the total debt reduced from Rs. 978.27 crore as on March 31, 2022, to Rs. 324.26 crore as on March 31, 2024, and further to Rs. 273.57 crore as on March 31, 2025. The tangible net worth (including CCDs) improved to Rs.800.37 crore as on March 31, 2023, following Mark AB's equity infusion, and further to Rs.934.61 crore as on March 31, 2024, supported by rights issues of Rs. 49.90 crore each in May and December 2023. TNW strengthened further to Rs. 1194.76

crore as on March 31, 2025, on account of Rs. 200 crore rights issue in July 2024 and is expected to increase further in FY26 following the completion of a Rs. 350 crore rights issue, of which Rs.175 crore was raised in the first tranche in July 2025. The total indebtedness of the company remains comfortable with adjusted overall gearing and TOL/ATNW at 0.25x and 0.66x as on March 31, 2025, respectively, against 0.39x and 0.88x as on March 31, 2024, respectively. Debt protection metrics have also improved with interest coverage increasing to 1.14 times in FY25 from 0.60x in FY24. Total debt/ EBITDA also improved to 5.38x in FY25 from 12.10x in FY24.

Key Rating Weaknesses

Lower than expected performance in FY26

The company has reported lower than the envisaged revenues for 9M FY26 due to delayed execution of international projects. As on May 31, 2025, SEPC's order book was Rs.5169.31 crore, 8.65 times the revenues of FY25 of Rs. 597.65 crore. The two international projects accounted for the majority share at 74.44% of the order book. However, these two projects have been delayed due to various reasons. TOI has reduced by ~18% to Rs. 394.08 crore in 9M FY26 as against Rs. 479.85 crore in 9M FY25. Similarly, PAT has reduced by ~10% from Rs. 14.98 crore in 9M FY25 to Rs. 13.48 crore in 9M FY26. The EBITDA and PAT margin stood at 10.24% and 3.42% respectively for 9M FY26 vis a vis 4.49% and 3.12% respectively for 9M FY25. As informed by the management, new projects received by the company amount to Rs. 5400 crore till date. Ability to sustain healthy growth will depend on timely project execution, billing and collection of the receivables across segments and will remain a key monitorable.

Working capital intensive operations

SEPC's operations continue to remain working capital intensive, inherent to the EPC business. Following the implementation of resolution plan with the release of working capital lines and equity infusion by the new promoters and improved execution of legacy projects and better collection of receivables, the company witnessed some improvement in working capital however the same continued to be high. Contract assets remain elevated at Rs.1076 crore as on March 31, 2025 (Rs. 920 crore as on March 31, 2024). The average collection days remained elongated at 269 days in FY25 (267 days in FY24). The average maximum fund based working capital utilisation remained high at 92.41% for the last 12 months period ended

June 2025. The liquidity position was supported by the completion of a Rs. 350.00 crore rights issue in June 2025, of which Rs.175 crore was received by July 14, 2025. These funds were utilised for working capital requirements, debt repayments, and funding of additional margin for non-fund-based limits. Further, there have been some LC devolvements as confirmed by lenders indicating stretched liquidity. As per the objects of the rights issue from the balance, Rs.140 crore, raised in the second tranche in December 2025 was to be utilised towards NCD redemption and interest payment. However, with lenders not availing this offer the company has proposed to change the object of the issue in January and February 2026 and utilize the same for meeting working capital requirements. Resultantly the expected paring of debt has been impacted.

Susceptibility of revenues and profitability to availability of raw material and volatility in input prices

SEPC remains exposed to volatility in the supply and prices of key raw materials like Ductile Iron pipes (DI), steel and cement. The cost of these raw materials has been volatile thereby exposing the company's margins to raw material price risk. SEPC has been able to partially mitigate this risk through the inclusion of cost escalation clauses in its contracts. Further to ensure availability of DI pipes and manage price volatility the company has entered into a fixed price contract with a vendor for the supply for a period of one year.

Tender-based nature of operations in a highly fragmented & competitive industry

SEPC secures majority of its projects through tenders floated by various government departments, exposing it to intense competition in a highly fragmented EPC industry comprising numerous organized and unorganized players. The tender driven model makes the company's revenue and profitability vulnerable to volatility, depending on its success in competitive bidding. Additionally, being part of the infrastructure sector, SEPC faces inherent industry such as slowdown in order inflows, execution delays, delayed payments from government clients, input price fluctuations, and changes in policy environment. However, the company's long standing industry experience of nearly three decades mitigates this risk to some extent.

Any adverse implication of the ongoing litigation may have a bearing on the financial risk profile

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SEPC is involved in an ongoing litigation with Twarit Consultancy Services Pvt Ltd (TCPL) as a co-respondent, with GPE (India) Ltd, GPE JV Ltd, Gaja Trustee Company Pvt Ltd (collectively called Gaja) as petitioners. The dispute dates back to a period prior to the takeover of SEPC by Mark AB. In January 2024, the Supreme Court directed SEPC & TCPL to pay Rs. 125 crore along with 7.25% interest to Gaja by March 2024. Subsequently, SEPC & TCPL filed an interim application seeking modification of the order. The Supreme Court, vide its order dated April 29, 2025, allowed the application and directed SEPC and TCPL to remit Rs.120 crore to the Registrar of the Court within two days, with the balance interest to be deposited within three weeks. TCPL deposited Rs 120 crore on May 1, 2025, and sought additional time for payment of interest. Further, by order dated May 21, 2025, the Supreme Court directed TCPL to remit Rs. 10 crore within two working days and balance Rs. 29.50 crore with accrued interest by before July 31, 2025. TCPL complied with these directions, making deposits on May 23, 2025, and July 31, 2025. SEPC's management has maintained that SEPC is indemnified from litigation and the entire liability rests with TCPL. Accordingly, no financial outflow is expected from SEPC. However, any non-provisioned claim or adverse liability requiring SEPC to make significant payouts would remain a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria for assigning Rating outlook

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Stretched. The company's fund-based limits of Rs 69.40 crore are nearly fully utilized. Working capital intensive operations, have led to devolvement of some LCs as informed by lenders. The company is trying to bridge the cash flow gap by raising additional borrowing. The liquidity is expected to improve upon availability of the Rights issue money for working capital purpose post requisite approvals.

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About the Company

SEPC Limited is an infrastructure development company, originally incorporated in 2000 as Shriram EPC Limited and renamed SEPC Limited in 2021. The company is an end-to-end solutions provider, offering multi-disciplinary engineering and project management services. SEPC is primarily focused on providing turnkey solutions in the water & sewerage and process & metallurgy segments, mine development, power plants, process plants both in India and overseas.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	Audited
Total Operating Income	560.98	597.65
EBITDA	26.79	50.88
PAT	22.67	25.15
Total Debt	324.26	273.57
Tangible Net Worth	934.61	1194.76
EBITDA Margin (%)	4.78	8.51
PAT Margin (%)	3.74	3.89
Overall Gearing Ratio (x)	0.35	0.23
Interest Coverage (x)	0.60	1.14

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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Rating History for last three years:

Sr.	Name of Facilities	Current Ratings (Year 2025-26)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current Rating	Previous Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					September 10, 2025	--	**January 08, 2024**	--
1.	Term Loan	Long Term	16.16	IVR BB+/ Negative	IVR BBB-/ Stable	**March 26, 2025** IVR BBB-/ Negative and Withdrawn **May 08, 2024** IVR BBB-/ Negative	IVR BBB-/ RWDI *	--
2.	Cash Credit	Long Term	69.40	IVR BB+/ Negative	IVR BBB-/ Stable	**March 26, 2025** IVR BBB-/ Negative and Withdrawn **May 08, 2024** IVR BBB-/ Negative	IVR BBB-/ RWDI *	--
3.	Proposed Cash Credit	Long Term	2.65	IVR BB+/ Negative	IVR BBB-/ Stable	--	--	--
4.	Bank Guarantee	Short Term	518.50	IVR A4+	IVR A3	**March 26, 2025** IVR A3 and Withdrawn **May 08, 2024** IVR A3	IVR A3/ RWDI *	--
5.	Letter of Credit	Short Term	204.85	IVR A4+	IVR A3	**March 26, 2025** IVR A3 and Withdrawn **May 08, 2024** IVR A3	IVR A3/ RWDI *	
6.	Proposed BG/ LC	Short Term	70.94	IVR A4+	IVR A3	--	--	--

*Rating watch with developing implications

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Analytical Contacts:

Name: Neha Khan Tel: (022) 62396023 Email: neha.khan@infomerics.com	Name: Jyotsna Gadgil Tel: (020) 69015332 Email: jyotsna.gadgil@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned
Term Loan	--	--	--	March 2027	8.78	IVR BB+/ Negative
Term Loan	--	--	--	March 2027	6.60	IVR BB+/ Negative
Term Loan	--	--	--	March 2029	0.78	IVR BB+/ Negative
Cash Credit	--	--	--	--	69.40	IVR BB+/ Negative
Proposed Cash Credit	--	--	--	--	2.65	IVR BB+/ Negative
Letter of Credit	--	--	--	--	204.85	IVR A4+
Bank Guarantee	--	--	--	--	518.50	IVR A4+
Proposed Bank Guarantee/ Letter of Credit	--	--	--	--	70.94	IVR A4+

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/len_SEPC_feb26_0a7f069f68.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.