



Press Release
MEGHA ENGINEERING AND INFRASTRUCTURES LIMITED
January 30, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	3000.00	ACUITE AA Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	3000.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating at '**ACUITE AA**' (read as **ACUITE double A**) on Rs. 3,000.00 Cr. of proposed Non Convertible Debentures (NCD) to be issued by Megha Engineering and Infrastructures Limited (MEIL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned factors in the well established position of the group in the Engineering, Procurement & Construction (EPC) business with a healthy track record of executing complex and sizeable projects. Further, the rating also considers the robust orderbook of ~Rs 2,28,134 Cr. (outstanding as on November 30, 2024) diversified across multiple sectors providing strong revenue visibility along with healthy EBITDA margins over the medium term. The rating is also supported by the moderate financial risk profile despite increase in the debt levels over the medium term supported by steady cash accruals.

These strengths are partially offset by significant capex plans of the group companies over the medium term warranting substantial equity infusions by MEIL. Furthermore, the rating is also constrained due to the highly intensive working capital operation of the group coupled with susceptibility to the inherent competition and cyclicity in the EPC business.

Acuite understands that the proceeds from proposed NCD's are expected to be infused in the form of equity to its subsidiaries and group companies for supporting their capex plans over the medium term.

About the Company

Incorporated in 2006 by P Pitchi Reddy and PV Krishna Reddy, MEIL is a closely held EPC player headquartered in Hyderabad. The company has its EPC operations diversified across various sectors such as irrigation, drinking water, roads, power generation & transmission, roads, manufacturing, hydrocarbons, buildings, electric vehicles, city gas distribution, renewables, railways and other infrastructure sectors. The company also has a manufacturing facility of spiral pipes which is used for captive consumption at their EPC projects.

About the Group

MEIL group is a diversified conglomerate engaged into EPC projects, city gas distribution, manufacturing of onshore and offshore oil drilling rigs, manufacturing of electric vehicles, road projects under hybrid annuity model, power transmission and power generation through coal based thermal plants and solar projects.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated financial statements of MEIL factoring in its subsidiaries and associates in India and overseas, owing to strong business and financial linkages and substantial equity commitments by MEIL to its group companies.

Key Rating Drivers

Strengths

Established market position with healthy execution track record

MEIL is the second-largest EPC player in terms of revenue and the largest EPC player in irrigation and drinking water works in India. The company has been dealing in execution of diverse projects for nearly two decades spread across sectors like irrigation, drinking water, roads, power generation & transmission, hydrocarbons, buildings, railways, airports and others. Nearly 80% of the contracts are related to government and balance through private partners. The projects are spread across nearly 25 countries across the globe and 24 states at domestic level. The group has a historical track record of executing large and complex projects. While majority of the contracts are at domestic level, the company has also expanded its horizon to some international locations such as Tanzania, Jordan, Rwanda, Kuwait and Mongolia.

Robust & diversified orderbook

On a standalone basis, the company had an outstanding orderbook of Rs 2,28,134 Cr. as on November 30, 2024, which translates to 7.15 times of FY24 revenue. The company received an order inflow of Rs 21,592 Cr. till December 2025. While traditionally MEIL was majorly involved into irrigation and drinking water projects (52% of total orderbook), it has now diversified its operations to various other segments like hydrocarbons (11%), power (13%), roads (18%) and others which has opened avenues for revenue growth. Further, the work orders are spread across both domestic (~96.8%) and international levels (~3.2%).

Acuite believes that growth in the orderbook and timely execution of existing order is expected to provide healthy revenue visibility over the medium term.

Healthy growth in the operating performance supported by incomes from diversified streams

At a consolidated level, the company recorded a strong revenue growth from Rs 31,766.45 Cr. in FY23 to Rs 42,442.06 Cr. in FY24. This is majorly attributable to the growth in the EPC business of MEIL (Standalone) which grew from Rs 25,837.68 Cr. in FY23 to Rs 31,904.29 Cr. in FY24. Moreover, on a consolidated basis, the EBITDA margins of the company are seen declining on a y-o-y basis from 15.80% in FY23 to 12.86% in FY24 due to the downtrend in the EPC business with rising raw material prices and stabilisation of some of new segments such as road, drilling, etc. However, going forward the group is expected to generate margins in the 14-15% over the medium term driven by growth in segments such as power transmission business, hydrocarbon, electric bus business.

Acuite believes that improving revenue booking at healthy operating margins shall be a key rating sensitivity.

Moderate financial risk profile supported by healthy cash accruals

The financial risk profile of MEIL group remains moderate supported by a strong network of Rs 24,676.91 Cr. as on March 31, 2024 which is expected to increase to ~Rs 27,000 Cr. as on March 31, 2025. The increase in debt in FY24 is on account of capex spends in the newer segments due to which the gearing ratio increased to 0.42 times in FY24 as against 0.25 times in FY23. Also, the Debt/EBITDA increased to 1.56 times in FY24 as against 1.02 times in FY23. Further, considering the group's capex plans over the medium term, while the debt profile shall be elevated it is expected to remain comfortable with gearing of 0.7-0.9 times and Debt/EBITDA of 2.0-3.0 times. This shall be supported by strong cash generating ability of the group in the range of ~Rs 4,300 -4,400 Cr. on an annual basis.

Weaknesses

Significant capex commitments warranting equity infusions by MEIL

The group has an overall capex plan of Rs 15,000 - 17,000 Cr. for next couple of years spread majorly across the road projects, solar projects and the transmission assets. This capex spend shall be supported through a mix of equity contributions by MEIL (in the range of Rs 8,000 -9000 Cr), debt tie ups and internal cash accruals. Further, the group is also exploring of monetising its road projects which will provide them with additional liquidity. MEIL's investments in its subsidiaries and group companies is ~ Rs 5,423.96 Cr. as on March 31, 2024 which forms nearly ~22 % of the consolidated network.

While MEIL has had a healthy track record of executing irrigation and drinking water projects, however, these newer segments do not form part of its core capabilities. Hence, adequate fund availability, cost overruns, timely completion of capex and materialisation of the same shall be a key monitorable.

Working Capital Intensive Operations

The group has high working capital requirements driven primarily by the EPC business. The GCA days stood high at 251 days as on March 31, 2024 as against 248 days as on March 31, 2023. This is due to elevated other current assets which includes advances to customers/ sub-contractors, retention money, unbilled revenue and unencumbered cash balances. The debtors primarily include the project receivables which are government dues expected to be settled over the medium term. The payment to creditors is linked to the receipt of revenues from debtors. Therefore, the creditors days remained high at 119 days in FY24, reduced from 130 days in FY23. Going ahead, the management's intention to focus on collection and judicious bidding for new projects with lower working capital intensity should keep the overall working capital requirements under control. With this, GCAs are expected to decline gradually over the medium term.

Susceptibility to intense competition and cyclicalities in the construction industry

MEIL is exposed to cyclicalities inherent in the EPC industry and volatility in profitability amid intense competition in the EPC segment. With the increasing focus of the central government on the infrastructure sector, MEIL is expected to reap benefits over the medium term. However, most of its projects are tender-based and face intense competition, which may require it to bid aggressively to get contracts. Also, given the cyclicalities inherent in the EPC industry, the ability to maintain profitability margin through operating efficiency becomes critical.

ESG Factors Relevant for Rating

The infrastructure development industry has a significant social impact since it is a labour intensive business. Further, community support and development, employee safety and human rights are material factors from the social perspective. Governance issues that assume relevance include board and management compensation, shareholders rights and board diversity. The extent of direct or indirect emissions and the efficiency of deployment of vehicle fleets and heavy machinery has a considerable impact in the environmental performance of this industry. Since material costs are relatively high, strategies should be in place to reduce wastages and recycle raw materials to the extent possible to minimise the environmental impact.

MEIL's follows 'Zero accident policy' and Live Injury-Free Everyday Framework to ensure a safe working environment for all employees and stakeholders. The company has been awarded with 'safe manhours' Certificates from its clients and authorities. On the governance front, MEIL's board comprises mix of experienced and knowledgeable members which includes six executive directors, two non-executive non-independent directors and two independent directors. Also, the company has constituted various forums such as audit committee, nomination & remuneration committee, corporate social responsibility committee and investment committee to handle specific activities and ensure speedy resolution of diverse matters. Further, the group has a continued focus on creating a green and clean future for upcoming generations which is exhibited through its projects in the renewable energy domain, sewerage treatment plants, green gas cooking, hydrogen production with zero carbon emission, waste water management, etc.

Rating Sensitivities

- Strong order execution leading to revenue growth at healthy operating margins
- Higher than anticipated capex commitments leading to increased equity infusions and weakening of financial risk profile
- Further elongation of working capital cycle leading to stretch in the GCA days
- Significant decline in the maintenance of unencumbered cash balances affecting the liquidity of the group

All Covenants

Currently not available, since these are proposed NCD limits

Liquidity Position

Strong

The liquidity profile of the group remains strong driven by NCA of Rs 4,118.25 Cr. as against repayment obligation of Rs 425.97 Cr. Further, going forward the group expects to generate cash accruals of Rs 4,300-4,400 Cr. as against repayment obligations of Rs 1,100-1,300 Cr. Further, the group maintained unencumbered cash surplus of Rs 2,339.10 Cr. as on March 31, 2024, expected to be in this range in the medium term. Further, company has parked nearly Rs 5,628 Cr. as margin for non fund based limits as on March 31, 2024.

On a standalone basis, the liquidity is also supported by fund based limits of Rs 328 crore which was utilized in the range of 84% for 7 months ending Oct 31, 2024. Further, the non fund based limits were nearly fully utilized for the same period. The company is in the process of enhancing its non fund based limits by Rs 4,000 crore owing to the growing scale of operations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	42442.06	31766.45
PAT	Rs. Cr.	2936.95	2796.65
PAT Margin	(%)	6.92	8.80
Total Debt/Tangible Net Worth	Times	0.42	0.25
PBDIT/Interest	Times	5.17	7.09

Status of non-cooperation with previous CRA (if applicable)

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3000.00	Simple	ACUITE AA Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No	Name of the entity
1	MEIL Holdings Limited
2	MEIL Pura Limited
3	Meghavaram Power Private Limited
4	TP Power Holdings Private Limited
5	MEIL Sai Rama Oil & Gas Private Limited
6	MEIL (Bhubaneswar) Bulk Water Project Private Limited
7	MEIL Media Limited
8	MEIL Foundation
9	Westem U.P. Power Transmission Co. Limited
10	MEIL International FZE
11	MEIL Aplus Engineering Private Limited
12	MEIL Advanced Technologies Private Limited
13	MEIL Investments (India) Limited
14	MEIL GLOBAL HOLDINGS B. V.
15	MEIL EV Trans Limited
16	MEIL Chengala Roadways Private Limited
17	MEIL Neeleshwaram Roadways Private Limited
18	MEIL Renigunta Roadways Private Limited
19	MEIL Vijayawada Bypass Roadways Private Limited
20	Jetpur Industrial Pipeline Project Private Limited
21	MEIL Balsua-Hiranagar Expressway Private Limited
22	Megha City Gas Distribution Private Limited
23	Khandukhal Rampura Transmission Limited
24	MEIL Amas Shivrapur Roadways Private Limited
25	MEIL Ananthapur Roadways Private Limited
26	MEIL Anpara Power Private Limited
27	MEIL Appa Junction Manneguda Roadways Private Limited
28	MEIL Energy Private Limited (MEPL)
29	MEIL Gadwal Julekal Roadways Private Limited
30	MEIL Ghoman To Tanda Roadways Private Limited
31	MEIL Hydrogena Private Limited
32	MEIL International LLC
33	MEIL Julekal Roadways Private Limited
34	MEIL Kalyanpur Roadways Private Limited
35	MEIL Kolhapur Roadways Private Limited MEIL Pharma Private Limited
36	MEIL Pileru Kalur Roadways Private Limited
37	MEIL Ramnagar Four Lane Roadways Private Limited
38	MEIL Siwan Mashraikh Roadways Private Limited
39	MEIL Tejjanagar Balwara Roadways Private Limited
40	MEIL Chillakuru Turpu Kanupur Roadways Private Limited
41	MP Power Transmission Package-I Limited
42	MEIL BV Pkg 5 Roadways Private Limited

43	MEIL BV Pkg 11 Roadways Private Limited
44	MEL BV Pkg 12 Roadways Private Limited
45	MEIL BV Pkg 14 Roadways Private Limited
46	MEIL BV Pkg 6 Roadways Private Limited
47	MEIL Oorugonda Roadways Private Limited
48	MEIL Pangidipalle Roadways Private Limited
49	MEIL Narayanmpet Roadways Private Limited
50	MEIL Puttapaka Roadways Private Limited
51	MEIL Mallapalle Roadways Private Limited
52	MEIL Jakkampudi Roadways Private Limited
53	MEIL Hanamkonda Roadways Private Limited
54	MEIL Remidicherla Roadways Private Limited
55	MEIL-ICC Jigaon Private Limited
56	Tirwa Transmission Limited
57	Jewar Transmission Limited
58	MEIL NGBI Link Package 1 Private Limited
59	MEIL NGBI Link Package 2 Private Limited
60	MEIL NGBI Link Package 3 Private Limited
61	JCE Engineering & Mgmt Services Limited
62	KU Dhauladhar Hydro Power Private Limited
63	KU Power Projects Limited
64	EVEY Trans Private Limited
65	Mcleod Hydro Power Ventures Private Limited
66	Bhadra Productions Limited
67	Bhadra Entertainments Limited
68	Olectra Greentech Limited
69	KU Hydro Power Private Limited
70	Himachal Consortium Power Projects Private Limbed
71	ICOMM Tele Limited
72	ICOMM Energy Limited
73	Vasitva Ispat Limited
74	ICOMM Limited
75	ICOMM Electronics Limited
76	ICOMM International Nigeria Limited
77	SEPC Power Private Limited
78	MEIL Infrastructures DMCC
79	Petreven S.P.A
80	Drillmec S.P.A
81	MEIL INC
82	OHA Commute Private Limited
83	Evey Trans (IDR) Private Limited
84	Evey Trans (KTC) Private Limited
85	Evey Trans (SMC) Private Limited
86	Evey Trans (MPS) Private Limited
87	Evey Trans (NSK) Private Limited
88	Evey Trans (UKS) Private Limited
89	Evey Trans (JAB) Private Limited
90	Evey Trans (SIL) Private Limited
91	Evey Trans (UJJ) Private Limited
92	Evey Trans (NGP) Private Limited
93	Evey Trans (THA) Private Limited
94	Evey Trans (TEL) Private Limited

95	Evey Trans (MHS) Private Limited
96	Evey Trans (BLR) Private Limited
97	EVEY Trans (MSR) Private Limited
98	EVEY Trans (MUM) Private Limited
99	EVEY Trans (MAH) Private Limited
100	EVEY Trans (PDY) Private Limited
101	Evey Trans (GTC) Private Limited
102	Lanco Anpara Power Limited
103	MEIL-ICOM-TONBO Tech Private Limited
104	Petreven S.A
105	Perforazioni Trevi Energie B V.
106	Petreven do Brasil Servicos Petroleo LimitedA
107	Petreven Peru S.A
108	Petreven Chile SPA
109	Petreven Servicios Y Perforaciones Petroleras C.A
110	Idrogena SRL
111	BLU Vector SRL
112	Drillmec International Private Limited
113	Drillmec INC
114	Drillmec Argentina S.A
115	Drillmec Mexico S. De R.L. De C.V.
116	SSISPL-OGI-BYD Consortium
117	ICOMM-Nilkamal JV
118	Megha Fibre glass industries Limited
119	Rachana Televisions Private Limited
120	MEIL Pharma Private Limited
121	Megha Engineering and Infrastructures Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Shagun Jajoo Associate Vice President-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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