Press Release
MEGHA ENGINEERING AND INFRASTRUCTURES LIMITED
January 29, 2026
Rating Reaffirmed

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuité has reaffirmed its long-term rating of '**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

The rating reaffirmation factors in the well-established position of the company 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 2,56,830.73 Cr. (outstanding as on October 31, 2025) diversified across multiple sectors providing strong revenue visibility along with healthy EBITDA margins over the medium term. The rating is also supported by the healthy 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 company coupled with susceptibility to the inherent competition and cyclicality in the EPC Business.
Further, Acuite takes note of the transfer of promoter's holding wherein P. V. Krishna Reddy, who holds around 51 percent of the equity in MEIL, has entered into an agreement to acquire the remaining 49 percent stake held by P. P. Reddy. The total consideration for this transaction is ~Rs 13,500 Cr. The acquisition will be executed through a holding company owned by P. V. Krishna Reddy. While the management has articulated that this transaction shall not have any direct impact on MEIL's credit profile, however, any debt raised or cash outflows by MEIL or its group companies to finance this acquisition either directly or indirectly shall be key rating monitorable.

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.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of MEIL , while factoring the equity commitment and cashflow support to its subsidiaries and associates in India and overseas, and 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 percent of the contracts are related to government and balance to private partners. The projects are spreads across nearly 24 countries across the globe and 24 states at domestic level. The company 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 Mongaoia.

Robust & diversified orderbook

On a standalone basis, the company has an outstanding orderbook of Rs 2,56,830.73 Cr. as on Oct 31,2025 which translates to 6.14 times of FY25 revenue. It has diversified its operations in various segments like irrigation (32.02 percent), roads (20.92 percent), power(13.49 percent), hydrocarbon (11.50 percent), drinking water (11.13 percent) and others (10.96 percent) which has opened avenues for revenue growth. Further it has a geographically diversified orderbook spreads across both domestic (95.93 percent) and international (~4.07 percent). Acuite believes that growth in the orderbook and timely execution of existing order is expected to provide healthy revenue visibility over the medium term.

Stable growth in the operating performance

MEIL's revenue visibility remains robust with Rs 32,579.68 Cr. in FY2025, compared with Rs 31,904.29 Cr. in FY2024, registering a growth of 2.12 percent. The irrigation and water segment contributed around 36.95 percent of the total revenue in FY2025, underscoring the company's continued focus on its core, margin-accretive segment. MEIL's operating performance improved significantly in FY2025, with operating margins increasing to 12.24 percent from 10.37 percent in FY2024. Net profitability also remained healthy at 8.23 percent in FY2025 despite a sharp increase in finance costs. Till September 2026, it has recorded revenue of Rs 16,807 Cr. Acuite believes that improving revenue booking at healthy operating margins shall be a key rating sensitivity.

Healthy financial risk profile supported by strong cash accruals

The financial risk profile of MEIL remains healthy supported by strong networth, low gearing and comfortable debt protection metrics. The tangible networth of the company has increased to Rs 26,494.88 Cr. as on March 31,2025 as compared to Rs 23,834.98 Cr. as on March 31,2024 mainly on account of accretion of profits to the reserve. Gearing of the company stood comfortable at 0.12 times as on March 31,2025 as compared to 0.16 times as on March 31, 2024. TOL/TNW increased but remain comfortable at 1.12 times as on March 31,2025 as compared to 1.05 times as on March 31,2025. The comfortable debt protection metrics of the company is marked by interest coverage ratio which stood at 6.20 times and debt service coverage ratio (DSCR) at 4.98 times as on March 31, 2025.

Weaknesses

Significant group's capex commitments warranting equity infusions by MEIL

The group has an overall capex plan in the range of Rs 50,000 Cr. to Rs 53,000 Cr. for next couple of years majorly across the road projects, solar projects , irrigations and the transmission assets. This capex spend shall be supported through a mix of equity contributions by MEIL in the range of Rs 3,000 Cr to Rs 3,500 Cr. annually, debt tie ups and internal cash accruals. MEIL' s investments and loans &advances in its subsidiaries and group companies is ~ Rs 16,828.22 Cr. as on March 31, 2025 which forms nearly ~64 percent of the MEIL's net worth. It 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. Moreover, the group is also exploring of monetising its road projects which will provide them with additional liquidity. Hence, adequate fund availability, cost overruns, timely completion of capex and materialisation of the same shall be a key monitorable.

Working capital intensive operations

MEIL has high working capital requirements driven primarily by the EPC business. The gross current assets (GCA) days stood high at 350 days as on March 31,2025 as compared to 326 days as on March 31,2024. This is primarily due to high current assets which includes unbilled revenues, advances to suppliers & sub-contractors, government grant receivables and loans and advances given to related parties. The debtors days improved to 76 days as on March 31,2025 as compared to 87 days as on March 31,2024. The debtors primarily include the project receivables which are government dues expected to be settled over the medium term. Acuité believes that the working capital operations of the company will remain at similar levels over the medium term based on the nature of business.

Susceptibility to intense competition and cyclicality in the construction industry

MEIL is exposed to cyclicality 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 cyclicality 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. Th 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 group's capex commitments leading to increased equity infusions by MEIL
- Significant increase in MEIL's debt levels thereby leading to weakening of financial risk profile
- Further elongation of working capital cycle leading to stretch in the GCA days

All Covenants
Currently not available, since these are proposed NCD limits

Liquidity Position
Strong
The liquidity profile of the company remains strong driven by net cash accruals of Rs 3,219.05 Cr. in FY25 against the repayment of debt obligations of Rs 6.85 Cr. Going forward, the company expects to generate cash accruals of Rs 3,700 to 4,200 Cr. as against repayment obligations of Rs 150 Cr. to 160 Cr. The current ratio stood moderate at 1.17 times as on March 31,2025 on account of prolonged payments to suppliers. The company has maintained healthy unencumbered cash surplus of Rs 707.57 Cr. as on March 31,2025. The liquidity is also supported by fund based limits of Rs 341.00 Cr. with the average utilisation of 88 percent for the period of 8 months ended with Nov-25. The non-fund-based limits were nearly fully utilised (98 percent) for the same period. However, MEIL has enhanced its non-fund-based limits by Rs 2,000 Cr. and fund-based limits by Rs 300 Cr. The entire non-fund-based limit has been tied up, while for the fund-based limit, Rs 7.5 Cr. has been tied up with the existing consortium, and the balance Rs 292.5 Cr. is expected to be tied up. The additional sanctioned limits are expected to be disbursed by the end of January 2026 providing the additional buffer to the liquidity of the company.

Outlook-Stable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	32579.68	31904.29
PAT	Rs. Cr.	2682.70	2600.09
PAT Margin	(%)	8.23	8.15
Total Debt/Tangible Net Worth	Times	0.12	0.16
PBDIT/Interest	Times	6.20	9.53

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

Not applicable

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Infrastructure Sector: https://www.acuite.in/view-rating-criteria-51.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.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. Acuite'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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jan 2025	Proposed Non Convertible Debentures	Long Term	3000.00	ACUITE AA | Stable (Assigned)

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 | Reaffirmed

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About Acuité Ratings & Research
Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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