

SEPC Limited

Rights Issue Details

SUBSCRIBE

Issue Type	Rights Issue (Partly Paid Equity Shares)
Issue Size	₹350 crores
Issue Price per Share	₹10 (₹5 on application + ₹5 on first/final call)
Face Value	₹10 per share
Premium	Nil
Rights Entitlement Ratio	11 Rights Equity Shares for every 50 Equity Shares held
Record Date	May 23, 2025
Issue Opening Date	June 9, 2025
Issue Closing Date	June 23, 2025
Listing	Proposed to be listed on BSE and NSE

OBJECTS OF THE OFFER

Sr. No.	Particulars	Estimated Amount (₹ in Crores)
1.	Funding for Payment of NCDs including redemption and Interest	140
2.	Repayment / Prepayment of Certain Borrowings	15
3.	Margin for Enhancing Non-Fund Based Bank Limits	15
4.	Augmentation of Existing & Incremental Working Capital	160
5.	General Corporate Purposes	15
	Total Estimated Utilization	**345**

COMPANY OVERVIEW

SEPC Limited, formerly known as Shriram EPC Limited, is a Chennai-headquartered Engineering, Procurement and Construction (EPC) company with a two-decade legacy in infrastructure development. The company has diversified presence across four major verticals:

Segment	Description
Water Infrastructure	EPC work under schemes like Jal Jeevan Mission; includes transport, SCADA
Process & Metallurgy	Steel plants, cement units, deep shaft mining (e.g., HGML)
Industrial EPC	Turnkey infrastructure for biomass, solar, cement, and mining
Oil & Gas EPC	Entry into India (IOCL, HPCL) and GCC (Saudi Arabia, UAE, Oman)

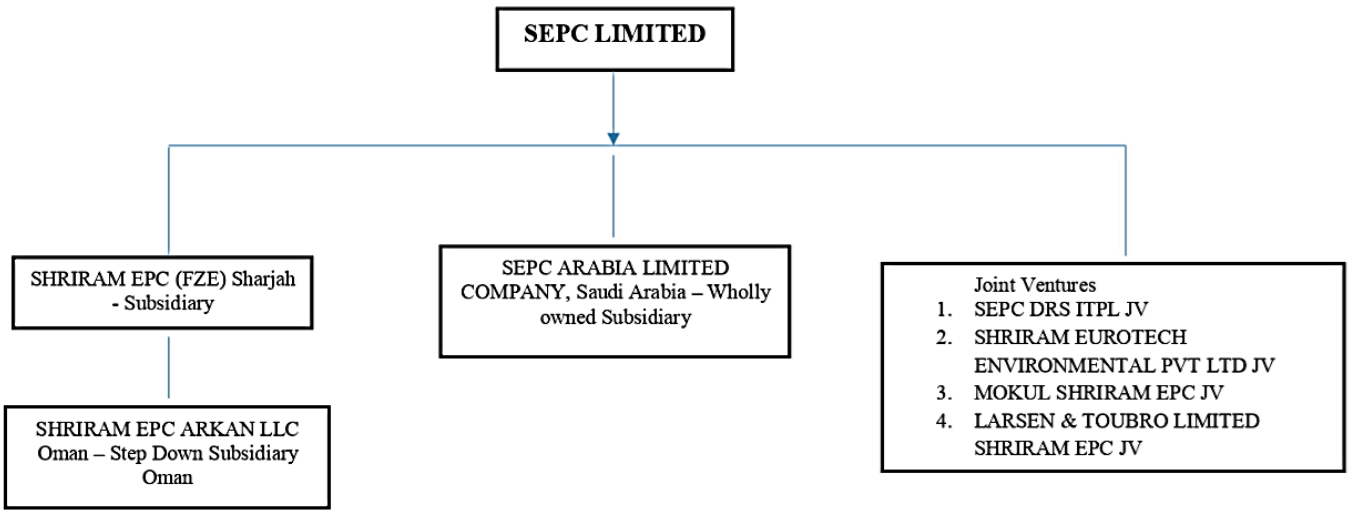
SEPC has undergone a restructuring following the induction of **Mark AB Capital Investment LLC,** a UAE-based investor focused on stressed asset turnarounds.

Since the execution of its debt resolution plan in September 2022, SEPC has implemented financial and operational reforms, reduced debt, and positioned itself to pursue high-margin international projects. The company is evolving from a domestic infra contractor to an emerging mid-cap global EPC player, leveraging its new promoter's experience in managing infrastructure businesses across Russia, Algeria, and the Middle East.

Historically India-focused, SEPC is now actively building an international footprint, particularly in the GCC region. *SEPC Arabia*, a 100% subsidiary, is one of three Indian EPC firms registered for pre-qualification in Saudi Arabia, alongside L&T and Shapoorji Pallonji.

SEPC Arabia has secured a framework agreement with *Roshan*, a Saudi PIF-backed entity, for civil infrastructure works on housing projects in Jeddah, valued at ~₹2,000 crores. The company is also actively pursuing opportunities in the oil & gas EPC sector, targeting partnerships with major entities. The company is also expecting to win some cement order outside India, which could also boost the financials of the company over the long-term horizon.

CORPORATE STRUCTURE



STRENGTHS & STRAREGIES

Project Execution Capabilities

SEPC has demonstrated project execution capabilities across diverse infrastructure verticals, particularly in the Water and Industrial EPC sectors. In FY24 alone, the company successfully delivered seven projects across India. Key completions include:

- The Investigation and Conditional Assessment followed by Rehabilitation of the Old Trunk Sewer in Varanasi, executed using advanced trenchless technology for UP Jal Nigam.
- Comprehensive Design, Supply, Erection and Commissioning contracts for Bokaro and Vizag Steel Plants.
- Turnkey execution involving Structural, Mechanical, Electrical and Instrumentation (SMEI) systems for the Cattle Feed plant of Kerala Feeds Limited.

These project completions demonstrate SEPC's ability to complete multidisciplinary, time-bound EPC projects within strict technical and regulatory frameworks. It reaffirms the company's operational resilience, sectoral versatility, and execution discipline, putting it in a strong position for future growth in both domestic and international markets.

Positioned in High Growth Sectors

SEPC operates at the intersection of India's infrastructure buildout and global resource development, specifically:

- **Water Infrastructure:** beneficiary of the government's long-term capex cycle under *Jal Jeevan Mission*, *AMRUT 2.0*, and *Smart Cities* initiatives
- **Metallurgy and Deep Shaft Mining:** Positioned to benefit from the Government's push for rare mineral extraction.
- **Oil & Gas EPC:** Entry into GCC markets via Roshn, with strategic intent to tap major entities.
- **Compressed Bio-Gas:** MoU signed with global CBG tech provider; poised to participate in a huge CBG EPC pipeline over next 5 years

These segments are capital-intensive, long-cycle, and policy-supported, providing SEPC with revenue visibility over multiple years.

Established Market Position in Mid-Sized EPC Segment

SEPC is a leading mid-tier EPC company in India, having completed over ₹5,000 crores in contracts. Its ability to pre-qualify for GCC mandates, along with only L&T and Shapoorji Pallonji, demonstrates its technical and compliance capabilities. With an order book of approximately ₹1,200 crores and a bid strong pipeline, the company is well-positioned to scale its addressable opportunity without significantly expanding its asset base.

STRENGTHS & STRAREGIES

Skilled Management

SEPC is steered by a seasoned and resilient management team, whose collective expertise has been instrumental in navigating the company through one of the most volatile periods for the EPC industry. The company's leadership is well supported by a diverse and strategically aligned Board of Directors, whose experience spans engineering, infrastructure development, global investments, and corporate governance.

At the helm is Chairman and Promoter, *Mr. Abdulla Mohammad Ibrahim Hassan Abdulla*, a business graduate from Cambridge University, with over a decade of leadership experience in strategic business administration and cross-border investment management. His global orientation and capital allocation discipline have played a key role in SEPC's post-resolution transformation and expansion into international EPC markets.

The operational leadership is driven by *Mr. Nemmara Krishnan Suryanarayanan*, the Managing Director and Chief Executive Officer, who holds a mechanical engineering degree and has received specialized orientation in water cooling tower design and structural mechanics from Marley Cooling Towers, USA. With over a decade of hands-on experience in industrial EPC project execution, his deep technical grounding and domain knowledge are reflected in the company's successful delivery of high-spec projects across steel, process, and water infrastructure segments.

This leadership bench strength enables SEPC to strategically de-risk execution, pursue global bids, and manage working capital-heavy operations while adhering to engineering rigor and compliance standards.

Strong Promoter Support and Commitment

Mark AB Capital's ongoing commitment is highly positive. In addition to initial equity, they have provided ₹53.16 crore in quasi-equity and ₹13 crore in short-term loans to support liquidity. Their stated commitment to meeting any additional funding requirements is a strong vote of confidence, lowering financial risk for investors.

Domestic Strategy to Focus on Core & Emerging Sectors

SEPC continues to consolidate its leadership in the water infrastructure domain, targeting EPC contracts under central and state government programs. It also maintains selective exposure in metallurgical and process industries, where its track record in turnkey steel and cement plant execution offers a competitive edge.

Looking ahead, the company is aligning itself with India's clean energy transition:

- It is actively developing capabilities to bid for CBG plants, a segment expected to attract USD 2 billion+ investments over coming years.
- The company is also evaluating the Hydrogen economy, with ongoing assessments of potential technology partners for future opportunities in hydrogen infrastructure.

This dual-track strategy of pursuing proven segments while entering high-growth adjacencies reflects SEPC's intent to balance execution strength with forward-looking diversification.

STRENGTHS & STRAREGIES

Overseas Strategy to Focus on GCC & Emerging Markets

SEPC's international strategy is based on its experience in Australia, Zambia, Iraq, Tanzania, and Oman, which was achieved through previous joint ventures with Mokul SEPC, L&T-SEPC, and wholly owned subsidiaries. The company has now shifted its international focus to the GCC region. It has established a wholly owned subsidiary in Saudi Arabia to participate in large infrastructure EPC tenders. It has already executed a framework contract worth ₹2,050 crore with Roshn. The major cement plant project in Uzbekistan further solidifies its international presence and demonstrates its capability to execute large-scale overseas projects. The promoter group is also providing market access and qualification for strategic bids. This global push is expected to significantly alter SEPC's revenue mix, with international revenue exceeding the current level and benefiting operating margins considerably.

Focus on Profitability and Return on Capital

SEPC's disciplined approach to bidding only on projects that meet its margin thresholds and aiming for a mid-teen Return on Capital (ROC) demonstrates a strong emphasis on profitable growth. This strategic emphasis on project quality and profitability, rather than just top-line growth, is consistent with long-term value creation for shareholders.

Advanced Technology and Quality Systems

SEPC's commitment to technological advancement and strong quality management systems improves operational efficiency and competitiveness. The use of SCADA metering in projects, the use of SAP for operations, ISO certification compliance, and a strong audit system all demonstrate a modern, process-driven approach to project execution. Continuous improvements in tendering and project management using digital tools help to streamline their operations.

RISKS & CONCERNS

Liquidity Stress & Working Capital Intensity: SEPC's operations are structurally capital-intensive, owing to its primary involvement in government-backed EPC contracts. As of 9MFY25, the gross working capital cycle was ~571 days, with high unbilled revenues and receivables, including retention money of ~234 days. LC repayments were delayed by 3 to 8 days in April and May 2025, necessitating promoter bridge support. Despite promoter infusions and TRA-backed cash management, the continued reliance on external liquidity support is a concern until international projects generate cash advances and faster collections.

Legal Exposure: SEPC and TCPL are respondents in a legacy legal dispute filed by Gaja group entities. The Supreme Court ordered a payment of ₹125 crores plus 7.25% interest. SEPC is contractually indemnified, and TCPL has deposited ₹120 crores with the Registrar. However, any adverse ruling or ambiguity in indemnity enforcement may result in financial outflows for SEPC. CRISIL has identified this as a monitorable; thus, the outcome of this litigation remains a financial risk.

Execution Risk on Large Overseas Projects: The company's future growth is dependent on complex international contracts, particularly in Saudi Arabia. Execution risks in regulatory compliance, logistics, subcontracting, and forex exposure remain high, particularly given SEPC's relatively new GCC operations.

RISKS & CONCERNS

Marginal Sensitivity to Raw Material Prices: SEPC's profitability is affected by fluctuations in the prices of steel, ductile iron, and polymers, which are key materials in water infrastructure EPC. Fixed-price contracts without cost escalation clauses may cause margin erosion during commodity upswings.

Promoter Dependence: Over the last two years, promoter *Mark AB Capital* has played a critical role in the company's operational continuity and funding. Any change in the promoter group's strategic stance or liquidity position could have an impact on SEPC's financial flexibility.

Revenue Recognition and Execution Timing Risk: Given the long-term nature of EPC contracts, particularly in public infrastructure, delays in client approvals, site readiness, or clearances can have an impact on revenue recognition and working capital turnover. SEPC's backlog-to-billing conversion rate remains a critical factor in maintaining topline momentum.

FX and Regulatory Exposure: With a greater emphasis on the GCC region, SEPC is vulnerable to currency fluctuations, contractual enforceability across jurisdictions, and localization mandates. These factors can have an impact on cost structures, tax treatments, and project cash flows.

Contingent Liabilities: SEPC has off-balance-sheet exposure through performance guarantees and LCs. As of December 2024, the company's contingent liabilities stood at ~₹460 crores. In the event of execution delays or cost overruns, these contingent liabilities may materialize, affecting net worth and credit metrics.

Strong Competition: While the mid-size EPC market has shrunk, SEPC continues to compete with L&T, KEC, NCC, and other major players for select infrastructure projects. These companies have stronger balance sheets, diverse client bases, and higher credit ratings, giving them a competitive advantage in price, manpower, and execution capacity.

BRIEF INDUSTRY OVERVIEW

India's Engineering, Procurement, and Construction (EPC) sector remains a critical enabler of the country's infrastructure development agenda, bolstered by sustained public capital expenditure and strategic reform. The industry's annual project awards are estimated to be between ₹9 to 10 lakh crore, with strong growth in water supply, urban sanitation, renewable energy, and transportation infrastructure.

Domestic EPC Market Dynamics

The Government of India's infrastructure push under Bharatmala, Jal Jeevan Mission, AMRUT 2.0, PM Gati Shakti, and Smart Cities has created long-term visibility in core EPC segments. Notably:

- **Water Infrastructure:** Jal Jeevan and urban wastewater programs are expected to cost over ₹3 lakh crore by 2027. The emphasis is on last-mile connectivity, SCADA integration, and urban systems.
- **Process and Industrial EPC:** Propelled by investments in cement, steel, and mining capacity expansion, particularly under the National Steel Policy and Make-in-India frameworks.
- **Clean Energy EPC:** CBG and Green Hydrogen are emerging as fast-growing verticals. The government aims to build 5,000 CBG plants through the SATAT scheme and allocated ₹19,700 crore for the National Green Hydrogen Mission.

BRIEF INDUSTRY OVERVIEW

Global & GCC Infrastructure Opportunity

Internationally, the Gulf Cooperation Council (GCC) markets are experiencing a resurgence in EPC demand, driven by:

- Saudi Vision 2030 and giga projects (Roshn, NEOM, Red Sea)
- The UAE's industrial diversification and clean energy investments
- Infrastructure and desalination drive growth in Oman and Qatar.

With total GCC infrastructure spending expected to exceed USD 1.5 trillion over the next decade, Indian EPC players which offer cost-effective execution, manpower access, and technical prequalification, are well positioned to capture a share of high-margin international contracts.

Trends	*Potential Implication on SEPC*
Shift toward asset-light EPC models	Aligns with SEPC's project management approach
Rising demand for clean tech integration	Supports SEPC's entry into CBG and hydrogen EPC
Preference for proven execution partners	Favors legacy players with 20+ years of track
GCC infra demand outsourcing	Expands SEPC's international order pipeline

OUTLOOK

SEPC Limited appears to be entering a phase of transition, with early signs pointing to a more stable and focused operating model. Following a period of financial restructuring and operational recalibration, the company has repositioned itself in industries where it believes execution experience and domain knowledge can provide a competitive advantage.

Domestically, the company continues to invest in infrastructure verticals that are in line with public investment trends and policy-driven initiatives. It is also looking into opportunities to participate in sectors where both government and private stakeholders are showing an increased interest, such as clean energy and industrial infrastructure. It is unclear how these areas will evolve in terms of order visibility and execution cadence.

On the international front, SEPC is attempting to establish a presence in markets undergoing structural infrastructure development. Initial progress in certain overseas geographies indicates the possibility of incremental growth, though the operating environment in these regions can be complex and subject to changing dynamics.

Management commentary indicates a focus on bid selectivity, improved project discipline, and a cautious approach to capital deployment. While the company has recently experienced some positive momentum, the long-term viability of these gains will most likely be determined by how external factors such as funding availability, regulatory conditions, and customer responsiveness evolve over time.

The company's outlook remains in a state of measured evolution. The company's ability to consolidate recent gains, address operational sensitivities, and manage execution across multiple geographies will be critical determinants of its future path.

Quarterly Profit & Loss Statement

Particulars (₹ in Crores)	Jun-23	Jun-24	Sep-23	Sep-24	Dec-23	Dec-24	Mar-24	Mar-25
Net Sales	143.3	175.8	129.2	171	140.7	133	147.8	117.8
YoY %		22.7%		32.4%		-5.4%		-20.3%
Imput Cost	115.3	133.6	104.9	144.1	127.2	111.8	119.4	83.1
Gross Profit	28	42.3	24.3	26.9	13.5	21.2	28.4	34.7
Gross Margin %	19.50%	24.00%	18.80%	15.70%	9.60%	15.90%	19.20%	29.40%
Employee Cost	7.9	7.6	8.1	8.8	7.5	8	8.7	8.3
Other Expenses	7.3	10.4	7.7	10.5	7.9	9.8	12.9	11.1
Total Expenditure	130.5	151.6	120.7	163.3	142.6	129.6	141	102.5
EBITDA	12.8	24.2	8.5	7.7	-1.9	3.4	6.8	15.3
EBITDA Margin (%)	8.90%	13.80%	6.60%	4.50%	-1.30%	2.60%	4.60%	13.00%
Depreciation	1.3	1.3	1.3	1.3	1.3	1.2	1.3	1.3
Other Income	2.6	2.4	9.6	11	20.1	26.7	13.9	8.3
Interest	9.1	12.6	11.1	10.5	11.4	9.4	12.8	12.3
PBT (Before Exceptional)	4.9	12.7	5.7	6.9	5.5	19.5	6.7	10
Exceptional Items	-	-	-	-	-	-13.9	-	-
Profit Before Taxes	4.9	12.7	5.7	6.9	5.5	5.6	6.7	10
Taxes	-	4.6	-	4.6	-	1.1	-	-
Tax (%)	0%	36%	0%	67%	0%	20%	0%	0%
Profit After Taxes	4.9	8.1	5.7	2.3	5.5	4.4	6.7	10
PAT Margin (%)	3.40%	4.60%	4.40%	1.30%	3.90%	3.30%	4.50%	8.50%

Source: AceEquity

Statement of Profit and Loss

Particulars (₹ in Crores)	*Mar-25*	*Mar-24*	*Mar-23*	*Mar-22*	*Mar-21*
Net Sales	597.7	561.0	378.9	329.5	582.8
Total Expenditure	547.1	534.7	445.2	376.4	660.7
EBITDA	50.6	26.3	-66.3	-46.9	-78.0
EBITDA Margin %	8.5%	4.7%	-17.5%	-14.2%	-13.4%
Other Income	48.4	46.2	20.0	11.1	23.4
Interest	44.8	44.4	60.4	115.7	106.6
Exceptional Items	-13.9		138.2	-63.6	-11.5
PBDT	40.3	28.1	31.5	-215.1	-172.7
Depreciation	5.1	5.3	6.2	5.8	5.6
Profit Before Tax	35.2	22.8	25.3	-220.9	-178.3
Tax	10.3		30.2	42.8	1.2
Profit After Tax	24.8	22.8	-4.9	-263.7	-179.5
PAT Margin %	4.2%	4.1%	-1.3%	-80.0%	-30.8%

Source: AceEquity

Balance Sheet

Description	Mar-25	Mar-24	Mar-23	Mar-22	Mar-21
SOURCES OF FUNDS					
Share Capital	1,563.7	1,409.8	1,321.5	971.5	971.5
Reserves & Surplus	-57.6	-199.6	-235.0	-233.5	32.2
Shareholder's Funds	1,506.0	1,210.3	1,086.5	738.0	1,003.7
Long Term Borrowing	262.6	298.4	266.2	153.7	200.7
Unsecured Loans	262.6	298.4	266.2	153.7	200.7
Other Long Term Liabilities	51.4	85.8	63.6	68.7	92.5
Total Liabilities	**1,827.4**	**1,603.4**	**1,423.7**	**967.2**	**1,303.9**
APPLICATION OF FUNDS					
Net block	24.4	28.6	33.0	38.7	45.1
Long Term Loans & Advances	7.0	7.0	7.0	81.3	109.1
Other Non Current Assets	333.6	298.9	284.7	254.6	294.9
Inventories				-	2.5
Sundry Debtors	368.1	300.0	292.1	372.5	402.1
Cash and Bank	49.3	60.9	50.4	29.7	37.1
Other Current Assets	1,211.4	1,110.0	931.1	1,012.4	1,048.5
Total Current Assets	1,628.7	1,470.9	1,273.5	1,414.6	1,490.2
Short Term Borrowings	93.9	153.7	139.7	824.6	588.4
Trade Payables	411.4	304.2	379.6	339.7	356.7
Other Current Liabilities	53.1	147.4	56.0	85.4	162.0
Total Current Liabilities	559.7	605.9	578.1	1,256.0	1,112.4
Net Current Assets	1,069.0	865.0	695.4	158.6	377.8
Deferred Tax Assets / Liabilities	392.9	403.2	403.2	433.5	476.2
Total Assets	**1,827.4**	**1,603.4**	**1,423.7**	**967.2**	**1,303.9**

Source: AceEquity

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